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IRC Limited

HONG KONG STOCK CODE: 1029

Annual Report 2014

ABOUT US

We are a vertically integrated producer of industrial commodities, operating in the Russian Far East and North-Eastern China. We are characterised by our low cost growth profile.

WHY IRC

IRC is unique in the iron ore market due to its combination of competitive advantages, namely superior geology and direct access using established world-class infrastructure to China, the world's largest iron ore market.

2014 AND BEYOND

In 2015, we will quadruple production capacity at some of the lowest industry costs, with the potential to nearly double production again. In a challenging environment, we are well placed, with a low-risk profile.

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EXECUTIVE CHAIRMAN & CHIEF EXECUTIVE OFFICER REVIEW

IMMINENT REWARDS EXPECTED FROM A QUADRUPLING OF PRODUCTION CAPACITY

Dear Shareholders and Stakeholders,

IRC Faces Challenges Of Commissioning New Project In Volatile Markets

Whilst it is over four years since we listed on the Hong Kong Stock Exchange, and around 8 years since we commenced works at K&S, there is much anticipation for first production. Some of the world's largest and most experienced fund managers in the natural resources space, along with many local and international private investors bought shares in IRC. We also have benefitted from the considerable support of the world's largest bank, ICBC, providing us a project finance loan which is further supported by SinoSure, the Chinese export credit agency. K&S has a number of potential customers eagerly awaiting offtake of our high grade premium product. This audience has been awaiting patiently for first production and we were delighted to recently celebrate the start of the commissioning process. Furthermore K&S will soon start trial production. In the coming months, K&S will complete the commissioning process and start full-scale commercial production. It has taken a Herculean effort from our workforce, contractors and stakeholders to get this far, and we are delighted that K&S will soon be operational and establish its place as the one of the lowest cost international producers of high quality iron ore, uniquely located on the Chinese border. We thank you for your patience and look forward to sharing the benefits that will accrue, at this, the most exciting time in IRC's evolution.

The global macro situation has generated considerable challenges for planning and logistics. The collapse of the iron ore price from US$135/t to below US$60/t has distracted focus at K&S and resulted in critical strategic analysis for the future of Kuranakh. Fortunately for IRC's operations the impact of rouble weakness is a significant positive for reducing our costs. The net effect of these two variables to cashflow projections has been to strengthen IRC's position versus some of our fellow iron ore producers. However the volatility in these two key determinants for both our short and long term planning has sadly had a negative impact for IRC's share price.

Sino-Russian Champion and Supplier of Choice

With a foot in both Russia and China, IRC enjoys an enviable position on one of the world's most promising trade borders. Sino-Russian trade has become a topic of increasing interest lately and IRC is perfectly-positioned to capitalise on this. It has always been our stated mission to be a Sino-Russian champion and with the arrival of K&S we are truly delivering on this objective. We were happy to report in 2014 that we sold our Amur River Bridge project to a Russian infrastructure fund and more recently to see that the Chinese side of the border now has most of the bridge piers in place and construction of the bridge deck. Although Russia and China share a border that is over 3,000 kilometres long, the two most significant trade crossings are located at the two extremes. The new link proposed by IRC across the Amur River literally bridges this, and shortens the distance for supplying iron ore from K&S to customers in Heilongjiang from over a 1,000 kilometres to just under 250 kilometres. Not only does the bridge provide a shorter and lower cost route to customers in China helping us and them to lower transportation costs, it will also deliver working capital benefits because deliveries can be undertaken more frequently, resulting in shorter payment times for IRC and lower inventory costs for our customers. K&S is already recognised for its high quality products and short delivery times and the bridge will serve to improve this further, reinforcing our position as a supplier of choice and our mission as a Sino-Russian champion.

A Deepening Relationship with China

Today it is estimated that China accounts for almost two thirds of the global trade in seaborne iron ore. As China's importance increases, we have deliberately steered our business to be more China focussed to benefit from this. With a listing and headquarters in Hong Kong, we believe that we are the leading Chinese domiciled iron ore producer. We also believe that we have some good Chinese strategic partners. General Nice, one of the largest Chinese private steel raw material traders has invested US$170 million and we hope that soon Minmetals, China's largest SOE metals and minerals companies respectively will complement this. Both investors are already represented on our Board, are involved in our operations and plan to share offtake and marketing arrangements for the K&S mine. This level of real day-to-day involvement provides us with tremendous benefits and a superior insight into the Chinese domestic iron ore market which we believe is unmatched by any other non-Chinese producer. Together with our ICBC loan, this level of involvement and Chinese commitment is strong and demonstrates IRC's position as a real leader in benefiting from opportunities to cooperate with the best Chinese companies for the long-term.

Superior Business Model Set to Deliver Value

The iron market witnessed dramatic change during 2014. The price of iron ore halved from US$135 per tonne for the benchmark 62% product for delivery to China at the start of the year to US$71 per tonne at the end of the year. For the year as a whole, the price averaged US$97 per tonne, some 29% lower than the average US$136 per tonne in 2013.

The fall in price is attributed to an Australian led supply surge despite continued growth in steel demand. The injudicious growth in Australian producer supply is premised on their need to increase scale to expand and preserve margins. In turn, the boost in supplies has forced many smaller and higher cost producers, notably in China, out of the market. This displacement cycle will continue into 2015 as we see high-cost international suppliers that lost margins in 2014 eventually close operations, in addition to the cancelling of many new projects.

At IRC, the change in the supply dynamics has resulted in decisive and conservative actions. The smaller Kuranakh Mine, was quick to respond to the falling prices, and is a rare example of a junior mine that is able to produce at marginally above break-even today. Cost savings and revisions to the mining plan have resulted in a 30% cost saving, whilst Rouble depreciation has provided a further 25% saving to costs. This is a positive outcome that temporarily secures the future of Kuranakh.

With volatility and construction nearing completion we are making conservative statements for the future of K&S. As a larger operation with the benefits of scale and a location much closer to China, K&S remains capable of generating good margins despite the current low price environment. It is in the hard times like today when operations like K&S prove their mettle, and we are rewarded for being one of a handful of international producers that can prosper in such times. Admittedly, the margins that we will enjoy are lower than the market anticipated when iron ore enjoyed a better price, though we are reminded that we operate in a cyclical business, and consequently, our Board of Directors has recommended a substantial impairment to the carrying value of the operations. Following conversations with our contractors, we are also lowering our production target of K&S for 2015 to 1.0 to 1.2 million tonnes but are still confident of our ability to reach full capacity during the fourth quarter. As a result of this delay we are expecting significant liquidated damages from the contractor and are already engaging in constructive negotiations. **We believe K&S can produce high quality iron ore, delivered to the Chinese border for under US$50 per tonne, placing it firmly in the lower-quartile on the global cost curve, and with significant volumes, generating a good return for IRC shareholders.**

An Established Reputation and Trust

During 2014 we continued to win local and international awards for our corporate governance standards and efforts to communicate with shareholders. As we start to generate significant returns from K&S, we hope that shareholders, old and new, will take comfort and trust in our commitments to the highest standards and a track-record.

The goals that we set for 2014 on the whole were delivered. We delivered on production targets and despite some small setbacks outside of our control, we are all delighted to forecast that K&S will be running at full production capacity later this year.

As we turn our attention to 2015, we have a clear set of goals that will help us deliver on our strategy, namely:

1. Complete the commissioning at K&S
2. Meet a production target of 1.0 to 1.2 million tonnes of iron ore from K&S
3. Progress our broader expansion and exploration projects and when market conditions are appropriate, proceed with financing and construction

Thank you

2014 was without any doubt the most challenging year yet for IRC as we battled against market headwinds and worked tirelessly to complete the new K&S operation so that we can secure our place on the leader board of iron ore producers. These challenges have not abated but I think IRC is well positioned for consolidating our future. We would like to thank and congratulate our IRC team and our contractors for their tremendous energy and hard work. Also, we wish to thank you, our shareholders, for your ongoing support in IRC and look forward to sharing the rewards of a stronger and profitable IRC with you soon.

George Jay Hambro
Executive Chairman

Yury Makarov
Chief Executive Officer

CFO & INTERIM CFO'S STATEMENT

Dear Shareholders and Stakeholders,

2014 was a year full of challenges. In China, the GDP growth has slowed to 7.4%, the lowest level in 24 years. We also saw a significant slowdown in credit markets, and consequently a tighter funding environment. This had a negative impact on the wider economy, and for us in particular, due to the lower investments in the real estate and infrastructure sectors, which adversely affected iron ore and ilmenite demand. With the backdrop of a slower economy and weaker demand for commodities, iron ore and ilmenite prices fell 47% and 32% respectively. Unfortunately the down trend in iron ore price has continued into 2015, with the spot price dropping approximately 20% more by mid-March 2015.

On a brighter note, we have made significant progress on the development of K&S and we anticipate reporting more positive results as a result of this world class and low-cost operation in next year's annual results.

Profit & Loss Account

For the year, the Group reported revenue of US$122.4 million, a 23.9% decrease compared to 2013. This is due to a significant decrease in the iron ore price in the second half of 2014, despite us achieving higher sales volumes of both iron ore and ilmenite by 2% and 17% respectively. Unit cash costs at the Kuranakh Mine increased slightly to US$69.5 per tonne. This increase is mainly due to the smaller ilmenite by-product credit contribution resulting from the price decrease. Rail freight costs for iron ore fell by approximately US$5.9 per tonne to US$30.7 per tonne in 2014. Consequently, Kuranakh reported a segmental EBITDA loss before impairment of US$18.0 million. In light of this issue, we have already responded by implementing the most serious cost optimisation programme ever at Kuranakh following the strategic mine review in the second half of 2014, combined with the positive impact arising from the depreciation of Rouble, which will be seen in 2015.

We continue to work hard to reduce costs across the Group. This is reflected in a significant reduction in our general administrative costs of US$2.3 million to US$16.8 million. As part of a wider cost-cutting measures implemented by the Group, the Board has decided to implement a severe salary reduction programme. This includes the Board fees, the majority of the Executive Committee members and Senior Management reducing remuneration levels by 15%. It is expected that the overall cost-cutting measures in 2015 will generate significant savings.

In 2014, a total impairment charge of US$260.8 million was recorded primarily due to weaker iron ore and ilmenite prices. During the first half of 2014, we announced a full non-cash impairment provision had been made for the Kuranakh Mine. However, due to further negative movements in the iron ore market in the second half of 2014 and the first quarter of 2015, a partial non-cash impairment provision for the K&S Mine of US$197.3 million has been provided. It is important to note that these are non-cash charges for the current financial year. We consider it is appropriate to act in a prudent manner to drive our business on a long-term basis, especially taking into account the iron ore spot price which recently hit a 6-year low.

Whilst the negative movement in the iron ore price has caused an impairment and affected cash flows, the decline in the Rouble has had a positive effect. Towards the end of the year, the Rouble depreciated significantly resulting in a non-cash net-exchange loss of approximately US$13.4 million, due to the mark-to-market effect of monetary assets held in Roubles, primarily VAT refunds from Russian State budget. However the lower Rouble levels have also helped to reduce local costs at Kuranakh and are enhancing K&S's position as a low-cost mine.

Cash Flow, Capital Structure & Shareholdings

At the end of December 2014, we held approximately US$75 million of cash and bank deposits, including pledged deposits with ICBC. Net of receiving the additional US$40 million new share subscription from General Nice, cash and bank deposits reduced from US$98.4 million at end of 2013. This movement was mainly due to the continuous deployment of capital to support K&S construction as well as an operating loss at the Kuranakh project, and the general administrative costs of the Group. During the year, we continued to drawdown on the US$340 million ICBC facility as we complete K&S Mine. Although the loan was suspended for a short period at the year end as the availability period expired, ICBC has extended the availability period for another 6 months and we thank ICBC and in particularly our project team there for their support. We recommenced drawing down from the ICBC facility in March 2015. At the end of 2014, we had approximately US$52 million of undrawn credit available under the facility.

To date, our strategic partner and second largest shareholder, General Nice has invested approximately US$170 million at HK$0.94 per share. This represents more than 80% of their total subscription obligation under the strategic investment agreement entered into in 2013. Although full-completion of the investment from General Nice and Minmetals has been delayed, General Nice has agreed to commence paying interest on the outstanding investment amount of US$38 million from December 2014 onwards. We are currently in discussion with both General Nice and Minmetals to find an amicable, practical and mutually constructive solution to the situation and we will keep the market informed as soon as practicable. Both Minmetals and General Nice have confirmed to the Board of IRC that they wish to invest further in IRC.

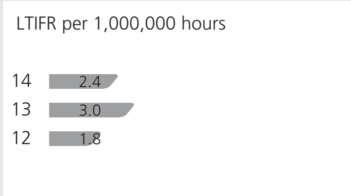
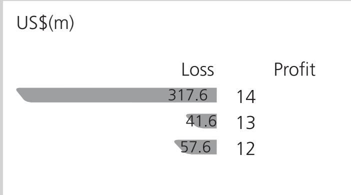
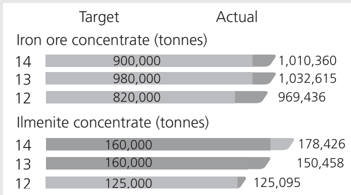
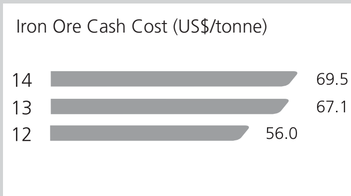
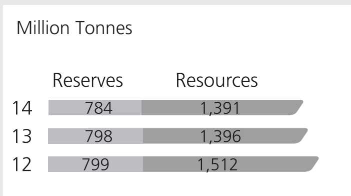
2015 & Beyond

As a company that has largely been in a development phase since listing more than 4 years ago, the financials of IRC have primarily reflected the smaller operations of our Kuranakh Mine, while we continued to focus our efforts delivering our new K&S Mine, and the larger rewards that this will generate for our shareholders. As K&S comes on stream, our financial outlook changes, with the hope of returns anticipated on the horizon. Although our financial position remains sound, we nonetheless need to be prepared for any potential unfavourable market conditions ahead of us. We will continue to exercise caution managing our expenditure and any future investment decision, while we look forward to the commencement of operations at K&S in the very near-future.

Danila Kotlyarov
Interim CFO

Raymond Woo
CFO (Outgoing)

KEY PERFORMANCE INDICATORS

KPI	Context	2014 Development	2014 Performance
Safety	Our vision is a culture of zero harm. We are committed to the safety of our employees by adhering to the strictest safety policies and standards.	Extensive health, safety and basic first-aid training for all operational employees and contractors continued. ISO 14001:2004 certification renewed.	**Safety** 
Profitability	The company has one smaller operating mine and is currently developing a large-scale new mine, therefore profitability is a focus for the longer-term.	Cost cutting measures across the Group and a weaker Rouble resulted in efficiency improvements, but these were offset by high Russian inflation. Significant impairment made at Kuranakh and K&S due to low iron ore price.	**Profitability** 
Production	We are targeting production growth by developing and expanding our portfolio of mines in a conservative manner whilst extracting value throughout the production chain.	A good operational performance at Kuranakh resulted in both iron ore and ilmenite production exceeding targets once again.	**Production** 
Efficiency	Productivity measures are a fairer indication of efficiency than pure production growth. We rate our growth against capital and operating costs, and inputs and waste such as energy, water and emissions.	Cash costs increased 4% to US$69.5 per tonne, largely due to Russian inflation pushing 8%. Costs saving initiatives provided some improvements, notably at corporate offices.	**Efficiency** 
Exploration & Development	Our exploration programmes aim to add value through the discovery of new resources and increase and confirm confidence in mineable reserves.	At Garinskoye the re-engineered feasibility studies were completed and optimisation is ongoing, supporting the opportunity for a low CapEx DSO-style operation.	**Exploration** 
HSE & Community	HSE is measured by adhering to legislation and best practices in the communities and environment where we operate. Our success is also reflected in the certification and awards that we receive.	HSE efforts increased, and continue to support the business and its wider objectives. Our efforts were rewarded during 2014 with an improved performance and a renewed ISO 14001:2004 certification.	Extensive HSE statistics are published in the HSE section.

KEY PERFORMANCE INDICATORS (CONTINUED...)

	2013 Comparison	Future Opportunities
Sadly two independent contractor fatalities occurred in 2014. Whilst internally Group LTIFR per 1,000,000 hours decreased to 2.4. At an operational level decrease in lost time injuries was recorded at Kuranakh and K&S.	No fatalities occurred in 2013. The Group Total Recordable Injury Frequency Rate per 1,000,000 hours worked was 3.0 for 2013.	IRC will continue to set high safety standards and a target of zero harm across its operations. As operations ramp up at K&S, education programmes for employees and contractors will expand.
Due to the iron ore price decline, Kuranakh reported a negative segmental EBITDA before impairment of US$18.0 million. The Group as a whole reported a net loss of US$317.6 million (including non-cash impairment of US$260.8 million), in-line with guidance and analyst forecasts on a pre-impairment basis.	Kuranakh reported a segmental EBITDA before impairment of US$22.8 million in 2013. The Group reported a net loss of US$41.6 million in 2013.	As the large-scale low-cost K&S operation commences production in 2015 cash flows will be boosted significantly. The Kuranakh Mine is under a strategic review.
In 2014 Kuranakh production was 1,010,360 tonnes, 12% ahead of the 900,000 tonnes target. Ilmenite production increased 19% to 178,426 tonnes compared to a target of 160,000 tonnes.	In 2013, Kuranakh produced 1,032,615 tonnes of iron ore concentrate compared to a target of 820,000 tonnes and 150,458 tonnes of ilmenite concentrate compared to a target of 160,000 tonnes.	First commercial production is anticipated from K&S in second half 2015, boosting group production in 2015.
The average cash cost per tonne of iron ore increased to US$69.5 per tonne, primarily due to lower prices for ilmenite by-product credits.	In 2013, the average cash cost per tonne of iron ore was US$67.1 per tonne.	When K&S commences production, its lower operating costs will reduce total average group production costs. Construction of the Amur River Bridge could further reduce rail transport costs by up to US$5 per tonne to China.
Group resources marginally decreased to 1,391 million tonnes as at the 2014 year end. Group reserves totalled 784 million tonnes a marginal decrease from 798 million tonnes at the end of 2013 due to mining at Kuranakh.	Group resources decreased to 1,396 million tonnes at the end of 2013. Group reserves totalled 798 million tonnes a marginal decrease due to mining at Kuranakh.	The Garinskoye feasibility and third party verifications will be published. Exploration will continue across other properties, notably brownfield iron ore sites and greenfield ilmenite sites, in addition to the constant review of external opportunities.
Across the majority of health, safety and environmental parameters that we monitor a reduction in all metrics relative to production was recorded for the second consecutive year. Furthermore the IS14001:20014 certification was renewed across all operations.	The ISO 14001:2004 certification was extended from the Kuranakh Mine to K&S and Garinskoye along with new community and bio-diversity programmes.	The Group will continue to strive to reduce energy consumption and emissions, water usage and waste. ISO certification will be maintained.

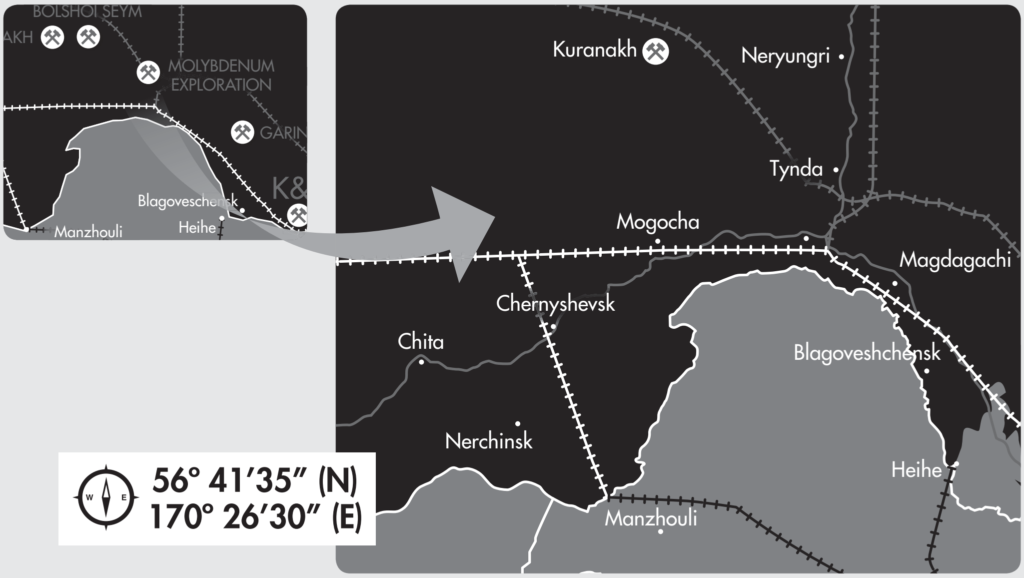
Kuranakh

Kuranakh, 100% owned by IRC, is the Group's first mining operation and is the first vertically integrated titano-magnetite operation in Russia, designed, built and managed by IRC. In 2014 the mine celebrated its fourth anniversary and for the fourth consecutive year beat its iron ore production targets.

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 1,293 people are employed at Kuranakh.

Overview

The Kuranakh Mine is located in the Amur Region of the Russian Far East, located near the town of Olekma, a principal stop on the BAM Railway providing direct rail access to customers in the north-east of China and to the Russian Pacific ports. Although enjoying good access to infrastructure, the operation is located in a remote part of the Russian Far East. Consequently as the largest regional company, the operation has brought a much-welcomed boost to the local economy. This includes employment and fiscal contributions, in addition to wide ranging community and regional stakeholder engagement and biodiversity conservation programmes.



Link to eMap

The operation covers 85km^2 and comprises the Kuranakh and Saikta open-pit mines, an on-site Crushing and Screening Plant and the nearby Olekma Processing Plant.

The operation produces an iron ore concentrate with a 62.5% Fe quality content and an ilmenite concentrate with a 48% TiO_2 quality content, one of the best available on the international market.

The concentrates are directly loaded onto railcar wagons for transportation via the BAM and Trans Siberian Railways to customers in Russia and China and internationally via the Russian Pacific sea ports.

Safety

IRC is currently the only iron ore company in the Russian Far East that complies with the ISO 140001: 2014 certification, a qualification which was achieved in 2012 and renewed in early 2014.

Loading facilities at Kuranakh with ilmenite bags awaiting shipment

The Kuranakh Mine reported an improvement in the LTIFR per 1,000,000 hours worked in 2014 to 3.44 from 3.90 in 2013. The improved performance is a result of enhanced safety training programmes and increased effort across the operation.

2014 Production Statistics

Mining operations consist of two open-pits; the Kuranakh Pit and the Saikta Pit. During 2014 a total 4.6 million m^3 of overburden was removed, and 3.5 million tonnes of ore was removed.

The on-site Crushing and Screening Plant processed 1.9 million tonnes of pre-concentrate.

Consequently, production of iron ore concentrate, with a 62.5% Fe content was 1,010,360 tonnes, 12% above the annual target of 900,000 tonnes. Production of by-product ilmenite concentrate with a 48% grade hit a new record at 178,426 tonnes, 12% above the annual target of 160,000 tonnes.

At the end of the year, ore stockpiles totalled 455,755 tonnes, equivalent to 44 days processing capacity.

Kuranakh Mine Strategic Review

Over 2014 the price of iron ore fell 47% from US$135 per tonne at the start of the year to US$71 per tonne at the end. Furthermore, our ASP of ilmenite fell 32% from US$223 to US$151 per tonne over the same period.

The sharp and deep fall in both iron ore and ilmenite prices had a severe impact on revenue. In the first half of 2014, recognising the likelihood of weaker short-term prices, a strategic review was initiated to assess the economic viability of the operation going forward.

Across the operation severe cost-cutting was implemented from mining, processing to logistics functions and including all ancillary services, in some instances using external consultants. Some opportunities to further optimise working practices, notably short-term revisions to the mining plan were found and these have resulted in a significant reduction in mining costs for 2015. Discussions with local and national authorities were initiated with regard to fiscal and rail charges and management remain hopeful that some savings can be found here. Help also came from the weaker Rouble, which depreciated by more than 40% to the US Dollar over 2014, and has weakened further into 2015. It is estimated that this has resulted in an approximate US$30 per tonne saving based on a USD:RUB exchange rate of 60.

With Kuranakh now producing marginally above break-even, even at current low commodity prices, management is comfortable that operations should continue for the time being. Nevertheless, stakeholders are once again advised that a temporary closure of the Kuranakh Mine is a real possibility unless the market prices for iron ore or ilmenite improve or further cost savings can be achieved.

Processing Facilities at Kuranakh

Financial Performance

Despite a total increase in iron ore and ilmenite production, due to the weaker iron ore and ilmenite prices in 2014, Kuranakh generated revenues of US$118 million, compared to US$152 million in 2013.

Despite operational efficiencies and a weaker domestic currency, higher inflation resulted in additional cost pressure. Unit cash costs averaged US$69.5 per tonne compared to US$67.1 per tonne in 2013. The table below summarises the key cash cost components of iron ore concentrate on a per ton basis:

	2013 US$/t	**2014** **US$/t**
Mining	37.5	**29.6**
Processing	18.4	**17.1**
Transportation to Plant	7.0	**8.3**
Production Overheads, Site Administration and Related Costs	22.4	**26.4**
Contribution from sales of ilmenite* and others	(18.2)	**(11.9)**
Total	67.1	**69.5**

* *net of tariff and other railway charges for ilmenite*

The challenges of cost cutting are directly opposed to inflationary pressures and this shows in our costs, nevertheless, the level of cost cutting seen at Kuranakh in 2014 has been exemplary.

Total costs increased marginally due to a substantial decreased TiO_2 credit. Mining costs decreased due to gains made in the second half following the strategic review. The increase in production overheads is a result of cost reclassification between transport costs and internal railway costs. Finally it should be noted that 2014 costs were not affected by Rouble depreciation due to which only occurred at the end of the year.

For the year, Kuranakh reported a negative segmental EBITDA before impairment of US$18.0 million, compared to a positive segmental EBITDA before impairment of US$22.8 million in 2013, due to lower iron ore and ilmenite prices.

2015 Targets

The future of the Kuranakh operation, its employees and stakeholders remains subject to the strategic review. IRC is committed to operating an economically viable and sustainable operation at Kuranakh, however, this depends on metals prices improving and further cost savings being found. As things currently stand, operations can be economically sustained, so IRC aims to achieve target production in line with capacity of 900,000 tonnes of iron ore concentrate and 160,000 tonnes of ilmenite concentrate for 2015. However, these targets should be measured against the uncertainty of slowing or ceasing operations in the current economic environment.

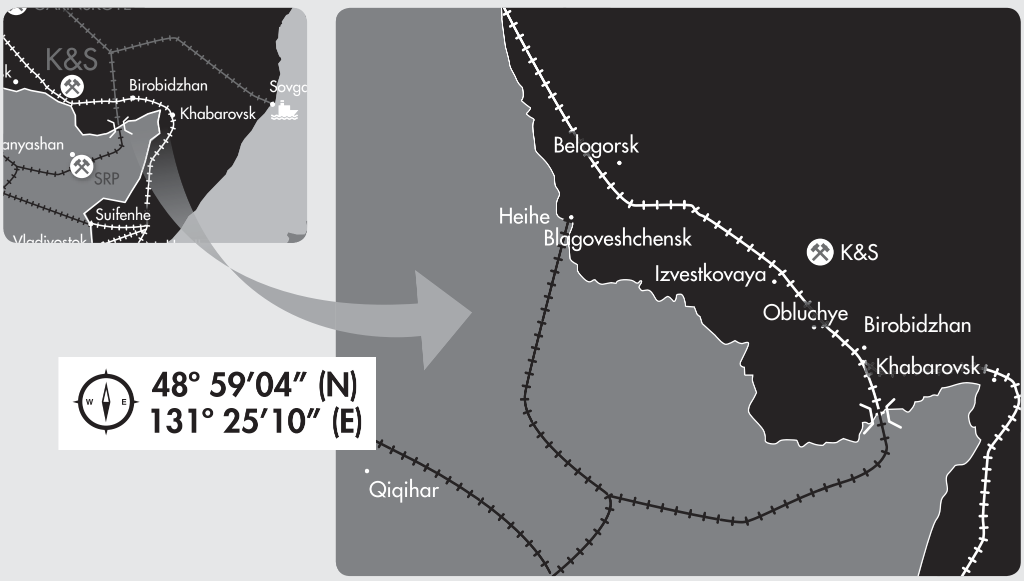
K&S

K&S, 100% owned by IRC is the second full-scale mining and processing operation that the Group has developed. Designed and managed by IRC, this world-class operation will commence Phase I production in 2015 targeting 3.2 million tonnes production. Large in scale with an efficient design it is expected that K&S will stand out on a global scale because it will complete construction to budget, be closer to the Chinese border than any other high-quality producer, and demonstrate cash costs in the lower half of the global cost curve. A Phase II opportunity exists to nearly double production to 6.1 million tonnes per annum.

The K&S Mine is the largest industrial operation in the region, and at an estimated completion cost of approximately US$500 million it has provided a much needed boost to the local economy through new employment opportunities, fiscal contributions and its pro-active stakeholder and biodiversity conservation programmes. At full production, this contribution will continue through direct employment for approximately 1,500 people, with a further 400 people employed indirectly.

Overview

The K&S Mine, 100% owned by IRC, is located in the Obluchenskoye District of the Jewish Autonomous Region (EAO) in the Russian Far East. The operation is 4 kilometres west of the town of Izvestkovaya, approximately 130 kilometres west by federal highway from the regional capital Birobidzhan, and 300 kilometres west of Khabarovsk, the principal city of the Russian Far East. The total site covers over 50 square kilometres, and is well located, benefiting from direct access to rail, road, power, water and a well-educated workforce.



Link to eMap

Targeting commercial production in the second half of 2015, K&S will produce an estimated 1.0 to 1.2 million tonnes in 2015, and an annual 3.2 million tonnes thereafter. K&S produces solely iron ore concentrate, unlike the smaller Kuranakh Mine which also produces ilmenite. At K&S, the iron ore concentrate produced is a superior 65% Fe grade with no material impurities. This means that it is highly attractive to Chinese steel mill customers, especially those in nearby in the North East of China where it is hard to source quality concentrates.

Safety

The K&S Mine reported an excellent safety performance for 2014. The LTIFR rate per 1,000,000 hours worked improved to 0.81 compared to 1.00 in 2013.

In 2013, the ISO 140001: 2014 certification was extended to include K&S, which was renewed in 2014. K&S is the only mining operation in the EAO that has achieved this accolade. As the operation turns from construction to commercial production, new safety programmes have been designed and are being implemented across all aspects of the operation.

Mining

The K&S orebody is formed of the twin deposits, the smaller Kimkan Deposit (the "K") and larger Sutara Deposit (the "S"). Combined they hold resources of 758.4 million tonnes with a grade of 32.0% Fe and proven and probable reserves of 543.0 million tonnes with a grade of 32.7% Fe. The Kimkan deposit comprises two key ore zones — Central and West. Open pit mining commenced at the Central, and an ore stockpile totaling 4.7 million tonnes is prepared, ready for processing. At Phase I full production, it is anticipated the two zones will be mined in a sequential manner, producing on average 10 million RoM tonnes per annum.

In 2014 mine development made good progress and during the third quarter, mining activities were slowed due to the ore stockpile being ready. This was in part due to the appointment of a mining contractor which helped accelerate stripping and mining rates. At the end of 2014 a total of 15.4 million m^3 of material has been removed and total ore stockpiles totalled 4.7 million tonnes.

The Phase II production envisages bringing the Sutara Pit into production, producing an additional 10 million RoM tonnes per annum.

Processing

The Processing Plant is well situated between the two deposits and benefits from a concentrate loading facility on a purpose built railway which connects to the Trans Siberian Railway. Construction began in 2010 and the commissioning process is now underway.

The plant design for Phase I is to process 10 million RoM tonnes to produce 3.2 million tonnes of iron ore concentrate with a superior 65% Fe grade. With the addition of ore feed from the Sutara Pit, a Phase 2 expansion is planned for the Processing Plant, doubling the throughput capacity to 20 million RoM tonnes, to produce 6.4 million tonnes of iron ore concentrate with a 65% Fe grade. Additionally, there are further expansion opportunities to treat pre-concentrates from the nearby Kostenga Deposit and longer-term, possibly Garinskoye.

The Phase I Processing Plant is being constructed by CNEEC and funded through a project finance facility provided by ICBC. At the end of 2014 the plant construction was complete and the process to commission largest equipment, had commenced. The fine-crushed ore storage, the thickening units, and the beneficiation plant will follow in the early part of the second quarter of 2015, and the concentrate storage and loading units, which are already largely complete will commission in the middle of the second quarter 2015. The updated analysis of the plant suggest that it will be completed under budget net of contractor penalties for delayed completion.

The processing plant has been constructed with the possible Phase II opportunity in mind. With a simple expansion and upgrades to equipment, the existing plant could readily manage the additional feed to almost double production.

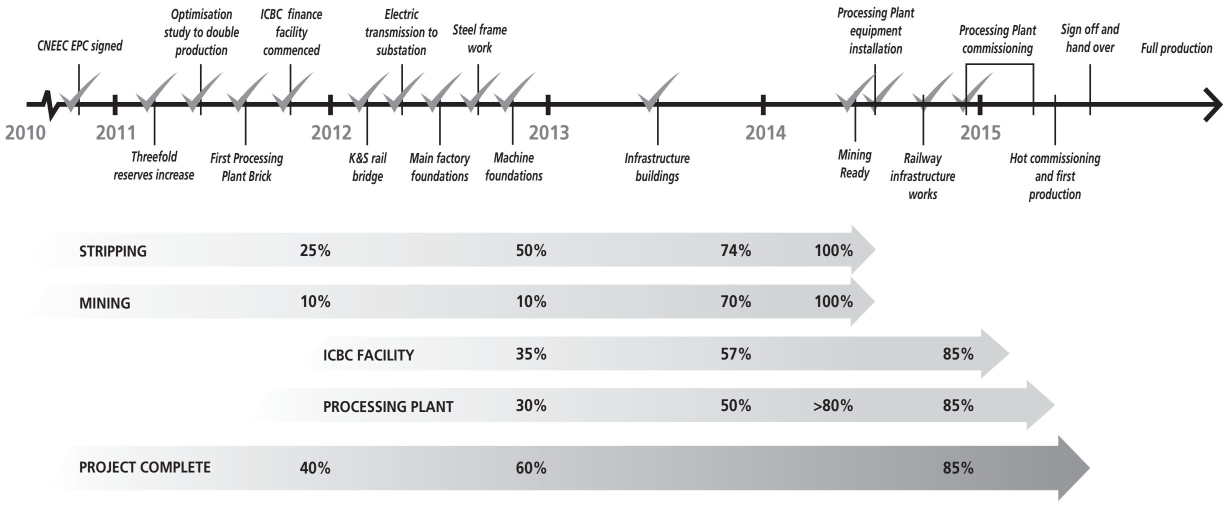
Open-Pit mining operations at K&S

Infrastructure and Logistics

K&S is superbly situated close to an ample workforce with the experience necessary to build and operate a large-scale mining and processing operation. The Trans-Siberian Railway passes within a kilometre of the operation, direct access to which was completed via an IRC constructed bridge which spurs directly into the Processing Plant. The railway provides a stable and efficient route to market for K&S concentrate, and conversely, a means to deliver equipment and consumables to the site. Furthermore, the recently upgraded principal east-west federal highway passes close to the mine site.

In addition to transport access, K&S also enjoys excellent power and water availability. The on-site electrical transmission sub-station is connected to the federal grid and on-site boreholes provide adequate fresh-water needs for full production.

K&S Construction Schedule



Production & Operating Cost Targets

It is expected that operations will commence during the second quarter of 2015 with a rapid ramp-up to full capacity. The production target for 2015 is 1.0 to 1.2 million tonnes of iron concentrate with a 65% grade, increasing to 3.2 million tonnes per annum in 2016. The estimated cash cost per tonne of iron ore concentrate delivered to the Chinese border has been reduced following efficiency and financial savings and is now estimated beneath US$50 per tonne. There are two ways this could be further lowered. Firstly, following completion of the Amur River trade-bridge, costs have the potential to fall up to US$5 due to lower rail transport costs as the distance to China will fall four-fold to 240 kilometres. Secondly, if iron ore prices remained depressed the geology at K&S allows for a reduction in the stripping ratio which would significantly reduce mining costs.

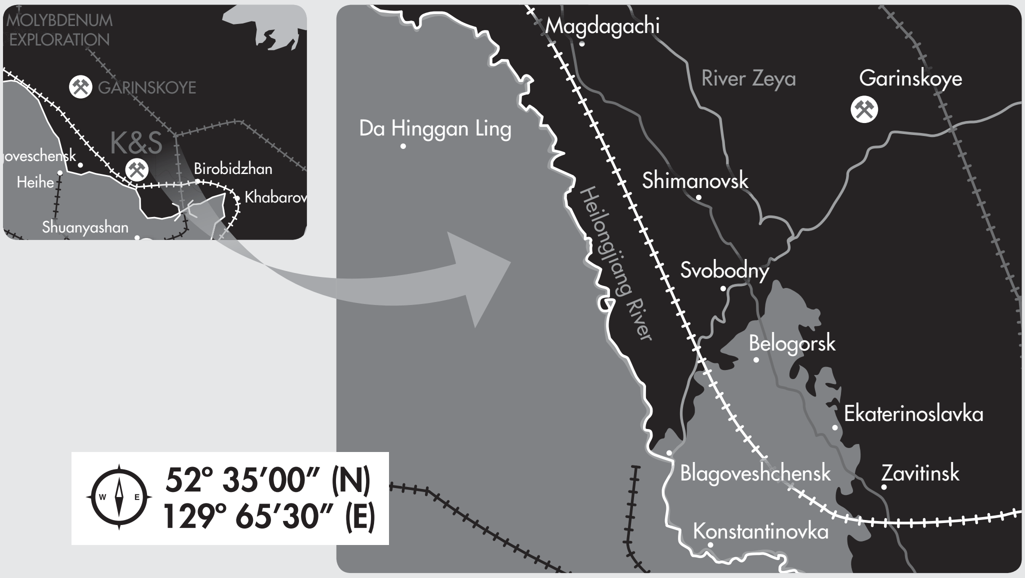
Rail Infrastructure Provides
Rapid Route to Chinese Markets

Garinskoye

Garinskoye, 99.6% owned by IRC, is an advanced exploration. The project offers the potential for a low cost DSO-style operation, that can be transitioned into a large-scale long-life open pit mining operation.

Overview

The project is located in the Amur Region of the Russian Far East, midway between the BAM and Trans Siberian Railways. With exploration licences for ground covering over 3,500 km^2, the project is the largest in terms of area in the IRC portfolio.



Link to eMap

Development Opportunities

There are two possibilities to develop Garinskoye. The original plan was for a large-scale 4.6 million tonne per annum open-pit operation with a life-of-mine of 20 plus years. Such a large-scale operation is, however, dependent on a rail connection to the Trans Siberian or BAM railways, which is planned by the government this decade. Consequently, IRC has developed a second development opportunity; an intermediate DSO-style operation that does not require a rail connection and can be started up in advance of a larger conventional operation.

The DSO-style plan comprises a pit with a 20.2 mt reserve, 48% Fe grade, and a strip ratio of 1.7:1 m^3 per tonne. Using conventional truck and hydraulic excavator mining methods, and a simple processing circuit using low intensity dry magnetic separation and small-scale equipment, a 55% grade iron ore fines could be produced. Total capacity would be 1.9 million tonnes a year, with a life of operation of 8 years. The final product would then be transported by purpose-built road to either the Trans Siberian or BAM railways for onward transportation to China. Alternatively, as the project is located adjacent to the Zeya River, which flows directly to China, river barges could be used in the summer months as a lower cost route-to-market. Even with current iron ore prices, the project economics are robust. There is an option to further increase the project value at very little additional capital expenditure with the addition of a further wet magnetic separation stage to produce a high-grade "super-concentrate" with an Fe 68% content.

In 2013, IRC completed an internal Bankable Feasibility Study, which was progressed during 2014 with third-party verification and a fatal flaws analysis for the DSO-style operation. In the meantime, offtake arrangements, and funding opportunities are under discussion.

PROJECT REVIEW AND COMPLEMENTARY PROJECTS

Projects

Exploration Projects

IRC exploration projects comprise an extensive portfolio that is diverse by geography, commodity and development stage. It aims to add value through the discovery of new resources and increasing and confirming mineable reserves.

K&S and Kostenginskoye

Exploration work is complete at K&S. All necessary activities were completed in 2012 and mining has commenced. Exploration work at the nearby Sovkhozny and Maisky ore zones will continue in the near-term. The review of data is ongoing at the Kostenginskoye Deposit as the deposit represents a potential ore feed extension for K&S to increase throughput or mine life.

Bolshoi Seym

Following the acquisition of the remaining shares of the Bolshoi Seym ilmenite deposit, IRC has full ownership of this prospective hard rock ilmenite deposit. Multiple development opportunities for the development of Bolshoi Seym are under consideration. These are varying in scale and options include a standalone project or leveraging off the established processing infrastructure at the nearby Kuranakh Mine. We believe that Bolshoi Seym represents one of the most exciting opportunities for hard-rock ilmenite in the world but development of the deposit will rely on a more positive forecast for prices.

Molybdenum Exploration Portfolio

In 2012, IRC acquired a controlling stake in a portfolio of a Molybdenum exploration projects in the Amir Region of the Russian Far East. Due to ongoing weakness in the molybdenum price and capital requirements for developing these greenfield projects, investment has been temporarily suspended.

Infrastructure Projects

IRC benefits from a strategic location on the Sino-Russian Border, with excellent access to China and North East Asia using established rail and port infrastructure. IRC has involvement with two infrastructure projects that will further develop our logistical advantage, widening our customer base whilst shortening the distance and time.

Amur River Bridge

The Russian named Amur and Chinese Heilongjiang River form the Far Eastern section of the Russia-China border. Currently there is no permanent all-year-round river crossing point, with only two railway-crossing points, Zabaikalsk-Manzhouli and Grodekovo-Suifenhe, situated some 3,450 kilometres apart. The project to build a railway bridge across the river border, between Nizhneleninskoye and Tongjiang was first proposed by IRC in 2006. IRC's subsidiary Rubicon was then established and has worked ever since with local and national authorities in Russia and China to seek approval for the design and financing of the bridge, and also to secure an inter-governmental agreement between the two states.

River Bank Bridge Piles in Place

Cross River Bridge Superstructure Construction

In October 2014, IRC announced the sale of its Rubicon subsidiary to Russian and Chinese development funds for RUB171 million (approximately US$3.3 million). The sale will ensure fast-track financing and construction of the bridge.

The design proposed by Rubicon, is for a bridge spanning 2,209 metres, of which 309 metres will be in the Russian Federation and 1,900 metres on PRC territory. Whilst the final design and construction schedules will be decided by the acquirers, the IRC feasibility studies suggest a 24-month build and testing period, and therefore the potential for the new shorter route-to-market to be commissioned in early 2017. Construction is now advancing, with particular speed on the Chinese side, allowing for some increased certainty to this timetable.

As the new K&S Mine is situated 240 kilometres from the proposed bridge site IRC will benefit from the project with reduced transportation distance and shipment time. The bridge could reduce transport costs with railway tariff savings of up to US$5 per tonne for IRC.

Port

The Group continued its participation and lobbying for the development of a port in the Special Economic Zone of Sovetskaya Gavan. A number of options continue to be assessed, notably a bulk-only or a bulk and container terminal. Additional capacity at Sovetskaya Gavan would address constraints at the established Vladivostok and Nakhodka ports, and provide some flexibility as a more northerly access route to the Sea of Japan and Pacific.

Complementary Businesses

Giproruda

Giproruda is a technical mining research and consultancy institute. It is 70.3% owned by IRC and is located in St Petersburg. Giproruda is a specialist in the design, construction and commissioning of quarries and mines for mining clients, particularly those located in challenging geological and climatic conditions, especially in Russia. Giproruda has worked with the Kuranakh and K&S Mines. In 2014, Giproruda recorded revenues approximately US$4 million, and profits attributable to IRC of approximately US$0.3 million.

SRP

The Steel Slag Reprocessing Plant (SRP) is a joint venture between IRC (46% ownership) and its largest iron ore customer located in Shuangyashan, Heilongjiang, North-Eastern China. The plant is located adjacent to the customer's operations and processes steel slag, a by-product from our customer's operations. The SRP is reliant on concentrate from Kuranakh, thereby encouraging a long-term offtake.

The plant produces vanadium pentoxide (V_2O_5) which is widely used in the production of alloys in the steel industry as well as in the production of lithium batteries.

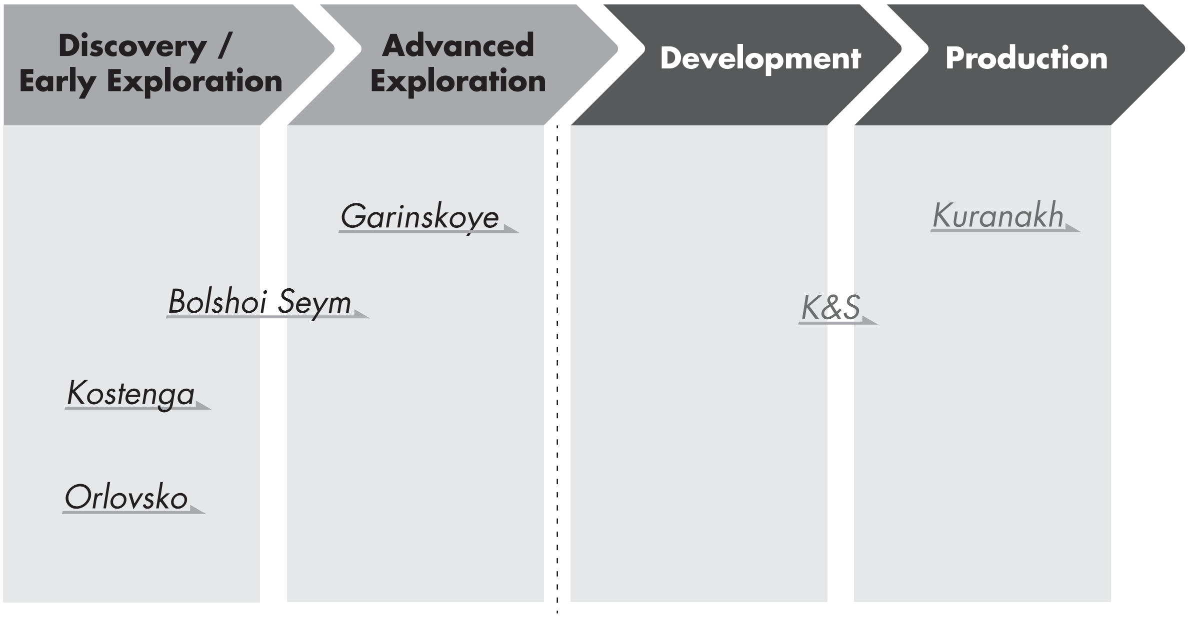
Production continued to ramp-up through 2014, with total production of 7,302 tonnes. Sales decreased to 7,153 tonnes, compared to 7,927 tonnes in 2013, resulting in revenues of RMB414 million (approximately US$67 million) and profits attributable to IRC of RMB18 million (approximately US$2.9 million).

MINERAL RESOURCES AND ORE RESERVES STATEMENT

Exploration Overview

IRC geologists explore prospective areas, confirming historical exploration results and increasing existing mineable reserves. This mitigates risks during mining operations and reduces mining and processing costs. The data obtained during exploration helps develop strategies, business concepts and optimise mine models.

IRC has established one of the largest geological portfolios of quality ferrous ores in the Far East of Russia, comprising a range of deposits by geography, geology, commodity, extraction and processing style and importantly at different stages of development, thereby providing unrivalled optionality.



The portfolio is divided into producing; and development operations, and exploration projects. In this report mineral resources and ore reserves are provided for the operations. For exploration projects, only summary geological information is provided, with the exception of Garinskoye which is at an advanced stage of exploration.

OPERATIONS

Over 2014, although no material exploration activity was carried out, changes to resources and reserves were made due to ongoing production, revised mining plans, and also due to changes in commodity prices and foreign exchange rates. Reflecting these changes, Group resources and reserves as at 31 December 2014 are as follows.

31 December 2014		
IRON ORE	RESOURCES	1,391 million tonnes
		28.5% Fe
	RESERVES	784 million tonnes
		33.5% Fe

What is a Mineral Resource?
A 'Mineral Resource' is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

What is an Ore Reserve?
Ore Reserves are those portions of Mineral Resources that, after the application of all Modifying Factors, result in an estimated tonnage and grade which, in the opinion of the Competent Person making the estimates, can be the basis of a technically and economically viable project, after taking account of material relevant Modifying Factors. Ore Reserves are reported as inclusive of marginally economic material and diluting material delivered for treatment or dispatched from the mine without treatment.

The table below details the Group Mineral Resources and Ore Reserves as at 31 December 2014 (after the application of geological losses). The figures for Kuranakh and K&S are prepared in accordance with the Guidelines of JORC Code (2004), while the resources figures for Bolshoi Seym are prepared in accordance with NI43-101, and those for Garinskoye are in accordance with JORC Code (2012). On the following pages, a further breakdown by project is available detailing cut-off grades and changes compared to the figures announced in the 2013 Annual Report. Rounding-off of numbers may result in minor computational discrepancies. Where this occurs, such discrepancies are deemed to be insignificant.

Resources Summary

Project	Category	Tonnage Mt	Fe Grade %	Fe Mt	TiO_2 Grade %	TiO_2 Mt
RESOURCES						
Kuranakh	Measured	—	—	—	—	—
	Indicated	31	26.4%	8.3	8.1%	2.5
	Inferred	6	31.5%	1.8	10.0%	0.6
	Total	37	27.2%	10.1	8.4%	3.1
K&S	Measured	196	32.5%	63.5	—	—
	Indicated	392	31.8%	124.7	—	—
	Inferred	170	31.8%	54.2	—	—
	Total	758	32.0%	242.4	—	—
Garinskoye	Measured	—	—	—	—	—
	Indicated	177	33.4%	59.3	—	—
	Inferred	86	32.5%	27.9	—	—
	Total	263	33.1%	87.2	—	—
Bolshoi Seym	Measured	—	—	—	—	—
	Indicated	202	17.4%	35.2	7.6%	15.3
	Inferred	131	16.5%	21.6	7.5%	9.8
	Total	333	17.1%	56.9	7.5%	25.1
Group	**Total Measured**	**196**	**32.5%**	**63.5**	**—**	**—**
	Total Indicated	**802**	**28.3%**	**227.5**	**7.8%**	**17.8**
	Total Inferred	**393**	**26.8%**	**105.5**	**9.4%**	**10.5**
	Total	**1,391**	**28.5%**	**396.5**	**7.1%**	**28.2**

Reserves Summary

Project	Category	Tonnage Mt	Fe Grade %	Fe Mt
RESERVES				
Kuranakh	Proven	—	—	—
	Probable	29.6	29.6%	8.8
	Total	29.6	29.6%	8.8
K&S	Proven	184.2	32.5%	59.8
	Probable	358.7	32.8%	117.8
	Total	543.0	32.7%	177.6
Garinskoye	Proven	—	—	—
	Probable	211.7	36.0%	76.2
	Total	211.7	36.0%	76.2
Group	**Total Proven**	**184.2**	**32.5%**	**59.8**
	Total Probable	**600.0**	**33.8%**	**202.7**
	Total	**784.2**	**33.5%**	**262.6**

Kuranakh

Kuranakh is a medium-size titanomagnetite and ilmenite deposit, located in the Tynda District of the Amur Region in the Russian Far East. Between 2004 and 2006 geological exploration and confirmation works were conducted at the deposit. Currently two ore zones have been allocated for mining: Saikta and Kuranakh.

Within the Kuranakh and Saikta deposits three ore types have been distinguished:

1. An ilmenite-titanomagnetite type in massive ores (massive lenticular and streaky congregations)
2. Titanomagnetite-ilmenite
3. Titanomagnetite-hemoilmenite types (as disseminations, impregnations and pockets) in the gabbroids.

The main useful components include titanium and iron; other components include vanadium, chromium, nickel, and cobalt. Of these only vanadium is considered a useful by-product and is taken into account in the assessment of reserves.

During 2014, open pit mining continued at the Saikta Deposit and at the Kuranakh Deposit where mining commenced in 2012. A revised mining plan was introduced in the third quarter to optimise costs in the lower commodity price environment.

In 2014, a combined total of 3.4 million tonnes of ore was removed, 1.4 million tonnes from the Saikta Pit and 2.0 million tonnes from the Kuranakh Pit respectively. Consequently, as at 31 December 2014, the updated mineral resources and reserves of the Group reflect a reduction in mined ore and the revised mine plan, resulting in a less than 1% fall in resources to 1,391 million tonnes and a just under 2% fall in reserves to 784.2 million tonnes. The full Kuranakh resources and reserves are stated below:

Kuranakh and Saikta Mineral Resources & Ore Reserves

	Tonnage Mt	Fe Grade %	Fe Mt	TiO_2 Grade %	TiO_2 Mt
RESOURCES					
Kuranakh Pit					
Measured	—	—	—	—	—
Indicated	10.7	29.2%	3.1	9.2%	1.0
Inferred	5.6	31.6%	1.8	10.0%	0.6
Total	16.3	30.0%	4.9	9.5%	1.6
Saikta Pit					
Measured	—	—	—	—	—
Indicated	20.7	25.0%	5.2	7.5%	1.6
Inferred	0.1	25.5%	0.0	10.4%	0.0
Total	20.8	25.0%	5.2	7.5%	1.6
Total Measured	**—**	**—**	**—**	**—**	**—**
Total Indicated	**31.3**	**26.4%**	**8.3**	**8.1%**	**2.5**
Total Inferred	**5.7**	**31.5%**	**1.8**	**10.0%**	**0.6**
Total	**37.0**	**27.2%**	**10.1**	**8.4%**	**3.1**
RESERVES					
Kuranakh Pit					
Proven	—	—	—	—	—
Probable	10.3	26.9%	2.8	—	—
Total	10.3	26.9%	2.8	—	—
Saikta Pit					
Proven	—	—	—	—	—
Probable	19.3	31.1%	6.0	—	—
Total	19.3	31.1%	6.0	—	—
Total Proven	**—**	**—**	**—**	**—**	**—**
Total Probable	**29.6**	**29.6%**	**8.8**	**—**	**—**
Total	**29.6**	**29.6%**	**8.8**	**—**	**—**

Assumed average cut-off grades: Kuranakh 17% Fe.

As stated, the main differences in the reserves and resources compared to the 2013 Annual Report relate to the mining activities undertaken during 2014, namely: an increase in the Kuranakh resources from 36.2 million tonnes at the start of January 2014 to 37.0 million tonnes at the 2014 year end, and a reduction in the Kuranakh reserves from 31.2 million tonnes at the start of January 2014 to 29.6 million tonnes at the 2014 year end due to the mining during 2014. However, overall an increase in resources is explained by application of an updated geological model for resource estimation. The model incorporates the most recent geological data received during the mine operation.

K&S

Kimkan and Sutara (K&S) is a large magnetite project located in the Obluchenskoye District of the EAO in the Russian Far East. The project consists of two principal deposits — Kimkan with 25% of reserves and Sutara with 75% of reserves. The Kimkan Deposit consists of four areas: Kimkan Center, Kimkan West, Sovkhozny and Maisky. To date all of the necessary exploration activities as well as confirmation drilling have been completed.

A full breakdown of mineral resource and ore reserves for K&S is detailed in the table below:

K&S Mineral Resources & Ore Reserves

	Tonnage Mt	Fe grade %	Fe Mt
Resources			
Kimkan Central			
Measured	—	—	—
Indicated	92.8	29.7%	27.6
Inferred	25.9	30.5%	7.9
Total	118.7	29.9%	35.5
Kimkan West			
Measured	—	—	—
Indicated	53.5	33.3%	17.8
Inferred	53.9	33.5%	18.1
Total	107.3	33.4%	35.8
Sovkhozny			
Measured	—	—	—
Indicated	—	—	—
Inferred	4.4	30.2%	1.3
Total	4.4	30.2%	1.3
Maisky			
Measured	—	—	—
Indicated	15.1	32.0%	4.8
Inferred	20.7	31.9%	6.6
Total	35.8	31.9%	11.4
Sutara			
Measured	195.7	32.5%	63.5
Indicated	231.0	32.2%	74.5
Inferred	65.5	31.0%	20.3
Total	492.1	32.2%	158.2
Total Measured	**195.7**	**32.5%**	**63.5**
Total Indicated	**392.3**	**31.8%**	**124.7**
Total Inferred	**170.4**	**31.8%**	**54.2**
Total	**758.4**	**32.0%**	**242.4**

	Tonnage Mt	Fe grade %	Fe Mt
Reserves			
Kimkan Central			
Proven	—	—	—
Probable	90.4	33.9%	30.6
Total	90.4	33.9%	30.6
Kimkan West			
Proven	—	—	—
Probable	50.1	33.4%	16.7
Total	50.1	33.4%	16.7
Sutara			
Proven	184.2	32.5%	59.8
Probable	218.2	32.3%	70.4
Total	402.5	32.4%	130.2
Total Proven	**184.2**	**32.5%**	**59.8**
Total Probable	**358.7**	**32.8%**	**117.8**
Total	**543.0**	**32.7%**	**177.6**

Assumed average cut-off grades: Kimkan Pit Fe cut-off grade 17% and Sutara Pit Fe cut-off grade 18%.

As highlighted above, the main differences in the reserves and resources stated in the table above, compared to the resources and reserves stated in the 2013 Annual Report relate to the mining activities undertaken during 2014, namely: a reduction in the K&S resources from 764.0 million tonnes at the start of January 2014 to 758.4 million tonnes as at the 2014 year end, and a reduction in the K&S reserves from 554.9 million tonnes at the start of January 2014 to 543.0 million tonnes as at the 2014 year end due to the mining during 2014. There are some other minor changes due to alterations in the mining plans, geological losses and material that has been blasted in the pits, but not removed as at the 2014 year end. Furthermore, some mining activity occurred off-reef, i.e. outside the defined resources and reserves, and consequently these tonnes are not deducted from the defined resources and reserves.

Garinskoye

The Garinskoye Deposit is one of the few large iron ore deposits in the Russian Far East which was explored and studied extensively during the Soviet era. It is situated in the Mazanovsky Administrative District, in the Amur Region and lies approximately 300 km from the regional capital of Blagoveschensk.

The deposit was first discovered in 1949 through an aeromagnetic anomaly. Between 1950 and 1958, detailed exploration was carried out including pits, trenches, shafts and underground development, together with drill holes. The dominant form of mineralisation is magnetite that sees a shift to martite within the oxidation zone. The magnetite ores can be divided into three iron grade types:

1. High grade at above >50% Fe — sub-divided into low and high phosphorus
2. Average grade from 20% to 50%
3. Low grade from 15% to 20% Fe

The current geological exploration works have been conducted at Garinskoye since 2007, which since 2011 have focussed on the opportunity for a DSO-style operation. During 2014, work on the Garinskoye DSO Feasibility Study continued. Although no new exploration was carried out, external consultants were engaged to review the work and assist with site planning and optimisation.

The following table details the Resources based on a 20% cut-off grade in accordance with the guidelines of the JORC Code (2012). The reserves for Garinskoye are presented as of 1 November 2008. Wardell Armstrong International ("WAI"), an independent mineral industry consultant, has run a reserve optimisation using the parameters of RJC, an independent consultant and the Mineral Resource Model from 2008 in accordance with the guidelines of the JORC Code (2004). The Mineral Resource Model from 2008 has been used and the cut-off grade of 20% Fe was applied. No ore dilution or mining losses have been applied to the below tonnages. It is WAI opinion according to competent person report that the below Ore Reserves are Probable Ore Reserves under the JORC Code (2004).

Garinskoye Mineral Resources & Ore Reserves

Type	Tonnage Mt	Fe grade %	Fe Mt
Resources			
Measured	—	—	—
Indicated	177.4	33.4%	59.3
Inferred	85.7	32.5%	27.9
Total	263.1	33.1%	87.2
Reserves			
Proven	—	—	—
Probable	211.7	36.0%	76.2
Total	211.7	36.0%	76.2

Assumed average cut-off grades: Garinskoye 20% Fe.

Bolshoi Seym

Bolshoi Seym is located in Tynda district of the Amur region, 40 km from the Kuranakh Deposit. At Bolshoi Seym, the license covers an area of 26 km^2. Potentially economic mineralisation at Bolshoi Seym comprises massive ilmenite and magneite. Massive mineralisation comprises 90% to 99% (by volume) of ilmenomagneite, magneite and ilmenite. The Bolshoi Seym mineralisation was initially discovered during the apatite-ilmenite ore exploration programme conducted in 1979–1982 by Kalarskaya GRP, a subsidiary of the state company Dalgeologiya.

Systematic exploration of the Bolshoi Seym Deposit was conducted between 2007 and 2009 by Vostokgeologia. A total of 170 diamond drill holes have been drilled in all zones totaling 39,277 metres of which 158 were exploration holes, 3 were grade control holes, 5 were technological holes, and 4 were hydro-geological holes. In addition to the drilling, 17 trenches have been excavated over a linear distance of 7,893 metres.

A mineral resource estimate of the Bolshoi Seym Deposit was prepared by Micon in compliance with the CIM (Canadian Institute of Mining, Metallurgy and Petroleum) valuation standards. The estimate utilised geological and assay data from diamond drilling and trenching completed by Vostokgeologia in 2007–2009.

In 2012, IRC increased its ownership of the Bolshoi Seym Deposit from 49% to 100%.

The following table details the resources applying a 5%TiO_2 cut-off grade.

Bolshoi Seym

	Tonnage Mt	Fe Grade %	Fe Mt	TiO_2 Grade %	TiO_2 Mt
Resources					
Measured					
Indicated	202	17.4%	35.2	7.6%	15.3
Inferred	131	16.5%	21.6	7.5%	9.8
Total	**333**	**17.1%**	**56.9**	**7.5%**	**25.1**

EXPLORATION PROJECTS

The Orlovsko-Sokhatinskaya Area

The Orlovsko-Sokhatinskaya area surrounds the Garinskoye Deposit, and is therefore, also located in the Mazanovskiy District of the Amur Region. The Orlovsko-Sokhatinskaya license is for exploration and extraction and covers an area of 3,530 km^2. The area contains a number of iron ore deposits that are in the preliminary stages of exploration.

In the Orlovskaya area, the Lebedikhinskoye Deposit consists of seven beds and lenses of magnetite which range from 1.5 to 20 metres thick and extend 50 to 360 metres along strike. The Imchikanskoye Deposit consists of magnetite ore bodies 2–8 metres thick which extend 230 to 500 metres along strike. The Kamenushinskoye Deposit is a mix of pyrite, magnetite and hematite ore in eleven ore bodies 2 to 12 metres thick with a strike length of 100–800 metres.

It should be noted that the external control of the exploration work is being performed by independent consultants Wardell Armstrong International (WAI) who visited the Garinskoye site in May 2011 and provided recommendations on the planned volumes of exploration works. WAI has also indicated the high level of work organisation and quality of exploration works that were conducted in accordance with best practice methods.

Kostenginskoye

The Kostenginskoye Deposit is located 18 km south of the Sutara Deposit. It is believed to have a similar structure to the Sutara Deposit. Almost all deposits are concentrated in one orebody which is 5,700 metres long and at 11 to 50 metre intersections (with an average 36 metres) estimated to contain an average iron content of 31.7% Fe.

Exploration between 2008 and 2012 concentrated on the southern portion of the Deposit in the range of 12–80 exploration offset. To date approximately 50% of the samples have been analysed and preliminary results of the exploration so far suggest that the core intersection has no significant changes. The average content of the samples is 28% to 30% Fe with content of the magnetic iron at 17% to 19%.

MARKETS & COMMUNICATIONS

Commodity Products

As a producer, developer and explorer of steel raw commodities to the Chinese and international markets, IRC is developing its asset portfolio to become a supplier of choice.

Kuranakh has been in production for over four years. As the first vertically integrated titano-magnetite operation in Russia, the operation produces iron ore (Fe) and the by-product ilmenite, which is the feedstock for titanium dioxide (TiO_2).

The products are beneficiated to a 62.5% quality iron ore concentrate and a 48% quality ilmenite concentrate. The iron ore is sold on a DAP basis (the International Chamber of Commerce term meaning "Delivery at Place"). The ilmenite is sold on both the DAP basis from IRC warehouse space in China or on an FOB basis (The International Chamber of Commerce term meaning "free on board" which means that the customer pays for the transportation, either from Kuranakh or from one of the Russian Pacific sea ports.

In 2015 the new and large K&S Mine will commence commercial sales. K&S will produce an above industry benchmark 65% iron ore concentrate. No ilmenite by-product is produced at K&S. This concentrate is high-quality and management believes that it deserves a premium price due to the quality and the logistical advantages of supplying from the Far East of Russia for customers in the North East of China. Flexible offtake arrangements with IRC's strategic investors General Nice and Minmetals have been agreed for the sale of K&S iron ore concentrates, either by using the established direct rail routes into North-Eastern China or via rail to the Russian Pacific ports and then by sea to ports in China, and possibly other Asian country ports such as Japan and South Korea.

Within the IRC asset portfolio, IRC is also aiming to grow iron ore production from its Garinskoye Project, ilmenite from the Bolshoi Seym Deposit and possibly molybdenum from its Molybdenum Exploration Portfolio. The Group is also in a joint venture with one of its iron ore customers in Heilongjiang, producing small quantities of vanadium pentoxide (V_2O_5).

Iron Ore Supply, Demand & Price

IRC is a niche supplier of iron ore and due to the proximity of its operations to China, a preferred supplier because it can supply its concentrate products quicker and more frequently than other international suppliers, thereby helping its customers to minimise working-capital costs. As production grows with the new K&S Mine in 2015, IRC sees strong interest for this new supply from existing and new customers.

The supply of iron ore is divided between Chinese domestic supply, large scale seaborne supply from Australia and Brazil and mid-small scale supply from around the world. Russia is estimated to be the 5 largest-supplier of iron ore, however, this is largely produced in the west of the country and consumed by the domestic steel industry.

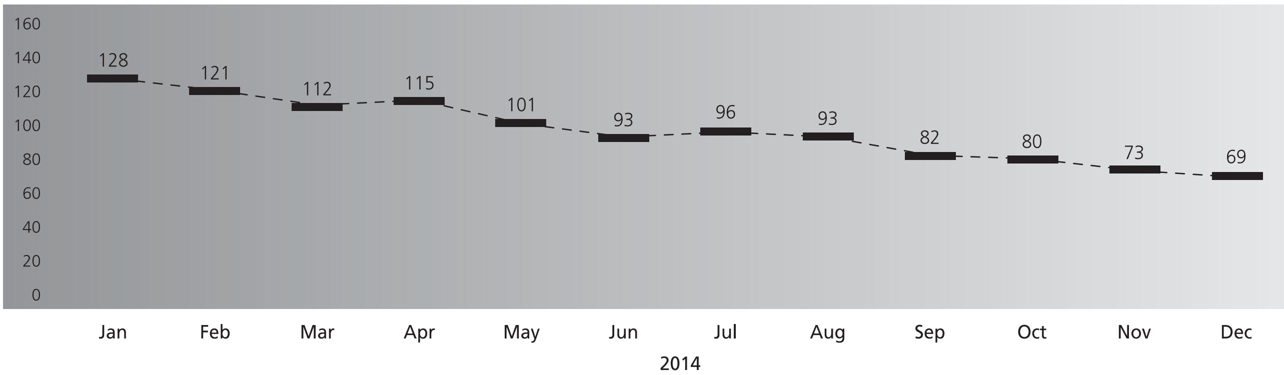
A supply surge from the large Australian producers overwhelmed the market for iron ore in 2014. The absence of supply discipline as the large producers sought to maintain margins through economies of scale saw Australia increase their share of the global seaborne market. To balance the market, lower-grade high-cost Chinese domestic production shut-down in addition to a host of higher-cost smaller producers, notably in Europe, North America and West Africa where higher input and transportation costs resulted in margin erosion significant losses. Looking to 2015, production from Australia is continuing to increase, and although supply discipline has taken grip, industry commentators suggest that it will not be until late-2015 that supply peaks.

Demand for iron ore continued to grow, driven by China and to a smaller degree some recovery in the western hemisphere.

However, the availability of credit in China has weighed on demand, especially in the property sector, the largest source of demand for steel. Furthermore, tighter credit conditions in China have put severe pressure on Chinese steel mills and steel raw commodity traders; in turn forcing them to manage a more limited pool of working capital by limiting inventories which has kept port inventories high. Indeed, the ample supply suggests that this has been a sensible strategy because there is no fear of not securing supplies, consequently, the traditional pre Chinese winter and Chinese New Year was subdued.

Despite the growth in supply, it is, however, important to note that the outlook for demand is benign. The transition to a consumer driven economy is resulting in growth in steel for autos and consumer goods. Credit markets are expected to ease, and as confidence returns, property investment will resume as the existing supply of stock dwindles. Furthermore, central government sponsored infrastructure investment continues as the backbone of increasing urbanisation trends.

Average Monthly Tianjin Iron Ore Spot Price (US$/tonne)



With growing confidence in increased and available supply iron ore shifted in to backwardation and fell sharply over 2014. Prices for the benchmark 62.5% quality concentrates, delivered to China, opened the year at US$135 per tonne, averaging US$97 per tonne over the year to close at US$71 per tonne. Into 2015 prices have weakened, trading in a band of US$50 to US$70.

Ilmenite

Due to its brightness and high refractive index, titanium dioxide is the most commonly used white pigment. It is used in a range of applications, the largest being paints and papers, not just the metal which is used in aerospace, jewellery and watches.

The Kuranakh product quality is held in high regard because of its consistency and low impurity levels. The product is sold on the domestic and international markets in two-tonne bags, an innovative approach rather than the traditional large tonnage offerings, thereby ensuring a diverse customer base.

At the beginning of 2014, IRC embarked on a new sales strategy selling ilmenite not only on an FOB basis from Kuranakh, but also from the Russian Pacific Port, Nakhodka, and from on a CFR basis to Chinese customers from port warehouse space in Qingdao, Zhenjiang and Ningbo. The different sales locations provides customers in Russia, East Asia and China more options in terms of prices and delivery time and cost, ensuring our position as a preferred supplier in these dynamic markets.

After allowing for the needed inventories to be established in the new warehouses, IRC sold all of its increased output of ilmenite. Nevertheless, despite this strong demand, market prices for ilmenite declined. Industry commentators suggest that there are some early signs of improvement, however, we believe that whilst this is the case, it is limited to suppliers of high quality product as there are still inventories available through the supply chain.

Communications

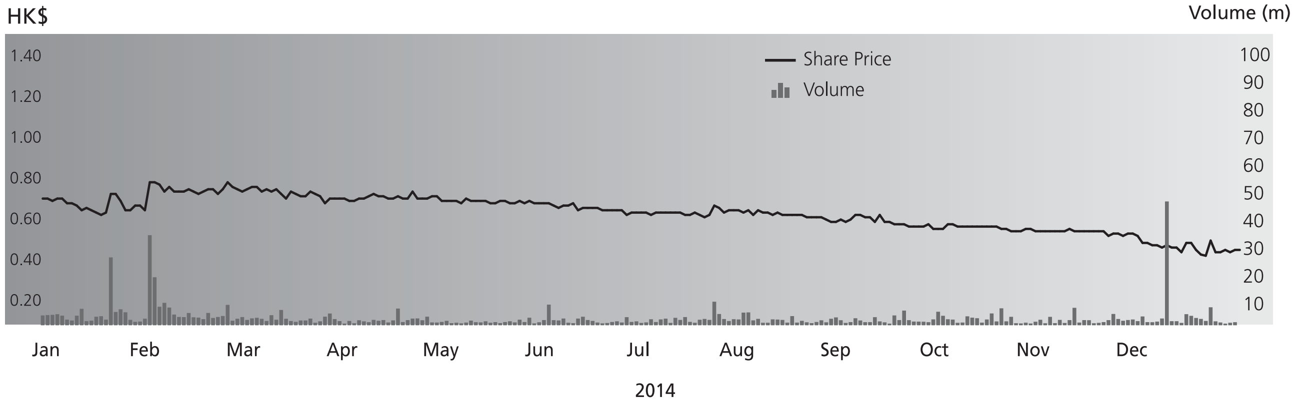
IRC dedicates considerable effort to ensuring transparent communication without prejudice to its various audiences. Through an in-house communications team in Hong Kong and Moscow, the objectives are to provide as effective and complete a picture as commercially possible in as timely and cost effective a manner. In 2014, the team was recognised for its success, once again winning several prestigious communications awards.

Shareholder Base

During the course of 2014, the shareholder base saw strategic investor General Nice increased its stake to 28.1% through the issuance of 330 million shares at HK$0.94 per share. With a final subscription of HK$296.3 million to complete for 315.3 million new shares at HK$0.94 per share, General Nice will hold approximately 31.0% of IRC. On completion of the General Nice subscription, subject to further agreement, Minmetals Cheerglory will subscribe for 247.3 million new shares for a consideration of HK$232.5 million, resulting in a 4.6% holding in IRC. In 2014, due to the General Nice subscriptions, Petropavlovsk plc remained the largest shareholder, but its position was diluted to 45.4% compared to 48.7% at the beginning of the year. Upon the final General Nice and Minmetals Cheerglory subscriptions, Petropavlovsk will remain the largest shareholder, with a 40.7% shareholding in IRC.

Share Price Performance

The IRC share price opened the year at HK$0.74 and closed the year at HK$0.52, with an average share price over the year of HK$0.68.



Efforts to improve liquidity during the year were limited as institutional investors limited their investments in iron ore companies. IRC placed considerable effort on growing the retail shareholder base, which met good success, largely a response to the improved credentials and appeal to local shareholders following the General Nice subscriptions. Periods around statutory reporting and corporate announcements recorded significant, and occasionally record volumes.

Awards

In 2014 IRC won several awards for its communications activities, including an iNova Award and four LACP for its 2013 Annual Report, in addition to a Titanium award for its corporate governance and social responsibility reporting in the Asset Asian Corporate Awards.

HK$	2013	2014
Shares on Issue (year-end)	4.5 billion	**4.9 billion**
Share Price High	1.42	**0.81**
Share Price Low	0.75	**0.50**
Share Price Average	0.93	**0.68**
Opening Share Price (year-start)	1.20	**0.74**
Closing Share Price	0.78	**0.52**
Market Capitalisation (year-end)	3.5 billion	**2.5 billion**

HEALTH SAFETY ENVIRONMENT COMMUNITY

Introduction

IRC takes its Health and Safety, Environmental and Community responsibilities seriously. They are a core consideration at every stage of our business, not just the day-to-day mining and processing operations, but also through all our functions from exploration to logistics and administration. This also includes the communities where we operate and through our involvement in charitable works, the wider communities of the Amur and Jewish Autonomous regions of the Russian Far East.

In 2012 in recognition of these, we were the first and only iron ore company in the Russian Far East, as well as the first mining company in the Jewish Autonomous and Amur regions to be certified for compliance with ISO 14001:2004. This certification was renewed and extended in 2014.

Policies and strategies originate with the Health, Safety and Environment Committee of the Board of Directors. Implementation is overseen by the Executive Committee and designated specialist HSEC teams in Moscow, Birobidzhan and at each operating site.

Finally, together with Petropavlovsk plc, we are the largest financial contributor to the local economy in the Amur Region. This is repeated in the neighbouring Jewish Autonomous Region with the construction of the K&S Mine, the largest single new investment in the region's history.

Sustainable Development Policy

IRC operations are large-scale projects that cover large areas. Thousands of people are involved on many sites, working across many disciplines. The Company's operations provide a stimulus for the economic development of the Russian Far East and as such have become an integral part of the local economic fabric.

The core constituents of IRC's sustainable development policy are

1. The provision of safe and healthy working conditions
2. The rational use of natural resources
3. The preservation of a favourable environment for future generations

Employees, Health & Safety

IRC operates a variety of industrial projects, including mines and processing plants in some harsh climatic conditions in the Russian Far East. Mining operations are open pit and heavily mechanised, a positive contrast to labour intensive underground mining.

At the year-end of 2014 IRC employed 3,075 employees and contractors, a 19% decrease from 3,785 people in 2013. We invest in national and indigenous employment. During 2014 four expatriates were employed at K&S in the Jewish Autonomous region and two at the Hong Kong Head Office.

Workforce Composition

	IRC Group of Company's	
	2013	**2014**
Full-Time	1,933	**2,191**
Part-Time	15	**14**
Casual	107	**387**
Contractors	1,126	**580**
Female-Ratio %	27.8	**30**

Note: the table presents the average numbers

HEALTH SAFETY ENVIRONMENT COMMUNITY (CONTINUED...)

Attracting, employing and retaining high-quality and competent staff is fundamental to IRCs business performance. Our success at this reflects our progress toward our vision of becoming a leading Sino-Russian champion and the preferred employer in the Amur and Jewish Autonomous regions. We work hard to gain, train and retain our employees and contractor partners, and are proud of some of the lowest turnover rates in our sector and geography.

Central to achieving our human resource goals is safety. The Company's objective is to encourage, facilitate and operate a zero harm environment through:

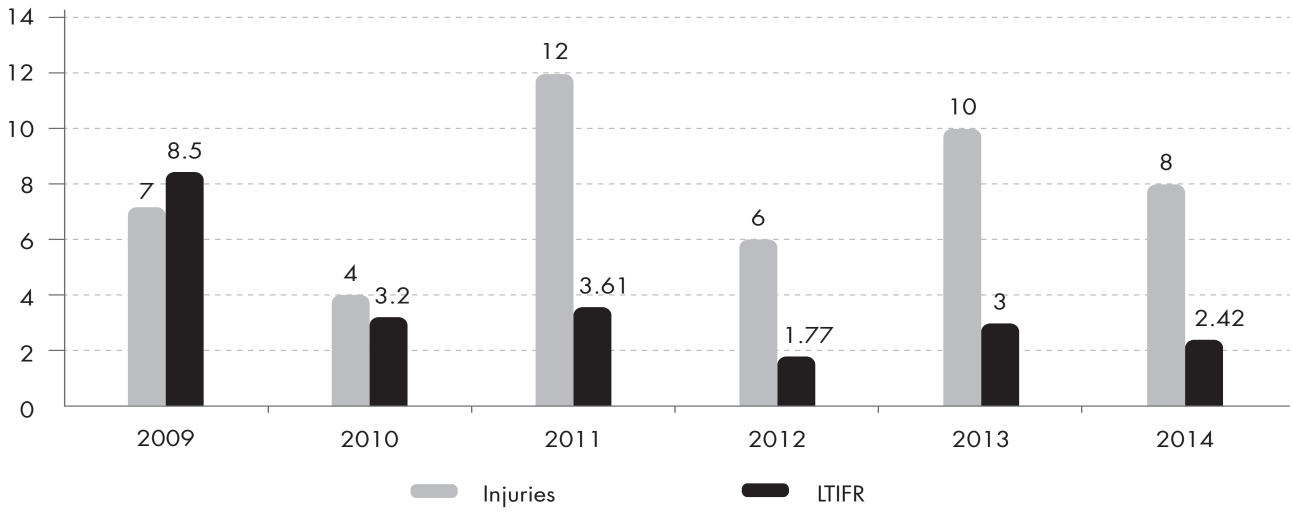
- Conforming to Russian regulations and international standards where practical and reasonable
- Extensive health, safety and basic first aid training on an ongoing basis
- Regular internal audits and external reviews of health and safety policies and equipment

Five Year Safety Statistics 2009–2014 (Russian Standard Scale)

	2009		2010		2011		2012		2013		**2014**	
	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR	**Injuries**	**LTIFR**
Kuranakh	7	11.1	4	4.6	12	5.54	6	2.55	9	3.90	**7**	**3.44**
K&S	—	—	0	0.00	0	0.00	0	0.00	1	1.00	**1**	**0.81**
Other projects	—	—	—	—	—	—	0	0.00	0	0.00	**0**	**0.00**
Group	7	8.5	4	3.2	12	3.61	6	1.77	10	3.00	**8**	**2.42**

IRC reported improvements in the safety performances at Kuranakh and K&S for 2014 and consequently for the Group as a whole. The total number of reported injuries fell to 8 in 2014 from 10 in 2013 and the LTIFR, a measure of the number of injuries per million hours worked fell 19% to 2.45 in 2014 from 3.00 in 2013. Whilst this is a good achievement, it is recognised that more hard work is needed to achieve the goal of zero harm in the provision of safe and healthy working conditions.

Whilst the improvement in injury rates is noted and no fatalities occurred during the year within the Company, it is regrettable, however, that two fatalities were recorded by an independent contractors. Whilst the contractor was operating outside of prescribed safety standards, safety training and operating procedures were reviewed and revised to reduce the likelihood of this re-occurring.



Environmental Management System

Maintenance of the environment is one of the major constituents of IRC's sustainable development policy. The Company's management team treats activity in this field as a matter of major importance and essential business priority.

In 2010–2012 an integrated environmental management system was developed and introduced by the IRC Group of companies according to international standard ISO 14001:2004, compliance with which has been extended and reconfirmed in 2013 and 2014.

The integrated environmental management system has been extended to all of the Company's activities including: exploration, mining, processing and industrial and civil construction. The proper functioning of an environmental management system reduces the impact of our operations on the environment, thereby encouraging a healthy and ecological culture for our employees.

Environmental Policy

IRC has implemented an environmental policy as part of the integrated environmental management system, an obligatory requirement under the ISO 14001:2004 standards as well as the international principles of sustainable development.

The environmental obligations of the Group are captured in the policy, which is regularly revisited to be sure that it is current to the Company's activities. IRC makes efforts to provide compliance with the following principles:

1. Compliance with the environmental laws of the Russian Federation and international agreements.
2. Minimising the impact on the environment and biodiversity where the Company operates through measures that improve and perfect the environmental management system.
3. Minimising the impact of operations on the indigenous populations where the Company operates, in addition to providing support to indigenous communities to preserve their lifestyle and contribute to sustainable development.
4. Use of scientific research and developments to remove or reduce the impact of operations on the environment and reduce the consumption of materials and energy.
5. Preparation and contingency plans in the event of a health and safety, environmental or natural disaster or emergency
6. Promoting ecological awareness to employees and stakeholders where the company operates.
7. Encouraging vendors and contractors to adhere to the Company's environmental and safety policies.
8. Disclosing the Company's ecological strategy, research and data to the public, in addition to conducting public consultations and hearings.
9. Board and senior management commitment to adhere to the safety and environmental policies, and environmental management system in all decisions.
10. Involving all employees in the environmental management system through training and incentive programmes.

The main principles of environmental policy are observed through the implementation of the following activities:

1. Adherence to local environmental law requirements and international standards of best practice where practical and reasonable
2. Environmental Monitoring
   - Air pollutants and emissions (including greenhouse gases)
   - Land use and reclamation
   - Waste management (including hazardous substances)
   - Water management
   - Energy consumption and conservation
3. Biodiversity conservation
4. Community Engagement
   - Stakeholders engagement
   - Public hearings and discussions
   - Environmental education
5. Support of Indigenous Population

Requirements of Environmental Legislation

IRC complies and indeed often exceeds Russian legislation and international best practices in its environmental policies.

The main Russian Federal Environmental Legislation and Standards to such IRC adheres include:

— No. 2395-1, 1992 "Subsoil Law"

— No. 33, 1995 "Specially Protected Natural Territories"

— No. 52, 1995 "Wild Animals"

— No. 116, 1997 "Industrial Safety of Hazardous Production Facilities"

— No. 89, 1998 "Production and Consumption of Waste"

— No. 52, 1999 "Sanitary-Epidemiological Welfare of the Population"

— No. 96, 1999 "Protection of Atmospheric Air"

— No. 190, 2004 "Urban Development Code"

— No. 166, 2004 "Fisheries and Conservation of Aquatic Biological Resources"

— No. 74, 2006 "Water Code"

— Sanitary — hygienic standard 2.1.5.1315-03 "Maximum Permissible Concentration of Chemical Substances in the Ambient Waters of Household, Portable, Cultural and General Water Use Facilities"

— Sanitary — hygienic standard 2.1.6.1338-03 "Maximum Permissible Concentration of Pollution in Populated Areas"

— Sanitary — hygienic standard 2.2.5.1313-03 "Maximum Permissible Concentrations of Hazardous Substances in the Work Air"

— Sanitary — hygienic standard 2.1.6.2309-07 "Safe Reference Levels of Impact of Pollutants in the Community Air"

Environmental Monitoring, Control and Measuring

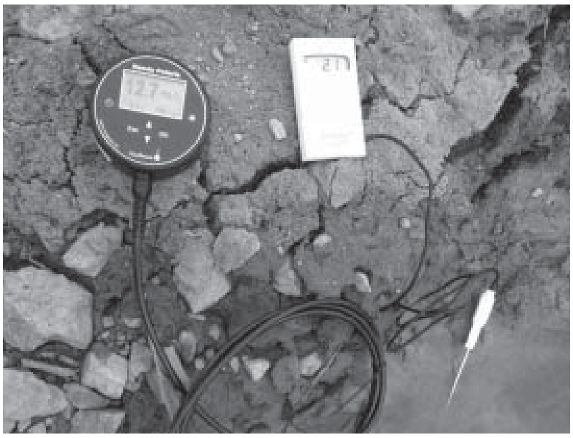
The environmental monitoring of the natural environment in and around the Company's operations is carried out by applying integrated data collection, processing and evaluating methods and disseminating the acquired results. Environmental monitoring is undertaken over all of IRC's operations on a regular basis, measuring:

- Atmospheric air
- Natural waters (subsurface and underground)
- Stream flow bottom sediments and top soil
- Flora and fauna
- Aquatic ecosystems

HEALTH SAFETY ENVIRONMENT COMMUNITY (CONTINUED...)

Some example of our data collection and research work are included below. For example, a brown bear that was recently spotted in the Sutara River Valley in the course of wild animal monitoring.

The photos below show the monitoring of aquatic bio-resources in the territory in the K&S license areas.



IRC monitors air emissions and solid waste sources, along with process control parameters and fuel and power resources on a regular basis with the data used to better manage operations.

All environmental monitoring and industrial control is performed in accordance with Russian legislation and international guidelines. Only accredited laboratories and advanced research organisations with the appropriate licenses are contracted to undertake this work.

At Kuranakh, an IRC owned and certified laboratory, monitoring natural water streams including sewage waste control using more than 20 specific indicators.

In total more than 52,000 analyses of various environmental components and more than 22,000 wastewater and industrial emissions test have been carried out as part of monitoring programmes since 2004.

Number of Environmental Tests Carried Out

Year	Atmospheric	Surface Water	Subsurface Water	Bottom Sediments	Top Soil
2004	112	584	—	1,878	6,058
2005	60	176	—	176	2,992
2006	100	1,127	—	827	250
2007	1,052	1,252	—	619	106
2008	2,108	1,944	162	653	2,022
2009	2,024	1,263	—	707	144
2010	1,666	2,014	78	346	134
2011	912	4,953	349	2,531	1,561
2012	1,210	2,142	179	267	232
2013	1,148	2,365	205	248	152
2014	828	1,644	294	142	631
Total	**11,220**	**17,464**	**1,267**	**8,394**	**14,282**

No. of tests carried out

Volume of Industrial Ecological Testing (Sewage Waters and Industrial Emissions), 2009–2014

Year	Waste Water	Industrial Waste
2009	92	12
2010	3,136	74
2011	4,197	228
2012	4,832	419
2013	4,402	371
2014	3,992	573
Total	**20,651**	**1,677**

In accordance with the industrial ecological control and environmental monitoring it has been established that IRC's activities have not exceeded any standards.

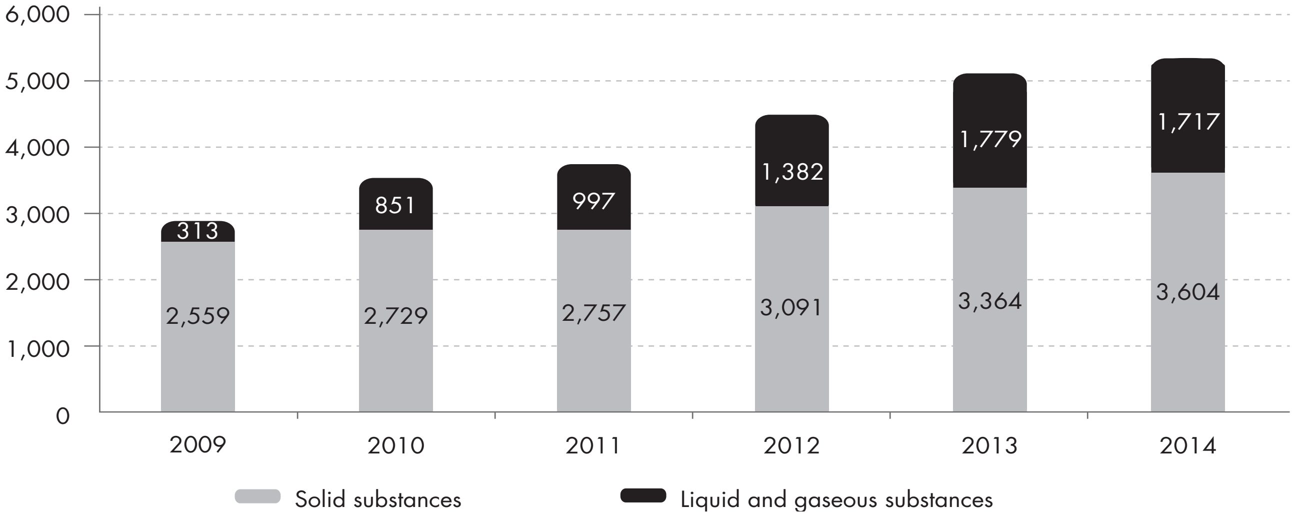
Air Pollutants and Emissions

The volume of emissions in 2014 was 5,321 tonnes, which is 3% higher than the 5,144 tonnes in 2013, in relation to increased production over the same period, this is equal to a reduction in emissions per tonne of production. Nevertheless, the actual increase is attributable to increased construction activities at K&S notably:

- Boiler house "Central" 40 kW ;
- Heat pipeline;
- Unloading rack;
- Tailing dump and approaching automotive road;
- Pump point of circulating water supply;
- Beneficiation plant;
- Off-site utilities of drinking water system;
- Accommodation building and residential house;
- Industrial and hard domestic waste landfill;

- Railroad infrastructure;
- Major pipeline (pulp and water lines);
- Bridge PK40 and PK24.

Emissions of Air Pollutants from Stationary Sources (tonnes)



Stationary emission sources within the IRC Group are installed and operated under the approved draft code provisions for maximum permissible emissions. In addition, the companies obtained atmospheric pollutant emission permits.

In 2014, K&S received a permit for air pollutant emissions from stationary sources for the on-site repair shop and administrative buildings. Kuranakh also obtained a permit for emission of pollutants from stationary sources, located in the territory of mining enterprise based on Kuranakh deposit, as well as from "Forsazh-1 wastes treatment facility."

In an attempt to minimise atmospheric emissions, IRC instituted maximum allowable emission targets in 2014. The targets cover Kuranakh and K&S and include:

— Developing dust suppression schedules by watering. Monitoring of this schedule is ongoing to improve efficiencies.

— Controlling the performance of dust and gas treatment facilities at processing plants is through the use of approved for dust and treatment facilities.

— Extending the industrial emissions purification programme that reached 81% in 2014 to also target renovation and replacement opportunities at the plants to improve this further.

— Continuously monitoring motor vehicle exhaust smoke capacities during technical inspections.

— Carefully monitoring energy consumption targets and fuel utilisation limits to ensure they fall within approved limits.

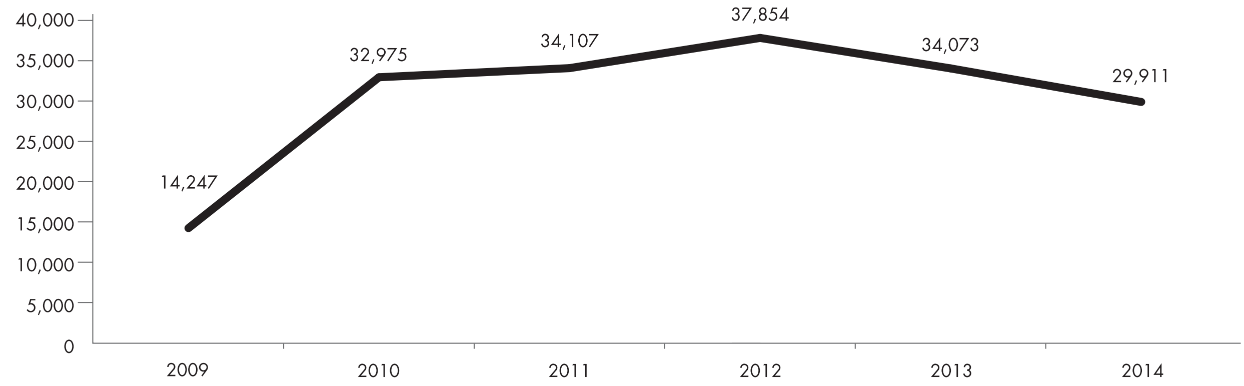
— Reducing diesel powered electric generation.

Industrial environmental monitoring results show that emissions have been within all regulatory limits.

Greenhouse Gas Emissions

IRC calculates that greenhouse gas emissions from fuels. In 2014, 29,911 tonnes of carbon dioxide were emitted, a 12% reduction compared to 2013.

Greenhouse Gas Emissions, 2009–2014 (tonnes)



At K&S the ore stockpiles to feed the processing plant ahead of full commissioning have already been established. This meant that mining activities were purposely scaled back in 2014, resulting in an overall reduction in greenhouse gas emissions.

Other factors resulting in a reduction in emissions in 2014 include the monitoring of consumption patterns against equipment usage using computer software to better manage the control of transport routes and fuel monitoring . Furthermore, the development of a heat load chart for the shift-camp boiler houses has improved consumption of coal per heat to stable levels throughout the cold months.

Air Pollutant & Emission Statistics 2009–2014

	Unit	2009	2010	2011	2012	2013	**2014**
Air Pollutants & Emissions							
Mass of emitted hazardous pollutants:							
Total	t	2,872	3,580	3,753	4,473	5,143	**5,321**
Solid substances	t	2,559	2,729	2,757	3,091	3,364	**3,604**
Liquid and gaseous substances	t	313	851	997	1,382	1,779	**1,717**
Greenhouse gases emissions (CO_2):							
Gasoline combustion	t	209	521	767	538	461	**545**
Diesel fuel combustion	t	6,769	15,811	16,136	26,936	16,092	**9,081**
Kerosene combustion	t	0.1	0.4	1	0.1	0.4	**1.03**
Coal combustion	t	7,270	16,643	17,203	10,380	17,519	**20,284**
Total	t	14,248	32,975	34,107	37,854	34,073	**29,911**
Rate of permissible discharge:							
Permissible release of solids	%	n/a	100	100	92	86	**90**
Permissible release of liquid and gases	%	n/a	100	100	101	81	**86**
Pollutants removed by gas treatment:							
Total removed	t	n/a	2,956	2,957	3,036	3,020	**3,667**
Removed solid substance	t	n/a	2,657	2,658	2,510	2,418	**2,884**
Removed liquid and gaseous substances	t	n/a	299	299	526	602	**783**

Land Use and Reclamation

At the Kuranakh Mine there are four soil types: namely goltsy altitudinal raw soils, taiga brown altitudinal soils, humus brown-taiga altitudinal soils and altitudinal brown taiga peaty gley soils. This contrasts to the K&S Mine where there are broadly four soil different types: brown forest, coarse humus, medium loamy, heavy stony soils; brown forest, podzolised, medium loamy, heavy stony soils; meadow-grey, heavy loamy or more rarely medium loamy soils; and black bog soils, peaty-gley and peaty soils.

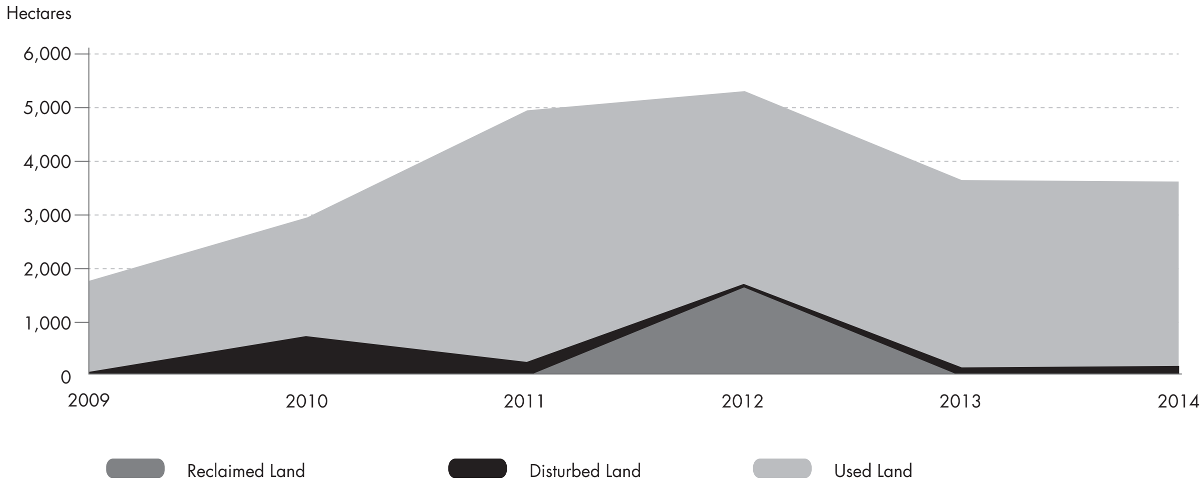
In 2014 the total amount of land used by IRC was approximately 3,470 hectares, which is 70 hectares less than in 2013. The decrease of the area of used land is mainly due to the return of land plots to The Forest Department of the Government of the Jewish Autonomous Region at the Ushumunsky Karier coal operation.

The total area of soils disturbed was 173 hectares in 2014, 77% attributed to K&S mining and beneficiation plant and the balance to Kuranakh. The land is primarily being used for the development of mining pits and the construction of processing facilities and repair shops.

Any land that is disturbed will be restored to its previous state through various engineering and biological solutions. Land reclamation work is carried out in accordance to environmental regulations and respects the natural surroundings of sites. The major component of reclamation work is the removal and preservation of fertile topsoil that will ultimately be restored to the site.

Correlation of lands used, disturbed or recultivated by IRC is presented on the chart below.

Land Use and Reclamation



Land Use & Reclamation Statistics 2009–2014

	Unit	2009	2010	2011	2012	2013	**2014**
Land lease:							
Total	ha	1,714	2,220	4,712	3,616	3,540	**3,470**
New surfaces disturbed in the reporting period	ha	64	738	279	46	137	**173**
Recultivated lands during year							
Reclaimed land	ha	0	0	0	1,670	0	**0**
Used topsoil	m^3	0	0	843	0	0	**0**
Preservation of topsoil							
Removed to stockpiles	m^3	75,000	556,200	585,200	143,900	42,000	**0**
Total topsoil stored at 31 December	m^3	115,600	671,800	1,249,800	1,393,700	1,434,853	**1,306,853**
Forest plantation							
Total	ha	25	156	0	0	0	**0**

Waste Management

IRC uses five internationally recognised categories to classify hazardous waste:

Class V (practically non-hazardous wastes) — more than 99.9% from all types of waste. These are all industrial wastes: overburden rocks, tailings of wet and dry magnetic separation, and also construction wastes, waste metal and the other types of waste.

Class IV (low-hazard waste) — approximately 7.4×10^{-4}% from all types of waste. This class of waste includes both solid and domestic waste.

Class III (moderately hazardous wastes) — approximately 7×10^{-4}% from all types of waste. This includes oil contaminated wastes.

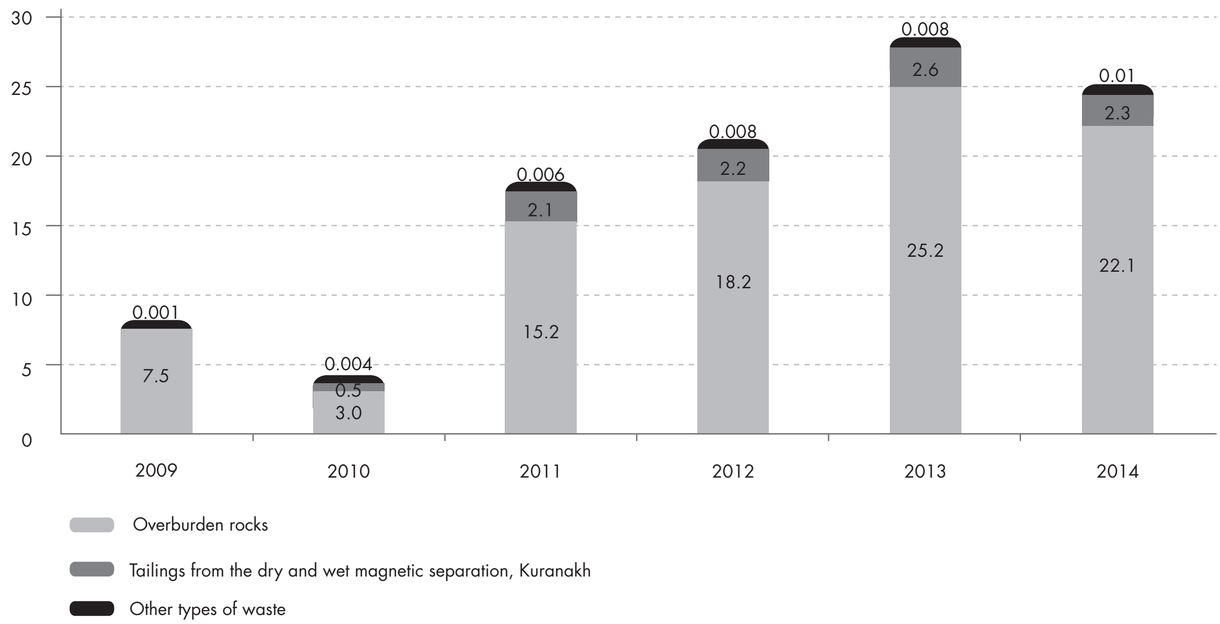
Class II (highly hazardous wastes) — approximately 2.3×10^{-5}% from all types of waste. This includes used sulfuric battery acid and waste batteries.

Class I (extremely hazardous waste) — less than 2.5×10^{-6}% from all types of wastes. e.g. mercury-filled lamps.

Staff training in hazardous waste management and labeling is ongoing. Efforts are made to ensure the universal labeling of hazardous materials according to international standards.

The total volume of waste generated in 2014 decreased 12% to 24.4 million tonnes, including: overburden of 22.1 million tonnes, approximately 90.7% of total waste and; wet and dry tailings of 2.25 million tonnes, approximately 9.2% of total waste.

Waste Volume (tonnes)



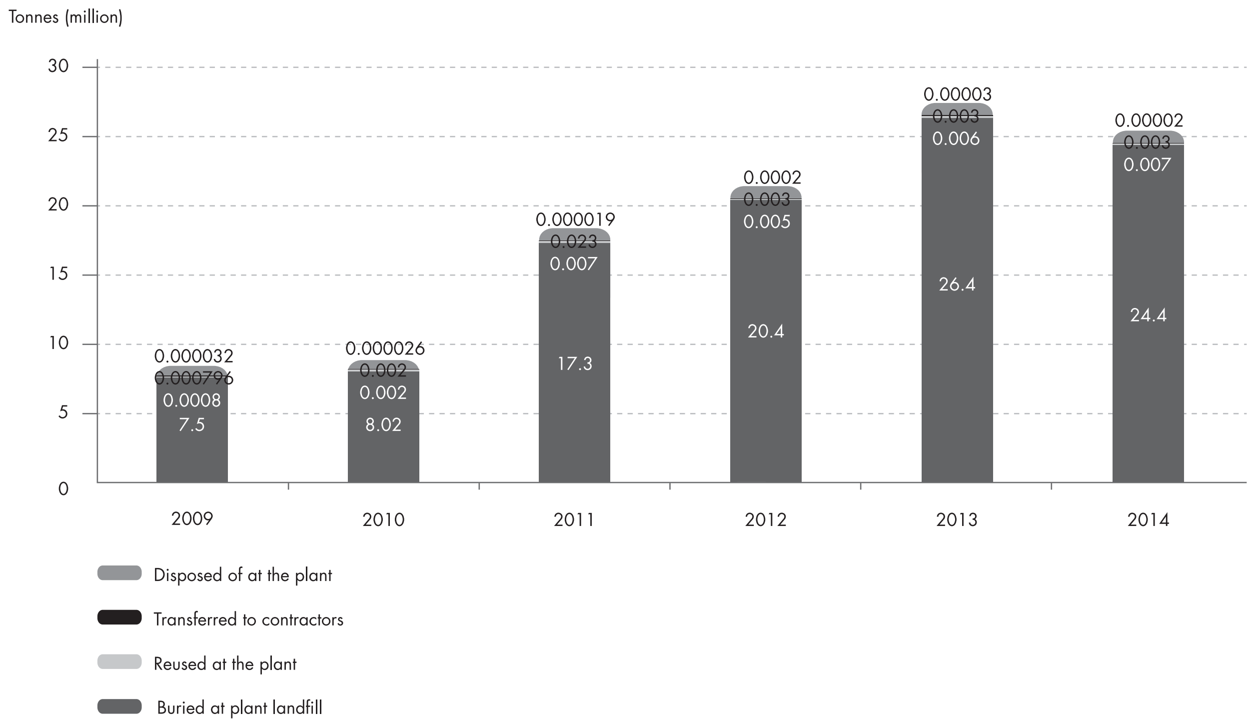
In 2014, 24.4 million tonnes of waste was stockpiled, 8% less than 2013. More efficient mining methods led to a reduction in the volume of waste generated (overburdens, dry and wet magnetic separation tailings, ashes and slag wastes).

HEALTH SAFETY ENVIRONMENT COMMUNITY (CONTINUED...)

IRC continues to work on opportunities to optimise waste disposal. Initiatives in 2014 to recycle waste included:

- Using tyres as secondary material resources.
- Oil waste used to heat on-site accommodation.
- Overburden rocks and dry-magnetic separation tailings used for road construction.
- Ashes and slag wastes used as anti-icing agent or additive to concrete mixtures.
- Disposal of waste batteries at battery acid neutralization unit and subsequent use of lead-acid battery elements for repair of car batteries (processing of connectors, bridge bars). Use of accumulator battery jars for storage of metal goods and metal-cutting tools of mechanical repair shop.
- Use of wood-shavings as oil product sorbent.

Waste Handling



Enhanced waste generation standards and disposal limits were developed and implemented across the Group. Furthermore, in 2014 K&S obtained authorized standards for waste generation and limits on wastes disposal referred to wastes from the Birobidzhan repair shop.

Across its Russian offices, IRC is implementing the "Green Office" initiative, targeting a reduction in the use of paper, committing to the use of totally chlorine free (TCF) paper, certified by the Forest Stewardship Council — FSC, and the gathering recording and recycling waste paper. Consumption of blank paper was reduced by 13% in 2014. Consolidated gathering and recording of acrylonitrile-butadienestyrene plastic waste, spent electric batteries and office appliances was also started, with disposal conducted by designated companies.

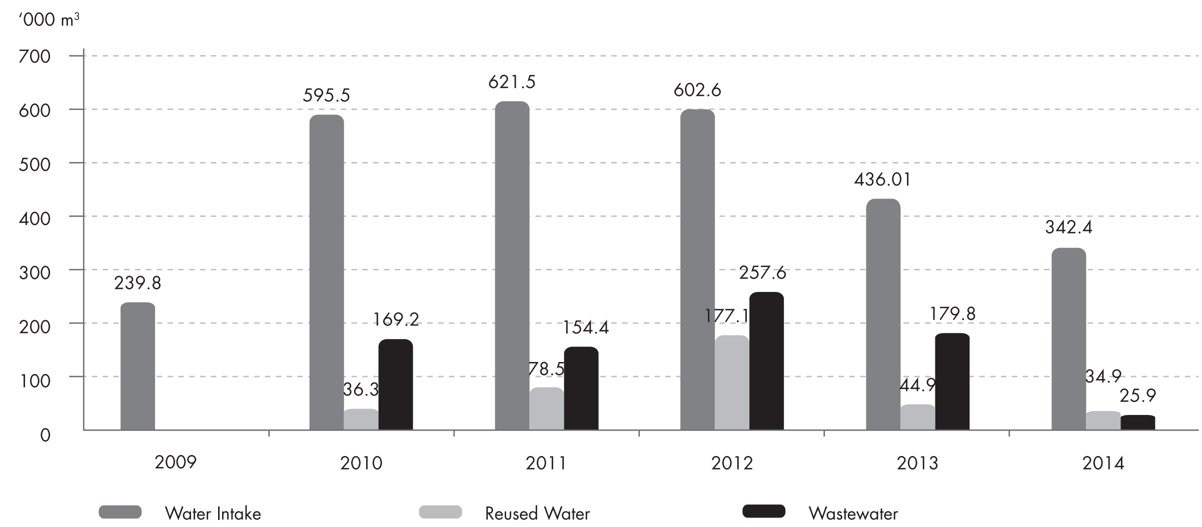
Waste Management Statistics 2009–2014

	Unit	2009	2010	2011	2012	2013	2014
Formed Waste:							
Total	t	7,520,186	8,024,056	17,263,551	20,412,291	27,837,914	**24,373,977**
Wastes without notice of overburdens and tailings:	t	986	3,645	5,799	7,564	8,353	**10,213**
Class I	t	0.097	0.508	0.589	0.37	0.456	**0.5939**
Class II	t	0.349	0.964	2.443	5.778	6.9153	**5.741**
Class III	t	36.215	92.629	168.581	146.881	184.108	**163.422**
Class IV	t	64.75	130.129	257.086	269.09	236.302	**180.1**
Class V	t	884.9	3,421	5,370	7,142	7,925	**9,863**
Waste from operations:	t	7,519,200	8,016,765	17,251,954	20,397,162	27,821,209	**24,353,551**
Overburden rocks	t	7,519,200	3,026,245	15,188,563	18,222,979	25,188,323	**22,101,404**
Wet tailings	t	0	128,010	595,803	675,681	722,893	**631,970**
Tailings	t	0	369,242	1,467,588	1,498,502	1,909,993	**1,620,177**
Waste Management:							
Disposed at the plant	t	32	26	19	17	28	**22.2**
Reused at the plant	t	796	1,751	2,297	2,546	2,484	**2,696**
Buried at plant landfill	t	7,519,200	8,016,765	17,254,618	20,397,162	26,418,779	**24,353,551**
Transferred to contractors	t	79	1,707	657	4,771	5,763	**7,411**

Water Management

In 2014 IRC extracted 342,349 m^3 of water, a 21% decrease compared to 2013. Sewage (water disposal) also decreased, reducing by 86% to 25,875 m^3. The chart below illustrates the ongoing reduction in water usage and disposal across IRC operations.

Water Consumption and Disposal



The use of water at the operations is conducted on the basis of agreements for water use or licenses for use of subsurface resources. Consumption of water from available public service systems is conducted on the basis of purchase and sale contracts.

Water Management 2009–2014

	Unit	2009	2010	2011	2012	2013	2014
Water intake:	m^3	239,800	595,487	621,492	602,632	436,010	**342,349**
Water disposal:	m^3	n/a	169,214	154,384	257,604	179,752	**25,875**
Volume of reused water:	m^3	0	36.3	78,497	177,064	44,878	**34,900**

Energy Consumption and Conservation

IRC pays special attention to energy conservation and efficiency. We use multiple software programs, combined with GPS sensors that monitor vehicle location, idling time and fuel levels to monitor consumption patterns. This data is in turn linked to other software for process analysis, accounting and inventory management serving to lower costs and improve working capital.

At Kuranakh, energy conservation initiatives in 2014 included the installation of solar panels for hot water ecolain heating devices. Across the Group the use of energy saving bulbs, frequency converters inverter welding was extended to further reduce energy consumption.

IRC administrative offices in Russia have installed centralised electrical power systems. The system makes small savings, for example, by automatically switching off computer screens and lights when not needed.

Energy Consumption & Conservation 2009–2014

	Unit	2009	2010	2011	2012	2013	2014
Consumption:							
Coil	t	n/a	8,857	9,119	9,663	9,710	**11,543**
Diesel fuel	l	2,612,476	5,665,911	13,064,130	15,938,978	18,181,913	**13,744,216**
Gasoline	l	90,349	141,651	207,761	187,237	199,043	**241,282**
Kerosene	l	29	151	400	55	350	**400**

Biodiversity Conservation

Many activities were conducted to preserve and maintain biodiversity in and around IRC operations with the aim of protecting critical habitats and improving the natural habitat of animals and plants. Examples in 2014 include:

- Additional mineral feed for wild animals at K&S
- Landscaping and site finishing, with the planting of local flora at operations
- The installation of fire prevention measures
- IRC employees with The Khabarovsk Branch of Federal State Unitary Enterprise "Pacific Fisheries Research Center" placed 1,500 Amur carp into the Amur River near the Malaya Artamoniha settlement. This was done under the auspices of the "Water of Russia" conservation programme.
- K&S purchased refrigeration equipment with the purpose of establishing a seed preservation facility, starting with the long-term storage of Korean pine seeds.

IRC had hoped to further its work monitoring the population of the Far Eastern stork (Ciconia boyciana) across certain license areas with the aim of enhancing the storks' habitat. Unfortunately there were no sightings in 2014.

Stakeholders Engagement

In the Russian Far East IRC increased its stakeholder activities in 2014, predominantly under its "Corporate Framework Programme of Stakeholders' Engagement and Corporate Standards" and its "Communication in the Environmental Management System" programmes. The Company's activities are aimed at forming constructive dialogues with all stakeholders. The programmes achieve this by working with stakeholders, engaging at all stage of project development with timely disclosure and information, and providing mechanisms to air grievances and make claims, as well as reporting and monitoring all procedures.

Public Hearings and Discussions

Public hearings and any other forms of public consultations give all concerned parties (community, technical specialists and representatives of state regulatory bodies) the possibility to express their requests as part of direct dialogue, raise concerns related to project implementation, and receive answers on points of interest. IRC managers and dedicated specialists regularly participate in such public hearings and discussions. The public participation meetings are conducted on a regular basis.

Environmental Education

One of the major principles of the Environmental Policy is to educate IRC personnel and the population living in and around the Company's operations about the environment. IRC regularly organises environmental education to both the Company's and contractors' personnel, as well as to the local population.

On the 12th of May 2014, Russia celebrated the Day of Environmental Education. K&S employees and Bastak Reserve employees conducted a joint ecological visit to the specially equipped ecological path of Bastak Reserve for Izvestkovy and Dvurechie school children. Other educational trips were also arranged, such as a visit to K&S to demonstrate to the younger generation how modern industry can operate with minimal damage to the environment.

Since 2009, IRC has provided financial support to STS, the Jewish Autonomous Region's educational TV programme channel. These programmes highlight the ecological and environmental uniqueness of the region and the challenges it faces. The programme formats are developed with representatives from the Environmental Council of the Jewish Autonomous Region Government and IRC specialists. Between 2009 and 2014, the Company has prepared 28 issues of the Ecological Bulletin of the Jewish Autonomous Region, 6 of which were in 2014. The teams have won several national and international awards for their work.

Support Indigenous People

IRC takes the environmental policy obligations of where we operate seriously. The Company strives to preserve the life-style of the indigenous population in the regions and also to contribute to their sustainable development. IRC has established good connections with the Evenk people.

The Company is funding a celebration of traditional Evenk's holidays. We are providing financial aid to the village school and kindergarten and financing trips to Evenk cultural conferences and congresses devoted to indigenous groups' issues which promote the preservation and development of the Amur Region's indigenous traditions. We have also established good relations with the Association of Indigenous Minorities of the North of Amur Region.

Since 2003, IRC has contributed to over RUB3.0 million to Evenk communities, all within the frames of Ust-Nyukzha Indigenous Minorities Development Plan 2004–2014. Funded activities included:

- The Traditional Evenki Reindeer-breeder and hunter's day festival
- Purchase of tennis tables for the Secondary General School of Ust-Nukzha settlement to promote table tennis in school
- Purchasing of equipment for the village Cultural Centre

IRC Environmental Statistics

Performance Indices	Unit	2009	2010	2011	2012	2013	2014
1. Air Pollutants & Emissions							
Mass of emitted hazardous pollutants:							
Total	t	2,872	3,580	3,753	4,473	5,143	**5,321**
Solid substances	t	2,559	2,729	2,757	3,091	3,364	**3,604**
Liquid and gaseous substances	t	313	851	997	1,382	1,779	**1,717**
Greenhouse gases emissions (CO_2):							
Gasoline combustion	t	209	521	767	538	461	**545**
Diesel fuel combustion	t	6,769	15,811	16,136	26,936	16,092	**9,081**
Kerosene combustion	t	0.1	0.4	1	0.1	0.4	**1.03**
Coal combustion	t	7,270	16,643	17,203	10,380	17,519	**20,284**
Total	t	14,248	32,975	34,107	37,854	34,073	**29,911**
Rate of permissible discharge:							
Permissible release of solids	%	n/a	100	100	92	86	**90**
Permissible release of liquid and gases	%	n/a	100	100	101	81	**86**
Pollutants removed by gas treatment:							
Total removed	t	n/a	2,956	2,957	3,036	3,020	**3,667**
Removed solid substance	t	n/a	2,657	2,658	2,510	2,418	**2,884**
Removed liquid and gaseous substances	t	n/a	299	299	526	602	**783**
2. Land Use & Reclamation							
Land lease:							
Total	ha	1,714	2,220	4,712	3,616	3,540	**3,470**
New surfaces disturbed in the reporting period	ha	64.1	738	279	46.2	137	**173**
Recultivated lands during year							
Reclaimed land	ha	0	0	0	1,670	0	**0**
Used topsoil	m^3	0	0	843	0	0	**0**
Preservation of topsoil							
Removed to stockpiles	m^3	75,000	556,200	585,200	143,900	42,000	**0**
Total topsoil stored at 31 December	m^3	115,600	671,800	1,249,800	1,393,700	1,434,853	**1,306,853**
Forest plantation							
Total	ha	25.02	156	0	0	0	**0**
3. Waste Management							
Formed Waste:							
Total	t	7,520,186	8,024,056	17,263,551	20,412,291	27,837,914	**24,373,977**
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CORPORATE GOVERNANCE REPORT

Corporate Governance Practice

The Board of Directors of IRC (the "Board") is committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. The Group believes that conducting its businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders.

Throughout the year, the Company was in compliance with the code provisions set out in the Corporate Governance Code (the "CG 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 annual 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 Board as a whole is responsible for performing the corporate governance duties. The Board reviews at least annually the corporate governance practices of the Company to ensure its continuous compliance with the CG Code, and make appropriate changes if considered necessary.

Board of Directors

The Board provides leadership and supervises the overall direction of the Group's businesses. The Board comprises of nine Directors:

Executive Directors	3
George Jay Hambro *(Chairman)*	
Yury Makarov *(Chief Executive Officer)*	
Raymond Kar Tung Woo (redesignated as non-executive director on 25 March 2015)	
Non-Executive Directors	3
Simon Murray, *CBE, Chevalier de la Légion d'Honneur*	
Cai Sui Xin	
Liu Qingchun	
Independent Non-Executive Directors	3
Daniel Rochfort Bradshaw	
Jonathan Eric Martin Smith	
Chuang-fei Li	
	9

The roles of the chairman and the chief executive are separate and are performed by different individuals.

Three of the directors — representing one-third of the Board — are Independent Non-Executive Directors. The number of Independent Non-Executive Directors meets the requirements under Rule 3.10(A) of the Listing Rules. Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules.

The Independent Non-Executive Directors are appointed for a specific term and are subject to retirement by rotation. No Independent Non-Executive Director has served the Company for more than nine years.

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors. An updated list of the directors identifying the Independent Non-Executive Directors and the roles and functions of the directors is maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

The Board adopts a board diversity policy setting out the approach to diversify the members of the Board. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments are based on meritocracy, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises of nine directors and is characterised by significant diversity in terms of nationality, age, professional background and skills.

The Board believes that the balance between Executive and Non-Executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgement and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account. One of the Independent Non-Executive Directors possesses the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

The Group provides briefings and other training to develop and refresh the directors' knowledge and skills. The Group, together with its legal counsel and external auditors, continuously update directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Company organised a formal training session for the directors of the Company using training materials provided by the Company's external auditors, Deloitte Touche Tohmatsu. The training session covered topics including accounting, auditing and financial reporting environment.

A summary of training received by the directors for the year ended 31 December 2014 is as follows:

Directors	Type of training
Executive Directors	
George Jay Hambro	A,B
Yury Makarov	A,B
Raymond Kar Tung Woo (redesignated as non-executive director on 25 March 2015)	A,B
Non-executive Directors	
Simon Murray, *CBE, Chevalier de la Légion d'Honneur*	A,B
Cai Sui Xin	A,B
Liu Qingchun	A,B
Independent Non-executive Directors	
Daniel Rochfort Bradshaw	A,B
Jonathan Eric Martin Smith	A,B
Chuang-fei Li	A,B

Notes:

A: attending briefing sessions and/or seminars

B: reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

The Board meets regularly to review operational performance, financial statements, material investments in new projects, dividend policy, major financings, treasury policies and changes in accounting policies. All directors have access to board papers and related materials which are provided in a timely manner. For the year ended 31 December 2014, the Chairman of the Company held a number of meetings with the Non-Executive Directors (including the Independent Non-Executive Directors) without the presence of other Executive Directors.

The day-to-day management and operation of the Group are delegated to the Executive Committee ("EC"), which comprises of the Executive Directors and other senior management members of the Group. The EC is the principal management decision making body on all day-to-day operations and business affairs of the Group. The EC operates under guidelines and delegated authorities from the Board and meets on a regular basis.

The Board held four meetings in 2014 and the attendance of individual directors is set out in the table on page 55.

Audit Committee

The Audit Committee consists of the three Independent Non-Executive Directors — C.F. Li (Chairman), D.R. Bradshaw and J.E. Martin Smith. The principal duties of the Committee include the review and supervision of the Group's financial reporting system and internal control procedures. During 2014, the Audit Committee reviewed the 2014 interim and annual reports and held discussions with the external auditor regarding financial reporting, compliance, scope of audit, policies for maintaining independence and reported to the Board. The terms of reference for the Audit Committee are maintained on the websites of the Company and HKEx.

The Committee met twice in 2014 and the attendance of individual Directors is set out in the table on page 55.

Remuneration Committee

The Remuneration Committee is chaired by J.E Martin Smith and its other members are C.F. Li and D.R. Bradshaw, all of whom are independent non-executive directors. The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management.

The Remuneration Committee meets regularly and reviews the structure of remuneration for executive directors on an ongoing basis and has the responsibility for the determination, within agreed terms of reference, of specific remuneration packages for executive directors and other members of the Executive Committee, including salaries, retirement benefits, bonuses, long-term incentives, benefits in kind and other compensation payments. The Remuneration Committee commits to bringing independent thought and scrutiny to the development and review process of the Group with regards to remuneration.

The Company's remuneration policy is designed to attract, retain and motivate the highly talented individuals needed to deliver its business strategy and to maximise shareholder value creation. Consistent with previous years, the policy for 2014 and so far as practicable, for subsequent years, is framed around the following principles:

- remuneration arrangements will be designed to support the Company's business strategy and to align it with the interests of the Company's shareholders;
- total reward levels will be set at appropriate levels to reflect the competitive global market in which the Company operates, with the intention of positioning such levels within a peer group of global mining companies;
- a high proportion of the remuneration should be 'at risk', with performance-related remuneration making up at least 50% of the total potential remuneration for Executive Committee members; and
- performance-related payments will be subject to the satisfaction of demanding and stretching performance targets over the short and long term, which are designed to promote the long-term success of the Group. These performance targets will be set in the context of the prospects of the Group, the prevailing economic environment in which it operates and the relative performance against that of competitor companies.

The Remuneration Committee considers that a successful remuneration policy needs to be sufficiently flexible to take into account future changes in the business environment and in remuneration practices. Consequently, the remuneration policy and the Remuneration Committee's terms of reference for subsequent years will be reviewed annually in the light of matters such as changes to corporate governance best practice or changes to accounting standards or business practices among peer group mining companies. This will help to ensure that the policy continues to provide the Company with a competitive reward strategy. In doing so, the Remuneration Committee will take into account the relevant Hong Kong Listing Rules, the guidance of independent consultants and best-practice on the design of performance-related remuneration.

The terms of reference for the Remuneration Committee are maintained on the websites of the Company and HKEx.

The Remuneration Committee is satisfied that the Company's pay and employment conditions for both directors and non-Board employees around the world are appropriate to the various markets in which the Company operates. Detailed remuneration policy and practices of IRC in 2014 are set out in a letter from the Remuneration Committee Chairman below.

The Remuneration Committee held one meeting in 2014 and the attendance of individual Directors is set out in the table on page 55.

A letter from the Remuneration Committee Chairman

Dear Shareholder,

On behalf of the Board and the Remuneration Committee, I present the IRC 2014 Remuneration report.

We have maintained the 2013 format and content of the Remuneration report to provide a clear explanation of our rationale for determining remuneration policy, annual awards and longer-term incentives, a format that we believe is:

— clear and transparent;
— conforms to Hong Kong requirements; and
— is in line with best practice in the international markets.

Consistent with previous years, the Remuneration Committee has considered and determined all elements of remuneration solely in the context of assessing the Group's achievements and, where relevant, individual performance on a standalone basis during 2014.

Our remuneration policy continues to aim to attract, retain and motivate the high-performing individuals we rely on to deliver our business strategy and create long-term value. We believe that performance-related pay should incentivise exceptional performance and that rewards should be closely linked to and commensurate with performance. As a result, performance-related pay represents a significant portion of total pay for all managers.

For executive directors, 'at risk' performance-related pay typically represents more than 50% of total available remuneration. We measure performance against a broad range of health and safety, sustainability, financial and operational criteria. We benchmark our remuneration against the global mining industry and our primary peer group, as well as global companies. Further detail regarding our remuneration policy is set out in the following pages. It is the Remuneration Committee's intention to continue to apply this remuneration policy in the future for as long as IRC remains an independent, listed company.

During 2014, the iron ore markets and the mining sector as a whole experienced strong volatility, negative pricing movement and therefore heightened uncertainty. With these current market conditions for global mining companies, a prudent approach has been taken to reduce the salaries of the executive directors which were last adjusted more than two years ago and for a further year, no bonuses were awarded in 2014. As part of a wider cost-cutting measures implemented by the Group, the Board decided to reduce salaries of 15% for all Board members starting from 1 March 2015, which is also applicable to most of senior management of the Group. In addition, the vesting of awards under the Long Term Incentive Plan 2 ("LTIP 2") was subject to further review and has been postponed. Full details regarding these activities during 2014 are set out in the following.

Members

The Remuneration Committee is chaired by J.E. Martin Smith and its other members are C.F. Li and D.R. Bradshaw, all of whom are independent non-executive directors. Details of the Remuneration Committee's role, meetings and activities can be found on page 48 under the heading "Remuneration Committee".

The Remuneration Committee receives advice on pay and conditions across IRC from the Chairman and Chief Executive of IRC although they do not attend all meetings. An independent certified public accountant firm provided independent advice to the Remuneration Committee on certain areas of executive remuneration. Societe General provided an administration function for the Group's LTIP scheme. Norton Rose Fulbright provided legal advice on incentive plan rules (as well as providing legal advice to the Group).

Remuneration policy

Our remuneration policy and practices aim to attract, retain and motivate the high-performing individuals we rely on to deliver our business strategy and create long-term value. We believe that performance-related pay should incentivise exceptional performance and that rewards should be closely linked to and commensurate with performance.

1. Over 50% of the potential executive pay package is performance-related and therefore 'at risk' (i.e. the contractual obligation to pay is dependent on satisfaction of performance criteria).

2. For exceptional performance, potential pay levels are positioned in the upper quartile in comparison to the global mining industry.

3. Performance is assessed on a holistic basis, taking into account a wide variety of factors that are aligned to the delivery of superior long-term returns to IRC's shareholders and continuous and sustainable improvements in the underlying operating and financial performance of IRC.

   — Individual performance criteria for annual bonus awards reflect health and safety, environment and sustainability performance; financial performance in both absolute and relative terms; and the effective delivery of strategic priorities including the project pipeline, and various lead performance indicators. The use of multiple factors ensures that bonuses cannot be earned on the basis of inappropriate or risky behaviour and avoids rewarding achievements against one or narrow objectives that come at the expense of performance in other areas.

   — The value of long-term incentives is dependent upon share price performance and vesting is subject to the satisfaction of stretching performance conditions. In the event that performance is below threshold, participants will receive no benefit from long-term incentives.

4. Pay arrangements are intended to remain in place, so far as is practicable, throughout the business cycle. We have therefore avoided making frequent changes to incentive arrangements or performance metrics. In determining policy and practice, the key factors we take into account include:

   — the HKEx Listing Rules;

   — the code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

   — the competitive environment for experienced personnel in the global extractive industries sector;

   — the guidance provided by a number of institutional investor representative bodies; and

   — feedback received from shareholders.

We also take into account pay and employment conditions across IRC when setting the remuneration of executive directors. We do not believe a ratio comparison between executive directors and non-Board employees is appropriate. A ratio comparison does not provide a useful measure of fairness or balance due to the vastly different costs of living in the countries where we have operations and fluctuations in exchange rates. However, on a regular basis we assess the fairness and balance of our remuneration policies and practice internally and benchmark against our competitors in the various regions in which we operate.

Base salary

Purpose	Attract and retain talented and experienced executives from an industry in which there is competition for talent. Reflect the individual's capabilities and experience. Reward leadership and direction of IRC on behalf of shareholders.
Policy	Reviewed annually. Set at a competitive level benchmarked against other global mining and major Hong Kong companies using independent external data. Consider the individual's skills, experience and influence over, and responsibility for, the success of the business. The impact of any salary increase awarded on the value of the total package is considered carefully prior to any change being made. Ensure that our approach to pay is consistent across the levels of management.
Link to strategy	Protect and generate shareholder value through the retention and attraction of high-calibre individuals.
Risk management	Enhance retention of key personnel to ensure business continuity. Structured and policy-driven approach to conducting salary reviews.

Salary review for 2014

No Executive Directors received any formal salary amendments during 2014. In April 2013 the Remuneration Committee made small adjustments to reflect relative cost inflation and exchange rate movements. Furthermore all Directors are receiving a salary reduction of 15% during 2015.

	For the year ended 31 December					
	2013			**2014**		
	Directors' fees US$'000	Salaries and other benefits US$'000	Total US$'000	**Directors' fees US$'000**	**Salaries and other benefits US$'000**	**Total US$'000**
Executive Directors						
George Jay Hambro[(a)]	—	869	869	**—**	**895**	**895**
Yury Makarov	—	773	773	**—**	**796**	**796**
Raymond Woo (redesignated as non-executive director on 25 March 2015)	—	579	579	**—**	**597**	**597**
Non-Executive Directors						
Simon Murray, *CBE, Chevalier de la Légion d'Honneur*	104	—	104	**104**	**—**	**104**
Cai Sui Xin[(b)]	—	—	—	**—**	**—**	**—**
Liu Qingchun[(b)]	—	—	—	**—**	**—**	**—**
Independent Non-Executive Directors						
Daniel Rochfort Bradshaw	144	—	144	**144**	**—**	**144**
Jonathan Eric Martin Smith	144	—	144	**144**	**—**	**144**
Chuang-fei Li	144	—	144	**144**	**—**	**144**
Total	536	2,221	2,757	**536**	**2,288**	**2,824**

(a) Certain amounts included in salaries and other benefits were paid to an independent service company providing management services to IRC that is consequently classed as an affiliated company to the employee.

(b) As Cai Sui Xin and Liu Qingchun are nominated directors of General Nice, they do not receive any remuneration to act as Non-Executive Directors.

Executive Committee Bonus Plan

Purpose	Align executives' interests with the short-term goals of IRC and the drivers of long-term success. Reward the delivery of shareholder value through the effective execution of strategy, the profits delivered to shareholders and lead indicators of future success including safety and environmental sustainability.
Policy	Maximum bonus awarded for truly exceptional performance is 100% of salary. The overall bonus pool is determined according to budgeting analysis. Individual payments are determined with respect to a range of key financial and non-financial metrics. These metrics include health and safety, employee development, environment and sustainability, profit and cash generation, volume and project execution.
Link to strategy	Provides alignment among the executives' interests, the short-term financial success of IRC and the creation of shareholder value. The Remuneration Committee takes a comprehensive view of an appropriate level of award for each individual to ensure that bonus awards truly reflect IRC's performance and management's impact on this (rather than purely resultant from external market and cyclical factors).
Risk management	Bonus pool analysis alongside budgeting ensures affordability. Focus on a wide range of financial and non-financial metrics ensures that bonus awards reward sustainable, holistic performance. Bonus analysis alongside entire remuneration package, with particular reference to LTIP, ensures a focus on long-term sustainable performance and aligns management interests with shareholders. Determination process takes account of the extent to which performance has been driven by management activity and planning as opposed to external market and cyclical factors and response to events that were not anticipated at the start of the year.

Bonus review for 2014

It should be noted that no Executive Director will receive bonus for the year 2014 and no bonuses were paid for performance in the year 2013. Furthermore all Directors are receiving a salary reduction of 15% during 2015.

	For the year ended 31 December	
	2013 US$'000	**2014** **US$'000**
Executive Directors		
George Jay Hambro[(a)]	585	—
Yury Makarov	520	—
Raymond Woo (redesignated as non-executive director on 25 March 2015)	390	—
Non-Executive Directors		
Simon Murray, *CBE, Chevalier de la Légion d'Honneur*	—	—
Cai Sui Xin	—	—
Liu Qingchun	—	—
Independent Non-Executive Directors		
Danial Rochfort Bradshaw	—	—
Jonathan Eric Martin Smith	—	—
Chuang-fei Li	—	—
	1,495	—

(a) Certain amounts included in bonus were paid to an independent service company providing management services to IRC that is consequently classed as an affiliated company to the employee.

Long-term incentive arrangements

Long-Term Incentive Plan (LTIP)

Purpose	Align the financial interests of executives with those of shareholders. Incentivise the creation of shareholder value through the absolute performance of the Company and its assets as well as the recognition of such creation in the public markets. Provide a focus on long-term, sustainable performance.
Policy	Awards granted through conditional shares. Vesting is dependent upon pre-determined targets focussing on operations, development, profitability and HSE, normally over a three-year period, as set out below.

Link to strategy	Targets aligned to strategic direction of shareholder value creation.
Risk management	Share based awards ensure a focus on long-term sustainable performance and align management interests with shareholders.
Term and Expiry	Two batches of shares are assigned, namely LTIP 1 and LTIP 2. LTIP 1 was implemented in November 2010 and expired in November 2013 with the shares vested in 2013. LTIP 2 was implemented in February 2014 and expired in May 2014. Each of the Executive Directors was appointed with 4,874,539 shares but the vesting of these shares was subject to further review by the Remuneration Committee and has been postponed. Anyone voluntarily leaving the employment of IRC foregoes their participation in the LTIP.
Other conditions for release of award	There are a number of other conditions of release or award that are normal for schemes of this kind. These include awards to vest or become exercisable in the event of a change in control, cessation of employment by reason of death, injury, ill health or disability. No unvested awards will vest or become exercisable in the event of cessation by dismissal for cause.
Participants	Executive directors and the other members of the Executive & Operations Committees and those employees with the ability to influence shareholder value.
Style of award	An award under the LTIP comprises a conditional award of shares.
Performance conditions	For executive directors in LTIP 1:

1. Operations: Kuranakh (25% of total)
   a. Mining Run Rate specific targets (33.3% of Operations)
   b. Throughput Run Rate specific targets (33.3% of Operations)
   c. Mill output specific targets for iron ore concentrate and ilmenite 1Q (33.3% of Operations)
2. Profitability: Kuranakh (25% of total)
   a. Cash cost specific targets (50% of Profitability)
   b. Throughput Run Rate specific targets (50% of Profitability)
3. Development (25% of total)
   a. Organic Growth — Exploration targets (50% of Development)
   b. Inorganic Growth — Conceptual and absolute targets (50% of Development)
4. Health Safety and Environment (25% of total)
   a. Maintain high standard of general operations, as judged by HSE Committee (50% of HSE)
   b. Present to the HSE Committee an annual programme of training, reporting and line-manager level responsibility for HSE best practice (50% of HSE)

For executive directors in LTIP 2:

1. Operations: Kuranakh (5% of total)
   — Sales volume specific target
2. Profitability: Kuranakh (5% of total)
   — Cash cost specific target
3. Development (85% of total)
   — Completion of the proposed investment from General Nice and MinMetals Cheerglory
   — Stage I completion (50% of Development)
   — Stage II completion (50% of Development)
4. Health Safety and Environment (5% of total)
   — Maintain high standard of general operations materially in line with 2012

For the portion of the award subject to Committee analysis there is zero vesting for below median performance, 50% vests for median performance and full vesting occurs for a performance ranking above the 80th percentile, with vesting between median performance and the 80th percentile assessed on a sliding scale basis.

Independent Review

The Remuneration Committee has commissioned one of the leading firms of certified public accountants to conduct two independent reviews of the IRC LTIP scheme. It is considered that the scheme motivates participants to achieve challenging yet realistic targets, which are crucial in adding significant value to the Company and are in the best interest of IRC shareholders. IRC is one of the pioneers in implementing the LTIP scheme in the industry and it is noted that similar plans are used by some of the comparable companies as an incentive scheme for employees.

The certified public accountants firm carried out the first review in 2011 and concluded that the scheme was well designed to attract, retain and incentivise key personnel. In 2013, they updated their review to include an analysis of the vesting process of LTIP 1 and the implementation and vesting criteria of LTIP 2 for the Remuneration Committee. They have reaffirmed their positive view of the scheme.

LTIP awards vesting

The table below sets out the vesting for executive directors for the LTIP award. It should be noted that no Executive Directors received any LTIP award during 2014.

	Year ended 31 December 2013 Number of shares	**Year ended 31 December 2014 Number of shares**
Executive Directors		
George Jay Hambro[(a)]	23,220,000	—
Yury Makarov	20,317,500	—
Raymond Woo	14,512,500	—
TOTAL	58,050,000	—

(a) The shares were vested to an independent service company providing management services to IRC that is consequently classed as an affiliated company to the employee.

Retirement benefits

The Executive Directors participate in plans which target a retirement benefit. IRC makes contributions which are reassessed annually by the Remuneration Committee.

	For the year ended 31 December	
	2013 US$'000	**2014 US$'000**
Executive Directors		
George Jay Hambro[(a)]	109	**112**
Yury Makarov	96	**99**
Raymond Woo	73	**75**
	278	**286**

(a) Certain amounts included in retirement benefits were paid to an independent service company providing management services to IRC that is consequently classed as an affiliated company to the employee.

Approved by the Board and issued on its behalf by
J.E. Martin Smith
Remuneration Committee Chairman

25 March 2015

Nomination Committee

The Nomination Committee is chaired by an Executive Director, G.J. Hambro. Its other members are D.R. Bradshaw and J.E. Martin Smith, both are Independent Non-Executive Directors. The Committee meets at least once a year.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations and appointment of Directors as well as on the diversity and succession of the Board. The Committee develops selection procedures for candidates, and will consider different criteria including appropriate professional knowledge and industry experience, as well as consult external recruitment professionals when required. The Committee also reviews the size, structure and composition of the Board and assesses the independence of the Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary. The terms of reference for the Nomination Committee are maintained on the websites of the Company and HKEx.

During 2014, the Committee met once and the attendance of individual Directors is set out in the table on this page.

Health, Safety and Environment Committee

The Health, Safety and Environmental Committee consists of three Independent Non-Executive Directors — D.R. Bradshaw (Chairman), J.E. Martin Smith and C.F. Li, and is responsible for evaluating the effectiveness of the Group's policies and systems for identifying and managing health, safety and environmental risks within the Group's operations and for ensuring compliance with health, safety and environmental regulatory requirements. The Committee also assesses the performance of the Group with regards to the impact of health, safety, environmental and community relations, decisions and actions.

The Committee provides the Board with regular updates to assist in overseeing matters relating to enhancing the Company's global reputation of responsible corporate stewardship, conscientious corporate social responsibility and product sustainability. In doing so, professional advice may be sought if considered necessary. The Committee also has the authority to invite key members of operational management to meetings to discuss the performance of the Group.

During 2014, the Committee met once and the attendance of individual Directors is set out in the table below.

Board and Committee Meetings and Attendance

The number of meetings the Board and other Committees scheduled during 2014 are shown below together with attendance details:

	Meetings attended/held				
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Health, Safety and Environment Committee
Executive Directors					
G. J. Hambro	4/4			1/1	
Y.V. Makarov	4/4				
R.K.T. Woo, (redesignated as non-executive director on 25 March 2015)	4/4				
Non-Executive Directors					
S. Murray, *CBE, Chevalier de la Légion d'honneur*	1/4				
Cai Sui Xin	1/4				
Liu Qingchun	3/4				
Independent Non-Executive Directors					
D.R. Bradshaw	4/4	2/2	1/1	1/1	1/1
J.E. Martin Smith	4/4	2/2	1/1	1/1	1/1
C.F. Li	4/4	2/2	1/1		1/1

Dividend Policy

When setting the dividend, the Board looks at a range of factors, including the macro environment, the current balance sheet, future investment plans and capital requirements. The Company typically considers paying annual dividends on the basis of its results for the previous year.

After the K&S mine commences operation, it is expected that the Company would adopt a dividend policy which aims to provide for a regular and sizeable dividend flow to its shareholders, whilst allowing the Company to maintain the financial flexibility to take advantage of attractive investment opportunities in the future.

Auditors' Independence

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants within the meaning of the Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit work) at a meeting of the Committee.

The Auditors' Report to the shareholders states the auditors' reporting responsibilities.

Fees paid to the external auditor are disclosed in note 9 to the consolidated financial statements.

Shareholder Relations

The Board established a shareholders' communication policy setting out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communications with the shareholders are timely, transparent, accurate and open. Information would be communicated to the shareholders mainly through the Company's corporate communications (such as quarterly trading updates, interim and annual reports, announcements and circulars), annual general meetings ("AGM") and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are also available on the website of the Company. The Company's website provides shareholders with corporate information, such as principal business activities and major projects, the development of corporate governance and the corporate social responsibilities of the Group. For efficient communication with shareholders and in the interest of environmental protection, arrangements were made to allow shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website.

Shareholders are provided with contact details of the Company, such as telephone, fax number, email address and postal address, enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Tricor Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

The Company's AGM allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered.

AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the AGM.

Shareholders holding not less than 1/20 of paid up capital of the Company can convene an extraordinary general meeting by requisition, by stating the objectives of the meeting and depositing the signed requisition at the registered office of the Company. The procedures for shareholders to propose a person for election as a director can be found at the Company's website.

Compliance with Model Code

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 year 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.

Directors' Responsibility Statement and Going Concern Assessment

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of shareholders. The Board is responsible for reviewing the internal control policies and has delegated the day-to-day management of operational risks to the Executive Committee. Independent consultants are hired where necessary to assist the Board to perform a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. By reference to a globally recognised internal controls framework, the high-level risk assessment covered all key controls including financial, compliance and operational controls and risk management systems.

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) The Group expects to renew the existing loan facilities of US$15 million and US$10 million, with Asian Pacific Bank, upon their expiry in April 2015 and October 2015, respectively, for another twelve months;

(ii) The Group is implementing active cost-saving measures to improve operating cash flows and financial position;

(iii) The Group is anticipating full-scale operations of K&S project which will generate sales in the second half of 2015;

(iv) The very substantial volatility in the Russian Rouble/US Dollar exchange rate which may continue in 2015, given that a significant percentage of the Group's costs are denominated in Russian Roubles, whilst a substantial portion of the Group's sales are denominated in US Dollars; and

(v) The substantial drop in the iron ore price may continue to have an impact on the Group as the Group's financial position is materially dependent on the price at which it can sell its iron ore production. The Group's financial position has been materially and adversely affected by the substantial drop in the iron ore price over the year.

Similar to the 2013 year end and the 2014 interim end, as the sufficiency of working capital is dependent on the Group's ability to successfully implement certain 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. If the Group were unable to successfully implement the measures described above or if market conditions turnout to be significantly less favourable to the Group than predicted, the Group may not have sufficient working capital to finance its operations and its financial liquidity may be adversely impacted.

The directors consider that:

— in respect of the measures described in (i) to (iii) above, after making enquiries and based on progress to date, the directors of the Company expect that each will be concluded successfully within the designated time frame.

— in respect of the assumptions referred to in (iv) and (v) above, the directors of the Company have performed sensitivity analyses taking into account what they consider to be reasonably possible adverse fluctuations in the Russian Rouble/US Dollar exchange rate and iron ore price in the foreseeable future.

After taking into account the above, the directors of the Company consider that 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 and are satisfied that all covenant obligations will be met accordingly. Accordingly, the consolidated financial statements for the 2014 year end have been prepared on a going concern basis.

Please refer to the unqualified opinion on the Independent Auditor's Report on Page 72 for details. The "Emphasis of Matter" paragraph, which is substantially the same as that in the 2013 Annual Report and 2014 Interim Report, indicates that the financial statements of the Group for the year ended 31 December 2014 have been prepared on a going concern basis.

The Group's annual results and interim results are announced in a timely manner.

On behalf of the Board

George Jay Hambro
Executive Chairman

Hong Kong, 25 March 2015

DIRECTORS' REPORT

The Directors present their Report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

Principal Activities

The Company was incorporated with limited liability in Hong Kong on 4 June 2010 under the Hong Kong Companies Ordinance. The principal activity of the Company is investment holding and the principal activities of its subsidiaries, associates and jointly controlled entity are the production and development of industrial commodities products.

The analysis of the principal activities and geographical locations of the operation of the Group for the year ended 31 December 2014 is set out in note 6 to the consolidated financial statements.

Results

The results of the Group are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 74 to 75 and in the accompanying notes to the consolidated financial statements. A discussion and analysis of the Group's performance during the year is set out in the Results of Operations section on pages 66 to 71 of this annual report.

Dividend

The Board of Directors does not recommend the distribution of a dividend for the year ended 31 December 2014.

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year are set out in note 20 to the consolidated financial statements.

Share Capital

During the year, the Company issued and allotted a total of 330,000,000 ordinary shares at an issue price of HK$0.94 per share to General Nice Development Limited. The ordinary shares issued rank pari passu in all respects with the existing issued shares.

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.

Save as described above, there were no changes in the share capital of the Company in 2014. Particulars of the changes in the share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

Reserves

Details of movements in reserves during the year are set out in the section "Consolidated Statement of Changes in Equity" of the consolidated financial statements.

Directors

The Directors during the year and up to the date of this report were:

Executive Directors:

George Jay Hambro
Yury Makarov
Raymond Kar Tung Woo (redesignated as non-executive director on 25 March 2015)*

Non-Executive Directors:

Simon Murray, *CBE, Chevalier de la Légion d'honneur*
Cai Sui Xin
Liu Qingchun

Independent Non-Executive Directors:

Daniel Rochfort Bradshaw
Jonathan Eric Martin Smith
Chuang-fei Li

* Due to personal reasons, Raymond Kar Tung Woo left his position as Chief Financial Officer, Company Secretary and Authorised Representative of the Company on 25 March 2015 and was redesignated as non-executive director on the same day.

Directors' Service Contracts

The Company has entered into letters of appointment with each of its Directors, pursuant to which each Director is appointed for a term of three years and are subject to termination in accordance with their respective terms.

Directors' Interests

As at 31 December 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 31 December 2014
George Jay Hambro	Interest of a controlled corporation*	352,000	0.01%
	Beneficial interest**	23,220,000	0.48%
	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%

* These shares are beneficially owned by Mount F Consulting Limited, which is wholly owned by George Jay Hambro.

** Please refer to note (a) on page 54 under the heading "LTIP awards vesting" in the Corporate Governance Report for more details.

*** The vesting of these shares is subject to the fulfillment of certain conditions and 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 31 December 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. Mr. Yury Makarov is the stepson of Dr Pavel Maslovskiy, the Chief Executive Officer of Petropavlovsk PLC.

Directors' Interests in Competing Businesses

Except as described below, none of the Directors of the Company or their respective associates was interested in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Petropavlovsk is the ultimate holding company of the Company. Petropavlovsk and its subsidiaries ("Petropavlovsk Group") are principally engaged in the exploration, development and production of precious metal deposits in Russia. The Directors do not consider Petropavlovsk to be a competitor of the Company because Petropavlovsk focuses on different commodities to the Company.

During the year and up to the date of this report, George Jay Hambro and Yury Makarov are shareholders of Petropavlovsk and are therefore considered to have interests in Petropavlovsk.

Directors' Interests in Contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2014.

Appointment of Independent Non-Executive Directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Substantial Shareholders' and other Persons' Interests

So far as is known to any Director or chief executive of the Company, as at 31 December 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 31 December 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%

* Of the 2,205,900,000 shares, 521,376,470 shares (10.73% of the issued share capital of the Company) were pledged on 6 February 2015. Please refer to the section "Guarantee" on page 64 of for details.

** 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 in this section, the Company had not been notified by any persons (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 who were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such capital.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 31 December 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.

Continuing Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, the following non-exempt continuing connected transactions require disclosure in the annual report of the Company:

Continuing connected transactions	Connected Persons	Cap for 2014 US$'000	Actual amount for 2014 US$'000
A Shared Services Agreement	Petropavlovsk and/or its subsidiaries	2,035	189
B Technical Services Agreement	Petropavlovsk and/or its subsidiaries	6,000	19
C Helicopter Lease Agreement	Petropavlovsk and/or its subsidiaries	1,000	652
D Helicopter Services Agreement	Petropavlovsk and/or its subsidiaries	2,000	69

* Millennium Implementation Limited and OJSC Asian-Pacific Bank were no longer considered to be connected persons of the Company during the year ended 31 December 2014.

The actual amount of these transactions did not exceed the respective caps.

The connected transactions described in items A to D concern transactions between the Group and Petropavlovsk. Petropavlovsk, through its wholly-owned subsidiary Cayiron Limited, is a substantial shareholder of the Company and therefore a connected person pursuant to Listing Rule 14A.11(1). Furthermore, Petropavlovsk's subsidiaries are also connected persons of the Company as they are associates of Petropavlovsk. Accordingly, transactions between the Group and Petropavlovsk, and between the Group and Petropavlovsk's subsidiaries, are connected transactions for the purpose of Chapter 14A of the Listing Rules.

A. Shared Services Agreement

The Group procures certain services from Petropavlovsk, and provides certain services to Petropavlovsk ("Shared Services"). On 29 September 2010, the Company and Petropavlovsk entered into an agreement in respect of Shared Services (the "Shared Services Agreement") for a term of three years. The Shared Services Agreement is intended to provide an overarching framework for provision of the shared services. The Shared Services comprise: (i) shared office space; (ii) legal services; (iii) management and information technology services; (iv) administrative services and (v) an equipment lease. Except for (v) an equipment lease, which is based on arm's length basis, all other services are recharged based on cost plus a markup of 10%.

On 21 December 2012, the Shared Services Agreement was renewed for a further term of three years commencing from 1 January 2013 and ending on 31 December 2015. Apart from changes made to update the effective period of renewal, all other terms and conditions of the Shared Services Agreement remain the same.

The annual cap under the Renewed Shared Services Agreement for the years ended 31 December 2013 and 31 December 2014 and the year ending 31 December 2015 is US$2,035,000 respectively, which is the same annual cap for the three years ended 31 December 2010, 31 December 2011 and 31 December 2012 under the Shared Services Agreement. The annual cap amounts have been determined based on historical transaction figures and the Group's planned operations over the next three years, with a buffer to provide flexibility for any increase in shared services required by the Group or any increase in the base cost of providing such services.

B. Technical Services Agreement

On 29 September 2010, the Group and Petropavlovsk entered into a technical services agreement (the "Technical Services Agreement") for a term of three years. The Technical Services Agreement provides an overarching agreement which governs Petropavlovsk's provision of technical services to the Group. The technical services comprise: (i) construction services; (ii) engineering & design services and (iii) exploration & geological services. The technical services were recharged on a "cost plus 10% markup" basis.

On 21 December 2012, the Technical Services Agreement was renewed for a further term of three years commencing from 1 January 2013 and ending on 31 December 2015. Apart from changes made to update the effective period of renewal and the annual caps (as described below), all other terms and conditions of the Technical Services Agreement remain the same.

The annual cap under the Renewed Technical Services Agreement for the years ended 31 December 2013 and 31 December 2014 and the year ending 31 December 2015 is US$6,000,000 respectively, which is substantially less than the annual caps for the three years ended 31 December 2010, 31 December 2011 and 31 December 2012 under the Technical Services Agreement. The reduction in the annual cap amounts under the Renewed Technical Services Agreement has been determined based on historical transaction figures and the Group's planned operations over the three-year period, which includes the provision by CNEEC of the Group's construction and engineering services for the K&S Project under the CNEEC EPC Contract. The annual cap amounts, however, also include a buffer amount to provide flexibility for any increases in the technical services required by the Group or any increase in the base cost of providing such services and so as to minimise any interruption to the Group's operations.

C. Helicopter Lease Agreement

LLC GMMC, a subsidiary of the Company, provides MC Petropavlovsk with helicopter services pursuant to a helicopter lease agreement ("Helicopter Lease Agreement") dated 29 September 2010. Under the Helicopter Lease Agreement, LLC GMMC leases its helicopter to MC Petropavlovsk for use in Petropavlovsk's operations. MC Petropavlovsk is a subsidiary of Petropavlovsk and therefore is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Although the Petropavlovsk Group owns two helicopters, it is still necessary to lease helicopter from the Group because at various times one or both of the helicopters may be under repair and maintenance. This arrangement provides the Petropavlovsk Group with continuous access to a helicopter service. The terms and conditions of the Helicopter Lease Agreement are no more favourable to MC Petropavlovsk than those that would be offered to independent third parties. The Helicopter Lease Agreement has been amended and varied pursuant to a deed of variation to ensure compliance with Chapter 14A of the Listing Rules and, under the terms of the amended agreement, the amount charged to MC Petropavlovsk is calculated on the total cost, including amortisation and overheads plus a margin of 10%, attributable to actual flight time.

Before the expiry of the Helicopter Lease Agreement on 8 October 2013, on 16 January 2013, the Helicopter Lease Agreement was renewed for a further term of three years commencing from 1 January 2013 and ending on 31 December 2015. Apart from changes made to update the effective period of renewal, all other terms and conditions of the Helicopter Lease Agreement remain the same.

The annual cap under the Renewed Helicopter Lease Agreement for the years ended 31 December 2013 and 31 December 2014 and the year ending 31 December 2015 is US$1,000,000 respectively, which is the same annual cap for the three years ended 31 December 2010, 31 December 2011 and 31 December 2012 under the Helicopter Lease Agreement. The annual cap amounts have been determined based on historical transaction figures and MC Petropavlovsk's expected demand for helicopter services for the next three years, as advised to the Company by MC Petropavlovsk.

D. Helicopter Services Agreement

On 29 September 2010, the Group and MC Petropavlovsk entered into an agreement relating to the provision of helicopter services ("Helicopter Services Agreement"). Under the agreement, MC Petropavlovsk provides the Group with the use of its helicopter, which is critical for the Group's business due to the distances between the Group's assets and offices. The reason the Group procures a helicopter service from MC Petropavlovsk is to ensure that it has continuous access to a helicopter service. This will be relevant where the Group's own helicopter is under repair and maintenance, or where the Group's personnel require an extended service. MC Petropavlovsk recharges the Group for total cost, including amortisation and overheads plus a margin of 10%, attributable to actual flight time.

Before the expiry of the Helicopter Services Agreement on 8 October 2013, on 16 January 2013, the Helicopter Services Agreement was renewed for a further term of three years commencing from 1 January 2013 and ending on 31 December 2015. Apart from changes made to update the effective period of renewal, all other terms and conditions of the Helicopter Services Agreement remain the same.

The annual cap under the Renewed Helicopter Services Agreement for the years ended 31 December 2013 and 31 December 2014 and the year ending 31 December 2015 is US$2,000,000 respectively, which is the same annual cap for the three years ended 31 December 2010, 31 December 2011 and 31 December 2012 under the Helicopter Services Agreement. The annual cap amounts have been determined based on historical transaction figures and the Group's expected requirements for helicopter services over the next three years, having regard to the Group's planned activities in areas that are only accessible by helicopter.

Each Continuing Connected Transaction has been reviewed by the Directors, including the Independent Non-executive Directors. The Directors confirm that the Continuing Connected Transactions set out above have been entered:

— in the ordinary and usual course of business of the Group;

— on normal commercial terms or better; and

— according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to perform certain work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The auditor has provided a letter to the board of directors of the Company and confirmed that for the year ended 31 December 2014 the Continuing Connected Transactions (i) have received the approval of the board of directors of the Company; (ii) are in accordance with the pricing policies of the Company for those Transactions that involve provision of goods or services by the Group; (iii) have been entered into in accordance with the relevant agreement governing the transactions and (iv) have not exceeded the respective caps.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Emolument Policy

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in note 10 to the consolidated financial statements. The emolument policy of the employees of the Group is set up by the Remuneration and/or Executive Committees on the basis of their merit, qualifications and competence.

The emoluments payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts as approved by the board of directors of the Company on the recommendation of the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Detailed remuneration policy and practices of IRC in 2014 are set out on page 48.

A key element of senior management remuneration is the Long Term Incentive Plan ("LTIP"). The LTIP is designed to align the interests of management with those of shareholders, and to incentivise performance. Please refer to the paragraph "Remuneration Committee" in Corporate Governance Report on page 48 and Note 37 to the consolidated financial statements under "Share-Based Payments" for more details.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers accounted for 94% of the total revenue for the year. The largest of them accounted for 76% of the total revenue. Also, the aggregate purchases attributable to the Group's five largest suppliers taken together represented 61% of the Group's total purchases for the year. The largest supplier represented 18% of the Group's total purchases for the year.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers or customers.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year.

Guarantee

The Group obtained a banking facility of US$340,000,000 from ICBC which is guaranteed by Petropavlovsk, the controlling shareholder of the Company. The project finance facility agreement contains certain covenants on Petropavlovsk, the details of which are set out in Note 41 to the consolidated financial statements. On 6 February 2015, ICBC agreed to waive certain covenants under the project finance facility agreement. In consideration for the waiver of the covenants, Cayiron Limited (a wholly-owned subsidiary of Petropavlovsk PLC) pledged 521,376,470 ordinary shares (approximately 10.73%) in the issued capital of the Company to ICBC as security for its obligations as guarantor under the ICBC project finance facility for so long as the waiver remains in place.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 47 of this annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

Auditor

During the year, Messrs. Deloitte Touche Tohmatsu was appointed as the auditor of the Company. A resolution to appoint the auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Review by the Audit Committee

The audited financial statements have been reviewed by the Audit Committee of the Company, which comprises three Independent Non-executive Directors: Mr C.F. Li, Mr D.R. Bradshaw and Mr J.E. Martin Smith. Mr C.F. Li is the Chairman of the Audit Committee.

On behalf of the Board

George Jay Hambro
Executive Chairman

25 March 2015

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board of Directors is composed of nine directors with a collective expertise covering the resource sector and complementary industries, in addition to deep experience in the geographical regions where IRC operated.

The Board formally meets four times a year. In addition numerous sub-committee meetings, information events and director training sessions are held, including site visits to IRC's operations and regional offices.

The strategic leadership of IRC is the responsibility of a unitary and balanced board, which comprises a healthy composition of Executive Directors, Non-Executive Directors and independent Non-Executive Directors.

Executive Directors

Jay Hambro

Executive Chairman

Mr Jay Hambro, 40, is the Executive Chairman. In his early career, he was a metals and mining banker and adviser at NM Rothschild and HSBC. Subsequently he joined the Petropavlovsk Group where he was CEO of Aricom and later the CIO of Petropavlovsk, a role he relinquished in 2010 to head IRC. Mr Hambro is a Fellow of the Institute of Materials, Minerals and Mining and an Independent Non-Executive Director of Winsway. He holds a BA in Business Management from Newcastle University.

Yury Makarov

Chief Executive Officer

Mr Yury Makarov, 40, is the Chief Executive Officer. He began his career at NT Computers as an engineer, and later Commercial Director, with responsibility for sales, service and support. In 2002, he joined Aricom as COO and subsequently Petropavlovsk as the Group Head of Industrial Commodity Operations, before taking up his current role at IRC in 2010. Mr Makarov is a qualified systems engineer with an MA in Avionics from the Moscow State Aircraft Technology Institute.

Raymond Woo

Chief Financial Officer

Mr Raymond Woo, 45, is the Chief Financial Officer until 25 March 2015. Mr. Woo began his career as an accountant at Arthur Andersen, then as an investment banker at ING, CITIC Securities and Credit Suisse. He holds a BCom from The University of New South Wales and is a member of the Australian Society of Certified Practising Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. He is an Independent Non-Executive Director of Yuanda China. Mr. Woo is redesignated as a Non-Executive Director from 25 March 2015.

Independent Non-Executive Directors

Daniel Rochfort Bradshaw

Mr Bradshaw, 68, is the Senior Non-Executive Director and Chairman of the Health, Safety and Environment Committee. A Hong Kong lawyer with a specialist shipping practice, he has worked for most of his career as a solicitor at Mayer Brown JSM. Mr Bradshaw holds an LLB and LLM in Law. He is a Non-Executive director of Euronav and an independent non-executive director of GasLog MLP and Pacific Basin Shipping, a Director of the Kadoorie Farm and an Executive Council Member of the Hong Kong World Wide Fund for Nature.

Jonathan Martin Smith

Mr Jonathan Martin Smith, 56, is an Independent Non-Executive Director and Chairman of the Remuneration Committee. He was the founder of London based Smith's Corporate Advisory, which he sold to UK stockbroker Westhouse Holdings in 2010, where he subsequently headed the mining practice. Prior to establishing his own firm, he worked at UBS, Credit Suisse and Williams de Broë. He is a graduate from the Royal Military Academy Sandhurst where he served as an officer until 1982.

Chuang-fei Li

Mr Chuang-fei Li, 68, is a Non-Executive Director and Chairman of the Audit Committee. Mr Li worked for Bank of China in London as the Deputy General Manager and the Chief Lending Officer with wide responsibilities, including investment and corporate banking, treasury and capital markets, financial institutions coverage, structured finance, aircraft and shipping finance, syndications, retail banking and auditing. Mr Li is a past Fellow of the Asia Centre at Harvard University.

Non-Executive Directors

Simon Murray

CBE, Chevalier de la Légion d'honneur

Mr Murray, 75, is a Non-Executive Director of IRC. Mr Murray's career has included senior roles at Jardine Matheson, Hutchison Whampoa, Deutsche Bank and his current role as Chairman of GEMS. Mr Murray was previously Chairman of Glencore International and is currently Chairman of Gulf Keystone Petroleum, and a Director of Cheung Kong, Orient Overseas, Wing Tai Properties, Greenheart, Spring Asset Management and Compagnie Financière Richemont, and the China LNG Group.

Cai Sui Xin

Mr Cai Sui Xin, 53, is a Non-Executive Director. He is the Founder and Chairman of General Nice, a metallurgical coke producer and large private Chinese trader of steel raw commodities. Since 2013, General Nice is also a strategic shareholder of IRC with offtake arrangements for K&S and Garinskoye. Mr Cai is the Executive Chairman of Singapore quoted Abterra and Digiland International, in addition to being Executive Chairman of Hong Kong quoted Loudong General Nice Resources.

Liu Qingchun

Mr Liu Qingchun, 49, is a Non-Executive Director. He is the Managing Director of Minmetals Cheerglory, a subsidiary of China Minmetals Corporation. where he is responsible for the Groups ferrous trading and logistics operations. He is a Director of Beijing Newglory and a Non-Executive Director of Hong Kong quoted Winsway. Mr Liu obtained holds an MBA from Saint Mary's University in Canada and a BA in International Economics Law from Shanghai Institute of Foreign Trade.

Emeritus Director

Senator Dr Pavel Maslovskiy

Dr Pavel Maslovskiy, 58, is the Co-Founder and CEO of Petropavlovsk. Prior to embarking on his business career, Dr Maslovskiy was a professor at the Moscow Aircraft Technology Institute, specialising in engineering applications of the theory of plasticity, teaching metallurgy and plasticity. Dr Maslovskiy was a Senator of the Federation Council of Russia (the Upper House of the Russian Parliament) from December 2011 until October 2014 when he returned to Petropavlovsk and his role as CEO.

Senior Management

Danila Kotlyarov

Mr Danila Kotlyarov, 36, is the Interim Chief Financial Officer. Mr Kotlyarov joined the Group in 2005 responsible over Russian and China operations, and was subsequently promoted to Deputy Chief Executive Officer. He holds a BA in Management and an MA in International Economics from the Moscow State Institute of International Relations. He is a fellow member of the Association of Chartered Certified Accountants and has professional diploma in civil and industrial construction.

Johnny Yuen

Mr Johnny Yuen, 42, is the Company Secretary, Corporate Controller, and Authorised Representative of the Company. Mr Yuen began his career in KPMG. Mr Yuen is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. He holds a MBA from the Manchester Business School of University of Manchester and a BA in Accountancy from the City University of Hong Kong.

RESULTS OF OPERATIONS

The following table summarises the consolidated results of the Group for the year ended 31 December 2014 and 2013:

	For the year ended 31 December		
	2014	2013	Variance
Key Operating Data			
Iron Ore Concentrate			
— Sales volume (tonnes)	**1,027,595**	1,012,817	1.5%
— Average price (US$/tonne)	**91**	119	(23.5%)
Ilmenite			
— Sales volume (tonnes)	**165,716**	141,644	17.0%
— Average price (US$/tonne)	**151**	223	(32.2%)
Consolidated Income Statement (US$'000)			
Revenue			
Iron Ore Concentrate	**92,917**	120,390	(22.8%)
Ilmenite	**25,055**	31,549	(20.6%)
Engineering Services	**4,442**	8,915	(50.2%)
Total Revenue	**122,414**	160,854	(23.9%)
Site operating expenses and service costs	**(147,963)**	(156,142)	(5.2%)
Central administration expenses	**(16,787)**	(19,039)	(11.8%)
Impairment charges	**(260,828)**	(28,850)	>100%
Share of results of a joint venture	**2,900**	(115)	n/a
Net operating loss	**(300,264)**	(43,292)	>100%
Other gains and losses and other expenses	**(10,170)**	(1,475)	>100%
Financial expenses, net	**(876)**	(2,331)	(62.4%)
Loss before taxation	**(311,310)**	(47,098)	>100%
Taxation	**(6,020)**	(677)	>100%
Loss after taxation	**(317,330)**	(47,775)	>100%
Non-controlling interests	**(314)**	6,162	n/a
Loss attributable to owners of the Company	**(317,644)**	(41,613)	>100%

Revenue

Iron ore concentrate

During 2014, IRC sold all of the iron ore it produced and increased its iron ore sales volume by 1.5% year on year, suggesting good demand for IRC's iron ore concentrate product. However, the significant increase in iron ore supply in the market, and commensurate fall in iron ore prices, have resulted in a 23.5% decrease in selling price from US$119 per tonne to US$91 per tonne. Iron ore revenue therefore decreased by 22.8% from US$120.4 million to US$92.9 million in 2014.

Ilmenite

165,716 tonnes of ilmenite were sold in 2014, a 17% increase as compared to 141,644 tonnes in 2013. This positive contribution was, however, fully absorbed by the weak market demand for ilmenite in 2014 with a 32.2% fall in price. As a result, revenue from ilmenite sales dropped by US$6.5 million to US$25.1 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 hopeful 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$4.5 million to US$4.4 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 5.2% from US$156.1 million to US$148.0 million and a breakdown of the expenses is set out in note 8 to the condensed consolidated financial statements on page 99.

Included in the expenses was a non-cash impairment provision for inventory at Kuranakh of US$1.6 million, due to the falling iron ore price. Excluding this one-off non-cash provision, the underlying Site Operating Expenses and Service Costs decreased by 6.2% year-on-year. Considering that the iron ore sales volume increased by 1.5%, and also taking into account the relatively high inflation in Russia, the 6.2% cut in cost is a good achievement and demonstrates the Group's continuous efforts to control costs.

During 2014, 1,010,360 tonnes (2013: 1,032,615 tonnes) of iron ore concentrate and 178,426 tonnes (2013: 150,458 tonnes) of ilmenite were produced, ahead of the Group's 2014 production targets by 12.3% and 11.5% respectively. 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:

	2014		2013
	Total cash cost US$ million	**Cash cost per tonne US$/t**	Cash cost per tonne US$/t
Mining	**29.9**	**29.6**	37.5
Processing	**17.3**	**17.1**	18.4
Transportation to plant	**8.4**	**8.3**	7.0
Production overheads, site administration and related costs	**26.7**	**26.4**	22.4
Transportation to customers	**31.5**	**30.7**	36.6
Movements in inventories and finished goods	**7.1**	**6.9**	(8.0)
Contribution from sales of ilmenite* and others	**(12.1)**	**(11.9)**	(18.2)
Net cash cost	**108.8**	**107.1**	95.7

* net of tariff and other railway charges for ilmenite

The increase in net cash cost in 2014 was mainly due to reduced contribution from sales of ilmenite following the falling ilmenite prices and the sale of inventory produced in the previous year with higher production costs.

As widely reported in the press, the Russian Roubles depreciated significantly in December 2014. While the Group's income is mainly US dollar denominated and therefore unaffected by the Roubles depreciation, the Group's operating costs, which are mostly denominated in Roubles, are expected to reduce significantly in 2015 if Roubles continues to be weak. It is expected that this factor, coupled with the continuation of the Group's cost reduction program, would further bring down the cash cost in 2015.

SEGMENT INFORMATION

Despite the Group's effort to reduce operating costs, the decrease in selling prices of iron ore and ilmenite in 2014 had resulted in the "Mine in production" segment reporting a segmental EBITDA loss before impairment of US$18.0 million (2013: profit of US$22.8 million). The "Engineering" segment contributed a profit of US$0.3 million (2013: US$1.0 million) following a 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 11.8% to US$16.8 million.

IMPAIRMENT CHARGES

As operating costs and efficiencies of the Kuranakh mine are at near optimal levels, the business model for this project is particularly sensitive to iron ore and ilmenite prices. Given the significant reductions in these prices, especially in the second half of 2014, it is considered appropriate to record a one-off non-cash impairment provision of US$63.6 million against the full carrying value of the mine (2013: partial impairment provision of US$15.4 million).

The softening of the iron ore price also affected the impairment assessment of the K&S mine and a one-off non-cash impairment provision of US$197.3 million (2013: nil) had been recorded to partially write down the 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 2014, the Group recorded a share of profit of the joint venture of US$2.9 million (2013: share of loss of US$0.1 million).

NET OPERATING LOSS

The net operating loss, before taking into account the impairments of Kuranakh and K&S, increased from US$14.4 million to US$39.4 million, primarily due to the reduction in prices of iron ore and ilmenite. The non-cash impairments increased the net operating loss to US$300.3 million.

OTHER GAINS AND LOSSES AND OTHER EXPENSES

The Other Gains and Losses and Other Expenses of US$10.2 million (2013: US$1.5 million) mainly represents the gain on disposal of the Group's Amur River bridge subsidiary LLC Rubicon of US$3.3 million offset by the exchange losses of US$13.4 million following the depreciation of Russian Roubles.

NET FINANCIAL EXPENSES

Net financial expenses decreased from US$2.3 million in 2013 to US$0.9 million in 2014, mainly due to the increase in interest income following the equity injections from General Nice. The outstanding commitment from General Nice was also interest bearing with effect from December 2014.

TAXATION

Tax charge increased significantly from US$0.7 million to US$6.0 million. In 2014, a deferred tax liability of US$5.2 million was recognised, and hence tax charge of the same amount was booked as a non-cash item, primarily due to the depreciation of Russian Roubles against US Dollars, which gave rise to temporary differences between the value of non-monetary fixed assets and the tax base of such non-monetary fixed assets.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

As a result of the above, the loss attributable to the owners of the Company in 2014 increased to US$317.6 million (2013: US$41.6 million). The increase is mainly due to the non-cash impairments of US$260.8 million and the reduction in revenue of US$38.4 million, being partially offset by the Group's continuous effort to control costs.

CASH FLOW STATEMENT

The following table summaries the key cash flow items of the Group for the year ended 31 December 2014 and 31 December 2013:

US$'000	For the year ended 31 December	
	2014	2013
Net cash used in operations	**(25,598)**	(818)
Interest paid	**(9,818)**	(7,082)
Capital expenditure	**(100,990)**	(113,614)
Proceeds on issuance of shares, net of transaction costs	**38,871**	126,887
Proceeds from bank borrowings, net of repayment	**72,957**	80,332
Repayment of loan from Petropavlovsk	**—**	(10,000)
Disposal of subsidiaries	**3,150**	—
Other payments and adjustments, net	**(1,964)**	(1,359)
Net movement during the year	**(23,392)**	74,346
Cash and bank balances (including time and restricted deposits)		
— At 1 January	**98,382**	24,036
— At 31 December	**74,990**	98,382

The net cash used in operations amounted to US$25.6 million, mainly due to the reduction in revenue and other working capital movements. Capital expenditure of US$101.0 million was spent mainly on the K&S mine, as the construction progress of the project stepped up for commissioning.

For financing, the Group had allotted and issued 330.0 million shares (2013: 1,035.9 million shares) to General Nice and received net cash injections of US$38.9 million (2013: US$126.9 million). A net bank borrowing of US$73.0 million had been drawn during 2014 mainly from the ICBC project financing facility to finance the construction of the K&S project.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Share capital

On 17 January 2013, the Company entered into a conditional subscription agreement with each of 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 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).

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 31 December 2014, the Group had received approximately US$170 million, and the proceeds had been used in accordance with the intention above-mentioned. Approximately US$100 million had been spent on financing the construction of the K&S project and funding the general expenses of the Group, with the remaining US$70 million deposited in banks.

Cash Position and Capital Expenditure

As at 31 December 2014, the carrying amount of the Group's cash and bank balances was approximately US$75.0 million (31 December 2013: US$98.4 million) of which US$27.3 million (31 December 2013: US$6.0 million) was under restricted cash deposit. The balance represents a decrease of US$23.4 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$52.0 million (31 December 2013: US$145.2 million).

Exploration, Development and Mining Production Activities

For the year 31 December 2014, US$236.4 million (31 December 2013: US$245.3 million) was incurred on development and mining production activities. No exploration activity was carried out during 2014 and 2013. The following table details the capital and operating expenditures in 2014 and 2013:

	For the year 31 December 2014			For the year ended 31 December 2013		
US$'m	Operating expenses	Capital expenditure	Total	Operating expenses	Capital expenditure	Total
Kuranakh, primarily sustaining capital expenditure	136.0	1.1	137.1	129.3	5.2	134.5
K&S development	0.3	97.7	98.0	0.9	107.2	108.1
Exploration projects and others	—	1.3	1.3	2.0	0.7	2.7
	136.3	100.1	236.4	132.2	113.1	245.3

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 2014 on a by-project basis.

US$'m		For the year ended 31 December	
Projects	Nature	2014	2013
Kuranakh	Purchase of property, plant and equipment	0.3	1.6
K&S	Sub-contracting for mining works	—	7.0
	Sub-contracting for railways and related works	—	2.8
	Sub-contracting for excavation related works	0.4	4.0
	Purchase of property, plant and equipment	0.1	0.8
Others	Other contracts and commitments	0.1	0.3
		0.9	16.5

Borrowings and Charges

As 31 December 2014, the Group had gross borrowings of US$287.7 million (31 December 2013: US$214.8 million). All of the Group's borrowings were denominated in US dollars. Of the gross borrowings, US$21.0 million (31 December 2013: US$20.0 million) was unsecured bank borrowing for funding the working capital of the Group while the remaining US$266.7 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% (31 December 2013: 6.2%) per annum. As of 31 December 2014, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, increased to 25.0% (31 December 2013: 10.5%) mainly due to the drawing of the ICBC loan facility to finance the construction of the K&S project and the provisions of non-cash impairment charges as mentioned above.

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 31 December 2014, the Group employed approximately 2,300 employees (31 December 2013: 2,500 employees). The total staff costs excluding share based payments incurred were approximately US$45.3 million for 2014 (2013: US$54.0 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. As part of the cost reduction program, directors and senior management of the Group are subject to a remuneration reduction of up to 15% in 2015.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

To the Members of IRC Limited
鐵江現貨有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of IRC Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 138, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance (Cap. 622) (the "Hong Kong Companies Ordinance"), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss for the year ended 31 December 2014 and that the Group had outstanding bank borrowings due for repayment in 2015 and significant capital and other commitments against the cash and cash equivalents and the credit facilities maintained by the Group. The directors have performed an assessment of the Group's future liquidity and cash flows, which included a review of assumptions about the likelihood of success of the measures being implemented to ensure the Group's financing needs, as well as of assumptions about market factors that are likely to have a significant impact on the Group's future cash flows. These assumptions are described in more detail in note 2 to the consolidated financial statements. Based on this assessment, the directors are satisfied that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due for the foreseeable future. However, 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

25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For The Year Ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
Revenue	7	**122,414**	160,854
Operating expenses	8	**(164,750)**	(175,181)
Impairment charges	11	**(260,828)**	(28,850)
		(303,164)	(43,177)
Share of results of a joint venture		**2,900**	(115)
		(300,264)	(43,292)
Other gains and losses and other expenses	12	**(10,170)**	(1,475)
Financial income	13	**1,667**	988
Financial expenses	14	**(2,543)**	(3,319)
Loss before taxation		**(311,310)**	(47,098)
Taxation expense	15	**(6,020)**	(677)
Loss for the year		**(317,330)**	(47,775)
Loss for the year attributable to:			
Owners of the Company		**(317,644)**	(41,613)
Non-controlling interests		**314**	(6,162)
		(317,330)	(47,775)
Loss per share (US cents)	17		
Basic and diluted		**(6.69)**	(1.04)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2014

	2014 US$'000	2013 US$'000
Loss for the year	**(317,330)**	(47,775)
Other comprehensive expenses for the year:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(7,974)**	(1,240)
Total comprehensive expenses for the year	**(325,304)**	(49,015)
Total comprehensive expenses attributable to:		
Owners of the Company	**(323,458)**	(42,465)
Non-controlling interests	**(1,846)**	(6,550)
	(325,304)	(49,015)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 US$'000	2013 US$'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	19	54,790	53,303
Property, plant and equipment	20	462,860	613,057
Interests in a joint venture	22	7,294	4,893
Other non-current assets	23	199,123	224,269
Restricted bank deposit	31	27,250	6,000
		751,317	901,522
CURRENT ASSETS			
Inventories	24	49,178	55,230
Trade and other receivables	25	25,993	46,544
Time deposits	26	2,700	2,740
Cash and cash equivalents	28	45,040	89,642
		122,911	194,156
TOTAL ASSETS		874,228	1,095,678
CURRENT LIABILITIES			
Trade and other payables	29	(14,800)	(22,042)
Current income tax payable		(478)	(274)
Bank borrowings — due within one year	31	(63,500)	(41,250)
		(78,778)	(63,566)
NET CURRENT ASSETS		44,133	130,590
TOTAL ASSETS LESS CURRENT LIABILITIES		795,450	1,032,112
NON-CURRENT LIABILITIES			
Deferred tax liabilities	30	(6,471)	(1,986)
Provision for close down and restoration costs	32	(4,022)	(8,616)
Bank borrowings — due more than one year	31	(205,052)	(158,672)
		(215,545)	(169,274)
TOTAL LIABILITIES		(294,323)	(232,840)
NET ASSETS		579,905	862,838
CAPITAL AND RESERVES			
Share capital	33	1,211,231	5,834
Share premium		—	1,166,006
Treasury shares	34	(11,986)	(12,846)
Capital reserve		17,984	17,984
Reserves		11,752	15,100
Accumulated losses		(651,946)	(334,302)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		577,035	857,776
NON-CONTROLLING INTERESTS		2,870	5,062
TOTAL EQUITY		579,905	862,838

The consolidated financial statements on pages 74 to 138 were approved and authorised for issue by the Board of Directors on 25 March 2015 and are signed on its behalf by:

George Jay Hambro	Raymond Woo
Director	Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 US$'000	2013 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	20	**3**	10
Investments in subsidiaries	21	**595,709**	1,086,008
		595,712	1,086,018
CURRENT ASSETS			
Prepayment and other receivables	25	**288**	195
Amounts due from subsidiaries	27	**1,080**	604
Cash and cash equivalents	28	**3,541**	48,914
		4,909	49,713
TOTAL ASSETS		**600,621**	1,135,731
CURRENT LIABILITIES			
Amounts due to subsidiaries	27	**(18,692)**	(19,408)
Accruals and other payables	29	**(2,024)**	(2,471)
		(20,716)	(21,879)
NET CURRENT (LIABILITIES) ASSETS		**(15,807)**	27,834
NET ASSETS		**579,905**	1,113,852
CAPITAL AND RESERVES			
Share capital	33	**1,211,231**	5,834
Share premium		**—**	1,166,006
Capital reserve		**592**	592
Share-based payments reserve	37	**3,589**	797
Accumulated losses	35	**(635,507)**	(59,377)
TOTAL EQUITY		**579,905**	1,113,852

George Jay Hambro	**Raymond Woo**
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2014

	Total attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Treasury shares US$'000	Capital reserve[b] US$'000	Share-based payments reserve US$'000	Translation reserve US$'000	Other reserve[a] US$'000	Accumulated losses US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2013	4,500	1,042,016	(43,000)	17,984	25,686	(14,973)	32,057	(292,689)	771,581	11,612	783,193
Loss for the year	—	—	—	—	—	—	—	(41,613)	(41,613)	(6,162)	(47,775)
Other comprehensive expenses for the year											
Exchange differences on translation of foreign operations	—	—	—	—	—	(852)	—	—	(852)	(388)	(1,240)
Total comprehensive expenses for the year	—	—	—	—	—	(852)	—	(41,613)	(42,465)	(6,550)	(49,015)
Share-based payments	—	—	—	—	3,336	—	—	—	3,336	—	3,336
Vesting of share-based awards	—	—	30,154	—	(17,117)	—	(13,037)	—	—	—	—
Issue of new shares (note 33)	1,334	124,093	—	—	—	—	—	—	125,427	—	125,427
Deferred Subscription Shares (defined in note 33)	—	3,096	—	—	—	—	—	—	3,096	—	3,096
Forfeiture of Deferred Subscription Shares	—	1,032	—	—	—	—	—	—	1,032	—	1,032
Transaction costs attributable to issue of new shares (note 33)	—	(4,231)	—	—	—	—	—	—	(4,231)	—	(4,231)
Balance at 31 December 2013 and 1 January 2014	5,834	1,166,006	(12,846)	17,984	11,905	(15,825)	19,020	(334,302)	857,776	5,062	862,838
Loss for the year	—	—	—	—	—	—	—	(317,644)	(317,644)	314	(317,330)
Other comprehensive expenses for the year											
Exchange differences on translation of foreign operations	—	—	—	—	—	(5,814)	—	—	(5,814)	(2,160)	(7,974)
Total comprehensive expenses for the year	—	—	—	—	—	(5,814)	—	(317,644)	(323,458)	(1,846)	(325,304)
Share-based payments	—	—	—	—	3,326	—	—	—	3,326	—	3,326
Vesting of share-based awards	—	—	860	—	(533)	—	(327)	—	—	—	—
Issue of new shares (note 33)	20,209	19,782	—	—	—	—	—	—	39,991	—	39,991
Transaction costs attributable to issue of new shares (note 33)	(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 31 December 2014	1,211,231	—	(11,986)	17,984	14,698	(21,639)	18,693	(651,946)	577,035	2,870	579,905

(a) The amount arose from (1) 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") and (2) transfer of share-based payments reserve upon vesting of share-based awards resulted from difference between the cost of the treasury shares and fair value at grant date of the awarded shares.

(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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
OPERATING ACTIVITIES			
Net cash used in operations	36	**(25,598)**	(818)
Interest expenses paid		**(9,818)**	(7,082)
Income tax paid		**(642)**	(575)
NET CASH USED IN OPERATING ACTIVITIES		**(36,058)**	(8,475)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment and exploration and evaluation assets		**(100,990)**	(113,614)
Interest received		**1,667**	988
Proceeds on disposal of property, plant and equipment		**450**	500
Time deposits withdrawn (placed)	26	**40**	(240)
Restricted bank deposits placed		**(21,250)**	—
Disposal of subsidiaries	40	**3,150**	—
NET CASH USED IN INVESTING ACTIVITIES		**(116,933)**	(112,366)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**154,007**	131,832
Proceeds on issuance of new shares	33	**39,991**	125,427
Repayment of bank borrowings		**(81,050)**	(51,500)
Transaction costs attributable to issuance of new shares	36(b)	**(1,120)**	(2,668)
Loan commitment fees paid		**(467)**	(1,031)
Dividends paid		**(346)**	—
Deferred Subscription Shares (as defined in note 33)	33	**—**	3,096
Forfeiture of Deferred Subscription Shares	33	**—**	1,032
Repayment to a related party		**—**	(10,000)
NET CASH FROM FINANCING ACTIVITIES		**111,015**	196,188
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**(41,976)**	75,347
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**89,642**	15,536
Effect of foreign exchange rate changes		**(2,626)**	(1,241)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**45,040**	89,642

1. General

IRC Limited ("the Company") is a public limited company incorporated in Hong Kong and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 21 October 2010. Its immediate holding company is Cayiron Limited, which was incorporated in the Cayman Islands. The directors of the Company consider that its ultimate holding company is Petropavlovsk PLC. The Company together with its subsidiaries are hereinafter referred to as the "Group".

The address of the registered office and principal place of business of the Company is 6H, 9 Queen's Road Central, Hong Kong. The consolidated financial statements are presented in United States Dollars ("US Dollars"), which is also the functional currency of the Company.

The principal activity of the Company is investment holding. The Group is principally engaged in the production and development of industrial commodities products including iron ore that are used in industry across the world. The main activities of the Group are in Russia and China and the Group predominantly serves the Russian and Chinese markets. The activities of the Company's principal subsidiaries are set out in note 42.

2. Basis of Preparation of Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance.

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the going concern status of the Group in light of the Group's loss for the year, the significant decline in iron ore price since the middle of 2014, the Group's outstanding bank borrowings due for repayment in 2015 and the Group's capital and other commitments as at 31 December 2014, against the cash and cash equivalents and the credit facilities maintained by the Group. Further, the Company anticipates that iron ore prices will remain under pressure in 2015, which will continue to impact the Group's margins and liquidity.

As part of this consideration, the directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) The Group expects to renew the existing loan facilities of US$15 million and US$10 million, with Asian Pacific Bank, upon their expiry in April 2015 and October 2015, respectively, for another twelve months;

(ii) The Group is implementing active cost-saving measures to improve operating cash flows and financial position;

(iii) The Group is anticipating full-scale operations of K&S project which will generate sales in the second half of 2015;

(iv) The very substantial volatility in the Russian Rouble/US Dollar exchange rate which may continue in 2015, given that a significant percentage of the Group's costs are denominated in Russian Roubles, whilst a substantial portion of the Group's sales are denominated in US Dollars; and

(v) The substantial drop in the iron ore price may continue to have an impact on the Group as the Group's financial position is materially dependent on the price at which it can sell its iron ore production. The Group's financial position has been materially and adversely affected by the substantial drop in the iron ore price over the year.

2. Basis of Preparation of Consolidated Financial Statements (Continued)

In respect of the measures described in (i) to (iii) above, after making enquiries and based on progress to date, the directors of the Company expect that each will be concluded successfully within the designated time frame.

In respect of the assumptions referred to in (iv) and (v) above, the directors of the Company have performed sensitivity analyses taking into account what they consider to be reasonably possible adverse fluctuations in the Russian Rouble/US Dollar exchange rate and iron ore price in the foreseeable future.

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 in the foreseeable future and are satisfied that all covenant obligations will be met accordingly. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

However, if the Group were unable to successfully implement the measures described above or the market conditions turn out to be significantly less favourable to the Group than predicted, the Group may not have sufficient working capital to finance its operations and its financial liquidity may be adversely impacted.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following new and revised standards, interpretation and amendments ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 new and revised HKFRSs in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior year and/or disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")(Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 July 2014
[5] Effective for annual periods beginning on or after 1 January 2016
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets (e.g. the impairment on trade and other receivables). It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company do not anticipate that the application of the new and revised HKFRSs in issue but not yet effective will have a material impact on the Group's consolidated financial statements.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of the joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates, i.e. United States dollars) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. United States dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Exploration and evaluation assets

Exploration and evaluation expenditure and mineral rights acquired

Exploration and evaluation expenditure incurred in relation to those projects where such expenditure is considered likely to be recoverable through future extraction activity or sale, or where the exploration activities have not reached a stage which permits a reasonable assessment of the existence of reserves, is capitalised and recorded on the consolidated statement of financial position within exploration and evaluation assets for mining projects at the exploration stage.

Exploration and evaluation expenditure comprise costs directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies; and
- Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Mineral rights acquired through a business combination are capitalised separately from goodwill if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. Exploration and evaluation expenditure capitalised and mining rights acquired are subsequently valued at cost less impairment. In circumstances where a project is abandoned, the cumulative capitalised costs related to the project are written off in the period when such decision is made. Exploration and evaluation expenditure capitalised and mining rights within exploration and evaluation assets are not depreciated. These assets are transferred to mine development costs within property, plant and equipment when a decision is taken to proceed with the development of the project.

Property, plant and equipment

Non-mining assets

On initial recognition, non-mining assets are valued at cost, being the purchase price and the directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by the Group.

Mine development costs and mining assets

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure includes costs directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as "mine development costs", this includes any property, plant and equipment acquired to undertake mining activities. Mine development costs are reclassified as "mining assets" at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. Depreciation policy for mining assets are set out in below under "*Depreciation*". Mine development costs are tested for impairment as stated in "impairment losses of tangible and intangible assets" section.

4. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Deferred stripping cost in development phase

In open pit operations the removal of overburden and waste materials, referred to as stripping, is required to obtain access to the ore body. Such costs when incurred during the development of the mine are deferred in the statement of financial position as part of mine development costs, and charged to the profit or loss over the life of the mine on a unit of production basis.

During production phase, cost incurred in relation to stripping activity is capitalised and recorded on the consolidated statement of financial position to the extent the stripping activity improved access to ore, which is when the following conditions are satisfied:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for the costs of that stripping activity in accordance with the accounting policy of inventories (see accounting policy of inventories for details).

When the costs relating to improved access to ore (i.e. a stripping activity asset) and the costs of the inventory produced are not separately identifiable, production stripping costs are allocated between the stripping activity asset and inventory using a relevant production measure (i.e. actual vs. expected volume of waste extracted).

Production stripping costs capitalized are subsequently carried at cost and depreciated on a unit of production basis over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, less any impairment losses.

Production stripping costs are included within non-current assets as "Mine development costs".

Depreciation

Property, plant and equipment are depreciated using a units of production method or straight-line basis as set out below.

Mining assets which are plant and machineries acquired to undertake mining activities are depreciated on a straight-line basis based on estimated useful lives of 2 to 20 years. Other mining assets for which economic benefits from the asset are consumed in a pattern linked to the production level, are depreciated using a units of production method based on ore reserves, which in turn results in a depreciation charge proportional to the depletion of reserves.

Non-mining assets are depreciated on a straight-line basis based on estimated useful lives.

Mine development costs and capital construction in progress are not depreciated, except for that property, plant and equipment used in the development of a mine. Such property, plant and equipment are depreciated on a straight-line basis based on estimated useful lives and depreciation is capitalised as part of mine development costs.

4. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Depreciation (Continued)

Estimated useful lives of non-mining assets normally vary as set out below.

The Group

	Estimated useful life Number of years
Buildings	15–50
Plant and machinery	2–20
Vehicles	5–7
Leasehold improvements	2
Fixtures and equipment	2
Office equipment	2–10
Computer equipment	3–5

The Company

	Estimated useful life Number of years
Leasehold improvements	2
Fixtures and equipment	2
Office equipment	2
Computer equipment	3

Residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. Changes to the estimated residual values or useful lives are accounted for prospectively.

Impairment losses of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual assets, the Group estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Details of the assumptions used when assessing the impairment of the Group's tangible and intangible assets, and the effect of those assumptions, can be found in note 11.

4. Significant Accounting Policies (Continued)

Provision for close down and restoration costs

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided for in the accounting period when the legal or constructive obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provision for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

The amortisation or unwinding of the discount applied in establishing the net present value of provision is charged to profit or loss for the year. The amortisation of the discount is shown as a financing cost, rather than as an operating cost. Other movements in the provision for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at the end of each reporting period. All costs of continuous rehabilitation are charged to profit or loss as incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or if appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, cash and cash equivalents, restricted bank deposits, time deposits and amounts due from subsidiaries are carried at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. In the event that a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, if appropriate, a shorter period, to the net carrying amount on initial recognition.

Transaction costs on bank borrowings

Transaction costs that are directly attributable to the raising of bank borrowings are recognised on the statement of financial position on an accrual basis. Such costs will be deducted from the fair value of the bank borrowings on initial recognition (that is, when the relevant borrowings are drawn). They form part of the bank borrowings and will be accounted for using an effective interest method over the loan period as discussed above.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of raw materials and consumables is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales-related taxes.

4. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for the recognition of revenue from engineering contracts is described in the accounting policy on engineering contracts below.

Engineering contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is measured by reference to estimates of work performed to date.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Equipment and other assets may be leased to contractors under an operating lease, for use in the construction of mining properties. Income from lessees under these operating leases are set off against the cost of construction in the period to which they relate.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. Significant Accounting Policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Taxation

Taxation expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before taxation' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

When a group entity's taxable profit or tax loss and, consequently, the tax base of its non-monetary assets and liabilities is determined in a currency other than its functional currency, changes in the exchange rate give rise to temporary differences that result in a recognised deferred tax liability or asset subject to the general recognition criteria. The resulting deferred tax is recognised in profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Share-based payments

Certain employees of the Group receive equity-settled share-based payments. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, adjusted for the effect of non market-based vesting conditions, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of awarded share that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

4. Significant Accounting Policies (Continued)

Employee benefit trust ("EBT")

The carrying value of shares held by the EBT are recorded as treasury shares, shown as a deduction to shareholders' equity.

Retirement benefit costs

The Group does not operate a pension scheme. However, payments are made to defined contribution retirement benefit arrangements for certain employees and these are charged as an expense as they fall due.

5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, management has made the following key assumptions concerning future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of assets and assessment of cash generating units

The Group reviews the carrying value of its exploration and evaluation assets, property, plant and equipment, and interests in joint ventures to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU. The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs to sell and value in use.

Management necessarily applies its judgement in allocating assets to CGUs, in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation. Subsequent changes to CGU allocation or estimates and assumptions in the value in use calculation could impact the carrying value of the respective assets.

Changes to the assumptions underlying the assessment of the recoverable value may result in changes to impairment charges, either through further impairment charges or reversal of previously recognised impairments, which could have a significant impact on the financial information in future periods. In addition, any delays, increases in the total forecast cost of planned projects or negative outcomes to exploration and evaluation activities could lead to further impairment charges in the future.

Ore reserve estimates

The Group estimates its ore reserves and mineral resources based on the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the "JORC Code") or Canadian Institute of Mining, Metallurgy and Petroleum) valuation standards ("CIM"). The JORC Code and CIM require the use of reasonable investment assumptions when reporting reserves, including future production estimates, expected future commodity prices and production cash costs.

Ore reserve estimates are used in the calculation of depreciation of mining assets using a units of production method, impairment charges and for forecasting the timing of the payment of closedown and restoration costs. Also, for the purpose of impairment review and the assessment of life of mine for forecasting the timing of the payment of close down and restoration costs, the Group may take into account mineral resources in addition to ore reserves where there is a high degree of confidence that such resources will be extracted.

Ore reserve estimates may change from period to period as additional geological data becomes available during the course of operations or economic assumptions used to estimate reserves change. Such changes in estimated reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values due to changes in estimated future cash flows;
- Depreciation charged in the statement of profit or loss where such charges are determined by using a units of production method or where the useful economic lives of assets are determined with reference to the life of the mine;

5. Key Sources of Estimation Uncertainty (Continued)

Ore reserve estimates (Continued)

- Provisions for close down and restoration costs where changes in estimated reserves affect expectations about the timing of the payment of such costs; and

- Carrying value of deferred tax assets and liabilities where changes in estimated reserves affect the carrying value of the relevant assets and liabilities.

K&S mineral resources

The K&S project comprises two principal deposits: Kimkan, which holds approximately 25 percent of the project's mineral reserves and Sutara, which holds approximately 75 percent of the project's mineral reserves. The total combined mineral resources at K&S project is 764 million tonnes with an average Iron grade of 32.4 percent on the basis of the reserves as set out in the license auction documentation and license. However, the auction terms for the Sutara license contained an inconsistency between the specified co-ordinates of the license area being auctioned and the textual description of that area and its reserves and deposits. This manifest error was carried through into the Sutara license when granted. Were the specified co-ordinates held to apply as opposed to the other descriptions of the license area, this would result in exclusion from the license area of two of the three deposits and about 92 percent of the reserves of Sutara which are described in the auction terms and the Sutara license as being covered by the license and included in the above numbers. The Group has been seeking correction of this manifest error through court process. At a hearing on 14 January 2015 the relevant appellate court ruled that the action of Rosnedra (Note) in declining to rectify the technical mistake, which was appealed by the Group, was correct in that the application for rectification was made before the federal law allowing the removal of technical mistakes came into force. As the law allowing such rectification is now in force, the Group is proceeding to make formal application for rectification of this manifest error.

The current development of K&S project and operations are within the Kimkan license area and are not affected by this need for rectification.

The directors of the Group have considered that there is a reasonable likelihood that the error will be rectified. Where the actual outcome differs from expected, material impairment loss may arise.

Note: Rosnedra is The Federal Agency for Subsoil Use of Russia. It is a federal body of executive authority responsible for providing state services, managing state property, and for legal regulation in the sphere of subsoil use.

Exploration and evaluation costs

The Group's accounting policy for exploration and evaluation expenditure results in such expenditure being capitalised for those projects for which such expenditure is considered likely to be recoverable through future extraction activity or sale, or for which the exploration activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether the Group will proceed with development based on existence of reserves or whether an economically viable extraction operation can be established. Such estimates and assumptions may change from period to period as new information becomes available. If, subsequent to the exploration and evaluation expenditure capitalised, a judgement is made that recovery of the expenditure is unlikely or the project is to be abandoned, the relevant capitalised amount will be written off to profit or loss.

Provision for restoration, rehabilitation and environmental costs

Costs arising from site restoration works, and the decommissioning of plant, discounted to their present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. The provision is based on estimates prepared by external consultants. Management uses its judgement and experience to provide for these costs. The ultimate costs of site restoration and decommissioning are uncertain, and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

5. Key Sources of Estimation Uncertainty (Continued)

Estimation of percentage of completion of engineering contracts of OJSC Institute for Engineering of Ore Mining Enterprises Giproruda ("Giproruda")

To estimate the percentage completion of engineering contracts and therefore determine the amount of contract revenue and associated costs to recognise requires that management makes an assessment of the stage of completion of the contract activity at the end of each reporting period. The directors of the Company consider that these estimates are made by suitably qualified project managers.

Tax provisions and tax legislation

The Group is subject to income tax in Hong Kong, the People's Republic of China ("PRC"), UK, Russian Federation and Cyprus. Assessing the outcome of uncertain tax positions requires judgements to be made. Russian tax and currency control legislation is subject to varying interpretations. Fines and penalties for any errors and omissions could be significant. The directors of the Company believe that there have been no material breaches of Russian tax regulations and that these financial statements contain all necessary provisions in respect of the Group's tax liabilities in Russia.

Deferred tax

Recognition of deferred tax assets requires management to assess the likelihood that future tax profits will be available which the deferred tax asset can be utilised to offset. This requires management to assess future profits of the business and the likelihood and timing of these amounts.

6. Segment Information

HKFRS 8 *Operating Segments* requires the Group to disclose reported segments in accordance with internal reports that are provided to the Group's chief operating decision maker. The Group considers its Executive Committee to be the chief operating decision maker. For management purposes, the Group is organised into four operating segments, Mines in Production, Mines in Development, Engineering, and Other. These operating segments form the basis on which the Group's Executive Committee makes decisions about resource allocation and performance assessment. No operating segments identified by the Group's Executive Committee have been aggregated in arriving at the reportable segments of the Group. The Group has four operating and reportable segments under HKFRS 8:

- Mines in Production segment ("Mines in Production"), comprises iron ore projects in production phase. This segment includes the Kuranakh project, which is located in the Evreyskaya Avtononnaya Oblast of the Russian Federation ("EAO Region").

- Mines in Development segment ("Mines in Development"), comprises iron ore projects in the exploration and development phase. This segment includes the K&S project, the Garinskoye project, the Bolshoi Seym project, the Molybdenum Exploration project as well as the Kostenginskoye and Garinskoye Flanks project which are all located in the Russia Far East region.

- Engineering segment ("Engineering"), comprises in-house engineering and scientific expertise related to Giproruda, which is located in Russia.

- Other segment ("Other") primarily includes the Group's interests in a joint venture for the production of vanadium pentoxides and related products in the PRC as well as various other projects, which have similar economic characteristic and activities.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represent the results earned by each segment without the allocation of central administration expenses, central depreciation and amortisation, other gains and losses and other expenses, financial income and financial expenses.

Segment results represents the profit (loss) generated by each segment for the purpose of monitoring segment performance.

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than central cash and cash equivalents; and

- all liabilities are allocated to reportable segments other than deferred tax and bank borrowings.

6. Segment Information (Continued)

For the year ended 31 December 2014

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	117,972	—	4,442	—	122,414
Segment revenue	117,972	—	4,442	—	122,414
Site operating expenses and service costs	(141,634)	(335)	(4,176)	(1,818)	(147,963)
Site operating expenses and service costs include:					
Depreciation and amortisation	(5,614)	(8,909)	(310)	(14)	(14,847)
Impairment charges	(63,563)	(197,265)	—	—	(260,828)
Share of results of a joint venture	—	—	—	2,900	2,900
Segment (loss) profit	(87,225)	(197,600)	266	1,082	(283,477)
Central administrative expenses					(16,577)
Central depreciation and amortisation					(210)
Other gains and losses and other expenses					(10,170)
Financial income					1,667
Financial expenses					(2,543)
Loss before taxation					(311,310)
Other segment information					
Additions to non-current assets:					
Capital expenditure	749	41,665	2	—	42,416
Exploration and evaluation expenditure capitalised	—	845	—	—	845
Segment assets	33,674	780,260	12,483	9,888	836,305
Central cash and cash equivalents					37,923
Consolidated assets					874,228
Segment liabilities	(5,589)	(4,092)	(826)	(8,793)	(19,300)
Bank borrowings					(268,552)
Deferred tax liabilities					(6,471)
Consolidated liabilities					(294,323)

6. Segment Information (Continued)

For the year ended 31 December 2013

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	151,939	—	8,915	—	160,854
Segment revenue	151,939	—	8,915	—	160,854
Site operating expenses and service costs	(142,431)	(2,851)	(7,869)	(2,991)	(156,142)
Site operating expenses and service costs include:					
Depreciation and amortisation	(13,284)	(7,092)	(456)	(68)	(20,900)
Impairment charges	(15,395)	(13,455)	—	—	(28,850)
Share of results of a joint venture	—	—	—	(115)	(115)
Segment (loss) profit	(5,887)	(16,306)	1,046	(3,106)	(24,253)
Central administrative expenses					(18,826)
Central depreciation and amortisation					(213)
Other gains and losses and other expenses					(1,475)
Financial income					988
Financial expenses					(3,319)
Loss before taxation					(47,098)
Other segment information					
Additions to non-current assets:					
Capital expenditure	5,002	51,431	57	8	56,498
Exploration and evaluation expenditure capitalised	—	1,318	—	—	1,318
Segment assets	132,643	850,598	20,451	10,786	1,014,478
Central cash and cash equivalents					81,200
Consolidated assets					1,095,678
Segment liabilities	(11,385)	(9,673)	(1,136)	(8,738)	(30,932)
Bank borrowings					(199,922)
Deferred tax liabilities					(1,986)
Consolidated liabilities					(232,840)

6. Segment Information (Continued)

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2014 US$'000	2013 US$'000
Iron ore concentrate	92,917	120,390
Ilmenite	25,055	31,549
Engineering services	4,442	8,915
	122,414	160,854

Revenue by geographical location[a]

	2014 US$'000	2013 US$'000
Japan	1,140	1,416
Russia and the Commonwealth of Independent States ("CIS")	4,442	8,915
PRC	114,253	150,523
Hong Kong	2,579	—
	122,414	160,854

(a) Based on the location to which the product was shipped to or in which the services were provided.

Non-current assets by location of asset[b]

	2014 US$'000	2013 US$'000
Russia	715,726	889,300
PRC	7,365	5,240
Hong Kong	976	982
	724,067	895,522

(b) Excluding financial assets.

6. Segment Information (Continued)

Information about major customers

The Group's revenue included revenue arising from sales of iron ore concentrate and ilmenite and rendering engineering services to a number of independent third party customers during the years ended 31 December 2014 and 2013. Revenue from customers of the corresponding years contributing over 10% are described below.

For the year ended 31 December 2014, sales were made to Heilongjiang Jianlong Steel Company Limited amounting US$92,917,000 and Ningbo Xinfu Titanium Dioxide Co., Ltd. amounting US$14,127,000 attributable to the Mines in Production segment comprising 76% and 12% of the total revenue respectively. There were no other customers that contributed over 10% on the total revenue of the Group during the year ended 31 December 2014.

For the year ended 31 December 2013, sales were made to Heilongjiang Jianlong Steel Company Limited amounting US$120,390,000 attributable to the Mines in Production segment comprising 75% of the total revenue. There were no other customers that contributed over 10% on the total revenue of the Group during the year ended 31 December 2013.

7. Revenue

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

	2014 US$'000	2013 US$'000
Revenue		
Sales of goods	117,972	151,939
Rendering of services	4,442	8,915
	122,414	160,854

8. Operating Expenses

	2014 US$'000	2013 US$'000
Operating expenses		
Site operating expenses and service costs[(a)]	147,963	156,142
Central administration expenses[(b)]	16,787	19,039
	164,750	175,181

(a) Site operating expenses and service costs

	2014 US$'000	2013 US$'000
Staff costs	36,653	43,578
Fuel	12,067	17,026
Materials	28,707	25,343
Depreciation	14,837	20,900
Electricity	2,608	2,922
Royalties	3,041	3,387
Railway tariff	43,196	46,525
Movement in finished goods and work in progress	(3,717)	(11,130)
Engineering services cost	33,873	17,366
Professional fees*	259	302
Bank charges	383	463
Insurance	264	146
Office rent	894	1,126
Business travel expenses	149	322
Office costs	748	1,223
Mine development costs capitalised in property, plant and equipment	(33,221)	(26,938)
Allowance for (reversal of) bad debts**	59	(250)
Write down of inventories to net realisable value	1,635	—
Property tax	3,739	4,864
Other expenses	1,789	8,967
	147,963	156,142

8. Operating Expenses (Continued)

(b) Central administration expenses

	2014 US$'000	2013 US$'000
Staff costs	**8,642**	10,458
Depreciation	**210**	213
Professional fees*	**1,654**	947
Bank charges	**75**	47
Insurance	**129**	428
Office rent	**1,432**	1,711
Business travel expenses	**793**	1,176
Share-based payments	**3,326**	3,336
Office costs	**413**	381
Allowance for (reversal of) bad debts**	**5**	(52)
Property tax	**13**	19
Other expenses	**1,376**	1,359
Rental income less negligible outgoings	**(1,281)**	(984)
	16,787	19,039

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

** Reversal of allowance for bad debts of approximately US$302,000 was recognised in profit or loss for the year ended 31 December 2013, and mainly represented partial recovery of trade debtors.

9. Auditors' Remuneration

The analysis of auditors' remuneration is as follows:

	2014 US$'000	2013 US$'000
Audit fees		
Fees payable to Group's auditors and their associates for the annual audit of the Group's consolidated financial statements	**541**	541
Non-audit fees		
Other services	**139**	139
Total	**680**	680

10. Directors', Chief Executive's and Employees' Emoluments

The aggregate remuneration of employees (including directors) comprised:

	2014 US$'000	2013 US$'000
Wages and salaries	**34,466**	42,053
Social security and other benefits	**10,497**	11,669
Retirement benefit contribution	**332**	314
Share-based payments	**3,326**	3,336
	48,621	57,372

	2014 US$'000	2013 US$'000
Directors' Emoluments		
Emoluments for executive directors:		
— salaries and other benefits	**2,288**	3,716
— retirement benefit contribution	**286**	278
— share-based payments	**1,488**	3,289
Emoluments for non-executive directors:		
— directors' fees	**536**	536
	4,598	7,819

	Directors' fees US$'000	**Salaries and other benefits US$'000**	**Performance bonus[a] US$'000**	**Retirement benefit contribution US$'000**	**Share-based payments[b] US$'000**	**Total US$'000**
Year ended 31 December 2014						
Executive directors of the Company:						
George Jay Hambro	**—**	**895[c]**	**—**	**112**	**496**	**1,503**
Yury Makarov	**—**	**796**	**—**	**99**	**496**	**1,391**
Raymond Woo	**—**	**597**	**—**	**75**	**496**	**1,168**
Non-executive directors of the Company:						
Non independent non-executive directors						
Simon Murray	**104**	**—**	**—**	**—**	**—**	**104**
Cai Sui Xin	**—**	**—**	**—**	**—**	**—**	**—**
Liu Qinghcun	**—**	**—**	**—**	**—**	**—**	**—**
Independent non-executive directors						
Daniel Bradshaw	**144**	**—**	**—**	**—**	**—**	**144**
Jonathan Martin Smith	**144**	**—**	**—**	**—**	**—**	**144**
Chuang-fei Li	**144**	**—**	**—**	**—**	**—**	**144**
	536	**2,288**	**—**	**286**	**1,488**	**4,598**

10. Directors', Chief Executive's and Employees' Emoluments (Continued)

	Directors' fees US$'000	Salaries and other benefits US$'000	Performance bonus[(a)] US$'000	Retirement benefit contribution US$'000	Share-based payments[(b)] US$'000	Total US$'000
Year ended 31 December 2013						
Executive directors of the Company:						
George Jay Hambro	—	869[(c)]	585[(c)]	109	1,316	2,879
Yury Makarov	—	773	520	96	1,151	2,540
Raymond Woo	—	579	390	73	822	1,864
Non-executive directors of the Company:						
Non independent non-executive directors						
Simon Murray	104	—	—	—	—	104
Cai Sui Xin	—	—	—	—	—	—
Liu Qinghcun	—	—	—	—	—	—
Independent non-executive directors						
Daniel Bradshaw	144	—	—	—	—	144
Jonathan Martin Smith	144	—	—	—	—	144
Chuang-fei Li	144	—	—	—	—	144
	536	2,221	1,495	278	3,289	7,819

(a) The performance bonus is determined by the remuneration committee having regard to the performance of individuals and the Group's performance.

(b) The share-based payments were recognised in accordance with the accounting policies set out in note 4 and for further details, please refer to note 37.

(c) Included in salaries and other benefits and performance bonus were US$777,440 (2013: US$1,340,000) and retirement benefit contribution of US$97,000 (2013: US$94,000) paid to a service company which is an affiliated company of the director.

Other than as disclosed above, no remuneration was paid or payable by the Group to the executive, non-executive and independent non-executive directors during the year.

Mr. Yury Makarov is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

10. Directors', Chief Executive's and Employee's Emoluments (Continued)

Five highest paid individuals

For the year ended 31 December 2014, the five highest paid individuals included three directors of the Company (2013: three directors of the Company). The emoluments of the remaining highest paid individuals for the years ended 31 December 2014 and 2013 are as follows:

	2014 US$'000	2013 US$'000
Employees		
— salaries and other benefits	587	582
— share-based payments	779	526
	1,366	1,108

Their emoluments were within the following bands:

	No. of individual 2014	No. of individual 2013
HK$3,000,001 to HK$3,500,000 (equivalent to approximately US$384,616 to US$448,718)	—	1
HK$5,000,001 to HK$5,500,000 (equivalent to approximately US$641,026 to US$705,128)	1	1
HK$5,500,001 to HK$6,000,000 (equivalent to approximately US$705,129 to US$769,231)	1	—
	2	2

In both years, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group. None of the directors has waived any emoluments and no other amounts were paid by the Group to the directors, or the five highest paid individuals, as compensation for loss of office.

11. Impairment Charges

In December 2013, the directors of the Company assessed that the mining licenses associated with the Molybdenum Exploration project, which were capitalized as exploration and evaluation assets, do not have commercial value as there is a number of non-compliances under the requirements of these mining licenses. Due to the funding constraints as described in note 2, the directors of the Company considered it is not cost effective to remediate these non-compliances and decided to suspend the development of this project indefinitely. In addition, taking into account these non-compliances as well as transfer of legal title of these mining licenses is subject to approval by the municipal authorities, which may be extremely cumbersome, the Group's ability to recover these assets through sales is uncertain. As a result, the directors of the Company recognised a full impairment charge of approximately US$13,455,000 on the exploration and evaluation assets relating to this project during the year ended 31 December 2013.

11. Impairment Charges (Continued)

At 31 December 2013, 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 Group identified that a provision for impairment charge of approximately US$15,395,000 was required against the Kuranakh project due to weaker forecast iron ore and ilmenite prices mainly affected by the falling commodity prices across the globe. These impairment charges are allocated to mining assets within property, plant and equipment. On the other hand, management concluded that neither further impairment charge nor reversal of impairment charge is required for the K&S project as its recoverable value and fair value less costs of disposal is higher than its carrying value after taking into account the drop in forecast iron ore price.

In December 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$63,563,000, 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 mainly against mining assets within property, plant and equipment.

For the purpose of the impairment testing of the Kuranakh project, the recoverable amount of the project has been determined based on value in use, being estimated future cash flows of the project discounted to their present value using a discount rate of 12.0% (2013: 11.5%).

In addition, management concluded that impairment charge was necessary for the K&S project as at 31 December 2014 as its recoverable value is lower that its carrying value. Due to falling spot iron ore prices and forecast inflation, the carrying value of the K&S project has been impaired by approximately US$197,265,000. This impairment charge is allocated against property, plant and equipment amounting to US$138,127,000 and prepayments for property plant and equipment amounting to US$59,138,000. The directors of the Group will continue to monitor the latest market trends and assess impairment on an on-going basis.

For the purpose of the impairment testing of the K&S project, the recoverable amount of the project has been determined based on value in use, being estimated future cash flows of the project discounted to their present value using a discount rate of 12.0% (2013: 13.5%).

The key assumptions and considerations used for the purpose of impairment tests for both Kuranakh and K&S projects take into account the recent USD/RUB exchange rate, the inflation rate over the expected life of the mine and iron ore prices over the expected life of the mine.

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.

12. Other Gains and Losses and Other Expenses

	2014 US$'000	2013 US$'000
Net foreign exchange loss	**(13,407)**	(1,766)
Net gain on disposal of property, plant and equipment	**110**	291
Net gain on disposal of subsidiaries	**3,127**	—
	(10,170)	(1,475)

13. Financial Income

	2014 US$'000	2013 US$'000
Interest income on cash and cash equivalents	**1,410**	853
Interest income on time deposits	**133**	70
Others	**124**	65
	1,667	988

14. Financial Expenses

	2014 US$'000	2013 US$'000
Interest expenses on bank borrowings:		
— wholly repayable within five years	**1,918**	1,899
— not wholly repayable within five years	**13,002**	7,249
Interest expenses on loan from a related party, wholly repayable within five years (Note)	**—**	406
Less: Interest expenses capitalised to property, plant and equipment	**(13,002)**	(7,249)
	1,918	2,305
Unwinding of discount on environmental obligation	**625**	1,014
	2,543	3,319

Note: In July 2012, the Group obtained a US$15,000,000 loan facility from Peter Hambro Mining Treasury UK Limited ("PHM"), a subsidiary of Petropavlovsk PLC and drew down a loan of US$10,000,000 from such facility. The loan borne an annual interest of 10.30%. In September 2012, the Group entered into a supplement agreement with PHM to extend the repayment date to 30 April 2013 and the loan was fully repaid during the year ended 31 December 2013. As at 31 December 2013 and 2014, the Group did not have any outstanding credit facilities from PHM.

15. Taxation Expense

	2014 US$'000	2013 US$'000
Russia current tax	**(821)**	(412)
Cyprus current tax	**—**	(3)
Current tax expense	**(821)**	(415)
Deferred tax expense (note 30)	**(5,199)**	(262)
	(6,020)	(677)

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for both years.

Cypriot corporation tax is calculated at a rate of 12.5% of the estimated assessable profit for the years ended 31 December 2014 and 2013. No current tax was provided for the year ended 31 December 2014 as there was no assessable profit.

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 years ended 31 December 2014 and 2013. The charge for the year can be reconciled to loss before taxation per the consolidated statement of profit or loss as follows:

	2014 US$'000	2013 US$'000
Loss before taxation	**(311,310)**	(47,098)
Tax at the Russian corporation tax rate of 20%[a]	**(62,262)**	(9,420)
Effect of different tax rates of subsidiaries' operations in other jurisdictions	**8,028**	666
Tax effect of share of results of a joint venture	**(725)**	29
Tax effect of tax losses not recognised	**41,183**	16,417
Tax effect of expenses that are not deductible in determining taxable profit[b]	**102,482**	10,939
Tax effect of income that is not taxable in determining taxable profit	**(88,245)**	(9,243)
Tax effect of utilisation of tax losses previously not recognised	**(30,686)**	(8,711)
Tax effect arising from exchange adjustments on non-monetary assets	**36,245**	—
Taxation expense for the year	**6,020**	677

(a) The Group's major operating subsidiaries are all located in Russia and subject to Russian corporation tax. Accordingly, Russian corporation tax rate is applied for tax reconciliation purpose.

(b) Amounts in 2014 and 2013 were mainly related to impairment charges (see note 11).

16. Dividends

No dividend was paid or proposed during 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

17. Loss Per Share

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

Loss

	2014 US$'000	2013 US$'000
Loss for the purposes of basic and diluted loss per ordinary share being loss attributable to owners of the Company	**(317,644)**	(41,613)

Number of shares

	2014 Number '000	2013 Number '000
Weighted average number of ordinary shares for the purpose of basic loss per ordinary share	**4,746,185**	3,996,445

The computation of weighted average number of ordinary shares for the purposes of basic loss per ordinary share for the years ended 31 December 2014 and 2013 does not take into account the Company's 32,362,875 (2013: 34,684,875) treasury shares.

The computation of diluted loss per share for the years ended 31 December 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 33) since assuming their issuance would result in a decrease in loss per share.

18. Operating Lease Arrangements

The Group as a lessee

	2014 US$'000	2013 US$'000
Minimum lease payments under operating leases recognised as an expense in the year	**7,351**	7,526

At the end of the reporting period the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 US$'000	2013 US$'000
Within one year	**208**	7,126
In the second to fifth years inclusive	**—**	208
	208	7,334

Operating lease payments represent rentals payable by the Group for certain of its office properties and transport equipment. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

18. Operating Lease Arrangements (Continued)

The Group as a lessor

The Group earned property rental income of approximately US$1,281,000 during the year ended 31 December 2014 (2013: US$984,000), relating to the sub-let of part of the floor spaces of buildings owned by OJSC Giproruda and LLC Petropavlovsk — Iron Ore, subsidiaries of the Group. The lease contracts are at fixed rates for a period not exceeding eleven months as at 31 December 2014 and 2013. At the end of both reporting periods, the Group had contracted with tenants for minimum lease payments due within eleven months. The total minimum lease payment is approximately US$491,000 and US$871,000 as at 31 December 2014 and 2013 respectively. This rental income is shown net of the associated cost within operating expenses.

19. Exploration and Evaluation Assets

The Group

	2014 US$'000	2013 US$'000
At the beginning of the year	53,303	65,440
Additions	1,487	1,318
Impairment loss recognised (note 11)	—	(13,455)
At the end of the year	54,790	53,303

Garinskoye, the Garinskoye and Kostenginskoye Flanks, Bolshoi Seym Deposit and Molybdenum Exploration Project are classified as exploration and evaluation assets. Additions in both year 2014 and 2013 mainly related to expenses capitalised in exploration and evaluation assets.

20. Property, Plant and Equipment

The Group

	Mine development costs US$'000	Mining assets US$'000	Non-mining assets US$'000	Capital construction in progress US$'000	Total US$'000
COST					
At 1 January 2013	966,288	110,917	60,694	15,988	1,153,887
Additions	55,997	—	—	501	56,498
Transfers	(5,532)	6,151	(152)	(467)	—
Disposals	—	—	(769)	—	(769)
Exchange adjustments	—	—	(603)	—	(603)
At 31 December 2013 and 1 January 2014	1,016,753	117,068	59,170	16,022	1,209,013
Additions	69,610	422	573	388	70,993
Transfers	(2,496)	3,385	10	(899)	—
Disposals	(115)	—	(1,132)	—	(1,247)
Disposals of a subsidiary	(17,519)	—	(326)	—	(17,845)
Exchange adjustments	—	—	(4,463)	—	(4,463)
At 31 December 2014	1,066,233	120,875	53,832	15,511	1,256,451
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2013	(485,559)	(25,788)	(33,597)	(14,572)	(559,516)
Depreciation charge for the year	(6,600)	(13,150)	(1,833)	—	(21,583)
Impairment charge (note 11)	—	(15,395)	—	—	(15,395)
Eliminated on disposals	—	—	560	—	560
Exchange adjustments	—	—	(22)	—	(22)
At 31 December 2013 and 1 January 2014	(492,159)	(54,333)	(34,892)	(14,572)	(595,956)
Depreciation charge for the year	(8,091)	(5,552)	(1,404)	—	(15,047)
Impairment charge (note 11)	(139,283)	(60,990)	(548)	(869)	(201,690)
Eliminated on disposals	90	—	620	—	710
Eliminated on disposals of a subsidiary	17,100	—	237	—	17,337
Exchange adjustments	—	—	1,055	—	1,055
At 31 December 2014	(622,343)	(120,875)	(34,932)	(15,441)	(793,591)
CARRYING AMOUNTS					
At 31 December 2014	443,890	—	18,900	70	462,860
At 31 December 2013	524,594	62,735	24,278	1,450	613,057

20. Property, Plant and Equipment (Continued)

The Company

	Leasehold improvements US$'000	Computer equipment US$'000	Fixtures and equipment US$'000	Office equipment US$'000	Total US$'000
COST					
At 1 January 2013	9	16	3	46	74
Additions	—	—	10	—	10
At 31 December 2013 and 1 January 2014 and 31 December 2014	9	16	13	46	84
ACCUMULATED DEPRECIATION					
At 1 January 2013	(9)	(10)	(3)	(46)	(68)
Depreciation charge for the year	—	(4)	(2)	—	(6)
At 31 December 2013 and 1 January 2014	(9)	(14)	(5)	(46)	(74)
Depreciation charge for the year	—	(2)	(5)	—	(7)
At 31 December 2014	(9)	(16)	(10)	(46)	(81)
CARRYING AMOUNTS					
At 31 December 2014	—	—	3	—	3
At 31 December 2013	—	2	8	—	10

At 31 December 2014, cumulative capitalised borrowing costs of US$24,233,000 (31 December 2013: US$11,231,000) were included within mine development costs in the above table. Depreciation of US$4,714,000 relating primarily to assets used in the construction of plant in LLC KS GOK was capitalised during the year ended 31 December 2014 (31 December 2013: US$4,706,000).

Additions to mine development costs include deferred stripping costs incurred in the development of the mine of US$2,951,000 during the year ended 31 December 2013 (2014: nil) which relates to the removal of overburden at the Kuranakh Mine.

Property, plant and equipment with a net book value of US$6,000,000 (2013: nil) have been pledged to secure borrowings of the Group.

At 31 December 2014 and 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$68,259,000 and US$179,118,000 respectively. The authorized but not contracted commitments as at 31 December 2014 amounted to US$9,701,000 (31 December 2013: US$50,465,000).

21. Investments in Subsidiaries

The Company

	2014 US$'000	2013 US$'000
Unlisted shares at costs, net of impairment (Note)	595,709	1,086,008

The activities of the Company's principal subsidiaries are set out in note 42.

Note: The reduction in value of unlisted shares was primarily due to impairment made in 2014 (see Note 35).

22. Interests in a Joint Venture

The Group

	2014 US$'000	2013 US$'000
At the beginning of the year	4,893	4,887
Share of results of joint venture	2,900	(115)
Exchange adjustments	(499)	121
At the end of the year	7,294	4,893

On 19 February 2009, the Group signed an agreement with Heilongjiang Jianlong Steel Company Limited and Kuranakii Investment Co. Limited to establish a Chinese Vanadium Production Joint Venture project (the "Vanadium Joint Venture"), Heilongjiang Jianlong Vanadium Industries Co. Limited, which was established in the PRC. The Group holds 46% of the joint venture and the remaining 49% and 5% are held by Heilongjiang Jianlong Steel Company Limited and Kuranakii Investment Co. Limited respectively, with the parties exercising joint control as the strategic financial and operating decisions relating to the Vanadium Joint Venture require the unanimous consent from the three parties.

According to the legal form and terms of the contractual agreements, each of the three joint venturers that have joint control of the arrangement have rights to the net assets of the arrangement, hence it is regarded as a joint venture. The joint venture is accounted for using the equity method in these consolidated financial statements.

22. Interests in a Joint Venture (Continued)

Summarised financial information in respect of the Group's joint venture is set out below. The summarized financial information below represents amount shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	2014 US$'000	2013 US$'000
Current assets	1,722	19,946
Non-current assets	44,534	45,970
Current liabilities	(15,640)	(43,296)
Non-current liabilities	(14,759)	(11,983)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	376	668
Current financial liabilities (excluding trade and other payable and provision)	(2,054)	(940)
Non-current financial liabilities (excluding trade and other payable and provision)	(6,715)	(11,237)

	2014 US$'000	2013 US$'000
Revenue	67,198	76,448
Profit (loss) and total comprehensive income (expenses) for the year	6,304	(250)
The above profit (loss) for the year includes the following:		
Interest expense	(1,744)	(946)
Depreciation and amortisation	(2,072)	(2,044)
Taxation	421	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	2014 US$'000	2013 US$'000
Net assets of a joint venture	15,857	10,637
Proportion of the Group's ownership interest in a joint venture	46%	46%
Carrying amount of the Group's interest in a joint venture	7,294	4,893

23. Other Non-Current Assets

The Group

	2014 US$'000	2013 US$'000
Deferred insurance premium for bank facilities	3,446	9,619
Prepayments for property, plant and equipment (Note)	194,076	209,642
Deferred loan arrangement fee	1,490	4,726
Cash advances to employees	111	282
	199,123	224,269

Note: There is an impairment amounting US$59,138,000 during the year ended 31 December 2014 (see note 11).

24. Inventories

The Group

	2014 US$'000	2013 US$'000
Stores and spares	25,796	33,925
Work in progress	18,370	12,777
Finished goods	5,012	8,528
	49,178	55,230

No inventories had been pledged as security during the year ended 31 December 2014 and 2013. Work in progress and finished goods were written down by US$1,635,000 to its net realisable value during the year ended 31 December 2014 (no inventories had been written down during the year ended 31 December 2013).

The cost of inventory charged to the consolidated statement of profit or loss and included in site operating expenses and service costs was approximately US$44,587,000 for the year ended 31 December 2014 (2013: US$44,628,000).

25. Trade and Other Receivables

The Group

	2014 US$'000	2013 US$'000
VAT recoverable	14,974	29,910
Advances to suppliers	3,466	6,647
Amounts due from customers under engineering contracts	399	2,524
Trade receivables	4,930	4,372
Other debtors	2,224	3,091
	25,993	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.

Amounts included in trade receivables at 31 December 2014 and 2013 related to iron ore concentrate and ilmenite sold and services performed under engineering contracts invoiced to those customers.

The Group has concentration of credit risk at 31 December 2014 as 64.3% (31 December 2013: 61.3%) of the total trade receivables was due from the Group's largest customer. The Group has implemented policies that require appropriate credit checks on potential customers before granting credit. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and credit ratings of its counterparties are monitored by management. The maximum credit risk of such financial assets is represented by the carrying value of the asset.

25. Trade and Other Receivables (Continued)

Before accepting new customers, the Group uses an internal credit scoring system to assess the potential customers' credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. 98% and 99% of the trade receivables that are neither past due nor impaired are with good credit quality based on their settlement records for the years ended 31 December 2014 and 2013 respectively.

In determining recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and no impairment is necessary for these balances which are not past due.

Below is an aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period.

	2014 US$'000	2013 US$'000
Less than one month	4,245	4,267
One month to three months	650	1
Over three months to six months	21	53
Over six months	14	51
Total	4,930	4,372

The Group allows credit periods ranging from 10 days to 90 days (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.

Below is an aged analysis of trade receivables based on invoice date which are past due but not impaired:

	2014 US$'000	2013 US$'000
Less than one month	9	12
One to three months	42	—
Over three months to six months	21	—
Over six months	14	49
Total	86	61

The Group has not provided for impairment loss on trade receivables which are past due as there has not been a significant change in the credit quality and amounts are still considered recoverable based on historical experience.

The following shows an analysis of movements in the allowance for doubtful debts in respect of trade receivables:

	2014 US$'000	2013 US$'000
At the beginning of the year	1,780	2,550
Changes in allowance for doubtful debts	44	(302)
Amounts written off as uncollectible	(2)	(175)
Exchange adjustments	(835)	(293)
At the end of the year	987	1,780

Included in the allowance for doubtful debts were impaired trade receivables of US$987,000 and US$1,780,000 as at 31 December 2014 and 2013, respectively. The amount at 31 December 2014 mainly represented impairment for trade debtors at LLC Petropavlovsk — Iron Ore (trade debtors at OSJC Giproruda and LLC Olekma for the year ended 31 December 2013) who are in severe financial difficulties and the probability for them to settle the receivable is remote. The Group did not hold any collateral over these balances.

25. Trade and Other Receivables (Continued)

The Company

	2014 US$'000	2013 US$'000
Prepayment	**288**	195

The directors of the Company considered that the carrying value of other receivables is approximately equal to their fair value.

26. Time Deposits

Time deposits of the Group comprised short-term US Dollars denominated bank deposits with an original maturity of six to nine months. The carrying amounts of the assets approximate their fair value. Time deposits carrying interest at prevailing market rate ranging from 0.7% to 8.15% (2013: 3.00% to 5.00%) per annum.

27. Amounts Due from (to) Subsidiaries

The Company

The amounts are unsecured, non-interest bearing and are repayable on demand.

28. Cash and Cash Equivalents

Cash and cash equivalents of the Group and the Company comprised cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Cash at banks carry interest at prevailing market rates ranging from 0.05% to 23.00% (2013: 0.01% to 8.19%) per annum for the years ended 31 December 2014 and 2013.

29. Trade and Other Payables

The Group

	2014 US$'000	2013 US$'000
Trade creditors	**4,525**	9,349
Advances from customers	**443**	986
Accruals and other payables	**9,832**	11,707
	14,800	22,042

For related party and individual third party trade creditors, the average credit period on purchases of goods and services for the year was 20 days (2013: 38 days).

The directors of the Company consider that the carrying amount of trade creditors and other payables approximates their fair value.

29. Trade and Other Payables (Continued)

Below is an aged analysis of the Group's trade creditors based on invoice date.

	2014 US$'000	2013 US$'000
Less than one month	1,524	6,384
One month to three months	25	275
Over three months to six months	779	271
Over six months	2,197	2,419
Total	4,525	9,349

The Company

	2014 US$'000	2013 US$'000
Accruals and other payables	2,024	2,471

The directors of the Company consider that the carrying amount of other payables approximates their fair value.

30. DEFERRED TAX LIABILITIES

The Group

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the year.

	Property, plant and equipment US$'000	Engineering contracts US$'000	Tax losses US$'000	Foreign exchange movements US$'000	Other temporary differences US$'000	Total US$'000
At 1 January 2013	(1,426)	255	—	—	(697)	(1,868)
Credit (charge) to profit or loss	36	(147)	—	—	(151)	(262)
Exchange adjustments	(125)	245	—	—	24	144
At 31 December 2013 and 1 January 2014	(1,515)	353	—	—	(824)	(1,986)
Credit (charge) to profit or loss	29	(206)	30,686	(36,245)	537	(5,199)
Exchange adjustments	625	(84)	—	—	173	714
At 31 December 2014	(861)	63	30,686	(36,245)	(114)	(6,471)

At 31 December 2014 and 2013, the Group had unused tax losses of US$275.1 million and US$280.2 million respectively, majority of which will expire from 2016 to 2024. In relation to these unused tax losses, deferred tax assets of US$30,686,000 (2013: nil) have been recognised in respect of US$153,430,000 of unused tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of US$121.7 million (2013: US$280.2 million) due to the unpredictability of future profit streams.

At 31 December 2014 and 2013, the Group had deductible temporary difference of US$21.0 million and US$19.6 million as at 31 December 2014 and 2013 respectively, in respect of temporary differences that arose on certain expense capitalised within "mine development costs" of property, plant and equipment when under development in prior years. No deferred tax asset has been recognised in respect of these deductible temporary differences due to the unpredictability of future profit streams.

30. DEFERRED TAX LIABILITIES (Continued)

The Group did not record a deferred tax liability in respect of withholding tax that would be payable on the unremitted earnings associated with investments in its subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and did not intend to reverse them in the foreseeable future. These subsidiaries are incorporated in Russia and subject to Russia tax rate at 20%. Unremitted earnings that would be subject to taxation comprised an aggregate of US$13.6 million and US$41.7 million at 31 December 2014 and 2013 respectively.

Temporary differences arising in connection with the Group's interests in a joint venture are insignificant.

31. Bank Borrowings

	2014 US$'000	2013 US$'000
Bank loans		
Asian Pacific Bank	**21,000**	20,000
Industrial and Commercial Bank of China ("ICBC")	**247,552**	179,922
Total	**268,552**	199,922
Secured	**253,522**	179,922
Unsecured	**15,000**	20,000
Total	**268,552**	199,922
Carrying amount repayable		
Within one year	**63,500**	41,250
More than one year, but not exceeding two years	**38,864**	38,864
More than two years, but not exceeding five years	**166,188**	119,808
Total	**268,552**	199,922

Bank loan from Asian Pacific Bank

In July 2013, the Group entered into US$15,000,000 loan facility with Asian Pacific Bank. The loan bears an annual interest of 9.0% for the period from 22 July 2013 to 2 December 2013 and 10.60% for the period from 3 December 2013 to the repayment date and is repayable monthly. The principal of the loan was repayable by 21 July 2014. On 23 April 2014, the US$15,000,000 term-loan facility had been renewed for another 12-month period with an annual interest of 9.0% repayable on the last day of credit period. As at 31 December 2014, the whole loan amount was drawn down under the loan facility.

In November 2013, the Group entered into US$10,000,000 loan facility with Asian Pacific Bank. The loan bears an annual interest of 10.60% which is repayable monthly. The principal of the loan was repayable by 20 November 2014. On 23 October 2014, the US$10,000,000 term-loan facility had been renewed for another 12-month period with an annual interest of 10.60% repayable on the last day of credit period. As at 31 December 2014, the Group had drawn down US$6,000,000 from the loan facility.

In 2014, the Group drew down US$60,800,000 from these facilities from Asian Pacific Bank in several tranches on a rolling basis and US$59,800,000 were repaid in aggregate during the year.

As at 31 December 2014, the Group had US$4,000,000 (31 December 2013: US$5,000,000) undrawn loan facility with Asian Pacific Bank.

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.

31. Bank Borrowings (Continued)

Bank loan from Industrial and Commercial Bank of China

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

On 13 December 2010, the Group entered into a project finance facility agreement with the ICBC (the "ICBC Facility Agreement") pursuant to which ICBC would lend US$340,000,000 (equivalent to HK$2.64 billion) to LLC KS GOK to 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 installments 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.

On 14 December 2011, the Group made the first drawdown amounting to US$6,958,000. During the years ended 31 December 2013 and 2012, the Group made further drawndowns amounting to US$187,811,000. Additional drawn downs amounting to US$93,207,000 were made by the Group during the current year. The loan is carried at amortised cost with effective interest rate at 5.63% per annum. The first installment of US$21,250,000 was repaid in December 2014. The outstanding loan principal was US$266,726,000 as at 31 December 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 2021.

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

As at 31 December 2014, the Group had approximately US$52,024,000 (2013: US$145,231,000) undrawn financing facility in relation to the ICBC Facility Agreement. On 15 February 2015, ICBC granted a conditional extension to the availability period of this undrawn amount by six months to 8 June 2015 and all relevant condition precedents have been satisfied subsequently on 27 February 2015.

Details of guarantee granted by Petropavlovsk PLC in relation to the ICBC Facility Agreement are set out in note 41.

32. Provision for Close Down and Restoration Costs

The Group

	2014 US$'000	2013 US$'000
At the beginning of year	**8,616**	14,626
Unwinding of discount	**625**	1,014
Exchange adjustments	**(2,990)**	(1,111)
Change in estimates	**(2,229)**	(5,913)
At the end of year	**4,022**	8,616

The account represents provision recognised in relation to mine closure, site and environmental restoration costs which are based on estimates provided by in-house engineers and geologists.

The amount shown in 2014 and 2013 represents the provision recognised for Kuranakh project discounted at 14.1% (2013: 8.1%) per annum with the expected timing of cash outflow on the closure of mining operations to be after 2021; and K&S project discounted at 12.0% (2013: 8.6%) per annum with the expected timing of cash outflow on the closure of mining operation to be after 2029.

33. 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 Cheerglory Limited ("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 have 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).

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.

The Company had received assurances from General Nice that it would have access to resources to complete the General Nice Further Subscription and had received a personal guarantee of General Nice's obligations from Mr. Cai Sui Xin, the controlling shareholder and chairman of General Nice.

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, 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 Subscription 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. Accordingly, none of the 25,548,000 General Nice Deferred Subscription Shares was issued to General Nice.

33. Share Capital (Continued)

On 17 November 2014, the Company agreed with General Nice that General Nice Further Subscription Completion would take place on or before 18 December 2014. As part of General Nice's commitment to the transaction and investment, in addition to the personal guarantee already received from Mr. Cai Sui Xin, the Company had also agreed with General Nice that, in the event that the full payment was not made on or before 18 December 2014 and General Nice sought, and the Company agreed to, a further deferral of General Nice Further Subscription Completion, General Nice would pay interest on a monthly basis on the outstanding balance to the Company, calculated on the following escalating interest schedule:

(a) 6% per annum from 19 December 2014 to 18 March 2015;

(b) 9% per annum from 19 March 2015 to 18 June 2015; and

(c) 12% per annum from 19 June 2015 and thereafter.

Further, in accordance with the original subscription agreements, the shares subscription of Minmetals ("Minmetals Subscription") would complete upon full completion of General Nice Further Subscription Shares taking place on or before 18 December 2014.

On 18 December 2014, the extension of the General Nice Further Subscription Completion as agreed on 17 November 2014 did not happen. The Company and General Nice had agreed that General Nice would commence paying interest in accordance with the above schedule while the Company considered to permit a further deferral of the General Nice Further Subscription Completion. As General Nice Further Subscription did not occur on or before 18 December 2014, the completion of the Minmetals Subscription would be subject to further agreement between the parties.

The Company is in discussions with General Nice, Mr. Cai Sui Xin and Minmetals about a further deferred completion and other available options.

At 31 December 2014, a cumulative total of 1,365,876,000 new shares of the Company had been allotted and issued to General Nice, following the receipt of aggregate subscription monies of approximately HK$1,315.9 million (equivalent to approximately US$169.6 million).

During the year ended 31 December 2014, transaction costs of approximately US$600,000 (31 December 2013: US$4,231,000) directly attributable to the issuance of new shares to General Nice were debited against equity.

33. Share Capital (Continued)

Details of the allotment and issuance of ordinary shares by the Company during the year ended 31 December 2014 are as follows:

	Number of shares	US$'000
Authorised		
At 1 January 2013, 31 December 2013 and 1 January 2014 — Ordinary shares of HK$0.01 each	10,000,000,000	12,820
At 31 December 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
Issue of new ordinary shares of HK$0.01 each to General Nice in December 2013	218,340,000	281
At 31 December 2013 and 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 31 December 2014 — Ordinary shares with no par value	4,859,910,301	1,211,231

Details of the ordinary shares of the Company issued during the year ended 31 December 2013 and 2014, and ordinary shares of the Company in issue at the end of 31 December 2014 and 2013 are given in the table below.

Date	Description	Price HK$	No of shares
1 January 2013	Issued share capital	0.01	3,494,034,301
5 April 2013	Issue of share capital	0.01	817,536,000
30 December 2013	Issue of share capital	0.01	218,340,000
26 February 2014	Issue of share capital	0.01	165,000,000
30 April 2014	Issue of share capital	N/A	165,000,000
31 December 2014	Number of ordinary shares in issue at the end of the reporting period		4,859,910,301

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

34. Treasury Shares

The Group

	US$'000
As at 1 January 2013	43,000
Vesting of share-based awards for the year	(30,154)
As at 31 December 2013 and 1 January 2014	12,846
Vesting of share-based awards for the year	(860)
As at 31 December 2014	11,986

Treasury shares represented ordinary shares held by the Company's EBT to provide benefits to employees under the Long-term Incentive Plan (the "LTIP"). During the year ended 31 December 2014, 2,322,000 shares (2013: 81,415,125 shares) were vested to the employees of the Group under the LTIP as detailed in note 37. 32,362,875 shares (2013: 34,684,875 shares) were held under the EBT as at the end of the reporting period.

35. Accumulated Losses

The Company

	US$'000
As at 1 January 2013	47,498
Loss for the year	11,879
As at 31 December 2013 and 1 January 2014	59,377
Loss for the year (Note)	576,130
As at 31 December 2014	635,507

Note: For the year ended 31 December 2014, loss represented primarily the impairment in the value of unlisted shares in certain subsidiaries due to, among other things, decrease in commodity prices.

36. Notes to the Cash Flow Statements

(a) Reconciliation of loss before taxation to cash used in operations

	2014 US$'000	2013 US$'000
Loss before taxation	**(311,310)**	(47,098)
Adjustments for:		
Depreciation of property, plant and equipment	**6,514**	21,113
Financial income	**(1,667)**	(988)
Financial expenses	**2,543**	3,319
Net gain on disposal of property, plant and equipment	**(110)**	(291)
Impairment charges	**260,828**	28,850
Write down of inventories	**1,635**	—
Net gain on disposal of subsidiaries	**(3,127)**	—
Share-based payments and LTIP expense (defined in note 37)	**3,326**	3,336
Share of results of a joint venture	**(2,900)**	115
Net foreign exchange loss	**13,407**	1,766
Allowance for (reversal of) doubtful debts	**64**	(302)
Other non-cash adjustments	**173**	(435)
Operating cash flows before movements in working capital	**(30,624)**	9,385
Decrease (increase) in inventories	**7,704**	(12,256)
(Increase) decrease in trade and other receivables	**(2,007)**	93
(Decrease) increase in trade and other payables	**(671)**	1,960
Net cash used in operations	**(25,598)**	(818)

(b) Major non-cash transactions

For the year ended 31 December 2014, as disclosed in note 33, transaction costs of approximately US$600,000 (2013: approximately US$4,231,000) was incurred for issuance of new shares to General Nice, of which the full amount has been settled (31 December 2013: approximately US$1,563,000 not yet settled, of which approximately US$520,000 was paid in 2014).

For the year ended 31 December 2014, property, plant and equipment of approximately US$1,312,000 (2013: US$849,000) were acquired but the amount has not yet been settled at 31 December 2014.

There were no other major non-cash transactions during the years ended 31 December 2014 and 2013.

37. Share-Based Payments

Under the Company's Long-term Incentive Plan (the "Company's LTIP"), which was established on 11 August 2010, selected employees and directors of the Group (the "Selected Grantees") are to be awarded shares of the Company. These shares have been purchased by the Group's trustee. Upon the management's recommendation, the Board will determine the number of shares awarded to the Selected Grantees, with the vesting dates for various tranches. Any shares under the Company's LTIP awarded to a Selected Grantee who is also a director of the Company shall be subject to the Board's approval following a recommendation from the Remuneration Committee.

Two batches of shares had been assigned, namely LTIP 1 and LTIP 2.

LTIP 1

LTIP 1 has a 3-year vesting period and is subject to the following vesting conditions:

Vesting conditions for those shares granted in 2012

— 25% of the award vesting is relating to the achievement of certain production targets;

— 25% of the award vesting is relating to profitability;

— 25% of the award vesting is relating to the growth and development of the Group; and

— 25% of the award vesting is relating to the meeting of certain health, safety and environmental requirements.

Vesting conditions for those shares granted in 2011

— 20% of the award vesting is relating to the achievement of certain production targets;

— 20% of the award vesting is relating to profitability;

— 20% of the award vesting is relating to the growth and development of the Group;

— 20% of the award vesting is relating to the meeting of certain health, safety and environmental requirements; and

— 20% of the award vesting is relating to the share price performance of the Company.

Vesting conditions for those shares granted in 2010

— 25% of the award vesting is relating to the achievement of certain production targets;

— 25% of the award vesting is relating to profitability;

— 25% of the award vesting is relating to the growth and development of the Group; and

— 25% of the award vesting is relating to the meeting of certain health, safety and environmental requirements.

On 3 November 2010, 91,138,500 shares of the Company were awarded to Selected Grantees under the Company's LTIP 1. The fair value of the services rendered as consideration of the awarded shares was measured by reference to the fair value of the awarded shares at the award date of US$19.2 million (determined based on the closing share price of the Company as of 3 November 2010 of HK$1.64 per share) which is recognised to the consolidated statement of profit or loss over the vesting period. No shares being awarded was vested or forfeited during the year 2010 and the outstanding number of shares under the Company's LTIP were 91,138,500 as at 31 December 2010.

37. Share-Based Payments (Continued)

On 1 August 2011, another 2,322,000 shares of the Company were awarded to Selected Grantees under the Company's LTIP 1. The fair value of the services rendered as consideration of the awarded shares was measured by reference to the fair value of the awarded shares at the award date of approximately US$536,000 (determined based on the closing share price of the Company as of 1 August 2011 of HK$1.79 per share) which is recognised to the consolidated statement of profit or loss over the vesting period. No shares being awarded was vested or forfeited during 2011 and the outstanding number of shares under the Company's LTIP were 93,460,500 as at 31 December 2011.

On 1 July 2012, another 1,000,000 shares of the Company were awarded to Selected Grantees under the Company's LTIP. The fair value of the services rendered as consideration of the awarded shares was measured by reference to the fair value of the awarded shares at the award date of approximately US$108,000 (determined based on the closing share price of the Company as of 1 July 2012 of HK$0.84 per share) which is recognised to the consolidated statement of profit or loss over the vesting period. No shares being awarded was vested or forfeited during 2012 and the outstanding number of shares under the Company's LTIP were 94,460,500 as at 31 December 2012.

On 2 November 2013, the vesting period for the shares awarded in 2010 ended and the Company assessed that all the vesting conditions were fulfilled. Accordingly, other than 9,723,375 shares awarded in 2010 were forfeited during the year 2013, the remaining 81,415,125 shares of the Company arising from the shares awarded in 2010 were fully vested.

On 31 July 2014, the vesting period for the shares awarded in 2011 ended and the Company assessed that all the vesting conditions were fulfilled. Accordingly, 2,322,000 shares of the Company arising from the shares awarded in 2011 were fully vested. The outstanding number of shares under the Company's LTIP 1 scheme were 1,000,000 shares as at 31 December 2014.

LTIP 2

LTIP 2 has a 3-month vesting period and is subject to the following vesting conditions:

Vesting conditions for those shares granted in 2014

— 5% of the award vesting is relating to the achievement of certain sales targets;

— 5% of the award vesting is relating to profitability;

— 85% of the award vesting is relating to the growth and development of the Group; and

— 5% of the award vesting is relating to the meeting of certain health, safety and environmental requirements.

On 28 February 2014, 31,362,875 shares of the Company were awarded to Selected Grantees (14,623,617 shares to directors and 16,739,258 shares to employees) under the Company's LTIP 2. The fair value of the services rendered as consideration of the awarded shares was measured by reference to the fair value of the awarded shares at the award date of US$3,192,000 (determined based on the closing share price of the Company as of 28 February 2014 of HK$0.79 per share) which is recognised to the consolidated statement of profit or loss over the vesting period. The outstanding number of shares under the Company's LTIP 2 scheme were 31,362,875 as at 31 December 2014.

The net amount expensed under LTIP 1 and LTIP 2 during the year totalled US$3,326,000 (2013: US$3,336,000).

38. Retirement Benefit Schemes

The Group operates a Mandatory Provident Fund Scheme ("MPF") for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The contributions charged to the consolidated statement of profit or loss for the year ended 31 December 2014 amounted to US$121,000 (2013: US$109,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2014, contributions of US$11,000 (31 December 2013: US$11,000) due in respect of the year ended 31 December 2014 (2013) had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

39. Financial Instruments

Capital and liquidity risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to optimise the weighted average cost of capital and tax efficiency subject to maintaining sufficient financial flexibility to undertake its investment plans.

The capital structure of the Group consists of net debt, which includes cash and cash equivalents, bank borrowings and equity attributable to owners of the Company, comprising issued capital and reserves.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements except for the restriction disclosed in note 31 in relation to the bank credit facilities.

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the consolidated financial statements.

Categories of financial instruments

The Group

	Carrying value as at 31 December 2014 US$'000	Carrying value as at 31 December 2013 US$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**82,254**	106,127
Financial liabilities		
Amortised cost	**(273,734)**	(209,905)

The Company

	Carrying value as at 31 December 2014 US$'000	Carrying value as at 31 December 2013 US$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,441**	49,540
Financial liabilities		
Amortised cost	**(19,492)**	(20,355)

Financial risk management objectives

The Group's activities expose it to interest rate risk, foreign currency risk, credit risk and liquidity risk and equity price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central finance department and all key risk management decisions are approved by the Board of Directors. The Group identifies and evaluates financial risks in close cooperation with the Group's operating units.

39. Financial Instruments (Continued)

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, principally Pounds Sterling, US Dollars and Russian Roubles, which exposed the Group to exchange rate risk associated with fluctuations in the relative values of Pounds Sterling, US Dollars and Russian Roubles.

Exchange rate risks are mitigated to the extent considered necessary by the Board of Directors, through holding the relevant currencies for future settlements. At present, the Group does not undertake any foreign currency transaction hedging.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Group and the Company at the reporting date are as follows:

The Group

	Assets		Liabilities	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Russian Roubles	**22,804**	35,119	**8,775**	13,717
US Dollars	**2,811**	2,754	**11**	20
Renminbi	**—**	—	**—**	96
Pounds Sterling	**25**	37	**1**	10
Kazakh Tenge	**23**	2	**—**	—
Euro	**1**	1	**—**	—
Hong Kong Dollars ("HK$")	**1,032**	26,616	**35**	55

The Company

	Assets		Liabilities	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Russian Roubles	**—**	—	**966**	1,326
HK$	**834**	26,594	**19**	33
Pounds Sterling	**3**	3	**18**	27
Euro	**31**	28	**—**	—

Foreign currency sensitivity analysis

The Group is mainly exposed to exchange rate movements between US Dollars and Russian Roubles. The following table details the Group's sensitivity to a 25% (2013: 25%) change in exchange rates of functional currency (i.e. US Dollars) of the group entities against the relevant foreign currency (i.e. Russian Roubles) for the year. The percentage change analysed represents management's assessment of a reasonably possible change in foreign currency rates. The exposure to the Company is considered as insignificant.

A negative number below indicates an increase in post tax loss in both 2014 and 2013 where the functional currencies of the group entities strengthen 25% (2013: 25%) against the Russian Roubles. For a 25% (2013: 25%) weakening of functional currency the group entities against the Russian Roubles, there would be an equal and opposite impact on the profit or loss and the balances below would be positive.

The Group

	Russian Rouble currency impact	
	2014 US$'000	2013 US$'000
Profit or loss	**(2,806)**	(4,280)

39. Financial Instruments (Continued)

Foreign currency sensitivity analysis (Continued)

The Group's policy is to hold a portion of its cash equivalents in Russian Roubles to cover its exposure arising on capital and operational expenditure incurred in Russian Roubles.

No sensitivity analysis is presented by the Group on the other foreign currencies or by the Company as the exposure is considered insignificant due to the insignificant amounts involved; or where the foreign currency is the USD or the HKD, the functional currency of the respective group entities is the HKD and the USD respectively, which is pegged.

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to a bank borrowings (see note 31 for details) and cash flow interest rate risk in relation to variable-rate bank borrowings (see note 31 for details of these borrowings). The group's policy is to maintain bank borrowing at variable rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR arising from the Group's US dollar denominated borrowings. The Group did not enter into any interest rate swaps to hedge against its exposure to changes in fair values of the borrowings.

The Group and the Company are exposed to interest rate risk through the holding of cash and cash equivalents. The interest rates attached to these instruments are at floating rates. The exposures to interest rates on these financial assets and financial liabilities of the Group and the Company are detailed below.

The interest rate exposure to cash equivalents, restricted bank deposits and time deposits of the Group and the Company. If interest rates had been 10% higher/lower, and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2014 would decrease/increase by US$7,985,000. The interest rate exposure was considered to be insignificant by the management for the year ended 31 December 2013 due to management's assessment of the reasonably possible fluctuation of interest rate as at that date. The borrowing costs of the variable-rate bank borrowings are capitalised to the property, plant and equipment (see note 20), and therefore, no sensitivity analysis on interest rate exposure to variable-rate bank borrowings is presented.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group's and the Company's exposure and the credit ratings of the counterparties are monitored by the Board of Directors of the Company, and limits have been established to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The principal financial assets of the Group and the Company are restricted bank deposits, cash and cash equivalents, time deposits, and trade and other receivables. Cash equivalents, restricted bank deposits and time deposits represent amounts held on deposit with financial institutions.

The credit risk on liquid funds held in current accounts and available on demand is limited because the counterparties are primarily banks with high credit-ratings assigned by international credit-rating agencies.

For operational reasons the Group holds amounts on deposit with banks located in Russia, one of which is a related party, as detailed in note 41. Amounts held on deposit as at 31 December 2014 and 2013 with these banks located in Russia were approximately US$28,920,000 and approximately US$41,137,000, representing 39% and 45% of total monetary assets held by the Group respectively.

Trade receivables consist mostly of amounts outstanding from the sales of iron ores and ilmenite and service provided under engineering contracts held by a subsidiary in Russia. A credit evaluation was performed on these customers prior to the commencement of these contracts. An analysis of balances past due at 31 December 2014 is included in note 25.

The Group's and the Company's maximum exposure to credit risk, without taking account of the value of any collateral obtained, is limited to the carrying amount of financial assets recorded in the consolidated statements of financial position and statement of financial position respectively.

39. Financial Instruments (Continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with management. At 31 December 2014, the Group's and the Company's principal financial liabilities were trade and other payables and bank borrowings. The management of the Company monitors the level of liquid assets available to the Group and the level of funding required to meet its short, medium and long-term requirements. The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The following tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The Group

	Due on demand or within one year US$'000	Due within one to two years US$'000	Due within two to five years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31 December 2014 US$'000
As at 31 December 2014					
Trade and other payables	**5,182**	**—**	**—**	**5,182**	**5,182**
Bank borrowings	**63,500**	**42,500**	**210,176**	**316,176**	**268,552**
	68,682	**42,500**	**210,176**	**321,358**	**273,734**
As at 31 December 2013					
Trade and other payables	9,983	—	—	9,983	9,983
Bank borrowings	43,370	42,500	131,019	216,889	199,922
	53,353	42,500	131,019	226,872	209,905

The Company

	Due on demand or within one year US$'000	Due within one to two years US$'000	Due within two to five years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31 December 2014 US$'000
As at 31 December 2014					
Other payables	**800**	**—**	**—**	**800**	**800**
Amount due to subsidiaries	**18,692**	**—**	**—**	**18,692**	**18,692**
	19,492	**—**	**—**	**19,492**	**19,492**
As at 31 December 2013					
Other payables	947	—	—	947	947
Amount due to subsidiaries	19,408	—	—	19,408	19,408
	20,355	—	—	20,355	20,355

Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

40. Disposal of Subsidiaries

On 24 November 2014, the Group disposed of LLC Rubikon, a wholly owned subsidiary, which is engaged in the development of bridge and infrastructure projects of the Group. The net assets of LLC Rubikon at the date of disposal were as follows:

	US$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	508
Other receivables	2
Bank balances and cash	1
Other payables	(10)
Amounts due to group companies	(61)
Net assets disposed of	440
Gain on disposal of a subsidiary:	
Consideration receivable	3,736
Gain on disposal	3,296
Net cash inflow arising on disposal:	
Cash consideration received (note)	3,152
Less: bank balances and cash disposed of	(1)
	3,151

Note: There was an exchange loss amounting US$584,000 when the consideration was received.

On 11 September 2014, the Group disposed of LLC Karier Ushumunskiy, a wholly owned subsidiary, which held thermal coal deposits for the Group. The net assets of LLC Karier Ushumunskiy at the date of disposal were as follows:

	US$'000
Analysis of assets and liabilities over which control was lost:	
Inventories	97
Other receivables	88
Bank balances and cash	4
Other payables	(17)
Net assets disposed of	172
Loss on disposal of a subsidiary:	
Consideration received	3
Loss on disposal	(169)
Net cash outflow arising on disposal:	
Cash consideration	3
Less: bank balances and cash disposed of	(4)
	(1)

41. 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 year, 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 and Dr. Pavel Maslovskiy, shareholders of Petropavlovsk PLC, are close family members of the directors of the Company, Mr. George Jay Hambro and Mr. Yury Makarov, respectively.

Asian Pacific Bank is considered as a related party as Mr. Peter Hambro has interests and is able to exercise significant influence over Asian Pacific Bank.

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

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

Transactions with related parties of the Group entered into during the year are set out below.

Trading transactions

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 14.

	Services provided[(a)]		Services received[(b)]	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**2**	22	**32**	174
OJSC Irgiredmet	**—**	—	**18**	16
LLC NPGF Regis	**28**	46	**20**	10
CJSC Peter Hambro Mining Engineering	**—**	—	**2**	684
CJSC Pokrovsky Rudnik	**3**	3	**—**	—
CJSC Dalgeologia	**—**	—	**—**	165
LLC Kapstroy	**46**	—	**—**	—
MC Petropavlovsk	**684**	852	**229**	300
LLC Karagay	**1**	—	**—**	—
LLC Gidrometallurgia	**152**	181	**—**	—
LLC Helios	**—**	—	**13**	12
Trading transactions with other related parties				
Apatit	**—**	18	**—**	—
Asian Pacific Bank	**71**	83	**—**	—

(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.

41. Related Party Disclosures (Continued)

Trading transactions (Continued)

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

	Amounts owed by related parties[(a)]		Amounts owed to related parties[(b)]	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**897**	985	**765**	814
OJSC Irgiredmet	**—**	—	**3**	—
LLC NPGF Regis	**18**	2	**112**	192
CJSC Pokrovsky Rudnik	**1**	—	**—**	1
LLC Kapstroy	**1**	—	**—**	—
MC Petropavlovsk	**99**	232	**1,899**	2,096
LLC Gidrometallurgia	**1**	2	**—**	—
LLC Helios	**1**	6	**—**	—
CJSC Peter Hambro Mining Engineering	**—**	—	**—**	4
CJSC Dalgeologia	**—**	—	**—**	43
Outstanding balances with other related parties				
Asian Pacific Bank	**6**	8	**—**	—
	1,024	1,235	**2,779**	3,150

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

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

Banking arrangements

Other than the related party transaction as disclosed in note 31, the Group has bank accounts with Asian Pacific Bank.

The bank balances at the end of the reporting period are set out below:

	2014 US$'000	2013 US$'000
Asian Pacific Bank	**24,454**	24,417

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

	2014 US$'000	2013 US$'000
Interest income from cash and cash equivalents	**365**	295

41. Related Party Disclosures (Continued)

Guarantee arrangements

In relation to the ICBC loan as disclosed in note 31, 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 right to inject funds into the Group by shareholder loan (on normal commercial terms at the time) in order to enable the Group to make payments under the ICBC Facility Agreement or for other working capital purposes. The Recourse Agreement also contains reporting obligations and customary covenants from the Group which require Petropavlovsk PLC's consent as guarantor (acting reasonably and taking into account the effect upon the Group's ability to fulfill its obligations under the ICBC Facility Agreement) for certain actions including the issuance, acquisition or disposal of securities, and entry into joint ventures.

As at 31 December 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 by the directors of the Company. 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% ("Minimal Holding") 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 the group entity holding K&S Project has an obligation to maintain a minimum Debt Service Cover Ratio as defined in the ICBC Facility Agreement of 1.1x; (the "Financial Covenants") and (iii) there are also certain limited restrictions on the ability of Petropavlovsk PLC to grant security over its assets, make disposals of its assets or enter into merger transactions. As at 31 December 2014 and 2013 and during the years then ended, the Group does not have any non-compliance on the above covenants.

According to a waiver letter of 30 December 2014, ICBC has agreed to grant a waiver of the Financial Covenants until 31 December 2015 (or an earlier date of Petropavlovsk PLC and the group entity holding K&S Project manage to comply with their respective Financial Covenants), subject to the fulfillment of certain conditions precedent which were subsequently satisfied on 6 February 2015. ICBC has also agreed to amend the Minimal Holding from 30% to 15%.

Key Management Compensation

During the year ended 31 December 2014 George Jay Hambro, Yury Makarov, Raymond Woo, Daniel Bradshaw, Jonathan Martin Smith, Chuang-fei Li, Simon Murray, Cai Sai Xin and Liu Qingchun (2013: George Jay Hambro, Yury Makarov, Raymond Woo, Daniel Bradshaw, Jonathan Martin Smith, Chuang-fei Li, Simon Murray) were considered the key management of the Group. The remuneration of key management personnel is set out in note 10.

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

42. Particulars of Principal Subsidiaries

Details of the Group's principal subsidiaries at the end of the reporting period are set out below:

Name of company	Place and date of incorporation/establishment	Issued and fully paid share capital/registered capital[(d)]	Equity interest attributable to the Group 2014[(c)]	Equity interest attributable to the Group 2013[(c)]	Principal activities
Arfin Limited	Cyprus 22 August 2005	US$10,000	100%	100%	Provision of financing services for the Group
Brasenose Services Limited	Cyprus 20 January 2004	US$2,912	100%	100%	Investment holding
Dardanius Limited	Cyprus 16 October 2006	US$6,080	100%	100%	Investment holding
Esimanor Limited	Cyprus 15 March 2008	US$2,502	100%	100%	Investment holding
Expokom Limited	Cyprus 22 December 2005	US$158,808	100%	100%	Investment holding
Guiner Enterprises Ltd	Cyprus 25 August 2007	US$271,080	100%	100%	Investment holding
Kapucius Services Limited	Cyprus 12 April 2006	US$32,500	100%	100%	Investment holding
Lapwing Limited	Cyprus 9 August 2006	EUR28,795	99.58%	99.58%	Investment holding
Lucilius Investments Limited	Cyprus 22 November 2008	US$22,740	100%	100%	Investment holding
Metellus Limited	Cyprus 21 August 2006	US$3,640	100%	100%	Investment holding
Rumier Holdings Ltd	Cyprus 3 October 2007	US$270,945	100%	100%	Investment holding
Russian Titan Company Limited	Cyprus 10 November 2003	US$197	100%	100%	Investment holding
Tenaviva Limited	Cyprus 31 December 2007	US$4,650	100%	100%	Investment holding
Thorholdco (Cyprus) Limited	Cyprus 3 October 2013	US$1,001	100%	100%	Investment holding
Aricom Limited	United Kingdom 12 September 2003	GBP1,315,864	100%	100%	Investment holding
Aricom UK Limited	United Kingdom 1 March 2007	GBP241,481,039	100%	100%	Investment holding

42. Particulars of Principal Subsidiaries (Continued)

Name of company	Place and date of incorporation/establishment	Issued and fully paid share capital/registered capital[d]	Equity interest attributable to the Group 2014[c]	2013[c]	Principal activities
Heilongjiang Jiatai Titanium Limited	PRC 11 February 2009	RMB219,024,974	**100%**	100%	Development of Titanium Sponge
Ariti HK Limited	Hong Kong 11 February 2008	HK$1	**100%**	100%	General trading
Ariva HK Limited	Hong Kong 11 March 2008	HK$1	**100%**	100%	Investment holding
Thorholdco Limited	Cayman Islands 18 May 2010	US$8,064	**100%**	100%	Investment holding
Thorrouble Limited	Cayman Islands 18 May 2010	RUR290,860	**100%**	100%	Provision of financing services for the Group
Thordollar Limited	Cayman Islands 18 May 2010	US$9,157	**100%**	100%	Provision of financing services for the Group
LLC Petropavlovsk — Iron Ore	Russia 25 August 2004	RUR10,000,000	**100%**	100%	Business services for the Group
LLC KS GOK	Russia 2 August 2004	RUR141,514,865	**100%**	100%	Exploration and mining — K&S
LLC Olekminsky Rudnik	Russia 28 March 2001	RUR1,378,664,935	**100%**	100%	Exploration and mining — Kuranakh project
LLC Rubicon	Russia 9 January 2007	RUR100,000	**—**	100%	Development of bridge and other infrastructure projects for the Group
CJSC Soviet Harbour Maritime Trade Port ("CJSC SGMTP")[a]	Russia 30 August 2005	RUR1,000,000	**100%**	100%	Development of port for the Group
LLC TOK	Russia 3 April 2007	RUR10,000	**100%**	100%	Dormant
OJSC Giproruda[b]	Russia 8 December 1992	RUR4,639	**70.28%**	70.28%	Engineering services
LLC GMMC	Russia 26 June 2006	RUR780,000,000	**100%**	100%	Exploration and mining — Garinskoye
LLC Kostenginskiy GOK	Russia 16 February 2007	RUR10,000	**100%**	100%	Exploration and mining — Kostenginskoye project
LLC Orlovsko — Sokhatinsky Rudnik	Russia 3 April 2007	RUR10,000	**100%**	100%	Exploration and mining — Garinskoye Flanks
LLC Garinskaya Infrastructure	Russia 14 December 2007	RUR1,000,000	**100%**	100%	Transportation services for Garinskoye project

42. Particulars of Principal Subsidiaries (Continued)

Name of company	Place and date of incorporation/establishment	Issued and fully paid share capital/registered capital(d)	Equity interest attributable to the Group		Principal activities
			2014(c)	2013(c)	
LLC Amursnab	Russia 28 December 2009	RUR10,000,000	99.9%	99.9%	Procurement services
LLC Karier Ushumunskiy	Russia 15 March 2007	RUR1,000,000	—	100%	Coal production
LLC Uralmining	Russia 12 October 2008	RUR1,000,000	100%	100%	Exploration and mining — Bolshoi Seym
Caedmon Limited	Cyprus 29 September 2011	US$1,232	50.1%	50.1%	Financing and investment holding
LLC Gorniy Park	Russia 25 October 2010	RUR10,000	50.1%	50.1%	Exploration and mining — Molybdenum Exploration Project

(a) CJSC is a Closed Joint Stock Company in Russia. CJSC issued shares cannot be freely traded.

(b) OJSC is an Open Joint Stock Company in Russia. OJSC issued shares can be freely traded.

(c) As at 31 December 2014 and 2013, except for Thorholdco Limited, which was directly held by the Company, all of the interests in remaining subsidiaries are indirectly attributable to the Group.

(d) Apart from Heilongjiang Jiatai Titanium Co. Limited, a wholly foreign-owned enterprise established in the PRC with registered capital of RMB219,024,974, class of shares held by all other subsidiaries is ordinary shares.

None of the subsidiaries had issued any debt securities at the end of the year.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests for the year ended 31 December		Balance of non-controlling interests as at 31 December	
		2014	2013	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
OSJC Giproruda	Russia	29.72%	29.72%	294	356	2,745	4,957
Caedmon Limited	Cyprus	49.9%	49.9%	—	(6,508)	—	—
An individual immaterial subsidiary with non-controlling interest						141	105
						2,886	5,062

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

42. Particulars of Principal Subsidiaries (Continued)

Summarised financial information extracted from the consolidated financial statements prepared in accordance with International Financial Reporting Standards before intragroup eliminations in respect of these two subsidiaries that has material non-controlling interests is set out below.

	2014 US$'000	2013 US$'000
OJSC Giproruda		
Current assets	**7,828**	12,049
Non-current assets	**4,735**	8,522
Current liabilities	**(826)**	(1,136)
Non-current liabilities	**(912)**	(1,986)
Equity attributable to owners of the Company	**8,080**	12,492
Non-controlling interests	**2,745**	4,957
Revenue	**4,442**	8,915
Expenses	**(3,452)**	(7,718)
Profit for the year	**990**	1,197
Profit attributable to owners of the Company	**696**	841
Profit attributable to non-controlling interests	**294**	356
Profit for the year	**990**	1,197
Other comprehensive expenses attributable to owners of the Company	**(5,108)**	(918)
Other comprehensive expenses attributable to non-controlling interests	**(2,160)**	(388)
Other comprehensive expenses for the year	**(7,268)**	(1,306)
Total comprehensive expenses attributable to owners of the Company	**(4,412)**	(77)
Total comprehensive expenses attributable to non-controlling interests	**(1,866)**	(32)
Total comprehensive expenses for the year	**(6,278)**	(109)
Net cash from (used in) operating activities	**872**	(375)
Net cash used in investing activities	**345**	140
Effect of foreign exchange rate changes	**(2,661)**	(494)
Net decrease in cash and cash equivalents	**(1,444)**	(729)

42. Particulars of Principal Subsidiaries (Continued)

	2014 US$'000	2013 US$'000
Caedmon Limited		
Current assets	**297**	311
Non-current assets	**—**	—
Current liabilities	**(4)**	(11)
Equity attributable to owners of the Company	**293**	300
Other income	**—**	320
Expenses and impairment charges	**(14)**	(13,468)
Loss and total comprehensive expenses for the year	**(14)**	(13,148)
Loss and total comprehensive expenses attributable to owners of the Company	**(7)**	(6,587)
Loss and total comprehensive expenses attributable to non-controlling interests	**(7)**	(6,508)
Unrecognised share of losses of non-controlling interests	**—**	(53)
Loss and total comprehensive expenses for the year	**(14)**	(13,148)
Net cash used in operating activities	**(14)**	(10)
Net decrease in cash and cash equivalents	**(14)**	(10)

FINANCIAL SUMMARY

	Results of the Group for the year ended 31 December				
	2010 US$'000	2011 US$'000	2012 US$'000	2013 US$'000	**2014** **US$'000**
Revenue	25,792	122,208	139,687	160,854	**122,414**
(Loss) profit attributable to owners of the Company	(82,358)	1,001	(57,554)	(41,613)	**(317,644)**
(Loss) earnings per share (US cents)					
— Basic	(3.62)	0.03	(1.74)	(1.04)	**(6.69)**
— Diluted	(3.62)	0.03	(1.74)	(1.04)	**(6.69)**

	Assets and liabilities of the Group as at 31 December				
	2010 US$'000	2011 US$'000	2012 US$'000	2013 US$'000	**2014** **US$'000**
Total assets	867,519	862,582	957,704	1,095,678	**874,228**
Less: Total liabilities	(62,901)	(49,504)	(174,511)	(232,840)	**(294,323)**
Total net assets	804,618	813,078	783,193	862,838	**579,905**

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
EBITDA	Earnings before interest, tax, depreciation and amortisation
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
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
Ore Reserves	The parts of a Mineral Resource that can at present be economically mined
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
Resources	The concentration of material of economic interest in or on the earth's crust
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
TiO_2	Titanium dioxide. A fine white powder. Used in paints, plastics or paper, it provides for maximum whiteness and opacity
Titanomagnetite	Concentrate which is a variation of a magnetite concentrate typically with a high vanadium and titanium content
Treatment plant	A plant where ore undergoes physical or chemical treatment to extract the valuable metals/minerals
Tonne/t	1 metric tonne (1,000 kg)
US Dollar or US$	United States Dollar

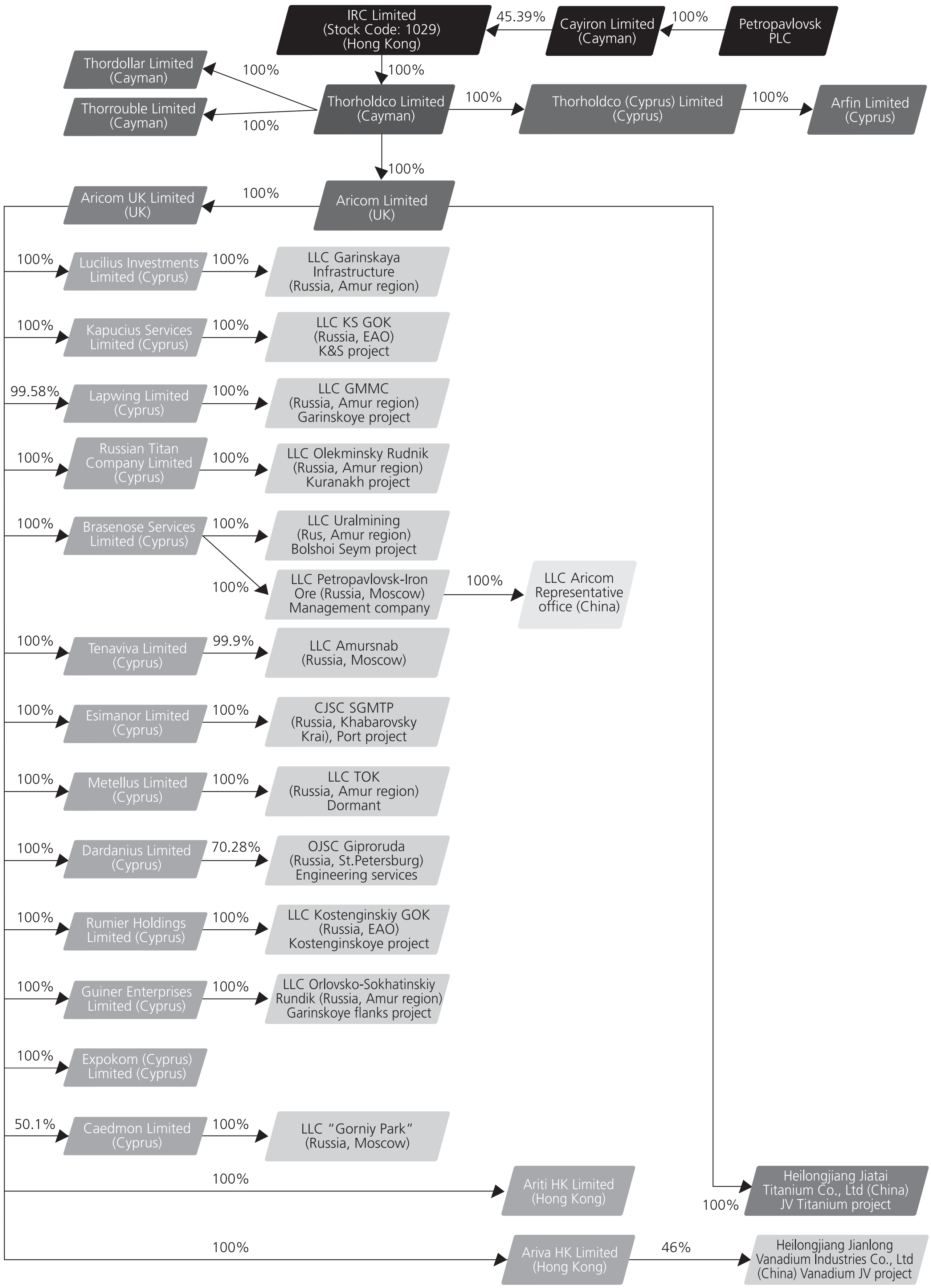
LIST OF ABBREVIATIONS

°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
kg	kilogramme, the SI unit of mass
km	kilometres, a unit of length equivalent to 1,000 m
km^2	square kilometres, a unit of area equivalent to 1,000,000 m^2
Kt	thousand tonnes
Ktpa	thousand tonnes per annum
kV	kilovolts, one thousand volts, a unit of electromotive force
Kwh	kilowatt hour, a unit of energy
m	metres, the SI unit of length
m^3	cubic meter, a unit of volume
mm	millimetres, unit of length equivalent to 0.001 m
Mt	million tonnes
Mtpa	million tonnes per annum
mWt	megawatt, one million watts, a unit of power
nm	not measured
sq.m.	square metre, a unit of area
t	a metric tonne, a unit of mass equivalent to 1,000 kg
tpa	tonnes per annum
TiO_2	chemical symbol for titanium dioxide
V_2O_5	chemical symbol for vanadium pentoxide

All dollars refer to United States Dollars unless otherwise stated.

All maps and diagrams in this report are for illustration purposes only and are not to scale.

CORPORATE STRUCTURE



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

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

Principal Place of Business in Russia

Bulvar Entuziastov, Building 2
7/F, Business Center "Golden Gate"
Moscow
109544
Russia

Executive Directors

Chairman: G.J. Hambro
Chief Executive Officer: Y.V. Makarov
R.K.T. Woo (redesignated as non-executive director on 25 March 2015)

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

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

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

G.J. Hambro
J. Yuen

Company Secretary

J. Yuen

RISK FACTORS

The Group is exposed to a variety of risks and uncertainties which could significantly affect its business and financial results. From the Board, to executive and operational management and every employee, the Group seeks to undertake a pro-active approach that anticipates risk, seeking to identify them, measure their impact and thereby avoid, reduce, transfer or control such risks.

The Group's view of the principal risks that could impact it for the 2014 financial year and beyond are substantially unchanged from those of the previous years. A summary of these key risks is set out below:

- Operational risks such as delay in supply of/or failure of equipment/services and adverse weather conditions.
- Financial risks such as commodity prices, exchange rate fluctuations, funding and liquidity and capital programme controls.
- Health, safety and environmental risks such as health and safety issues, legal and regulatory risks, licences and permits, restatement of reserves and resources, and non- compliance with applicable legislation.
- Legal and Regulatory risks such as country-specific risks.
- Human Resources risks such as the ability to attract key senior management and potential lack of skilled labour.

This should not be regarded as a complete or comprehensive list of all potential risks that the Group may experience. In addition, there may be additional risks currently unknown to the Group and other risks, currently believed to be immaterial, which could turn out to be material and significantly affect the Group's business and financial results.

DISCLAIMER

Some statements contained in this document referred to in it are or may be forward-looking statements. Statements reflect the Company's current views with respect to future events and are subject to risks, assumptions, uncertainties and other factors beyond the Company's control that could cause actual results to differ from those expressed in such statements. Although the Company believes that such forward-looking statements, which speak only as of the date of this document, are reasonable, no assurance can be given that they will prove to be correct. Therefore, you should not place undue reliance on these statements. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this document will, in fact, occur. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date of this document, except as required by law or by any appropriate regulatory authority. Nothing in this document or in documents referred to in it should be considered as a profit forecast. Past performance of the Company or its shares cannot be relied on as a guide to future performance. This document does not constitute, or form part of or contain any invitation or offer to any person to underwrite, subscribe for, otherwise acquire, or dispose of any shares in IRC Limited or advise persons to do so in any jurisdiction, nor shall it, or any part of it, form the basis of or be relied on in any connection with or act as an inducement to enter into any contract or commitment therefore. In particular, this document and the information contained herein are not an offer of securities for sale in the United States of America. No reliance may be placed for any purpose whatsoever on the information or opinions contained in this document or on its completeness and no liability whatsoever is accepted for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith. The development and production plans and estimates set out herein represent the current views of the Company's management. The Company's Board reviews the production estimates on an ongoing basis. All planning is subject to available funding and capital allocation decisions. This document is prepared in compliance with Hong Kong law and the courts of the Hong Kong Special Administrative Region of the People's Republic of China will have exclusive jurisdiction over any disputes arising from or connected with this document.

In 2011, the Company implemented electronic communications to reduce the financial and environmental costs of producing the Annual Report. In this regard we would encourage downloading of reports from our website. Financial reports may be found at:
www.ircgroup.com.hk/html/ir_financial.php

The annual report this year has once again been printed on paper certified by the Forest Stewardship Council. Reductions in the document size and print run have also been achieved for the fourth year in a row.

If a printed copy is preferred, it is available free of charge from the Company, by writing to:

Investor Relations
IRC Ltd
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Hong Kong SAR

We welcome comments on our Annual Report and Communications activities at all times. We can be contacted by mail, phone, email and social media:

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LinkedIn (linkedin.com/pub/irc-limited)
Twitter (@IRCLimited)

The 2014 Annual Report is printed on light weight FSC paper and condensed into fewer pages. This reduces the environmental and financial cost of the report; part of our commitment to reducing costs and ecological sustainability.

2015 & beyond	K&S	Commercial Production (Phase I) Doubling production (Phase II)
	Garinskoye	Production
2014	K&S	Commissioning commenced
2013	IRC	General Nice + Minmetals Cheerglory Strategic Alliance
	K&S	Ongoing construction
2012	Kuranakh	Ilmenite production full capacity
	Garinskoye	DSO operation announced
	Exploration	Ilmenite & Molybdenum Exploration acquisitions
2011	Kuranakh	Full year production targets exceeded
	IRC	Group reserves increase threefold
	K&S	First drawdown ICBC facility Optimisation Study to double K&S production
2010	SRP	First production
	Kuranakh	Iron ore production full capacity
	K&S	US$340m ICBC facility US$400m CNEEC EPC contract
	IRC	HKEx listing
	Kuranakh	Commissioned

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