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IRC Limited

HONG KONG STOCK CODE: 1029

Annual Report 2015

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 industry leading cost position and low-risk 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.

IN 2016

We will celebrate the newborn of K&S – one of the world's lowest cost iron ore projects. K&S can produce 3.2 million tonnes of premium quality iron ore per annum. The operational plant is expected to be handed over to IRC in the first half of 2016 for full ramp up within the year.

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CHAIRMAN & CHIEF EXECUTIVE OFFICER REVIEW

Dear Shareholders and Stakeholders,

Ensuring Sustainability Amidst Volatile Markets

2015 was a difficult year for commodities producer, the iron ore industry is no exception. During the year, we felt the pressure brought by macro-economic downturn and structural adjustment of our industry. In the last quarter of 2015, China's economic growth has for the first time in 25 years slipped under the important 7% statistic. Together with the problem of global iron ore oversupply, the benchmark 62%Fe seaborne prices finished the year at US$43 per tonne.

In order for IRC to survive and hopefully thrive amidst volatile market stated above, we have responded in several ways to ensure our business remains sustainable and competitive: (1) Stay lean and efficient across the Group; (2) Commission K&S project as soon as possible — our cost-positive project should be handed over to IRC from the contractor within the promised timeframe of first half of 2016 and (3) Strengthen and maintain balance sheet at healthy level, explained further in the CFO Statement in the following pages.

Cost Optimisation and Streamline Operations — Stay Lean and Efficient

To match the deteriorating commodity markets and uncertain global economic environment, we continued to carry out cost optimisation programme across the Group, with an even more stringent effort compared to last year. In terms of our operation, the site operating expenses decreased by 35%. At the Group level, the overall central administrative expenses were also reduced by 39%. These initiatives included but were not limited to optimising the mine plan, streamlining overheads and processing process and other corporate cost-cutting measures, such as salary reductions and office relocation. It is because of these relentless efforts that we can produce a significant reduction in losses this year. During the year, we are proud to report that Kuranakh's operational team completed an excellent job in terms of production, beating its iron ore production target by 24%.

Consolidating Resources on Positive Operating Margin Project — K&S

Despite the above cost optimising efforts, due to continuously weak pricing environment, it is sad to report that in December 2015, we decided to move Kuranakh to care and maintenance. Kuranakh is our first operating mine and Russia's first vertically integrated titanomagnetite plant. Mothballing the site is a difficult decision, but it is also necessary for us to stay lean in difficult times such as now. We believe this decision is in the best interests of the Company, our shareholders and other stakeholders. We will focus our resources on K&S, which will generate operating margin even at current price environment.

2016 will be a transformational year for the Group as the hot commissioning of K&S comes closer to completion. The project has encountered several delays and the blame is borne mainly by our contractor, CNEEC. As much as we share the frustration as our investors, currently only two milestones remain until the full completion of hot commissioning of K&S and based on guidance from CNEEC, we expect that the operational plant will be completed during the first half of 2016. More importantly, we are working closely with CNEEC to avoid further slippage of full commissioning timeline and settlement of negotiated penalty payments for further delay.

K&S is one of the lowest operating cost iron ore projects in the world. Based on our cost optimisation analysis on K&S announced in 2015, when in full capacity, K&S can produce 3.2 million tonnes of 65.8% Fe grading iron ore concentrate delivered to the Chinese border at a cash cost per tonne of c.US$35. In addition, the operating cost will be further lowered thanks to (1) the current Rouble depreciation and (2) Amur River Bridge:

(1) Rouble depreciation — The Russian Roubles depreciated significantly since December 2014 and the currency remained weak throughout 2015 and continued into 2016. The group's operating costs are predominately in Roubles while revenues are mainly in US Dollars.

(2) Amur River Bridge is a Sino-Russian railway bridge that will span the two countries' borders over the Heilongjiang River. It is expected to be completed in 2017. During 2015, the basic construction of the Chinese side of the Bridge was completed. The Bridge will shorten IRC's transportation distance by 10 times (K&S to Bridge: c.150km) and thus cash cost per tonne is estimated to further reduce to well below US$30/t.

Positive Geopolitical Environment — Deepening Sino-Russian Relationship

With China's latest "One Belt One Road" initiatives, the Sino-Russia ties in bilateral trade and investment may benefit IRC in the future. In the Far East of Russia, where K&S lies, we are foreseeing more bilateral trades and investment.

Two months ago, Mr. Arkady Dvorkovich, the Deputy Prime Minister of Russia, visited Hong Kong and reassured of a series of strategic economic collaborations in place between Russia and China, such as more infrastructure constructions and integrations across the border, especially in the Russian Far East region. Mr. Yury Trutnev, the Deputy Prime Minister of Russia and Presidential Envoy to the Far Eastern Federal District, visited our K&S mine site in February 2016 and discussed a potential decrease in export tariffs.

Like all players in the commodities sector, 2015 was a challenging year, but we took proactive steps to mitigate the negative impacts. We believe that in 2016, these market challenges will persist but as K&S comes on stream, our financial outlook will change, with the hope of significant returns. Lastly, we would like to thank our team, especially the Kuranakh operation team, for their hard work during the year, and we wish to extend our gratitude to our shareholders, for your patience and ongoing support in IRC.

George Jay Hambro
Chairman

Yury Makarov
Chief Executive Officer

CFO STATEMENT & RESULTS OF OPERATIONS

With the backdrop of a slower economy and weak commodity price environment, the Group reported a loss but the overall financial position remained sound and solid. The loss before impairment is almost halved compared to last year as a result of extensive cost cutting measures implemented across the Group. Our net loss attributable to owners of the Company before impairment amounted to US$28.9 million, which was 49% less than last year.

As the global iron ore supply surplus persists and the weakening of demand as a result of the slowdown in China, the price of iron ore in 2015 was under a downward pressure. The benchmark price for 62% iron ore content delivery to China fell by 43% year-on-year from an average of US$97 per tonne in 2014 to US$55 per tonne in 2015.

In view of a worsening iron ore price environment, similar to our peers, we are guided by accounting rules to book an impairment loss in relation to our mining assets. In 2015, the Group's total impairment amounted to US$480 million. However, it is important to note that this impairment does not affect our cash flow.

Protecting the balance sheet is essential to the Group at tough times like now. We are grateful to have the support from our investors, who despite all negative sentiments on the market, maintained faith in IRC. In August 2015, the Group successfully completed a fundraising exercise by way of a fully-underwritten Open Offer of approximately US$50 million, on the basis of 4 Offer Shares for every 15 existing shares at the subscription price of HK$0.315 per Offer Share. This support has strengthened our cashflow position on the critical stage of K&S being moved into hot commissioning.

Last but not the least is the support from our lenders and Chinese partners. It is apparent that the economic landscape has changed since the credit agreement with ICBC was signed in 2010, and we are now in the need of adjusting some of the original terms of the agreement, with the aim to obtain waivers of maintaining certain cash deposits with ICBC, and the obligations of IRC and its guarantor Petropavlovsk plc to comply with certain financial covenants. The Group has received positive feedbacks for the waivers and it is envisaged that an amicable solution could be reached in due course. At the end of 2015, total debt outstanding was US$286.9 million made up of US$276.3 million of the ICBC credit facility for K&S, and US$10.6 million of working capital facility for the Kuranakh project.

We are also pleased to announce that our main contractor, CNEEC, has recently agreed to payment terms that will alleviate our cash flow, allowing outstanding construction payments to be paid on a deferred basis over several years.

At the end of 2015, we reported cash and deposits of US$58.3 million. This figure included US$2.1 million which was in the debt service reserve account at ICBC, and does not include the fully funded bond payments that ICBC hold and which IRC may call upon in the event certain circumstances under the contract with CNEEC arise. We remain fully funded to complete K&S project.

The table below shows the consolidated results of the Group for the year ended 31 December 2015 and 2014:

	For the year ended 31 December		
	2015	2014	Variance
Key Operating Data			
Iron Ore Concentrate			
— Sales volume (tonnes)	**1,091,600**	1,027,595	6.2%
— Average price (US$/tonne)	**51**	91	(44.0%)
Ilmenite			
— Sales volume (tonnes)	**205,632**	165,716	24.1%
— Average price (US$/tonne)	**119**	151	(21.2%)
Consolidated Income Statement (US$'000)			
Revenue			
Iron Ore Concentrate	**55,906**	92,917	(39.8%)
Ilmenite	**24,445**	25,055	(2.4%)
Engineering Services	**1,559**	4,442	(64.9%)
Total Revenue	**81,910**	122,414	(33.1%)
Site operating expenses and service costs	**(95,896)**	(147,963)	(35.2%)
Central administration expenses	**(10,160)**	(16,787)	(39.5%)
Impairment charges	**(480,050)**	(260,828)	84.0%
Share of results of a joint venture	**1**	2,900	(100%)
Net operating loss	**(504,195)**	(300,264)	67.9%
Other gains and losses and other expenses	**(4,389)**	(10,170)	(56.8%)
Financial expenses, net of financial income	**(414)**	(876)	(52.7%)
Loss before taxation	**(508,998)**	(311,310)	63.5%
Taxation	**(247)**	(6,020)	(95.9%)
Loss after taxation	**(509,245)**	(317,330)	60.5%
Non-controlling interests	**276**	(314)	n/a
Loss attributable to owners of the Company	**(508,969)**	(317,644)	60.2%
Underlying Results (US$'000)			
Loss attributable to owners of the Company, excluding impairment charges	**(28,919)**	(56,816)	(49.1%)

THE UNDERLYING RESULTS OF THE GROUP

IRC's operating results are mainly derived from the mining operation of Kuranakh. The Group manages its operations with principal reference to the underlying operating cash flows and recurring earnings. However, as with most of IRC's international industry peers, the Group's income statement includes material non-cash impairment provisions. These impairments are provided mainly in light of the volatility of the global economy, such as the weakness in global bulk commodity markets, and are therefore non-operating and non-recurring in nature.

To facilitate a better understanding of the Group's operating results, the calculation of the Group's underlying results, which excludes the effect of the impairments, is set out below:

	For the year ended 31 December		
US$'000	**2015**	2014	Variance
Loss attributable to owners of the Company	**(508,969)**	(317,644)	60.2%
Impairment charges	**480,050**	260,828	84.0%
Underlying loss for the year	**(28,919)**	(56,816)	(49.1%)

It is worth noting that, despite the further softening of the iron ore and ilmenite prices in 2015 which decreased the Group's revenue by 33.1%, IRC managed to significantly reduce its underlying loss by 49.1%. This underlines the Group's continuous effort to control cost in the midst of the current challenging operating environment.

REVENUE

Iron ore concentrate

During 2015, IRC increased the sales volume of its iron ore by 6.2% compared to last year, suggesting good demand for the Group's iron ore concentrate. However, the significant increase in iron ore supply in the market, and commensurate fall in iron ore prices, have resulted in a 44.0% decrease in selling price from US$91 per tonne to US$51 per tonne. As a result, sales revenue of iron ore decreased by 39.8% from US$92.9 million to US$55.9 million.

Ilmenite

205,632 tonnes of ilmenite were sold in 2015, a 24.1% increase compared to 165,716 tonnes last year, reflecting the premium quality of the Group's ilmenite and a reasonable ilmenite market in terms of quantity demand. However, the positive effect of the increase in sales volume was offset by the 21.2% fall in selling price from US$151 per tonne to US$119 per tonne. As a result, revenue from ilmenite sales decreased slightly by 2.4% from US$25.1 million to US$24.4 million.

Engineering Services

Revenue from Giproruda, the small engineering services division of the Group, reduced by US$2.9 million to US$1.6 million, due to decreased billing for its consulting services and the impact of the Rouble depreciation.

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 35.2% from US$148.0 million to US$95.9 million and a breakdown of the expenses is set out in note 8a to the consolidated financial statements on page 98.

Considering that the sales volumes of iron ore and ilmenite increased by 6.2% and 24.1% respectively, and also taking into account the relatively high inflation in Russia, the 35.2% reduction in cost is particularly notable. This is the result of successful implementation of the cost cutting measures and revised mining plan with the help of the depreciation in Russian Roubles.

During the year ended 31 December 2015, 1,114,153 tonnes (31 December 2014: 1,010,360 tonnes) of iron ore concentrate and 193,236 tonnes (31 December 2014: 178,426 tonnes) of ilmenite were produced, ahead of the Group's 2015 production targets by 23.8% and 20.8% 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:

	2015		2014
	Total cash cost US$ million	**Cash cost per tonne US$/t**	Cash cost per tonne US$/t
Mining	**9.8**	**8.8**	29.6
Processing	**12.6**	**11.4**	17.1
Transportation to plant	**6.3**	**5.7**	8.3
Production overheads, site administration and related costs	**18.4**	**16.4**	26.4
Transportation to customers	**21.2**	**19.4**	30.7
Movements in inventories and finished goods	**3.8**	**3.5**	6.9
Contribution from sales of ilmenite* and others	**(11.5)**	**(10.3)**	(11.9)
Net cash cost	**60.6**	**54.9**	107.1

* net of tariff and other railway charges for ilmenite

The significant decrease in cash cost is mainly attributable to the cost cutting measures coupled with adopting a revised mining plan. As widely reported in the press, the Russian Roubles depreciated significantly since December 2014 and the currency remained weak in 2015. While the Group's income is mainly US Dollars denominated and therefore unaffected by the Roubles depreciation, the Group's operating costs, which are mostly denominated in Roubles, reduced significantly in 2015.

The chart below shows how the depreciation of Roubles helps offsetting the drop in iron ore prices:

Benchmark Fe 62% CFR China VS. FX rates (USD:RUB)

SEGMENT INFORMATION

Despite the Group's effort to reduce operating costs, the decline in selling prices of iron ore and ilmenite in 2015 had resulted in the "Mine in production" segment reporting a segmental loss before impairment of US$12.7 million, an improvement compared to last year (31 December 2014: loss of US$23.7 million). The "Engineering" segment also recorded a loss of US$0.7 million (31 December 2014: profit of US$0.3 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 39.5% to US$10.2 million.

IMPAIRMENT CHARGES

As the weak iron ore price environment deteriorated further during 2015, and as our business model is sensitive to iron ore price, it is considered appropriate to record a one-off non-cash impairment provision of US$480.1 million, of which a partial impairment of US$437.3 million was made against K&S mine and US$36.9 million against certain exploration and evaluation assets and other assets. (31 December 2014: impairment provision of US$63.6 million against the full carrying value of Kuranakh mine and partial impairment provision of US$197.3 million against the K&S mine). The production and sales of the joint venture is dependent on the concentrate from Kuranakh mine. Due to challenging operating environment and falling iron ore and ilmenite prices, the Group has announced to move the Kuranakh mine to care and maintenance during the year ended 31 December 2015. It is therefore considered prudent to record a full impairment of approximately US$5.9 million (31 December 2014: nil) to the interest in the joint venture.

SHARE OF RESULTS OF JOINT VENTURE

In 2015, the vanadium joint venture, 46% owned by IRC, provided the group with a nominal profit (31 December 2014: share of profit of US$2.9 million).

OTHER GAINS AND LOSSES AND OTHER EXPENSES

The Other Gains and Losses and Other Expenses of US$4.4 million (31 December 2014: US$10.2 million) mainly represents the exchange losses following the depreciation of Russian Roubles.

FINANCIAL EXPENSES, NET OF FINANCIAL INCOME

Net financial expenses mainly represent the interest income from bank deposits arising from the proceeds of the open offer, net of the interest expenses of the working capital facilities from Asia Pacific Bank.

TAXATION

Tax charge decreased significantly from US$6.0 million to US$0.2 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. In 2015, as Roubles remained weak throughout the year, deferred tax movement arising from the changes in Roubles exchange rate was less significant.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

As a result of the above, the Loss attributable to the Owners of the Company in 2015 amounted to US$509.0 million (31 December 2014: US$317.6 million).

CASH FLOW STATEMENT

The following table summaries the key cash flow items of the Group for the year ended 31 December 2015 and 31 December 2014:

	For the year ended 31 December	
US$'000	**2015**	2014
Net cash used in operations	**(799)**	(25,598)
Interest paid	**(11,022)**	(9,818)
Capital expenditure	**(52,599)**	(100,990)
Proceeds on issuance of shares, net of transaction costs	**49,434**	38,871
Proceeds from bank borrowings, net of repayment	**(926)**	72,957
Disposal of subsidiaries	**—**	3,150
Other payments and adjustments, net	**(815)**	(1,964)
Net movement during the year	**(16,727)**	(23,392)
Cash and bank balances (including time and restricted deposits)		
— At 1 January	**74,990**	98,382
— At 31 December	**58,263**	74,990

The net cash used in operations reduced significantly from US$25.6 million to US$0.8 million, mainly due to the cost cutting measures implemented and other working capital movements. Capital expenditure of US$52.6 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 1,296.0 million shares under an open offer and received a net proceeds of approximately US$49.4 million. A net bank repayment of US$0.9 million represents mainly the drawing down of the remaining ICBC project finance facility of US$52.0 million offset by the repayments. The ICBC facility was 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 Development Limited ("General Nice") and Minmetals for an investment by General Nice and Minmetals in new shares of the Company up to approximately HK$1,845 million (equivalent to approximately US$238 million) in aggregate. The share placements not only provided the Group with strong strategic Chinese investment partners, but also solidified the Group's financial strength by unlocking the value in IRC's extensive portfolio of development projects. The transaction also includes off-take and marketing arrangements, providing IRC with both sales volume and cash-flow security. As at 31 December 2015, General Nice has completed more than 80% of its commitment by investing approximately US$170 million into the Company, while the completion of the subscription by Minmetals is subject to further agreement between the parties. The Company is in discussions with General Nice and Minmetals about a further deferred completion and other available options.

On 29 June 2015, the Company announced its equity fund raising plan by way of an Open Offer in order to finance the completion of construction of K&S and for providing general working capital to the Group. The Open Offer was completed on 7 August 2015 after allotting and issuing 1,295,976,080 ordinary shares and receiving a net proceeds of approximately US$49.4 million. In accordance with the intended use of proceeds of the transaction as disclosed in the shareholders' circular dated 17 July 2015, out of the total net proceeds of US$49.4 million, not less than 80% would be used to finance the completion of the final stage of construction of the K&S Project and the working capital needs of K&S during the initial period of commercial production. The remaining net proceeds would be used for general working capital purposes of the Group. As of 31 December 2015, the proceeds had been used in accordance with the intention above-mentioned. Approximately US$31 million and US$8 million had been spent on financing the construction of the K&S project and funding the general expenses of the Group respectively, with the remaining US$10 million deposited in banks.

Cash Position and Capital Expenditure

As at 31 December 2015, the carrying amount of the Group's cash and bank balances was approximately US$58.3 million (31 December 2014: US$75.0 million) of which US$2.1 million (31 December 2014: US$27.3 million) was under restricted cash deposit. The balance represents a decrease of US$16.7 million, mainly to fund the K&S development and the Group's administrative costs and to service the bank loans. In accordance with the ICBC loan facility agreement, the Group replenished US$26 million to the restricted cash deposit account in January 2016.

Exploration, Development and Mining Production Activities

For the year ended 31 December 2015, US$146.1 million (31 December 2014: US$236.4 million) was incurred on development and mining production activities. No exploration activity was carried out for the year ended 31 December 2015 and 2014. The following table details the capital and operating expenditures in 2015 and 2014:

	For the year ended 31 December 2015			For the year ended 31 December 2014		
US$'m	**Operating expenses**	**Capital expenditure**	**Total**	Operating expenses	Capital expenditure	Total
Kuranakh	**93.1**	**0.1**	**93.2**	136.0	1.1	137.1
K&S development	**0.5**	**52.0**	**52.5**	0.3	97.7	98.0
Exploration projects and others	**—**	**0.4**	**0.4**	—	1.3	1.3
	93.6	**52.5**	**146.1**	136.3	100.1	236.4

The table below sets out the details of material new contracts and commitments entered into during 2015 on a by-project basis. The amount was relatively small, reflecting the fact that the K&S mine is close to completion.

		For the year ended 31 December	
US$'m	**Nature**	**2015**	2014
Kuranakh	Purchase of property, plant and equipment	**—**	0.3
K&S	Purchase of property, plant and equipment	**1.3**	0.1
	Sub-contracting for excavation related works	**—**	0.4
Others	Other contracts and commitments	**—**	0.1
		1.3	0.9

Borrowings and Charges

As 31 December 2015, the Group had gross borrowings of US$286.9 million (31 December 2014: US$287.7 million). All of the Group's borrowings were denominated in US dollars. Of the gross borrowings, US$10.6 million (31 December 2014: US$21.0 million) was bank borrowing for funding the working capital of the Group while the remaining US$276.3 million (31 December 2014: US$266.7 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 6.1% (31 December 2014: 6.0%) per annum. As of 31 December 2015, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, increased to 63.4% (31 December 2014: 25.0%) mainly due to the drawing of the ICBC loan facility to finance the construction of the K&S project and decrease of the Group's net assets following the provision of the non-cash impairment charge mentioned above.

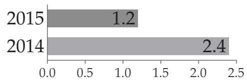
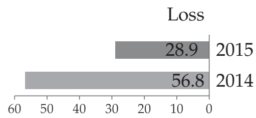
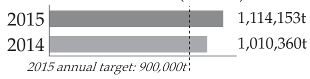
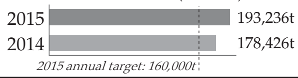
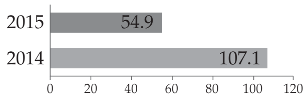
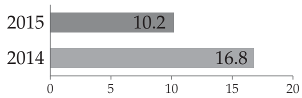
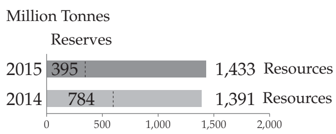
Risk of Exchange Rate Fluctuation

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 2015, the Group employed approximately 1,800 employees (31 December 2014: 2,300 employees). The total staff costs excluding share based payments decreased to US$26.5 million for 2015 (31 December 2014: US$45.3 million) following decreases in headcount, adjustments in remuneration, and the effect of the Russian Roubles depreciation. As part of the cost reduction program, directors and senior management of the Group are subject to a remuneration reduction of up to 15% with effect from March 2015. The emolument policy of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence with reference to market conditions and trends.

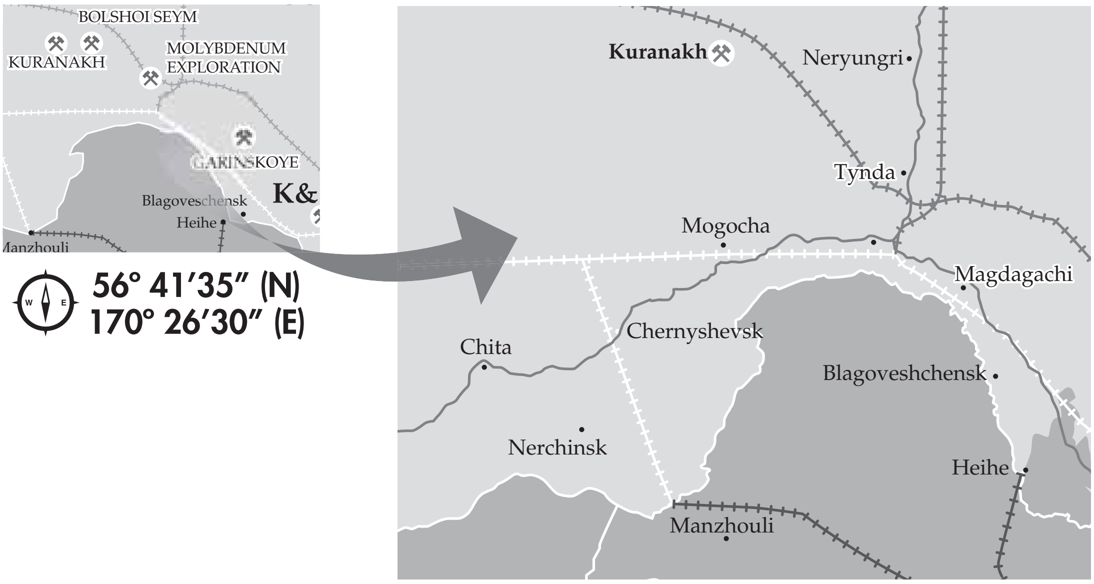
KEY PERFORMANCE INDICATORS

KPI	CONTEXT	2015 DEVELOPMENT	2015 PERFORMANCE
Safety	Our aim is zero harm culture; we adhere to strict safety policies and standards.	Continuous trainings for all operational employees and contractors. ISO 14001:2004 certification renewed.	**Safety – Improved** LTIFR per 1,000,000 hours 
Profitability	Profitability focuses on longer term – Kuranakh mine is smaller in scale and higher in cost. K&S mine is to be commissioned soon. It is lower in cost and larger in scale.	Continuous cost cutting measures and a weaker Rouble resulted in efficiency improvements.	**Profitability – Loss Excluding Impairment Reduced** US$(m) 
Production	Good track record of beating annual production target each year.	A good operational performance at Kuranakh resulted in both iron ore and ilmenite production exceeding targets once again.	**Production – Increased** Iron Ore Production (tonnes)  Ilmenite Production (tonnes) 
Efficiencies & Cash Cost	"Cash cost" shows the cost of running a mine to produce a given amount of a metal. It is a benchmark of operating efficiency. Cash cost disregards overheads expenses.	In 2015, the Group carried out cost optimisation programme to streamline operation of Kuranakh. Similarly, cost optimisation studies were carried out for K&S.	**Efficiency Increased, Cash Cost Reduced** Iron ore Cash Cost (US$/tonnes) 
Administrative Overheads	Administrative overheads measure costs of supporting units for the business to carry out principal operating activities.	In 2015, more stringent measures of corporate costs cutting were carried out across the Group.	**Administrative Overheads – Reduced** US$(m) 
Exploration & Development	Our exploration programmes aim to add value through the discovery of new resources and increase and confirm confidence in mineable reserves.	Efforts and resources were focused on commissioning K&S. No exploration activities were carried out during 2015. The lower iron ore pricing environment and revised mine plan led to an adjustment in the Group's reserves.	**Exploration & Development – Decreased Reserves** 
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.	We completed the recertification of an integrated environmental management system (EMS). The EMS complies with international standard ISO 14001:2004.	**Extensive HSE statistics are published in the HSE Section.**

	2014 PERFORMANCE	FUTURE OPPORTUNITIES
Overall improvements in safety performances. Group LTIFR per 1,000,000 hours decreased to 1.2. However one fatality was recorded for an independent contractor.	**Safety** 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. Sadly two independent contractor fatalities were recorded.	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.
Kuranakh reported a negative segmental EBITDA before impairment of US$12.7 million, a 29.6% reduction in loss compared to last year. The net loss of the Group excluding non-cash impairment of US$480.1 million was US$28.9 million.	**Profitability** 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$56.8 million, excluding non-cash impairment of US$260.8 million.	As the large-scale low-cost K&S operation commences production in 2016, cash flows will be boosted. The Group's decision to move Kuranakh to care and maintenance will reduce loss under current iron ore environment.
In 2015, Kuranakh iron one production was 1,114,153 tonnes, 23.8% ahead of the 900,000 tonnes target. Ilmenite production was 193,236 tonnes, 20.8% ahead of the 160,000 tonnes target.	**Production** 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.	First commercial production is anticipated from K&S in 2016, boosting group production in 2016.
The average cash cost per tonne of iron ore decreased by almost 50% to US$54.9.	**Efficiency & Cash Cost** The average cash cost per tonne of iron ore increased slightly to US$107.1, primarily due to lower prices for ilmenite.	The depreciation of Rouble will continue to aid our production cash cost as our costs are mainly dominated in Rouble. The construction of Amur River Bridge could further reduce rail transport costs by up to US$5 per tonne to China.
In 2015, central administrative costs of the Group were further reduced 39.5% to US$10.2 million.	**Administrative Overheads** The central administrative costs of the Group reduced 11.8% to US$16.8 million.	The Group will continue to carry out more stringent cost saving measures to minimise the administrative overheads costs.
Group resources amounted to 1,433 million tonnes as at the end of 2015. Reserves decreased to 395 million tonnes, mainly due a reflection of current iron ore pricing environment and revised mining plan.	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.	Exploration and development activities will resume when the market conditions and the Group's cash flow improve.
The integrated Energy Management System ("EMS") has been extended to all Company's activities. This helps reduce the impact of our operations on the environment.	Extensive HSE statistics are published in the HSE section. 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 ISO14001:2004 certification was renewed across all operations.	The Group will continue to strive to reduce energy consumption and emissions, water usage and waste. ISO certification will be maintained.

Kuranakh

100% owned



OVERVIEW

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. It is the largest employer in the region and a significant contributor to the local economy. Since its inception in 2010, it has been in operation for five years and each year beating its iron ore production targets.

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. 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. 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 complies with the ISO 140001: 2014 certification, a qualification which was achieved in 2012 and renewed in 2015.

The LTIFR a measure of the number of injuries per million hours worked, at the Kuranakh mine fell 45% from 3.44 in 2014 to 1.90 in 2015. The improved performance is a result of enhanced safety training programmes and increased effort across the operation.

2015 PRODUCTION STATISTICS

During 2015, a total 1.4 million m^3 of overburden was removed, and 3.1 million tonnes of ore was removed at Kurankah mine. The Crushing and Screening Plant processed 3.5 million tonnes of ores, producing 2.0 tonnes of pre-concentrate at the average grade of 28.2% Fe and 8.5% TiO_2.

For the full year of 2015, Kuranakh achieved outstanding production numbers. A total of 1,114,153 tonnes of iron ore concentrate and 193,236 tonnes of ilmenite were produced, 24% above the 900,000 tonnes annual iron ore production target and 21% above the 160,000 tonnes of annual ilmenite production target.

At the end of 2015, in light of moving the mine to care and maintenance, ore stockpiles only totalled 23,685 tonnes, equivalent to two days processing capacity.

KURANAKH OPERATION MOVE TO CARE & MAINTENANCE

In 2014, recognising the weak iron ore price, IRC initiated a strategic review for Kuranakh mine. The Group also started cost optimisation programme together with cost cutting measures across the Group. The programme continued to work well for another year and IRC has made great effort in reducing costs and yielded significant savings.

However, despite the efforts mentioned above, the iron ore market remains vulnerable in 2015. Furthermore, according to market analysts' forecasts and after management's consideration, it is of the view that the iron ore and ilmentie low pricing environment will remain in the short term, thus Kuranakh's margins will continue to be under pressure and rendered uneconomic. IRC therefore announced on 14 December 2015 to commence a programme moving the Kuranakh operation to care and maintenance.

A limited number of personnel will be relocated to K&S where production will soon commence. Also, it is expected that the processing and sale of inventories, together with the sale of equipment, would generate sufficient funds to pay down the majority of the working capital facilities of Kuranakh. The care and maintenance programme will involve a limited cost going forward. Initially, IRC is reducing the staff at Kuranakh to minimum levels in order to maintain equipment and security and then wind down the operations further. The only major non-operating cost that the site will bear is domestic property taxes; however, relief will be sought for these. The last shipment of product is expected to be carried out at the end of March 2016.

FINANCIAL PERFORMANCE

During 2015, full year sales of iron ore and ilmenite reached 1,091,600 tonnes and 205,632 tonnes respectively, increased by 6% and 24% compared to last year. Despite increase in production and sales volume, due to low iron ore and ilmenite price environment, revenue decreased 32% from US$118 million in 2014 to US$80 million in 2015.

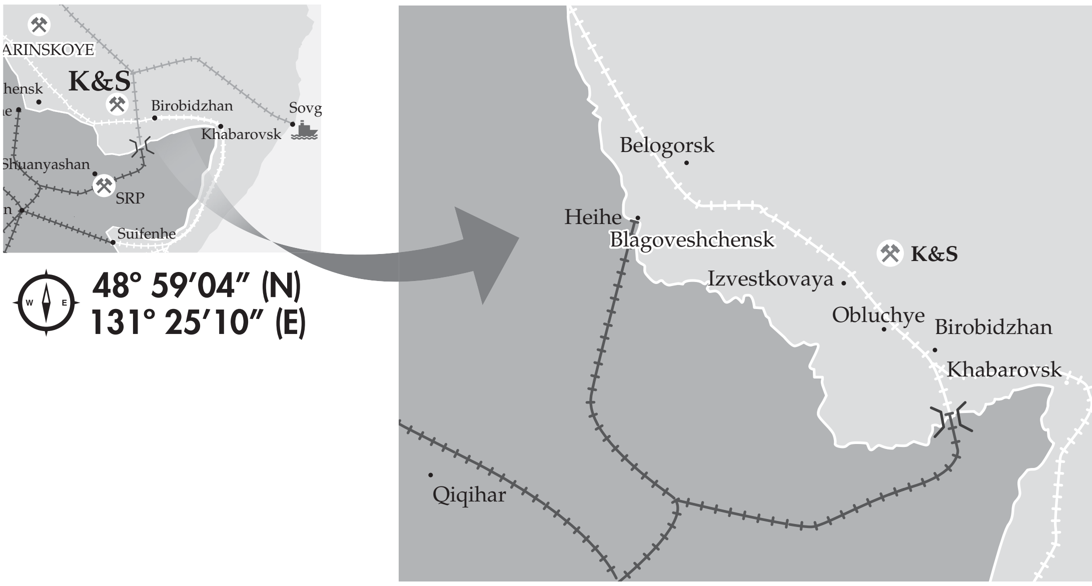
Nonetheless, due to leaner operation as a result of the cost optimisation programme and weaker Rouble, the unit cash costs inclusive of transportation costs reduced significantly by 49%, to US$54.9 per tonne in 2015 compared to US$107.1 per tonne in 2014. For the breakdown of cash cost, please refer to "Site Operating Expenses And Service Costs" on page 7 of this report.

Thanks to successful cost savings initiatives, Kuranakh reported an improved segmental EBITDA loss before impairment of US$12.7 million in 2015, compared to US$18.0 million in 2014, which is a 30% reduction in loss compared to 2015.

During 2015, the Group also reported that one of Kuranakh's leading customers offered to use a fixed pricing formula which allowed the mine to operate in a cashflow breakeven position. Accounting rules require that a premium of the fixed price over the market price provided by the customer should be reported as the loan payable to the customer. Nevertheless, had the premium been reported as a part of Kuranakh income statement, revenue would increase to US$82.5 million and segmental EBITDA loss before impairment would reduce to US$10.2 million.

K&S

100% owned



OVERVIEW

The K&S Mine, 100% owned by IRC, is located in the Jewish Autonomous Region (EAO) of the Russian Far East. It is the second full-scale mining and processing operation that the Group has developed.

K&S enjoys tremendous geological advantage. The Trans-Siberian Railway is linked directly to the mine site, allowing easy transport of products to customers in China. With the help of the Amur River Bridge, which is expected and reported to be commissioned in 2017, the transport cost and distance can be further reduced.

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

K&S HOT COMMISSIONING PROGRESS

At K&S, hot commissioning process is actively ongoing. As of the end of 2015, IRC already successfully hot commissioned two major processes: the First Stage of Crushing and Screening Plant and the Onsite Railway Infrastructure that connects to the Trans-Siberian Railway. The remaining hot commissioning processes are Second Crushing and Screening Plant, Main Processing Plant and Drying Unit.

Our contractor, CNEEC, has already geared up to work at full steam to complete the last steps at K&S. With the warmer weather in March, the testing of the Second Stage Crushing and Screening Plant is well underway and its formal hot commissioning is expected to commence soon. IRC expects the operational plant to be handed over to IRC by the first half of 2016. Production guidance of 2016 will be provided when K&S is closer to full commissioning.

DISCUSSIONS WITH CNEEC

IRC made an announcement on 17 December 2015 that it has been in discussion with CNEEC, regarding its claim on liquidated damages for delay penalties from CNEEC as the original timetable of hot commissioning K&S was delayed. The discussion also involves CNEEC's claim on payments from IRC for extra work done at K&S.

After constructive dialogues with CNEEC, IRC updated on 14 March 2016 that both parties have agreed that (1) the completion and handover of the operational plant, except for the Drying Unit, shall not be later than 30 June 2016; the Drying Unit shall be completed and handed over to IRC no later than 31 August 2016; (2) IRC shall be entitled to claim for liquidated damages and call on the fully funded performance bond if CNEEC delays to completion and handover beyond the aforesaid timelines; (3) CNEEC has agreed that payments for the outstanding construction costs of approximately US$23 million net of VAT shall be paid by the Group in three equal instalments within 30 days of 31 December 2017, 31 December 2018 and 31 December 2019, respectively; and (4) CNEEC has agreed to irrevocably waive and unconditionally release the Group from any and all liability in respect of any prior claims CNEEC has against the Group in connection with the EPC contract.

FURTHER LOWERED CASH COST PER TONNE

During 2015, the Group has done a cost optimisation study for K&S, in reaction to the depressed pricing environment for iron ore, and following the positive outcomes of the cost-cutting programme at Kuranakh. It is estimated that when K&S is in full capacity operation which yield premium 65.8% Fe grade iron ore concentrate to the Chinese border, the average cash cost per tonne will be US$35.4. If restating this cost per global benchmark for 62% Fe grading material and including the impact of forecast cost savings from the Amur River Bridge, the operating costs can be as low as US$28.0 per tonne. As the cost optimisation programme is based on the assumption of the exchange rate of 1USD: 60RUB, and as the Rouble sustains at a weak level, IRC is confident that even in a volatile commodity price environment, K&S will be able to achieve the optimised cash cost per tonne and yield operational profit.

SAFETY

The K&S Mine reported an excellent safety performance for 2015. There were no injuries recorded during the year and the LTIFR was therefore zero.

In 2015, the ISO 140001: 2014 certification was renewed successfully. 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 Kimkan operation covers nearly 50 km^2 and comprises two key ore zones — Central and West. Open pit mining commenced at the Central area, with ore being stockpiled for processing.

During 2015, no stripping and mining activities took place as the Group performed excellent progress in stripping and mining activities during 2014. The stockpile necessary to commence operations was already built up and it is considered more prudent to preserve cash. When full commissioning approaches, the mining contractor will start preparations for mining works recommencement, firstly with drilling and blasting operations to prepare ore volumes in the open pit, and later with excavation and hauling operations to replenish ore stockpile that will be used for plant feeding. As at the end of 2015, ore stockpiles totalled 4.7 million tonnes is ready for processing.

PROCESSING

The Processing Plant is well situated between the two deposits. 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 65.8% Fe grade. There is an option for a Phase 2 expansion for the Processing Plant, with the addition of ore feed from the Sutara Pit, doubling the throughput capacity to 20 million RoM tonnes, to produce 6.3 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. CNEEC advised that the operational plant will be handed over to IRC in the first half of 2016. Fine-crushed ore storage, the thickening units, the beneficiation plant and the concentrate storage and loading units has commenced commissioning in the second quarter of 2015.

INFRASTRUCTURE AND LOGISTICS & AMUR RIVER BRIDGE

K&S is enjoying tremendous geographical advantage because the operation is directly situated next to Trans-Siberian Railway, where IRC's product can be transported directly to its customers in North East China. The distance from K&S operation to the Chinese border (Suifenhe) is approximately 1,500 kilometres, which translated into 10 to 14 days of transportation, much faster and consistent than other international peers.

IRC's geographical advantage will be further expanded when the Amur River Bridge is completed. The Amur River Bridge, alias Tongjiang-Nizhneleninskoye Bridge, is a railway bridge project that built across the Amur River border between Russia and China. It was first launched by IRC in 2006, and later sold to Russian and Chinese development Funds in November 2014 to accelerate the construction progress of the bridge.

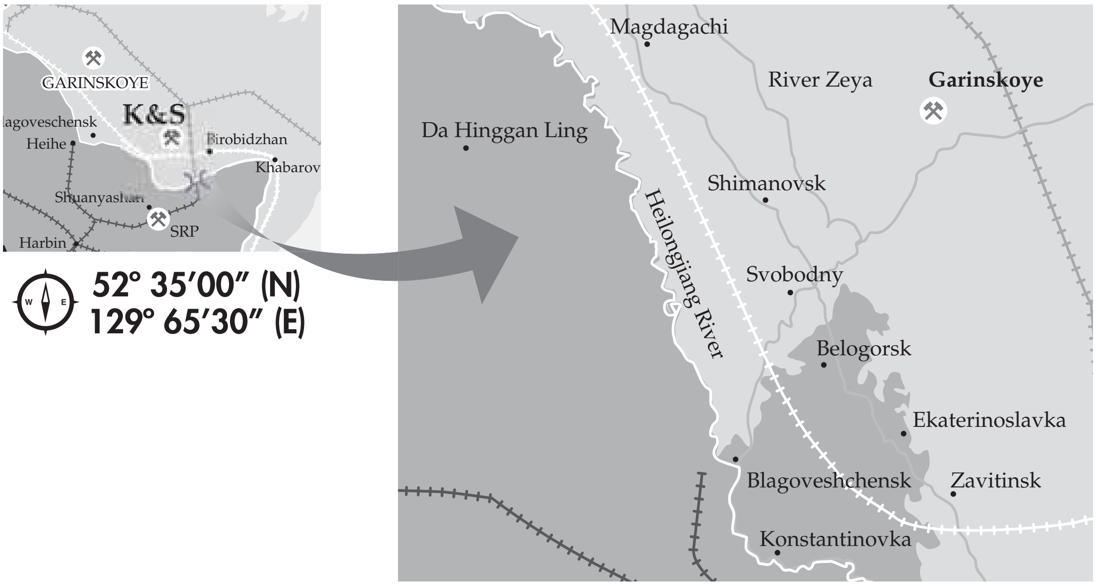
Currently, the bridge construction is progressing well, with half of the project being completed by the Chinese side. It is reported that the project will be completed in 2017.

K&S Mine is situated approximately 240 kilometres from the bridge site and IRC's nearest customer within China is approximately 180 kilometres away from the bridge. Thus, IRC will benefit from the project with reduced transportation distance and time. The bridge could halve the transport costs of K&S.

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.

Garinskoye

99.6% owned



OVERVIEW

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.

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.

CURRENT DEVELOPMENT

There are two possibilities to develop Garinskoye. The first option is to develop a large-scale 4.6 million tonne per annum open-pit operation with a life-of-mine of 20 plus years, which requires the construction of a rail connection. The second option is 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 million tonnes reserve, 48% Fe grade, and a strip ratio of 1.7:1 m^3 per tonne. The DSO-style plan would then be able to produce 1.9 million tonnes per annum, with 55% grade iron ore fines and a life of operation of 8 years. 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. In 2014, a third-party verification and a fatal flaws analysis for the DSO-style operation was carried out.

Currently, the Garinskoye project was placed on hold until the market conditions for iron ore improve.

OTHER PROJECTS & CORPORATE UPDATES

OTHER PROJECTS

Exploration Projects

IRC exploration projects comprise an extensive portfolio that is diversified by geography, commodity and development stage. It aims to add value through the discovery of new resources and increasing and confirming mineable reserves. Currently, IRC is keeping these valuable licenses for later development until market conditions improve.

Kostenginskoye (K&S Resource Base)

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 Project

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 2015, Giproruda recorded revenues of approximately US$1.6 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.

As the feedstock of the SRP project is dependent on the concentrate from Kuranakh, the suspension of the mine may affect the continuation of SRP. The Group is seeking alternative source of materials and the last feedstock from Kuranakh is experted to be in April.

Total production in 2015 was 7,317 tonnes, sales totaled 7,217 tonnes, which is approximately the same compared to 7,153 tonnes in 2014. Revenues generated amounted to RMB279.3 million (approximately US$44.5 million).

CORPORATE UPDATES

Fund Raising

On 29 June 2015, IRC announced its equity fund raising plan in order to finance the completion of construction at the Company's K&S Project and bring it into full commercial production and for providing general working capital to the Group. The fund raising was conducted by way of an Open Offer to qualifying shareholders on the basis of 4 Offer Shares ("Offer Shares") for every 15 existing shares held by the qualifying shareholders on the record date. The Offer Shares were offered at the subscription price of HK$0.315 each. On 5 August 2015, the Company announced the completion of the Open Offer. 1,295,976,080 ordinary shares were allotted and issued on 7 August 2015 with a net proceeds of approximately US$49.4 million. Full details of this transaction can be found in the prospectus published by the Company on 17 July 2015 and the results of the Open Offer announcement on 5 August 2015.

Ongoing Discussion with ICBC and Sinosure on Loan Waivers

In December 2015, the Group engaged in discussions with ICBC and China Export & Credit Insurance Corporation ("Sinosure") regarding waivers in respect of the Group's project finance facility with ICBC, including obligations to maintain certain cash deposits with ICBC, and the obligations of IRC and its guarantor Petropavlovsk plc to comply with certain financial covenants.

These discussions are ongoing, and a solution is being sought by IRC to be compatible with proposed arrangements with CNEEC. IRC is working cooperatively with its contractor and lenders to ensure an overall solution is in place to achieve project completion and enable the obligations under the ICBC facility to be met. As of the end of March 2016, the discussion with ICBC and Sinosure is still ongoing with positive feedbacks from both parties. Further announcement will be made in due course.

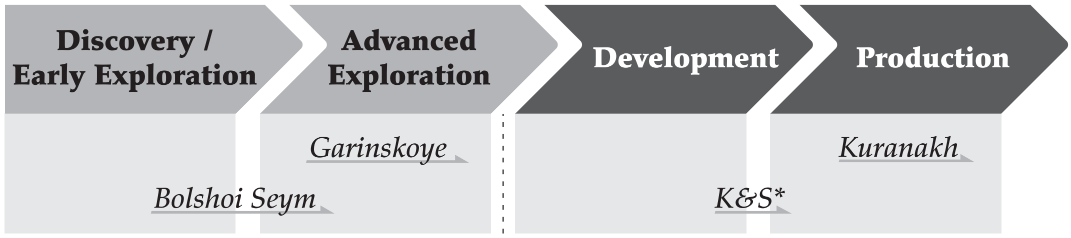
MINERAL RESOURCES AND ORE RESERVES STATEMENT

EXPLORATION OVERVIEW

IRC geologists explore prospective areas, confirming historical exploration results and 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.



* Including Kostenginskoye

OPERATIONS

Over 2015, although no material exploration activity was carried out, changes to resources and reserves were mainly due to ongoing production, revised mining plans, and the changes in economic values after taking into account changes in commodity prices, foreign exchange rates and other parameters. Reflecting these changes, the Group resources and reserves as at 31 December 2015 are as follows.

31 December 2015		
IRON ORE	RESOURCES	**1,433 million tonnes**
		29.1% Fe
	RESERVES	**395 million tonnes**
		32.0% 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's Mineral Resources and Ore Reserves as at 31 December 2015 (after the application of geological losses). All figures are prepared in accordance with the Guidelines of JORC Code (2012) for consistent basis of presentation. On the following pages, a further breakdown by project is available detailing cut-off grades and changes during 2015. 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	8.8	32.0%	2.8	9.8%	0.9
	Inferred	8.4	31.0%	2.6	9.6%	0.8
	Total	17.2	31.6%	5.4	9.7%	1.7
K&S*	Measured	21.5	29.2%	6.3	—	—
	Indicated	380.6	32.7%	124.4	—	—
	Inferred	461.0	30.3%	139.6	—	—
	Total	863.1	31.3%	270.3	—	—
Garinskoye	Measured	—	—	—	—	—
	Indicated	210.9	35.5%	74.9	—	—
	Inferred	48.6	30.8%	15.0	—	—
	Total	259.5	34.7%	89.9	—	—
Bolshoi Seym	Measured	—	—	—	—	—
	Indicated	270.8	17.8%	48.1	7.7%	20.8
	Inferred	22.0	16.9%	3.7	7.7%	1.7
	Total	292.8	17.7%	51.8	7.7%	22.5
Group	**Total Measured**	**21.5**	**29.2%**	**6.3**	**—**	**—**
	Total Indicated	**871.1**	**28.7%**	**250.2**	**7.7%**	**21.6**
	Total Inferred	**540.0**	**29.8%**	**160.9**	**8.2%**	**2.5**
	Total	**1,432.6**	**29.1%**	**417.4**	**7.8%**	**24.1**

* Including Kostenginskoye

Reserves Summary

Project	Category	Tonnage Mt	Fe Grade %	Fe Mt
RESERVES				
Kuranakh	Proven	—	—	—
	Probable	—	—	—
	Total	—	—	—
K&S	Proven	22.1	30.4%	6.7
	Probable	346.7	31.0%	107.4
	Total	368.8	30.9%	114.1
Garinskoye	Proven	—	—	—
	Probable	26.2	47.0%	12.3
	Total	26.2	47.0%	12.3
Group	**Total Proven**	**22.1**	**30.4%**	**6.7**
	Total Probable	**372.9**	**32.1%**	**119.7**
	Total	**395.0**	**32.0%**	**126.4**

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 resources and reserves.

During 2015, open pit mining continued at the Saikta Deposit and at the Kuranakh Deposit. A combined total of 3.1 million tonnes of ore was removed, 2.5 million tonnes from the Saikta Pit and 0.6 million tonnes from the Kuranakh Pit. As at 31 December 2015, the reduction of mineral resources of Kuranakh was the results of adopting revised mining plans in light of the challenging market conditions and also a reflection of depleted ore over the years of mining and production.

As it is no longer economical to continue operating Kuranakh under the current low iron ore price environment, the reserves of Kuranakh were assumed to be nil following the decision to move Kuranakh to care and maintenance.

The full Kuranakh resources 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	4.4	32.0%	1.4	10.2%	0.5
Inferred	3.3	31.0%	1.0	9.92%	0.3
Total	7.7	31.6%	2.4	10.1%	0.8
Saikta Pit					
Measured	—	—	—	—	—
Indicated	4.4	30.3%	1.3	9.3%	0.4
Inferred	5.1	30.4%	1.6	9.3%	0.5
Total	9.5	30.4%	2.9	9.3%	0.9
Total Measured	**—**	**—**	**—**	**—**	**—**
Total Indicated	**8.8**	**32.0%**	**2.8**	**9.8%**	**0.9**
Total Inferred	**8.4**	**31.0%**	**2.6**	**9.6%**	**0.8**
Total	**17.2**	**31.6%**	**5.4**	**9.7%**	**1.7**

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

Kimkan and Sutara

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 and Sutara. In light of the K&S commencing operation in 2016 and based on additional geological information received and summarised in 2015, the Kostenginskoye Deposit previously classified as exploration project was included within K&S. The Kostenginskoye Deposit is located 18 km south of the Sutara Deposit and is believed to have a similar structure to the Sutara Deposit. The Kostenginskoye Deposit represents a potential ore feed extension for K&S to increase mine life.

To date all of the necessary exploration activities as well as confirmation drilling have been completed on all areas except for the Kostenginskoye Deposit.

A 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 & Sutara			
Measured	21.5	29.2%	6.3
Indicated	380.6	32.7%	124.4
Inferred	281.6	32.0%	90.1
Total	683.7	32.3%	220.8
Kostenginskoye			
Measured	–	–	–
Indicated	–	–	–
Inferred	179.4	27.6%	49.5
Total	179.4	27.6%	49.5
Total Measured	**21.5**	**29.2%**	**6.3**
Total Indicated	**380.6**	**32.7%**	**124.4**
Total Inferred	**461.0**	**30.3%**	**139.6**
Total	**863.1**	**31.3%**	**270.3**
Reserves			
Kimkan & Sutara			
Total Proven	**22.1**	**30.4%**	**6.7**
Total Probable	**346.7**	**31.0%**	**107.4**
Total	**368.8**	**30.9%**	**114.1**

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

Based on the extensive mining and exploration drilling activities carried out in previous years, a new feasibility study was completed in 2015 assuming a new geological model. The new geological model assumes steeply deeping tabular ore body while the old geological model assumed a folded shape. Consequently, the resources of K&S decreased mainly due to the exclusion of oxidized ore and re-assessment and re-classification of resources under different application of methodology. Nevertheless, the decrease in resources is offset by the inclusion Kostenginskoye's resources, which represents a potential ore feed extension for K&S. As K&S is near full commissioning, the resources of the Kostenginskoye Deposit were included in the inferred category under the total resources of K&S.

The reserves of K&S were re-assessed downwards based on new mining plan, available geological information, grades, production cost and lower iron price assumptions.

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, and since 2011 works have focussed on the opportunity for a DSO-style operation. In 2015 no new exploration was carried out although internal experts of the Group prepared a new estimate of resources and reserves based the results of recent geological studies and a feasibility study.

The following table details the Resources and Reserves for Garinskoye:

Garinskoye Mineral Resources & Ore Reserves

Type	Tonnage Mt	Fe grade %	Fe Mt
Resources			
Measured	—	—	—
Indicated	210.9	35.5%	74.9
Inferred	48.6	30.8%	15.0
Total	**259.5**	**34.7%**	**89.9**
Reserves			
Proven	—	—	—
Probable	26.2	47.0%	12.3
Total	**26.2**	**47.0%**	**12.3**

Assumed average cut-off grades: Garinskoye 16.5% Fe. The adoption of a lower cut-off grade from 20% in 2014 to 16.5% in 2015 is based on the recent technical and economic feasibility study.

The resources of Garinskoye did not significantly change in 2015 compared to 2014, though substantial amount of the resources were re-classified from inferred to indicated category following completion of main geological and feasibility studies in 2015.

The reserves of Garinskoye substantially decreased due to new geological information, pit optimisation, revised cost and iron ore price assumptions.

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%.

In 2015 the Group considered that it would be appropriate to re-assess the resources of Bolshoi Seym to reflect the current market conditions and report the resources in accordance with the guidelines of the JORC Code (2012). The resources have been assessed using a 5% TiO_2 cut-off grade in 2015 and prepared under the JORC Code (2012).

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	270.8	17.8%	48.1	7.7%	20.8
Inferred	22.0	16.9%	3.7	7.7%	1.7
Total	**292.8**	**17.7%**	**51.8**	**7.7%**	**22.5**

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, IRC is 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.

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 its largest shareholder, Petropavlovsk plc, IRC is 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 2015 IRC employed approximately 2,600 employees and contractors, about 16% decrease compared to end of 2014. Reducing the number of involved employees and contractors connected with a reduction in output and unstable financial condition at the Kuranakh.

Workforce Composition

	2014	**2015**
Full-Time	2,191	**1,655**
Part-Time	14	**15**
Casual	387	**23**
Contractors	580	**909**
Female-Ratio %	30	**29.5**

Note: the table presents the average numbers

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

Safety Statistics 2010–2015 (Russian Standard Scale)

	2010		2011		2012		2013		2014		**2015**	
	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR	**Injuries**	**LTIFR**
Kuranakh	4	4.6	12	5.54	6	2.55	9	3.90	7	3.44	**3**	**1.90**
K&S	0	0.00	0	0.00	0	0.00	1	1.00	1	0.81	**0**	**0.00**
Other projects	–	–	–	–	0	0.00	0	0.00	0	0.00	**0**	**0.00**
Group	4	3.2	12	3.61	6	1.77	10	3.00	8	2.42	**3**	**1.18**

IRC reported improvements in the safety performances at Kuranakh and K&S for 2015 and consequently for the Group as a whole. The total number of reported injuries fell to 3 in 2015 from 8 in 2014 and the LTIFR, a measure of the number of injuries per million hours worked fell 51% to 1.18 in 2015 from 2.42 in 2014. 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 one fatality was recorded by an independent contractor. 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 (EMS) was developed and introduced by the IRC Group of companies according to international standard ISO 14001:2004.

In 2015, the Afnor Rus Agency successfully completed recertification of an integrated environmental management system (EMS) of IRC Group for compliance with international standard ISO 14001: 2004. Compliance of environmental management system with international standard ISO 14001:2004 has been confirmed by new compliance certificates.

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. 7, 2002 "Environmental protection"
- 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
- Radiation

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.

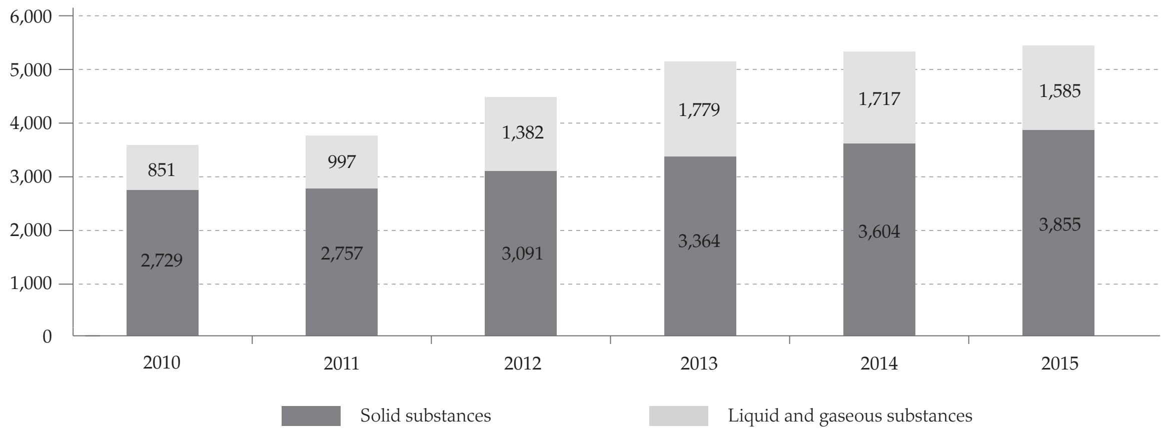
As part of the monitoring programmes, in total more than 55,000 analyses of various environmental components have been conducted since 2004 and more than 28,000 wastewater and industrial emissions test have been carried out since 2009.

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 2015 was 5,408 tonnes, 2% higher than the 5,321 tonnes in 2014. The slight increase was mainly due to extension of emission permit to include more licensed mining areas.

Emissions of Air Pollutants from Stationary Sources, 2010-2015 (tonnes)



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

In 2015 K&S received permits for emissions of pollutants into the air by stationary sources located on the territory of a workers settlement, building industry base at Snarsky settlement, ore mining complex, boiler station "Central", railway lines and station, tailings dam, solid waste landfill.

In an attempt to minimise atmospheric emissions, IRC instituted maximum allowable emission targets in 2015 . The targets cover Kuranakh and K&S and include:

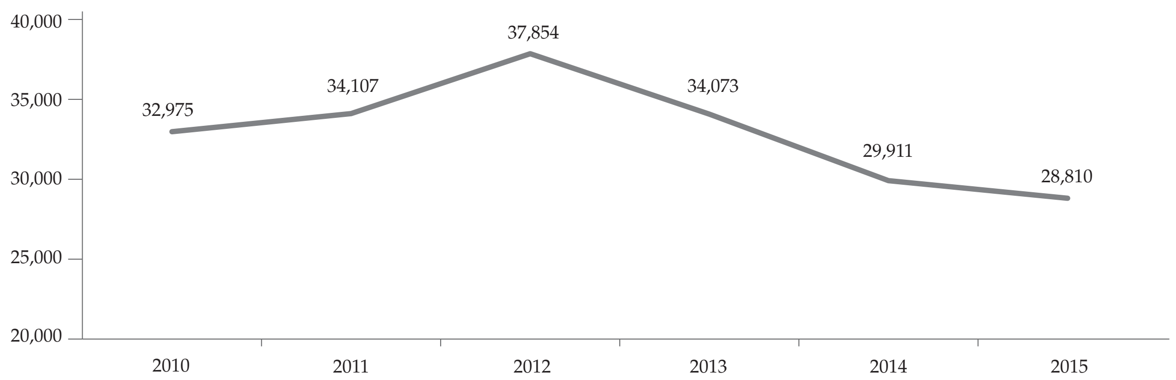
- Developing dust suppression schedules by watering. Monitoring of this schedule is ongoing to improve efficiencies.
- Controlling the performance of dust and gas treatment facilities at processing plants through the use of approved dust and treatment facilities.
- Extending the industrial emissions purification programme that reached 86.5% in 2015. Aim to deepen the implementation of the programme by future renovation and replacement opportunities at the plants.
- 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 2015, 28,810 tonnes of carbon dioxide were emitted, a 4% reduction compared to 29,911 in 2014.

Greenhouse Gas Emissions, 2010–2014 (tonnes)



The reduction of greenhouse gases emissions is mainly due to the completion of main facilities construction at K&S and subsequently reduction on the use of construction equipment, such as bulldozers and excavators.

Summary of Air Pollutant & Emission Statistics 2010–2015

	Unit	2010	2011	2012	2013	2014	2015
Air Pollutants & Emissions							
Mass of emitted hazardous pollutants:							
Solid substances	t	2,729	2,757	3,091	3,364	3,604	**3,855**
Liquid and gaseous substances	t	851	997	1,382	1,779	1,717	**1,585**
Total	t	3,580	3,753	4,473	5,143	5,321	**5,440**
Greenhouse gases emissions (CO_2):							
Gasoline combustion	t	521	767	538	461	545	**534**
Diesel fuel combustion	t	15,811	16,136	26,936	16,092	9,081	**6,951**
Kerosene combustion	t	0.40	1	0.10	0.40	1.03	**0**
Coal combustion	t	16,643	17,203	10,380	17,519	20,284	**21,325**
Total	t	32,975	34,107	37,854	34,073	29,911	**28,810**
Rate of permissible discharge:							
Permissible release of solids	%	100	100	92	86	90	**78**
Permissible release of liquid and gases	%	100	100	101	81	86	**85**
Pollutants removed by gas treatment:							
Removed solid substance	t	2,657	2,658	2,510	2,418	2,884	**3,147**
Removed liquid and gaseous substances	t	299	299	526	602	783	**843**
Total removed	t	2,956	2,957	3,036	3,020	3,667	**3,990**

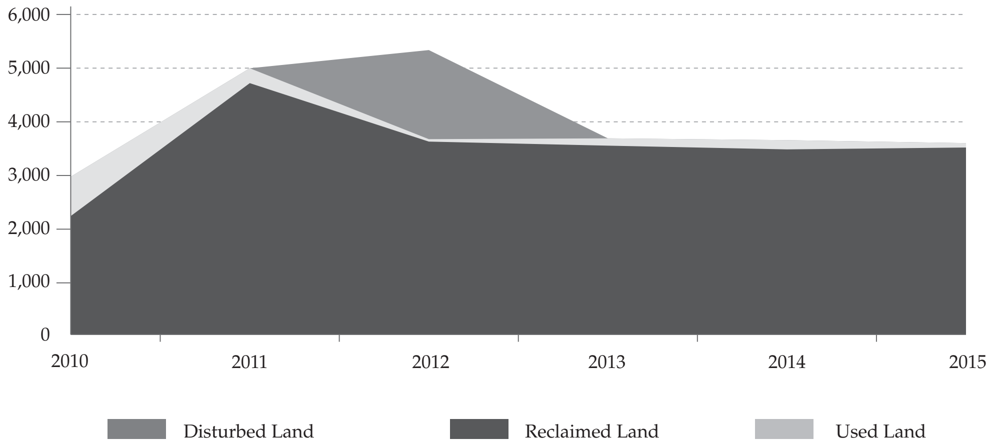
LAND USE AND RECLAMATION

In 2015 the total amount of land used by IRC was approximately 3,505 hectares, which is 35 hectares more than in 2014. Increase in the industrial land area is mainly attributed to the construction of new facilities at K&S and development of mineral deposits (waste dumps). Also in 2015, LLC "Kostenginsky GOK" has terminated the lease contract for an area of 13.18 hectares.

The total area of soils disturbed was 82.7 hectares in 2015, 85% attributed to K&S mining and 15% to Kuranakh. Increase in the new disturbed land area is predominantly a result of the K&S tailings bed stripping, as well as construction, repair and other operations at the site. 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, 2010–2015 (hectares)



Land Use & Reclamation Statistics 2010–2015

	Unit	2010	2011	2012	2013	2014	2015
Land lease:							
Total	ha	2,220	4,712	3,616	3,540	3,470	**3,505**
New surfaces disturbed in the reporting period	ha	738	279	46	137	173	**82.7**
Recultivated lands during year							
Reclaimed land	ha	0	0	1,670	0	0	**0**
Used topsoil	m^3	0	843	0	0	0	**0**
Preservation of topsoil							
Removed to stockpiles	m^3	556,200	585,200	143,900	42,000	0	**0**
Total topsoil stored at 31 December	m^3	671,800	1,249,800	1,393,700	1,434,853	1,306,853	**1,306,856**
Forest plantation							
Total	ha	156	0	0	0	0	**0**

WASTE MANAGEMENT

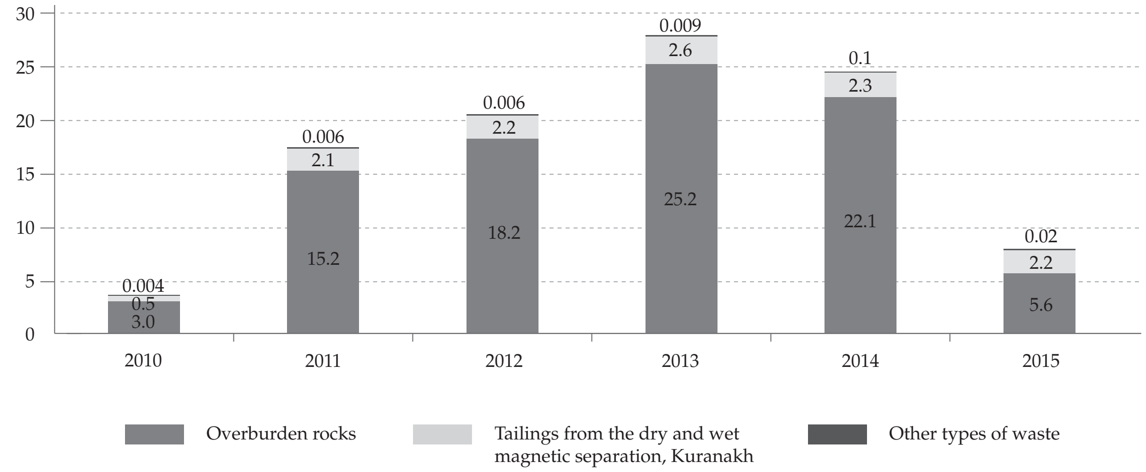
IRC uses five internationally recognised categories to classify hazardous waste:

Class V (practically non-hazardous wastes) – more than 99.87% 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 0.13% from all types of waste. This class of waste includes both solid and liquid domestic waste.
Class III (moderately hazardous wastes) – approximately 1.4x10-3% from all types of waste. This includes oil contaminated wastes.
Class II (highly hazardous wastes) – approximately 5.3x10-5% from all types of waste. This includes used sulfuric battery acid and waste batteries.
Class I (extremely hazardous waste) – less than 1.05x10-5% 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 2015 decreased 68% to 7.8 million tonnes, including: overburden of 5.6 million tonnes, approximately 72% of total waste and; wet and dry tailings of 2.2 million tonnes, approximately 28% of total waste.

Waste Volume, 2010–2015 (million tonnes)



In 2015, 7.84 million tonnes of waste was stockpiled, 68% less than 2014. Reduction in waste volumes (overburden, wet and dry tailings, ashes and slag wastes) is related to the reduction of production activity and suspension of operations at Kuranakh.

IRC continues to work on opportunities to optimise waste disposal. Initiatives in 2015 to recycle waste included:

- Using tyres as secondary material resources.
- Use of oil waste to heat on-site accommodation.
- Use of overburden rocks and dry-magnetic separation tailings for road construction.
- Ashes and slag wastes used as anti-icing agent or additive to concrete mixtures.
- Disposal of waste batteries at battery acid neutralisation 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.

In 2015 IRC received new approval documents on waste generation standards and waste disposal limits at the following sites:
- For Kuranakh project: at the office areas in Blagoveschinsk and Tynda, and at the Olekma Concentrating Plant and Kuranakh mine.
- For K&S project: at the administrative building in Birobidzhan.

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 32% in 2015. Consolidated gathering and recording of acrylonitrile-butadiene styrene plastic waste, spent electric batteries and office appliances was also started, with disposal conducted by designated companies.

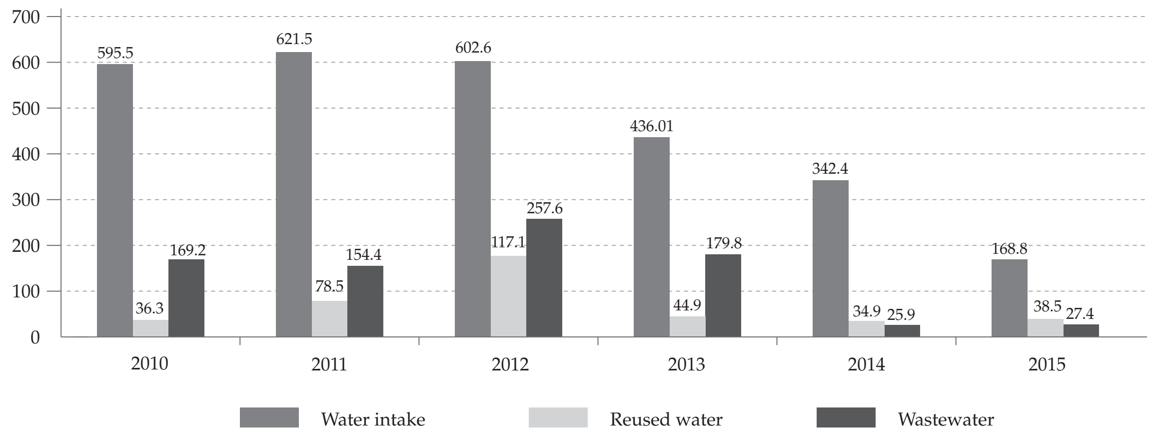
Waste Management Statistics 2010–2015

	Unit	2010	2011	2012	2013	2014	2015
Formed Waste:							
Total	t	8,024,056	17,263,551	20,412,291	27,837,914	24,373,977	**7,861,251**
Wastes without notice of overburdens and tailings:	t	3,645	5,799	756	8,353	10,213	**22,350**
Class I	t	0.51	0.59	0.37	0.46	0.59	**0.83**
Class II	t	0.96	2.44	5.77	6.92	5.74	**4.18**
Class III	t	92.63	168.58	146.88	184.11	163.42	**110.39**
Class IV	t	130.13	257.09	269.09	236.30	180.10	**10,052.07**
Class V	t	3,421	5,370	7,142	7,925	9,863	**12,182**
Waste from operations:	t	8,016,765	17,251,954	20,397,162	27,821,209	24,353,551	**7,838,902**
Overburden rocks	t	3,026,245	15,188,563	18,222,979	25,188,323	22,101,404	**5,602,431**
Wet tailings	t	128,010	595,803	675,681	722,893	631,970	**659,411**
Tailings	t	369,242	1,467,588	1,498,502	1,909,993	1,620,177	**1,577,060**
Waste Management:							
Disposed at the plant	t	26	19	17	28	22.20	**9,816**
Reused at the plant	t	1,751	2,297	2,546	2,484	2,696	**74,624**
Buried at plant landfill	t	8,016,765	17,254,618	20,397,162	26,418,779	24,353,551	**7,838,902**
Transferred to contractors	t	1,707	657	4,771	5,763	7,411	**9,291**

WATER MANAGEMENT

In 2015, IRC extracted 168,825 m^3 of water, a 51% decrease compared to 2014. The chart below illustrates the ongoing reduction in water usage and disposal across IRC operations.

Water Consumption and Disposal, 2010-2015 (Km^3)



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 sales contracts.

Water Management Statistics 2010–2015

	Unit	2010	2011	2012	2013	2014	**2015**
Water intake:	m^3	595,487	621,492	602,632	436,010	342,349	**168,825**
Water disposal:	m^3	169,214	154,384	257,604	179,752	25,875	**28,207**
Volume of reused water:	m^3	36,300	78,497	177,064	44,878	34,900	**38,466**

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 2015 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.

In terms of software, “Autograph” and “Production Reporting” software are introduced at the mines allowing better control and rational use of fuel resources.

Also, 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 Statistics 2010–2015

	Unit	2010	2011	2012	2013	2014	**2015**
Consumption:							
Coil	t	8,857	9,119	9,663	9,710	11,543	**12,288**
Diesel fuel	l	5,665,911	13,064,130	15,938,978	18,181,913	13,744,216	**11,731,094**
Gasoline	l	141,651	207,761	187,237	199,043	241,282	**236,567**
Kerosene	l	151	400	55	350	400	**0**

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 2015 include:

- Landscaping and site finishing, with the planting of local flora at operations. 2,500 plants (salvia, rudbeckia, saffron, Marigolds) have been planted on the territory of K&S. As part of land improvement of the site of accommodation building №4, 650 m^3 of top soil have been delivered and 50 trees and shrubs have been planted.

- The installation of fire prevention measures

IRC aims to further its conservation work on monitoring the population and enhancing the habitat of the Far Eastern stork (Ciconia boyciana), an endangered species in the world, across certain license areas. Unfortunately there were no confirmed sightings during 2015.

STAKEHOLDERS ENGAGEMENT

In the Russian Far East, IRC increased its stakeholders activities in 2015, 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 aim to form constructive dialogues with all stakeholders in the region; working closely with stakeholders, engaging them at all stages of the project 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.

In accordance with the Environmental Protection Plan the following social and environmental activities have been successfully carried out in 2015:

- May 5, 2015 – "Victory Forest" action was organized in Birobidzhan at the initiative of the All-Russian Public Environmental Movement – "Green Russia". K&S employees and the local population attended the event and planted 40 birches and 20 cedars near the company office in Birobidzhan and 15 birches and 3 cedar in the village of Izvestkovaya.

- December 19, 2015 – "A visit to the museum-aquarium in Khabarovsk" was organized for children of Izvestkovaya and Dvyrechie villages (attended by 29 students). The visit to an aquarium-museum included a guided tour conducted by a specialist of the Khabarovsk branch of FSUE "Pacific Fisheries Research Center."

Since 2009, IRC has provided financial support to STS, the Jewish Autonomous Region (EAO) 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 EAO Government and IRC specialists. Between 2009 and 2015, the Company prepared 29 issues of the Ecological Bulletin of the EAO, one of which were in 2015 and is dedicated to carrying out the Traditional Evenki Reindeer-breeder and hunter's day festival in Ust-Nukzha settlement. 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 indigenous Evenk people.

The Company is funding a celebration of traditional Evenk's holidays. IRC provides financial aid to village school and kindergarten. IRC also subsidies 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. IRC has also established good relations with the Association of Indigenous Minorities of the North of Amur Region.

Since 2003, IRC has contributed over RUB3.0 million to Evenk communities, all within the frames of Ust-Nyukzha Indigenous Minorities Development Plan. However, in 2015, funding of indigenous peoples has been temporarily suspended due to financial difficulties at Kuranakh. After financial stabilization, the support will be resumed.

Summary of IRC Environmental Statistics 2010–2015

Performance Indices	Unit	2010	2011	2012	2013	2014	2015
1. Air Pollutants & Emissions							
Mass of emitted hazardous pollutants:							
Total	t	3,580	3,753	4,473	5,143	5,321	**5,440**
Solid substances	t	2,729	2,757	3,091	3,364	3,604	**3,855**
Liquid and gaseous substances	t	851	997	1,382	1,779	1,717	**1,585**
Greenhouse gases emissions (CO_2):							
Gasoline combustion	t	521	767	538	461	545	**534**
Diesel fuel combustion	t	15,811	16,136	26,936	16,092	9,081	**6,951**
Kerosene combustion	t	0.40	1	0.10	0.40	1.03	**0**
Coal combustion	t	16,643	17,203	10,380	17,519	20,284	**21,325**
Total	t	32,975	34,107	37,854	34,073	29,911	**28,810**
Rate of permissible discharge:							
Permissible release of solids	%	100	100	92	86	90	**78**
Permissible release of liquid and gases	%	100	100	101	81	86	**85**
Pollutants removed by gas treatment:							
Total removed	t	2,956	2,957	3,036	3,020	3,667	**3,990**
Removed solid substance	t	2,657	2,658	2,510	2,418	2,884	**3,147**
Removed liquid and gaseous substances	t	299	299	526	602	783	**843**
2. Land Use & Reclamation							
Land lease:							
Total	ha	2,220	4,712	3,616	3,540	3,470	**3,505**
New surfaces disturbed in the reporting period	ha	738	279	46	137	173	**82.7**
Recultivated lands during year							
Reclaimed land	ha	0	0	1,670	0	0	**0**
Used topsoil	m^3	0	843	0	0	0	**0**
Preservation of topsoil							
Removed to stockpiles	m^3	556,200	585,200	143,900	42,000	0	**0**
Total topsoil stored at 31 December	m^3	671,800	1,249,800	1,393,700	1,434,853	1,306,853	**1,306,856**
Forest plantation							
Total	ha	156	0	0	0	0	**0**
3. Waste Management							
Formed Waste:							
Total	t	8,024,056	17,263,551	20,412,291	27,837,914	24,373,977	**7,861,251**
Wastes without notice of overburdens and tailings:	t	3,645	5,799	756	8,353	10,213	**22,350**
Class I	t	0.51	0.59	0.37	0.46	0.59	**0.83**
Class II	t	0.96	2.44	5.77	6.92	5.74	**4.18**
Class III	t	92.63	168.58	146.88	184.11	163.42	**110.39**
Class IV	t	130.13	257.09	269.09	236.30	180.10	**10,052.07**
Class V	t	3,421	5,370	7,142	7,925	9,863	**12,182**
Waste from operations:	t	8,016,765	17,251,954	20,397,162	27,821,209	24,353,551	**7,838,902**
Overburden rocks	t	3,026,245	15,188,563	18,222,979	25,188,323	22,101,404	**5,602,431**
Wet tailings	t	128,010	595,803	675,681	722,893	631,970	**659,411**
Tailings	t	369,242	1,467,588	1,498,502	1,909,993	1,620,177	**1,577,060**
Waste Management:							
Disposed at the plant	t	26	19	17	28	22.2	**9,816**
Reused at the plant	t	1,751	2,297	2,546	2,484	2,696	**74,624**
Buried at plant landfill	t	8,016,765	17,254,618	20,397,162	26,418,779	24,353,551	**7,838,902**
Transferred to contractors	t	1,707	657	4,771	5,763	7,411	**9,291**
4. Water Management							
Water intake:	m^3						
Total	m^3	595,487	621,492	602,632	436,010	342,349	**168,825**
Water disposal:	m^3						
Total	m^3	169,214	154,384	257,604	179,752	25,875	**28,207**
Volume of reused water:	m^3						
Total	m^3	36,300	78,497	177,064	44,878	34,900	**38,466**
5. Energy Consumption & Conservation							
Consumption:							
Coil	t	8,857	9,119	9,663	9,710	11,543	**12,288**
Diesel fuel	l	5,665,911	13,064,130	15,938,978	18,181,913	13,744,216	**11,731,094**
Gasoline	l	141,651	207,761	187,237	199,043	241,282	**236,567**
Kerosene	l	151	400	55	350	400	**0**

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 (the "Listing Rules") save that the Non-Executive Directors, Mr Simon Murray and Mr Cai Sui Xin, were unable to attend the annual general meeting of the Company held on 4 June 2015 and the extraordinary general meeting of the Company held on 20 November 2015 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 and ensuring compliance with the Listing Rules. 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.

As at 31 December 2015, the Board comprised of nine Directors with two Executive Directors and seven Non-Executive Directors, of which three of them — 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 Non-Executive Directors (including the Independent Non-Executive Directors) are appointed for a specific term not exceeding three years 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 roles of the chairman and the chief executive are separate and are performed by George Jay Hambro, the son of Peter Hambro who is the Chairman of Petropavlovsk PLC; and Yury Makarov, the stepson of Dr Pavel Maslovskiy who is the Chief Executive Officer of Petropavlovsk PLC, respectively.

The Board, through the Nomination Committee, 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.

The current composition of the Board 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 diverse 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 share registrar, Tricor Investors Services Limited. The training session covered topics including updates on listing rules and corporate governance environment.

A summary of training received by the directors for the year ended 31 December 2015 is as follows:

Directors	Type of training
Executive directors	
George Jay Hambro (redesignated as non-executive director on 20 January 2016)	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* (redesignated as independent non-executive director on 16 March 2016)	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 2015, 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 Board held seven meetings in 2015 and the attendance of individual directors is set out in the table on page 53.

The Company Secretary supports the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. The Company Secretary advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. All Directors may call upon the Company Secretary for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

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.

AUDIT COMMITTEE

The Audit Committee consists of 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 2015, the Audit Committee reviewed the 2015 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 2015 and the attendance of individual Directors is set out in the table on page 53.

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 2015 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 2015 are set out in a letter from the Remuneration Committee Chairman below.

The Remuneration Committee held two meetings in 2015 and the attendance of individual Directors is set out in the table on page 53.

A letter from the Remuneration Committee Chairman

Dear Shareholder,

On behalf of the Board and the Remuneration Committee, I present the IRC 2015 Remuneration report.

We have maintained the 2014 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
— 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 2015.

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 2015, the iron ore markets and the mining sector as a whole continued to experience strong volatility, negative pricing movement and therefore heightened uncertainty. In response to these current market conditions for global mining companies, an aggressive cost saving approach has been taken by reducing salaries for all Board members by 15% starting from March 2015, which is also applicable to most of senior management of the Group. In addition, a further 10% reduction in salaries for Board members and most of senior management was implemented in January 2016.

The Company carried out a fully underwritten Open Offer in July 2015 raising net proceeds of about US$50 million. One of the conditions specifically required by the underwriters was for the executive directors of the Company to fully subscribe their respective entitlements in the Open Offer. To satisfy this requirement, the Remuneration Committee approved special discretionary payments to the executive directors to provide them with the necessary funding to subscribe in the Open Offer. Apart from these special payments, no bonuses were paid in 2015. More details of these payments can be found below.

During 2015, the Remuneration Committee reviewed and considered that the vesting conditions of the Long Term Incentive Plan 2 ("LTIP 2") had been fulfilled. As such, all remaining LTIP shares under the plan were vested and the plan was completed. To equip the Group with another share based incentive plan, a new share option scheme was launched in November 2015.

Full details regarding the above activities during 2015 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 44 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 2015

A salary reduction of 15% was implemented for all Directors starting from March 2015. A further 10% reduction in salary was introduced in January 2016.

	For the year ended 31 December					
	2015			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] (redesignated as non-executive director on 20 January 2016)	–	783	783	–	895	895
Yury Makarov	–	696	696	–	796	796
Raymond Woo (redesignated as non-executive director on 25 March 2015)	–	156	156	–	597	597
Non-Executive Directors						
Simon Murray, *CBE, Chevalier de la Légion d'Honneur* (redesignated as independent non-executive director on 16 March 2016)	91	–	91	104	–	104
Cai Sui Xin[b]	–	–	–	–	–	–
Liu Qingchun[b]	–	–	–	–	–	–
Raymond Woo (redesignated as non-executive director on 25 March 2015)	68	–	68	–	–	–
Independent Non-Executive Directors						
Daniel Rochfort Bradshaw	126	–	126	144	–	144
Jonathan Eric Martin Smith	126	–	126	144	–	144
Chuang-fei Li	126	–	126	144	–	144
Total	537	1,635	2,172	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 2015

No bonuses were paid in 2015.

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, and both of which have been completed by the end of 2015. 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 the shares were vested in 2015. 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 (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

* Due to the ongoing delay in the Stage II completion, in order to fill the funding gap, an Open Offer was completed in August 2015. The Remuneration Committee agreed to amend the vesting condition by replacing the Stage II completion with the Open Offer completion.

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.

	Year ended 31 December 2015 **Number of shares**	Year ended 31 December 2014 Number of shares
Executive Directors		
George Jay Hambro[(a)] (redesignated as non-executive director on 20 January 2016)	**4,874,539**	—
Yury Makarov	**4,874,539**	—
Raymond Woo (redesignated as non-executive director on 25 March 2015)	**2,802,860**	—
TOTAL	**12,551,938**	—

(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.

Share Option Scheme

The Company adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on 20 November 2015 (the "Share Option Scheme") which is valid and effective for a period of 10 years from the date of adoption. Eligible persons of the Share Option Scheme include any employee, director and any person or entity acting in their capacities as consultants of the Group ("Eligible Persons"). The Remuneration Committee has a strategy to incentivise, reward and retain key Eligible Persons. However, in the current volatile market for industrial commodities, the Board is striving to conserve cash and consequently the challenge for the Remuneration Committee to enact its strategy is considerable. The Company does not have any other form of long term incentive plan in place since the completion of the previous LTIP scheme. The Share Option Scheme is designed to provide a reward to long term performance that aligns the interests of the Eligible Persons with those of the Company's long term Shareholders. The Eligible Persons will only benefit from the Share Option Scheme if they satisfy certain conditions, including remaining with the Group for the long term.

Under the Share Option Scheme, the Remuneration Committee will from time to time propose to the Board for approval the grant of share options and the number of share options to be granted to the relevant Eligible Persons. The aggregate number of shares which may be issued upon exercise of all options to be granted under all share option schemes of the Company, must not, in aggregate, exceed 10 percent of the total number of shares in issue as at the date of adoption of the Share Option Scheme or any new share option scheme (as the case may be). The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all share option schemes of the Company, must not, in aggregate, exceed 30 per cent of the total number of Shares in issue from time to time.

No option shall be granted to any Eligible Person if, at the relevant time of grant, the number of shares issued and to be issued upon exercise of all share options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the relevant Eligible Person in the 12-month period up to and including the date of such grant would exceed 1 percent of the total number of shares in issue at such time. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

The subscription price shall be a price determined by the Board and notified to an Eligible Person and shall be at least the higher of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; and (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date. Performance targets, if any, will be determined by the Board and be stated in the offer. Whether such targets have been successfully achieved will be decided by the Board. The Board may also determine a minimum period of time for which an option must be held before it can be exercised ("vesting period").

The Board shall specify in an offer letter a date by which a grantee must accept an offer, being a date no later than 28 days after the date on which the option is offered or the date on which the conditions for the offer are satisfied. Payment of an option price of HK$1.00 shall be made upon acceptance of the offer.

Further details of the Share Option Scheme are set out in note 34 to the Consolidated Financial Statements. As at 31 December 2015, 228,000,000 share options were granted of which 58,000,000 share options were granted to the following directors:

Name of director	Grant date	No. of options granted	Exercised during the year	Exercise Price per share	Closing price of the Company's shares on the date of grant
George Jay Hambro	20 November 2015	29,000,000	—	HK$0.315	HK$0.246
Yury Makaroy	20 November 2015	29,000,000	—	HK$0.315	HK$0.246

The share options granted to the above directors have a validity period of 10 years from the date of grant and are subject to the following vesting periods (a) one-third of the options granted shall vest on 19 November 2016; (b) one-third of the options granted shall vest on 19 November 2017; and (c) one-third of the options granted shall vest on 19 November 2018. Vesting of the options is conditional upon the achievement of certain performance targets, during the vesting period and the exercise period of the options.

The Remuneration Committee has commissioned one of the leading firms of certified public accountants to conduct an independent review of the Share Option Scheme. Similar to the previous LTIP scheme, it is considered that the Share Option Scheme motivates grantees 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. The certified public accountants firm concluded that the Share Option Scheme is well designed to attract, retain and incentivise grantees.

Retirement benefits

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

	For the year ended 31 December	
	2015 US$'000	2014 US$'000
Executive Directors		
George Jay Hambro[a] (redesignated as non-executive director on 20 January 2016)	**98**	112
Yury Makarov	**87**	99
Raymond Woo (redesignated as non-executive director on 25 March 2015)	**17**	75
	202	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.

Special Discretionary Payments

Following discussions with the underwriters of the August 2015 Open Offer, there was a requirement for certain members of the senior management team to be fully exercising their rights. The remuneration committee met and discussed this requirement and offered specific support for this event if required. The Remuneration Committee allowed a specific payment to three senior managers, including George Jay Hambro and Yury Makarov, to specifically follow their rights in the Open Offer. This payment was made under the condition that the funds had been used to participate accordingly in the Open Offer and that the shares acquired would not be sold for a period of 24 months.

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

31 March 2016

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. 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. 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 2015, 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 2015, 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 2015 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 (redesignated as non-executive director on 20 January 2016)	7/7			1/1	
Y.V. Makarov	6/7				
R.K.T. Woo, (redesignated as non-executive director on 25 March 2015)	7/7				
Non-Executive Directors					
S. Murray, *CBE, Chevalier de la Légion d'honneur* (redesignated as independent non-executive director on 16 March 2016)	6/7				
Cai Sui Xin	1/7				
Liu Qingchun	3/7				
Independent Non-Executive Directors					
D.R. Bradshaw	7/7	2/2	2/2	1/1	1/1
J.E. Martin Smith	7/7	2/2	2/2	1/1	1/1
C.F. Li	6/7	2/2	2/2		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. The dividend policy of the Company 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 AND REMUNERATION

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 for services rendered by the auditors to the Group for the year ended 31 December 2015 and the comparative figures for the year ended 31 December 2014 are set out below:

	For the year ended 31 December	
	2015	2014
	US$'000	US$'000
Audit	**363**	541
Non-audit*	**180**	139
	543	680

* The non-audit services represent the fee for the review of the Group's 2015 Interim Results for the six months ended 30 June 2015 of US$93,000 (2014: US$139,000) and the fee for the services rendered in connection with the open offer carried out by the Company in 2015 of US$87,000 (2014: US$Nil).

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 is 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, in all communications to shareholders and on the Company's website which 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 the next day after the day of the AGM.

The most recent AGM was held on 4 June 2015. At the AGM, separate resolutions were proposed for each issue and were voted on by poll. All resolutions proposed at the AGM were passed. The matters discussed and the percentage of votes cast in favour of the resolutions were:

Matters Being Voted Upon	% of Affirmative Votes
To receive and consider the audited consolidated financial statements and the reports of the Directors and Auditor for the year ended 31 December 2014.	99.996%
To re-appoint Messrs Deloitte Touche Tohmatsu as Auditor and authorise the Board of Directors to fix the remuneration of the Auditor.	100.00%
To re-elect Mr Chuang-fei Li as Director.	99.655%
To give a general mandate to the Directors to repurchase shares in the Company not exceeding 10% of the number of Shares of the Company in issue.	100.00%
To give a general mandate to the Directors to issue, allot and deal with additional shares in the Company not exceeding the sum of 20% of the number of Shares of the Company in issue.	96.700%
To add shares repurchased to the general mandate to issue new shares.	96.701%

An Extraordinary General Meeting was held on 20 November 2015 in which separate resolutions were proposed for each issue and were voted on by poll. All resolutions proposed were passed. The matters discussed and the percentage of votes cast in favour of the resolutions were:

Matters Being Voted Upon	% of Affirmative Votes
To adopt the New Share Option Scheme	81.55%
To approve the grant of a refreshed general mandate to the Directors to allot, issue or otherwise deal with shares not exceeding 20% of the issued share capital of the Company	81.58%

SHAREHOLDERS' RIGHTS

Procedures for convening a general meeting

Shareholder(s) holding at least 5% of the total voting right of the Company of all the shareholders having a right to vote at general meetings may, in accordance with the requirements and procedures set out in Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), request the Board to convene a general meeting by requisition, by stating the general nature of the business to be dealt at a general meeting and depositing the signed requisition at the registered office of the Company for the attention of the Company Secretary in hard copy form.

Procedures for putting forward proposals at an annual general meeting

(a) Shareholder(s) holding at least 2.5% of the total voting rights or (b) at least 50 shareholders having a right to vote on the resolution at an annual general meeting may, in accordance with the requirements and procedures set out in Companies Ordinance, requisition for the circulation of resolutions to be moved at annual general meetings and circulation of statements of not more than 1,000 words with respect to the matter referred to in the proposed resolution. Such written request must (i) state the resolution and signed by all the requisitionists in one or more documents in like form; and (ii) be deposited in hard copy form at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the annual general meeting; or if later, the time at which notice is given of that annual general meeting.

The detailed procedures for shareholders to convene and put forward proposals at an annual general meeting or general meeting, including proposing a person other than a retiring director for election as a director are set out in the Company's website. Shareholders may send their enquiries requiring the Board's attention to the Company at the registered address of the Company.

Constitutional documents

Rights of the shareholders are also provided under the Articles of Association. There have been no significant changes to the company's constitutional documents during the year.

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

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.

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 Group's outstanding bank borrowings due for repayment in 2016, the Group's capital and other commitments as at 31 December 2015 and the Group's financial covenants requirements under the ICBC Facility Agreement, against the cash and cash equivalents and the credit facilities maintained by the Group. The directors forecasted that, among others, the loan covenants under the ICBC Facility Agreement will be breached in the foreseeable future and this violation will cause the related loan to become immediately due and payable. Accordingly, the Group is in the process of obtaining, and the directors believe that, a waiver of the Financial Covenants from ICBC and its insurance agent on (a) the financial covenants compliance requirements under the ICBC Facility Agreement until 31 December 2017; and (b) the debt service reserve account replenishment requirement under the DSRA Agreement will be forthcoming. The Group is exploring any other feasible measures to improve its financial position.

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

i) On 14 March 2016, the Group entered into an agreement with its construction contractor of the K&S mine project ("K&S Project"), in respect of, among others, new deferred payment terms for the Group's remaining obligations under the EPC Contract in three equal instalments within 30 days of 31 December 2017, 31 December 2018 and 31 December 2019 respectively;

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

iii) The Group is anticipating commencement of full-scale operations of K&S Project which will generate sales in the first half of 2016; and

iv) The very substantial volatility in the Russian Rouble/US Dollar exchange rate which may continue in 2016, 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.

In respect of the measures described in (ii) and (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) 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 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, these consolidated financial statements have been prepared on a going concern basis.

However, if the Group were unable to obtain the waiver from ICBC and its insurance agents, and successfully implement the measures described above or if 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, in which case adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; and (ii) provide for further liabilities that may arise. No adjustments have been made in the consolidated financials statements. Please also refer to the disclaimer opinion on the Independent Auditor's Report on Page 68 for further details.

On behalf of the Board

George Jay Hambro
Chairman

Hong Kong, 31 March 2016

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 2015.

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 2015 is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Company is provided in the Chairman & CEO Review section on pages 2 to 3. A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position and particulars of important events affecting the Group that have occurred since the end of the financial year are provided throughout this Annual Report, particularly in the CFO Statement & Results of Operations section on pages 4 to 11. Description of the principal risks and uncertainties facing the Group can be found throughout this Annual Report, particularly in the Risk Factors section on page 148. The future development of the Company's business is discussed throughout this Annual Report including in the Chairman & CEO Review section on pages 2 to 3. An analysis using financial key performance indicators can be found in the Key Performance Indicators section on pages 12 to 13 while an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends is provided through this Annual Report, particularly in the Remuneration Committee section of the Corporate Governance Report on pages 42 to 57 and the Directors' Report on pages 58 to 66. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact to the Group, are provided in the Health Safety Environment Community section on pages 30 to 41.

DIVIDEND

The Board of Directors does not recommend the distribution of a dividend for the year ended 31 December 2015.

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

On 29 June 2015, the Company announced its equity fund raising plan in order to finance the completion of construction at the Company's K&S Project and bring it into full commercial production and for providing general working capital to the Group. The fund raising was conducted by way of an Open Offer to qualifying shareholders on the basis of 4 Offer Shares ("Offer Shares") for every 15 existing shares held by the qualifying shareholders on the record date. The Offer Shares were offered at the subscription price of HK$0.315 each. On 5 August 2015, the Company announced the completion of the Open Offer. 1,295,976,080 ordinary shares were allotted and issued on 7 August 2015 with a net proceeds of approximately US$49.4 million. The ordinary shares issued pursuant to the Open Offer rank pari passu in all respects with the existing issued shares.

The Company adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on 20 November 2015 and the details of which are set out on page 51 under the "Share Option Scheme".

Save as described above, there were no changes in the share capital of the Company in 2015. Particulars of the changes in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

RESERVES

Details of reserves available for distribution and 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 (redesignated as non-executive director on 20 January 2016)*
Yury Makarov
Raymond Kar Tung Woo (redesignated as non-executive director on 25 March 2015)**
Danila Kotlyarov (appointed as executive director on 20 January 2016)***

Non-Executive Directors:

Simon Murray, *CBE, Chevalier de la Légion d'honneur* (redesignated as Independent Non-Executive Director on 16 March 2016)****
Cai Sui Xin
Liu Qingchun

Independent Non-Executive Directors:
Daniel Rochfort Bradshaw
Jonathan Eric Martin Smith
Chuang-fei Li

* George Jay Hambro relinquished his executive responsibilities to become Non-Executive Chairman with effect from 20 January 2016.

** 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.

*** Danila Kotlyarov, Chief Financial Officer, was appointed as an Executive Director on 20 January 2016.

**** Mr Simon Murray, CBE, Chevalier de la Légion d'Honneur, was redesignated as an independent non-executive director after the Nomination Committee of the Company reviewed and confirmed his independence, having considered that he satisfied all of the indicative criteria of independence set out under the Listing Rules.

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 OF SUBSIDIARIES

The list of directors who have served on the Board of the subsidiaries of the Company during the year and up to the date of this report are shown on the Company's website.

PERMITTED INDEMNITY PROVISIONS

During the financial year and up to the date of this Report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors of the Company or its associated companies. The permitted indemnity provisions are provided for in the Company's Articles of Association and in the directors and officers liability insurance maintained for the IRC Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

DIRECTORS' INTERESTS

As at 31 December 2015, 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 2015
George Jay Hambro	Interest of a controlled corporation*	352,000	0.00%
	Beneficial interest**	34,380,405	0.56%
	Contingent beneficial interest***	29,000,000	0.47%^
Yury Makarov	Beneficial interest	30,911,505	0.50%
	Contingent beneficial interest***	29,000,000	0.47%^
Raymond Kar Tung Woo	Beneficial interest	17,435,360	0.28%
Sui Xin Cai^^	Interest of a controlled corporation	1,428,174,000	23.20%

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

** These shares are beneficially owned by an independent service company providing management services to IRC that is consequently classed as an affiliated company to the employee.

*** The interest relates to the share options granted by the Company on 20 November 2015. Details of the share option scheme are set out on page 51 under the heading "Share Option Scheme".

^ These percentages are calculated on the basis of 6,155,886,381 Shares in issue as at 31 December 2015.

^^ 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 2015
George Jay Hambro	Beneficial interest	24,218	0.00%
Yury Makarov	Beneficial interest	75,278	0.00%

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 2015.

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 2015, 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 2015
Petropavlovsk PLC	Interest of a controlled corporation	2,205,900,000*	35.83%*
Cayiron Limited**	Beneficial owner	2,205,900,000*	35.83%*
Ming Chi Tsoi***	Interest of a controlled corporation	1,428,174,000	23.20%
General Nice Group Holdings Limited^	Interest of a controlled corporation	1,428,174,000	23.20%
General Nice Development Limited	Beneficial owner	1,428,174,000	23.20%

* Of the 2,205,900,000 shares, 521,376,470 shares (8.47% of the issued share capital of the Company) were pledged on 6 February 2015. Please refer to the section "Guarantee" on page 66 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, apart from the open offer completed in August 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 31 December 2015, 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 2015 US$'000	Actual amount for 2015 US$'000
A	Shared Services Agreement	Petropavlovsk and/or its subsidiaries	2,035	85
B	Technical Services Agreement	Petropavlovsk and/or its subsidiaries	6,000	–
C	Helicopter Lease Agreement	Petropavlovsk and/or its subsidiaries	1,000	411
D	Helicopter Services Agreement	Petropavlovsk and/or its subsidiaries	2,000	–
E	Equipment Leasing Framework Agreement	Petropavlovsk and/or its subsidiaries	875*	434*
			11,910	930

* For the period from 1 October 2015 to 31 December 2015

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

The connected transactions described in items A to E 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 has its own helicopters, it is still necessary to lease helicopter from the Group because at various times its 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.

E. Equipment Leasing Framework Agreement:

On 20 November 2015, IRC entered into the Equipment Leasing Framework Agreement with Petropavlovsk to lease certain mining equipment owned by the Group to the Petropavlovsk Group. The relevant Group Company and the relevant Petropavlovsk Group Company will enter into separate leasing agreements for the relevant equipment in accordance with the principal terms set out in the Equipment Leasing Framework Agreement. With the Kuranakh mine adopting a revised mining plan and to be moved to care and maintenance, and the K&S mine appointing an external mining contractor, certain mining equipment owned by the Group are currently underutilised and certain subsidiaries of IRC have leased mining equipment to certain subsidiaries of Petropavlovsk. Petropavlovsk wishes to lease equipment from the Group due to the proximity of the Group's operations with certain of Petropavlovsk's operations. As compared to other potential lessors of equipment, leasing equipment from the Group would result in a faster delivery time to site of the leased equipment for Petropavlovsk. The Equipment Leasing Framework Agreement represents an additional source of revenue for the Group through the leasing of underutilised equipment, and will improve the Group's cash flows.

The leasing fees payable by the relevant Petropavlovsk Group Company under each leasing agreement shall be determined by arm's length negotiations between the relevant Group Company and the relevant Petropavlovsk Group Company and (a) if a prevailing market price is available for the relevant mining equipment, the leasing fee shall be the prevailing market price. The prevailing market price of the comparable mining equipment will be determined based on information available to the Group and the Petropavlovsk Group after enquiries with third party mining equipment leasing companies with reference to availability in the location required by the relevant Petropavlovsk Group Company and the type, age and condition of the mining equipment; and (b) if a prevailing market price for the relevant mining equipment is not available, the leasing fee shall be the total cost of the mining equipment attributable to the Group, including depreciation, amortisation and overheads, plus a margin of approximately 10 per cent. The amount of margin will be determined with reference to the type, age and condition of the mining equipment.

The Group and Petropavlovsk have agreed that the aggregate leasing fees payable by Petropavlovsk to the Group under all leasing agreements entered into pursuant to the Equipment Leasing Framework Agreement will not exceed US$875,000 (approximately HK$6,781,250) for the period 1 October 2015 to 31 December 2015; US$3,500,000 (approximately HK$27,125,000) for each of the two years ending 31 December 2016 and 31 December 2017 respectively; and US$2,625,000 (approximately HK$20,343,750) for the period 1 January 2018 to 30 September 2018. The Annual Caps have been calculated based on the historical equipment leasing needs of the Petropavlovsk Group and its anticipated needs over the term of the Equipment Leasing Framework Agreements; the anticipated needs of the Group for mining equipment and availability of mining equipment for leasing to the Petropavlovsk Group; and a buffer amount to cater for unexpected leasing needs and foreign exchange movements between the Rouble and US dollars.

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 2015 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.

Petropavlovsk and General Nice are connected parties of the Group and transactions with these entities during the year ended 31 December 2015 are set out in note 38, Related Party Disclosures, to the consolidated financial statements.

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 2015 are set out on page 44 under the heading "Remuneration Committee".

The key elements of senior management remuneration are the Long Term Incentive Plan ("LTIP") and the Share Option Scheme, both of which are 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 44 and Note 34 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 96% of the total revenue for the year. The largest of them accounted for 68% of the total revenue. Also, the aggregate purchases attributable to the Group's five largest suppliers taken together represented 49% of the Group's total purchases for the year. The largest supplier represented 20% 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.

GUARANTEE

The Group obtained a banking facility of US$340,000,000 from ICBC which is guaranteed by Petropavlovsk, the substantial shareholder of the Company. The project finance facility agreement contains certain covenants on Petropavlovsk, the details of which are set out in Note 38 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 8.47%) 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 42 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. There has been no change in auditor in the preceding 3 years.

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
Chairman

31 March 2016

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

As at the date of this report, the Board composes of the following 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 at least 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.

NON-EXECUTIVE CHAIRMAN

Jay Hambro
Chairman

Mr Jay Hambro, 41, is the Chairman and Non-Executive Director. 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 as the Executive Chairman. In January 2016, he was redesignated as the Chairman and NED of the Group. 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.

EXECUTIVE DIRECTORS

Yury Makarov
Chief Executive Officer

Mr Yury Makarov, 41, is the Chief Executive Officer and Executive Director. 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.

Danila Kotlyarov
Chief Financial Officer

Mr Danila Kotlyarov, 37, is the Chief Financial Offier and Executive Director. Mr Kotlyarov joined the Group in 2005 responsible over Russian and China operations, and was promoted to Deputy CEO in 2010 and redesignated as CFO in January 2016. Before joining IRC, he gained extensive financial management work experience in various international listed companies. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Daniel Rochfort Bradshaw

Mr Bradshaw, 69, is the Senior Independent 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 NV and an independent non-executive director of GasLog MLP and Pacific Basin Shipping Ltd., 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, 57, 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, 69, is an Independent 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.

Simon Murray
CBE, Chevalier de la Légion d'honneur

Mr Murray, 76, is an Independent Non-Executive Director of IRC. Mr Murray brings considerable Hong Kong and Asia based experience to the Board, from a career spanning Jardine Matheson, Hutchison Whampoa as the Group Managing Director, Executive Chairman, Asia Pacific of the Deutsche Bank Group and his current position as Chairman of GEMS Limited. Mr Murray is currently a Director of Cheung Kong Property Holdings Ltd., Orient Overseas International Ltd., Wing Tai Properties, Greenheart Group Ltd., Spring Asset Management Limited (the manager of Spring REIT), and China LNG Group Ltd., all are companies listed in Hong Kong. He is also the Non-Executive Director of Compagnie Financiere Richemont SA, a company listed overseas. He is redesignated as IRC's INED from 16 March 2016.

NON-EXECUTIVE DIRECTORS

Raymond Woo

Mr Raymond Woo, 46, is a Non-Executive Director of IRC. Mr Woo began his career at Arthur Andersen, then 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 HKICPA. He is currently the CFO and Executive Director of TUS International, INED of Yuanda China and SMIT Holdings. Before being redesignated as NED on 25 March 2015, he was the Executive Director, CFO and Company Secretary of IRC.

Cai Sui Xin

Mr Cai Sui Xin, 54, 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 and Hong Kong quoted Loudong General Nice Resources.

Liu Qingchun

Mr Liu Qingchun, 50, is the General Manager of Minmetals Development Co., Ltd which is listed in Shanghai Stock Exchange, one of the three main strategic business units of China Minmetals Corporation, also the parent company of Minmetals Cheerglory Limited. He has more than twenty years of experience in international trading and business management in the iron and steel industry. He has held a number of senior management positions in China Minmetals Corporation since 1997. Mr Liu obtained 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, 59, 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

Johnny Yuen

Mr Johnny Yuen, 43, is the Company Secretary, Corporate Controller, and Authorised Representative of the Company. Mr Yuen began his career in KPMG and has over 20 years of financial management, accounting, auditing and administration experiences, including working in various senior positions of listed companies in Hong Kong. He is a fellow member of the HKICPA and a member of the ACCA. 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.

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 were engaged to audit the consolidated financial statements of IRC Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 142, which comprise the consolidated statement of financial position as at 31 December 2015, 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, 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 405 of 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. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

As set out in note 2 to the consolidated financial statements, the Group incurred a loss for the year ended 31 December 2015 and the Group had outstanding bank borrowings due for repayment in 2016, significant capital and other commitments and the Group's financial covenants requirements under the project finance facility agreement ("ICBC Facility Agreement") with Industrial and Commercial Bank of China ("ICBC"), against the cash and cash equivalents and the credit facilities maintained by the Group. As the directors of the Company have forecasted that the loan covenants under the ICBC Facility Agreement will be breached in the foreseeable future and this violation will cause the loan to become immediately due and payable, the Group's ability to continue as a going concern is dependent on a waiver to be granted by ICBC and its insurance agent on (a) the compliance requirements of the Financial Covenants as defined in note 38 to the consolidated financial statements under the ICBC Facility Agreement until 31 December 2017; and (b) the debt service reserve account replenishment requirement under the DSRA Agreement as defined in note 29 to the consolidated financial statements. As of the date of this report, the waiver application is still under review by ICBC and its insurance agent. If the waiver cannot be obtained and the loan becomes immediately due and payable, the Group would be unable to meet its financial obligations as and when they fall due in the foreseeable future. In view of the significant uncertainty relating to the ability of the Group to continue as a going concern, we disclaim our opinion in this respect. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; and (ii) provide for further liabilities that may arise. No adjustments have been made in the accompanying consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year Ended 31 December 2015

	NOTES	**2015 US$'000**	2014 US$'000
Revenue	7	**81,910**	122,414
Operating expenses	8	**(106,056)**	(164,750)
Impairment charges	11	**(480,050)**	(260,828)
		(504,196)	(303,164)
Share of results of a joint venture		**1**	2,900
		(504,195)	(300,264)
Other gains and losses and other expenses	12	**(4,389)**	(10,170)
Financial income	13	**1,458**	1,667
Financial expenses	14	**(1,872)**	(2,543)
Loss before taxation		**(508,998)**	(311,310)
Taxation expense	15	**(247)**	(6,020)
Loss for the year		**(509,245)**	(317,330)
Loss for the year attributable to:			
Owners of the Company		**(508,969)**	(317,644)
Non-controlling interests		**(276)**	314
		(509,245)	(317,330)
			(restated)
Loss per share (US cents)	17		
Basic and diluted		**(9.48)**	(6.59)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2015

	2015	2014
	US$'000	US$'000
Loss for the year	**(509,245)**	(317,330)
Other comprehensive expenses for the year:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(2,345)**	(7,974)
Total comprehensive expenses for the year	**(511,590)**	(325,304)
Total comprehensive expenses attributable to:		
Owners of the Company	**(510,730)**	(323,458)
Non-controlling interests	**(860)**	(1,846)
	(511,590)	(325,304)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 US$'000	2014 US$'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	19	**18,603**	54,790
Property, plant and equipment	20	**199,714**	462,860
Interest in a joint venture	21	**—**	7,294
Other non-current assets	22	**89,017**	199,123
Restricted bank deposit	29	**2,119**	27,250
		309,453	751,317
CURRENT ASSETS			
Inventories	23	**29,575**	49,178
Trade and other receivables	24	**25,463**	25,993
Time deposits	25	**6,960**	2,700
Cash and cash equivalents	26	**49,184**	45,040
		111,182	122,911
TOTAL ASSETS		**420,635**	874,228
CURRENT LIABILITIES			
Trade and other payables	27	**(18,032)**	(14,800)
Current income tax payable		**(366)**	(478)
Bank borrowings — due within one year	29	**(53,050)**	(63,500)
		(71,448)	(78,778)
NET CURRENT ASSETS		**39,734**	44,133
TOTAL ASSETS LESS CURRENT LIABILITIES		**349,187**	795,450
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	**(6,324)**	(6,471)
Provision for close down and restoration costs	30	**(6,449)**	(4,022)
Bank borrowings — due more than one year	29	**(215,238)**	(205,052)
		(228,011)	(215,545)
TOTAL LIABILITIES		**(299,459)**	(294,323)
NET ASSETS		**121,176**	579,905

At 31 December 2015

	NOTES	**2015** **US$'000**	2014 US$'000
CAPITAL AND RESERVES			
Share capital	31	**1,260,665**	1,211,231
Treasury shares	32	**—**	(11,986)
Capital reserve		**17,984**	17,984
Reserves		**1,967**	11,752
Accumulated losses		**(1,160,915)**	(651,946)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**119,701**	577,035
NON-CONTROLLING INTERESTS		**1,475**	2,870
TOTAL EQUITY		**121,176**	579,905

The consolidated financial statements on pages 70 to 142 were approved and authorised for issue by the Board of Directors on 31 March 2016 and are signed on its behalf by:

George Jay Hambro
DIRECTOR

Danila Kotlyarov
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2015

	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 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 31)	20,209	19,782	—	—	—	—	—	—	39,991	—	39,991
Transaction costs attributable to issue of new shares (note 31)	(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
Loss for the year	—	—	—	—	—	—	—	(508,969)	(508,969)	(276)	(509,245)
Other comprehensive expenses for the year											
Exchange differences on translation of foreign operations	—	—	—	—	—	(1,761)	—	—	(1,761)	(584)	(2,345)
Total comprehensive expenses for the year	—	—	—	—	—	(1,761)	—	(508,969)	(510,730)	(860)	(511,590)
Share-based payments	—	—	—	—	147	—	—	—	147	—	147
Vesting of share-based awards	—	—	11,986	—	(3,300)	—	(8,686)	—	—	—	—
Issue of new shares (note 31)	52,656	—	—	—	—	—	—	—	52,656	—	52,656
Transaction costs attributable to issue of new shares (note 31)	(3,222)	—	—	—	—	—	—	—	(3,222)	—	(3,222)
Deemed contribution from a shareholder	—	—	—	—	—	—	3,815	—	3,815	—	3,815
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(535)	(535)
Balance at 31 December 2015	1,260,665	—	—	17,984	11,545	(23,400)	13,822	(1,160,915)	119,701	1,475	121,176

(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, and 3) deemed contribution from a shareholder General Nice Development Limited ("General Nice") for accrued interests on outstanding capital contribution (Note 31).

(b) The amounts represent deemed contribution from the then ultimate holding company for 1) certain administrative expenses and tax expenses of the Group paid by the then 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 the then ultimate holding company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2015

	NOTES	2015 US$'000	2014 US$'000
OPERATING ACTIVITIES			
Net cash used in operations	33	**(799)**	(25,598)
Interest expenses paid		**(11,022)**	(9,818)
Loan guarantee fee paid		**(2,169)**	—
Income tax paid		**(458)**	(642)
NET CASH USED IN OPERATING ACTIVITIES		**(14,448)**	(36,058)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment and exploration and evaluation assets		**(52,599)**	(100,990)
Time deposits (placed) withdrawn	25	**(4,260)**	40
Restricted bank deposits withdrawn (placed)		**25,131**	(21,250)
Interest received		**1,458**	1,667
Dividend received from joint venture	21	**917**	—
Proceeds on disposal of property, plant and equipment		**118**	450
Disposal of subsidiaries	37	**—**	3,150
NET CASH USED IN INVESTING ACTIVITIES		**(29,235)**	(116,933)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**64,894**	154,007
Proceeds on issuance of new shares	31	**52,656**	39,991
Repayment of bank borrowings		**(65,820)**	(81,050)
Transaction costs attributable to issuance of new shares		**(3,222)**	(1,120)
Dividends paid		**(535)**	(346)
Loan commitment fees paid		**(72)**	(467)
NET CASH FROM FINANCING ACTIVITIES		**47,901**	111,015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**4,218**	(41,976)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**45,040**	89,642
Effect of foreign exchange rate changes		**(74)**	(2,626)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**49,184**	45,040

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. 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 39.

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 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.

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 Group's outstanding bank borrowings due for repayment in 2016, the Group's capital and other commitments as at 31 December 2015 and the Group's financial covenants requirements under the ICBC Facility Agreement (as defined in note 29), against the cash and cash equivalents and the credit facilities maintained by the Group. The directors forecasted that, among others, the loan covenants under the ICBC Facility Agreement will be breached in the foreseeable future and this violation will cause the related loan to become immediately due and payable. Accordingly, the Group is in the process of obtaining, and the directors believe that, a waiver of the Financial Covenants (as defined in note 38) from ICBC and its insurance agent on (a) the financial covenants compliance requirements under the ICBC Facility Agreement until 31 December 2017; and (b) the debt service reserve account replenishment requirement under the DSRA Agreement (as defined in note 29), will be forthcoming. The Group is exploring any other feasible measures to improve its financial position.

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

(i) On 14 March 2016, the Group entered into an agreement with its construction contractor of the K&S mine project ("K&S Project"), in respect of, among others, new deferred payment terms for the Group's remaining obligations under the EPC Contract (as defined in note 29) in three equal instalments within 30 days of 31 December 2017, 31 December 2018 and 31 December 2019 respectively;

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

(iii) The Group is anticipating commencement of full-scale operations of K&S Project which will generate sales in the first half of 2016; and

(iv) The very substantial volatility in the Russian Rouble/US Dollar exchange rate which may continue in 2016, 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In respect of the measures described in (ii) and (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) 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 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, these consolidated financial statements have been prepared on a going concern basis.

However, if the Group were unable to obtain the waiver from ICBC and its insurance agents, and successfully implement the measures described above or if 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, in which case adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; and (ii) provide for further liabilities that may arise. No adjustments have been made in the consolidated financials statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years 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[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

For the Year Ended 31 December 2015

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 2016
[4] Effective for annual periods beginning on or after a date to be determined

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 2014 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.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers

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 HKFRS will have a material effect on the amounts recognised in 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 ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The consolidated financial statements have been prepared on the historical cost basis at the end of cash reporting period, as explained in the amounting policies set out below.

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 realisable 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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.

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.

Investment 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation assets (Continued)

Exploration and evaluation expenditure and mineral rights acquired (Continued)

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 below under “*Depreciation*”. Mine development costs are tested for impairment as stated in ‘impairment losses of tangible and intangible assets’ section.

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.

Deferred stripping costs in production phase

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).

For the Year Ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Deferred stripping costs in production phase (Continued)

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 capitalised 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 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.

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

	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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of disposal 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.

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.

For the Year Ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and time deposits 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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 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, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 'profit 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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.

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.

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.

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.

For the Year Ended 31 December 2015

6. SEGMENT INFORMATION (CONTINUED)
For the year ended 31 December 2015

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	80,351	—	1,559	—	81,910
Segment revenue	80,351	—	1,559	—	81,910
Site operating expenses and service costs	(93,061)	(520)	(2,267)	(48)	(95,896)
Site operating expenses and service costs include:					
Depreciation and amortisation	—	(5,836)	(182)	—	(6,018)
Impairment charges	(250)	(473,905)	—	(5,895)	(480,050)
Share of results of a joint venture	—	—	—	1	1
Segment loss	(12,960)	(474,425)	(708)	(5,942)	(494,035)
Central administrative expenses					(10,073)
Central depreciation and amortisation					(87)
Other gains and losses and other expenses					(4,389)
Financial income					1,458
Financial expenses					(1,872)
Loss before taxation					(508,998)
Other segment information					
Additions to non-current assets:					
Capital expenditure	121	40,789	1	1	40,912
Exploration and evaluation expenditure capitalised	—	375	—	—	375
Segment assets	26,561	366,784	8,584	1,426	403,355
Central cash and cash equivalents					17,280
Consolidated assets					420,635
Segment liabilities	(11,009)	(5,928)	(570)	(7,340)	(24,847)
Bank borrowings					(268,288)
Deferred tax liabilities					(6,324)
Consolidated liabilities					(299,459)

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	(5,604)	(8,909)	(310)	(14)	(14,837)
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)

Revenue from major products and services

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

	2015 US$'000	2014 US$'000
Iron ore concentrate	55,906	92,917
Ilmenite	24,445	25,055
Engineering services	1,559	4,442
	81,910	122,414

Revenue by geographical location[a]

	2015 US$'000	2014 US$'000
Japan	17	1,140
Russia and the Commonwealth of Independent States ("CIS")	1,559	4,442
PRC	80,334	114,253
Hong Kong	—	2,579
	81,910	122,414

(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]

	2015 US$'000	2014 US$'000
Russia	306,361	715,726
PRC	—	7,365
Hong Kong	973	976
	307,334	724,067

(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 2015 and 2014. Revenue from customers of the corresponding years contributing over 10% are described below.

For the year ended 31 December 2015, sales were made to Heilongjiang Jianlong Steel Company Limited amounted to US$55,906,000 (2014: US$92,917,000) and Ningbo Xinfu Titanium Dioxide Co., Ltd. amounted to US$10,579,000 (2014: US$14,127,000) attributable to the Mines in Production segment comprising 68% and 13% (2014: 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 years ended 31 December 2015 and 2014.

7. REVENUE

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

	2015 **US$'000**	2014 US$'000
Revenue		
Sales of goods	**80,351**	117,972
Rendering of services	**1,559**	4,442
	81,910	122,414

For the Year Ended 31 December 2015

8. OPERATING EXPENSES

	2015 US$'000	2014 US$'000
Operating expenses		
Site operating expenses and service costs[(a)]	**95,896**	147,963
Central administration expenses[(b)]	**10,160**	16,787
	106,056	164,750

(a) Site operating expenses and service costs

	2015 US$'000	2014 US$'000
Staff costs	**19,625**	36,653
Fuel	**7,949**	12,067
Materials	**16,194**	28,707
Depreciation	**6,018**	14,837
Electricity	**1,691**	2,608
Royalties	**534**	3,041
Railway tariff	**33,076**	43,196
Movement in finished goods and work in progress	**4,149**	(3,717)
Engineering services cost	**9,257**	33,873
Professional fees*	**226**	259
Bank charges	**215**	383
Insurance	**42**	264
Office rent	**329**	894
Business travel expenses	**60**	149
Office costs	**397**	748
Mine development costs capitalised in property, plant and equipment	**(16,841)**	(33,221)
Allowance for bad debts	**43**	59
Write down of inventories to net realisable value	**7,148**	1,635
Property tax	**2,093**	3,739
Other expenses	**3,691**	1,789
	95,896	147,963

Note: Other expenses for the year ended 31 December 2015 included a US$2.8 million provision of withholding tax in consequence of a negative tax ruling from Russia tax authorities requiring the payment by a Russian subsidiary of the Group in respect of withholding tax which the Russia tax authorities claim was payable on the payment of interest on intra-group loans from its Russian subsidiaries to other subsidiaries outside of Russia. The Group's position is that at the time of the payment of such interest, the relevant group company receiving the payment was resident in the UK and the payment was therefore not subject to any withholding tax due to the double tax treaty between the UK and Russia. This is disputed by the Russia tax authorities and the Group has made an appeal against the negative ruling by the Russia tax authority but the appeal has been rejected.

For the Year Ended 31 December 2015

8. OPERATING EXPENSES (CONTINUED)

(b) Central administration expenses

	2015 US$'000	2014 US$'000
Staff costs	**6,917**	8,642
Depreciation	**87**	210
Professional fees*	**964**	1,654
Bank charges	**89**	75
Insurance	**310**	129
Office rent	**659**	1,432
Business travel expenses	**505**	793
Share-based payments	**147**	3,326
Office costs	**281**	413
Allowance for bad debts	**1**	5
Property tax	**5**	13
Other expenses	**815**	1,376
Rental income less negligible outgoings	**(620)**	(1,281)
	10,160	16,787

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

9. AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

	2015 US$'000	2014 US$'000
Audit fees		
Fees payable to Group's auditors and their associates for the annual audit of the Group's consolidated financial statements	**363**	541
Non-audit fees		
Other services	**93**	139
Total	**456**	680

For the Year Ended 31 December 2015

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The aggregate remuneration of employees (including directors) comprised:

	2015 US$'000	2014 US$'000
Wages and salaries	**19,817**	34,466
Social security and other benefits	**6,478**	10,497
Retirement benefit contribution	**247**	332
Share-based payments	**147**	3,326
	26,689	48,621

	2015 US$'000	2014 US$'000
Directors' Emoluments		
Emoluments for executive directors:		
— salaries	**1,635**	2,288
— retirement benefit contribution	**202**	286
— share-based payments	**34**	1,488
Emoluments for non-executive directors:		
— directors' fees	**537**	536
	2,408	4,598

	2015				
	Directors' fees US$'000	Salaries US$'000	Retirement benefit contribution US$'000	Share-based payments[a] US$'000	Total US$'000
Executive directors:					
George Jay Hambro[c]	—	783[b]	98	17	898
Yury Makarov[c]	—	696[d]	87	17	800
Raymond Woo*	—	156	17	—	173
Non-executive directors:					
Non independent non-executive directors					
Simon Murray	91	—	—	—	91
Cai Sui Xin	—	—	—	—	—
Liu Qingchun	—	—	—	—	—
Raymond Woo*	68	—	—	—	68
Independent non-executive directors					
Daniel Bradshaw	126	—	—	—	126
Jonathan Martin Smith	126	—	—	—	126
Chuang-fei Li	126	—	—	—	126
	537	1,635	202	34	2,408

* Re-designated as non-executive director on 25 March 2015

For the Year Ended 31 December 2015

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

	2014				
	Directors' fees US$'000	Salaries US$'000	Retirement benefit contribution US$'000	Share-based payments[a] US$'000	Total US$'000
Executive directors:					
George Jay Hambro	—	895[b]	112	496	1,503
Yury Makarov	—	796[d]	99	496	1,391
Raymond Woo	—	597	75	496	1,168
Non-executive directors:					
Non independent non-executive directors					
Simon Murray	104	—	—	—	104
Cai Sui Xin	—	—	—	—	—
Liu Qingchun	—	—	—	—	—
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

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(a) 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 34.

(b) Included in salaries was US$680,260 (2014: US$777,440) and retirement benefit contribution of US$85,000 (2014: US$97,000) paid to a service company which is an affiliated company of the director.

(c) Following discussions with the underwriters of the August 2015 Open Offer (as defined in note 31), there was a requirement for certain members of the senior management team to be fully exercising their rights to acquire the Offer Shares (as defined in note 31). The Remuneration Committee met and discussed this requirement and offered specific support for this event. The Remuneration Committee allowed a specific payment to three senior managers, including a service company which is an affiliated company of Mr. George Jay Hambro for US$255,000 and Mr. Yury Makarov for US$223,000, specifically for the purpose of exercising their rights in the Open Offer and these amounts are not included as emoluments of the directors in the table. This payment was made under the condition that the funds had been used to participate accordingly in the Open Offer and that the shares acquired would not be sold for a period of 24 months. During the year ended 31 December 2015, the funds were used in full by the respective senior managers to subscribe for their Offer Shares.

(d) Included in salaries was US$35,000 (2014: US$56,000) paid by subsidiaries.

For the Year Ended 31 December 2015

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

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.

Five highest paid individuals

For the year ended 31 December 2015, the five highest paid individuals included three directors of the Company (2014: three directors of the Company). The emoluments of the remaining highest paid individuals for the years ended 31 December 2015 and 2014 are as follows:

	2015	2014
	US$'000	US$'000
Employees		
— salaries and other benefits	**581**	587
— share-based payments	**25**	779
	606	1,366
Their emoluments were within the following bands:		
HK$1,500,001 to HK$2,000,000 (equivalent to approximately US$192,307 to US$256,410)	**1**	—
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
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

At 31 December 2015, the Group considered whether there were any indicators that further impairment or the need to reverse previously recognised impairment that existed at the 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. As a result, the related property, plant and equipment of the Kuranakh project has been further impaired by approximately US$250,000 (2014: US$63,563,000) for the year ended 31 December 2015, principally 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. The impairment was charged mainly against mining assets within property, plant and equipment.

For the Year Ended 31 December 2015

11. IMPAIRMENT CHARGES (CONTINUED)

Due to the current low iron ore and ilmenite price environment and the higher operating costs, the Kuranakh mine has been rendered uneconomic and therefore the Group has decided to move the operation to care and maintenance since March 2016. 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% (2014: 12.0%).

In addition, management concluded that an impairment charge was necessary for the K&S Project as at 31 December 2015 as its recoverable value is lower that its carrying value. Due to the spot iron ore prices falling beyond management's estimate made as at 31 December 2014, the carrying value of the K&S Project has been additionally impaired by approximately US$437,343,000 in the current year (2014: US$197,265,000). This impairment charge is allocated against property, plant and equipment amounting to US$296,504,000 (2014: US$138,127,000), and prepayments for property plant and equipment amounting to US$140,839,000 (2014: US$59,138,000). Further, certain exploration and evaluation assets amounting to US$36,562,000 (2014: nil) has been fully impaired due to the substantial drop in the iron ore price over the years. As such, the carrying amount of the respective exploration and evaluation asset is unlikely to be recovered from successful development. The directors of the Company 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% (2014: 12.0%).

The key assumptions and considerations used for the purpose of impairment tests for both Kuranakh mine and K&S Project take into account the recent US Dollar/RUR 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.

During the year ended 31 December 2015, full provision was made on the interest in a joint venture amounting to US$5,895,000 (2014: nil) as a result of the Kuranakh project being put under care and maintenance which led to cessation in supply of raw materials from the Kuranakh project to the joint venture for its further production of vanadium for sale. The directors of the Company consider that there is no future cash inflow to substantiate the going concern of the joint venture in the foreseeable future.

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12. OTHER GAINS AND LOSSES AND OTHER EXPENSES

	2015 US$'000	2014 US$'000
Net foreign exchange loss	(4,361)	(13,407)
Net (loss) gain on disposal of property, plant and equipment	(28)	110
Net gain on disposal of subsidiaries	—	3,127
	(4,389)	(10,170)

13. FINANCIAL INCOME

	2015 US$'000	2014 US$'000
Interest income on cash and cash equivalents	1,038	1,410
Interest income on time deposits	408	133
Others	12	124
	1,458	1,667

14. FINANCIAL EXPENSES

	2015 US$'000	2014 US$'000
Interest expenses on bank borrowings	19,221	14,920
Less: Interest expenses capitalised to property, plant and equipment	(17,827)	(13,002)
	1,394	1,918
Unwinding of discount on environmental obligation	478	625
	1,872	2,543

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15. TAXATION EXPENSE

	2015 US$'000	2014 US$'000
Russia current tax	**(187)**	(821)
Current tax expense	**(187)**	(821)
Deferred tax expense (note 28)	**(60)**	(5,199)
	(247)	(6,020)

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

Based on the federal and regional laws in Russia, K&S Project is qualified as an investment project and is eligible to income tax relief over 10 years starting from August 2015. Russian corporation tax at the K&S Project will be exempted from August 2015 to August 2020 and then be taxed at a reduced rate of 10% in the following 5 years compared to 20% payable in ordinary course of business.

Cypriot corporation tax is calculated at a rate of 12.5% of the estimated assessable profit for the years ended 31 December 2015 and 2014. No current tax was provided for the years ended 31 December 2015 and 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 2015 and 2014. The change for the year can be reconciled to loss before taxation per the consolidated statement of profit or loss as follows:

	2015 US$'000	2014 US$'000
Loss before taxation	**(508,998)**	(311,310)
Tax at the Russian corporation tax rate of 20%[a]	**(101,800)**	(62,262)
Effect of different tax rates of subsidiaries' operations in other jurisdictions	**1,894**	8,028
Tax effect of share of results of a joint venture	**(1)**	(725)
Tax effect of tax losses not recognised	**21,668**	41,183
Tax effect of utilisation of tax losses previously not recognised	**–**	(30,686)
Tax effect arising from exchange adjustments on non-monetary assets	**17,884**	36,245
Tax effect of expenses that are not deductible in determining taxable profit[b]	**119,053**	102,482
Tax effect of income that is not taxable in determining taxable profit	**(58,451)**	(88,245)
Taxation expense for the year	**247**	6,020

(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 2015 and 2014 were mainly related to impairment charges (see note 11).

For the Year Ended 31 December 2015

16. DIVIDENDS

No dividend was paid or proposed during 2015 and 2014, 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

	2015 **US$'000**	2014 US$'000
Loss for the purposes of basic and diluted loss per ordinary share being loss attributable to owners of the Company	**(508,969)**	(317,644)

Number of shares

	2015 **Number** **'000**	2014 Number '000 (restated)
Weighted average number of ordinary shares for the purpose of basic loss per ordinary share	**5,366,261**	4,821,737

The weighted average number of ordinary shares for the years ended 31 December 2015 and 2014 has been adjusted for the Open Offer to qualifying shareholders on the basis of 4 Offer Shares for every 15 existing shares held by the qualifying shareholders that was completed on 7 August 2015.

The computation of diluted loss per share for the years ended 31 December 2015 and 2014 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 31) since assuming their issuance would result in a decrease in loss per share.

For the Year Ended 31 December 2015

18. OPERATING LEASE ARRANGEMENTS

The Group as a lessee

	2015 US$'000	2014 US$'000
Minimum lease payments under operating leases recognised as an expense in the year	**909**	7,351

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:

	2015 US$'000	2014 US$'000
Within one year	**53**	208

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.

The Group as a lessor

The Group earned property rental income of approximately US$620,000 during the year ended 31 December 2015 (2014: US$1,281,000), 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 2015 and 2014. 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$441,000 and US$491,000 as at 31 December 2015 and 2014 respectively. This rental income is shown net of the associated cost within operating expenses.

19. EXPLORATION AND EVALUATION ASSETS

	2015 US$'000	2014 US$'000
At the beginning of the year	**54,790**	53,303
Additions	**375**	1,487
Impairment loss recognised (note 11)	**(36,562)**	—
At the end of the year	**18,603**	54,790

Garinskoye, the Garinskoye and Kostengiskoye Flanks, Bolshoi Seym Deposit and Molybdenum Exploration Project are classified as exploration and evaluation assets. Additions in both years 2015 and 2014 mainly related to exploration and evaluation expenses capitalised in exploration and evaluation assets. The Garinskoye and Kostengiskoye Flanks was fully impaired in the current year as disclosed in note 11. The Molybdenum Exploration Project was fully impaired in previous years.

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20. PROPERTY, PLANT AND EQUIPMENT

	Mine development costs US$'000	Mining assets US$'000	Non-mining assets US$'000	Construction in progress US$'000	Total US$'000
COST					
At 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 and 1 January 2015	1,066,233	120,875	53,832	15,511	1,256,451
Additions	40,840	—	21	51	40,912
Transfers	(400)	407	2	(9)	—
Disposals	(990)	—	(1,465)	—	(2,455)
Exchange adjustments	—	—	(1,410)	—	(1,410)
At 31 December 2015	1,105,683	121,282	50,980	15,553	1,293,498
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 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 and 1 January 2015	(622,343)	(120,875)	(34,932)	(15,441)	(793,591)
Depreciation charge for the year	(5,388)	—	(717)	—	(6,105)
Impairment charge (note 11)	(296,286)	(407)	(1)	(60)	(296,754)
Eliminated on disposals	906	—	1,388	—	2,294
Exchange adjustments	—	—	372	—	372
At 31 December 2015	(923,111)	(121,282)	(33,890)	(15,501)	(1,093,784)
CARRYING AMOUNTS					
At 31 December 2015	182,572	—	17,090	52	199,714
At 31 December 2014	443,890	—	18,900	70	462,860

20. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2015, cumulative capitalised borrowing costs of US$42,060,000 (2014: US$24,233,000) were included within mine development costs in the above table. Depreciation of US$5,390,000 relating primarily to assets used in the construction of plant in LLC KS GOK was capitalised during the year ended 31 December 2015 (2014: US$4,714,000).

During the years ended 31 December 2015 and 2014, there were no deferred stripping costs incurred in the development of the mine included in the additions to mine development costs that related to the removal of overburden at the Kuranakh mine.

Property, plant and equipment with a net book value of US$5,930,000 (2014: US$6,000,000) have been pledged to secure borrowings of the Group.

At 31 December 2015 and 2014, the Group entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$23,133,000 and US$68,259,000 respectively.

21. INTEREST IN A JOINT VENTURE

	2015 **US$'000**	2014 US$'000
At the beginning of the year	**7,294**	4,893
Share of results of joint venture	**1**	2,900
Impairment loss recognised (note 11)	**(5,895)**	—
Exchange adjustments	**(483)**	(499)
Dividends received	**(917)**	—
At the end of the year	**—**	7,294

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 relevant activities 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.

During the year, full provision for impairment was made on the interest in the Vanadium Joint Venture, please see the details in note 11.

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21. INTEREST IN A JOINT VENTURE (CONTINUED)

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

	2015	2014
	US$'000	US$'000
Current assets	**6,154**	1,722
Non-current assets	**36,066**	44,534
Current liabilities	**(26,891)**	(15,640)
Non-current liabilities	**(2,514)**	(14,759)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**35**	376
Current financial liabilities (excluding trade and other payable and provision)	**(110)**	(2,054)
Non-current financial liabilities (excluding trade and other payable and provision)	**(2,171)**	(6,715)

	2015	2014
	US$'000	US$'000
Revenue	**44,478**	67,198
Profit and total comprehensive income for the year	**2**	6,304
The above profit (loss) for the year includes the following:		
Interest expense	**(689)**	(1,744)
Depreciation and amortisation	**(2,163)**	(2,072)
Taxation	**48**	421

For the Year Ended 31 December 2015

21. INTEREST IN A JOINT VENTURE (CONTINUED)

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

	2015 US$'000	2014 US$'000
Net assets of a joint venture	**12,815**	15,857
Proportion of the Group's ownership interest in a joint venture	**46%**	46%
	5,895	7,294
Less: Impairment loss recognised during the year (note 11)	**(5,895)**	—
Carrying amount of the Group's interest in a joint venture after impairment	**—**	7,294

22. OTHER NON-CURRENT ASSETS

	2015 US$'000	2014 US$'000
Deferred insurance premium for bank facilities	**—**	3,446
Prepayments for property, plant and equipment	**88,859**	194,076
Deferred loan arrangement fee	**—**	1,490
Cash advances to employees	**158**	111
	89,017	199,123

23. INVENTORIES

	2015 US$'000	2014 US$'000
Stores and spares	**10,079**	25,796
Work in progress	**16,128**	18,370
Finished goods	**3,368**	5,012
	29,575	49,178

No inventories had been pledged as security during the years ended 31 December 2015 and 2014. Work in progress, finished goods and ore stockpiles were recovered by US$252,000 (2014: US$1,635,000) and spare parts were written down by US$7,400,000 (2014: nil) to its net realisable value during the year ended 31 December 2015.

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$31,614,000 for the year ended 31 December 2015 (2014: US$44,587,000).

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24. TRADE AND OTHER RECEIVABLES

	2015	2014
	US$'000	US$'000
VAT recoverable	**5,318**	14,974
Advances to suppliers	**2,485**	3,466
Amounts due from customers under engineering contracts	**476**	399
Trade receivables	**10,141**	4,930
Other debtors	**7,043**	2,224
	25,463	25,993

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 2015 and 2014 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 2015 as 79.4% (31 December 2014: 64.3%) 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.

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. 99% of the trade receivables that are neither past due nor impaired are with good credit quality based on their settlement records for both the years ended 31 December 2015 and 2014.

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.

	2015	2014
	US$'000	US$'000
Less than one month	**5,271**	4,245
One month to three months	**4,861**	650
Over three months to six months	**—**	21
Over six months	**9**	14
Total	**10,141**	4,930

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24. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group allows credit periods ranging from 15 days to 63 days (2014: 10 days to 90 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:

	2015	2014
	US$'000	US$'000
Less than one month	**2**	9
One to three months	**1**	42
Over three months to six months	**—**	21
Over six months	**9**	14
Total	**12**	86

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:

	2015	2014
	US$'000	US$'000
At the beginning of the year	**987**	1,780
Changes in allowance for doubtful debts	**44**	44
Amounts written off as uncollectible	**(2)**	(2)
Exchange adjustments	**(230)**	(835)
At the end of the year	**799**	987

Included in the allowance for doubtful debts were impaired trade receivables of US$799,000 and US$987,000 as at 31 December 2015 and 2014, respectively. The amount at 31 December 2015 mainly represented impairment for trade debtors at LLC Petropavlovsk Iron Ore and non-trade debtors at LLC Olekminsky Rudnik (trade debtors at LLC Petropavlovsk Iron Ore for the year ended 31 December 2014) 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. TIME DEPOSITS

Time deposits comprised short-term US Dollars denominated bank deposits with an original maturity of three to twelve months. The carrying amounts of the assets approximate their fair value. Time deposits carrying interest at prevailing market rate ranging from 0.45% to 15.50% (2014: 0.7% to 8.15%) per annum.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents 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 0.4% to 16.25% (2014: 0.05% to 23.00%) per annum for the year ended 31 December 2015.

27. TRADE AND OTHER PAYABLES

	2015 **US$'000**	2014 US$'000
Trade creditors	**3,121**	4,525
Advances from customers	**195**	443
Accruals and other payables	**14,716**	9,832
	18,032	14,800

For related party and individual third party trade creditors, the average credit period on purchases of goods and services for the year was 19 days (2014: 20 days).

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

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

	2015 **US$'000**	2014 US$'000
Less than one month	**1,030**	1,524
One month to three months	**37**	25
Over three months to six months	**51**	779
Over six months	**2,003**	2,197
Total	**3,121**	4,525

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

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28. DEFERRED TAX LIABILITIES

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

	Property, plant and equipment	Engineering contracts	Tax losses	Foreign exchange movements	Other temporary differences	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 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)
Credit (charge) to profit or loss	28	29	15,281	(15,343)	(55)	(60)
Exchange adjustments	192	(18)	—	—	33	207
At 31 December 2015	(641)	74	45,967	(51,588)	(136)	(6,324)

At 31 December 2015 and 2014, the Group had unused tax losses of US$323.8 million and US$275.1 million respectively, majority of which will expire from 2016 to 2024. In relation to these unused tax losses, deferred tax assets of US$15,281,000 have been recognised in 2015 in respect of US$76 million of unused tax losses and US$30,686,000 have been recognised in 2014 in respect of US$153 million of unused tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of US$94 million (2014: US$121.7 million) due to the unpredictability of future profit streams.

At 31 December 2015 and 2014, the Group had deductible temporary difference of US$15.1 million and US$21.0 million respectively, in respect of temporary differences that arose on certain expenses 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.

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$10.8 million and US$13.6 million at 31 December 2015 and 2014 respectively.

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

29. BANK BORROWINGS

	2015	2014
	US$'000	US$'000
Secured bank loans		
Asian Pacific Bank	**10,550**	21,000
Industrial and Commercial Bank of China ("ICBC")	**257,738**	247,552
Total	**268,288**	268,552
Carrying amount repayable		
Within one year	**53,050**	63,500
More than one year, but not exceeding two years	**39,134**	38,864
More than two years, but not exceeding five years	**176,104**	166,188
Total	**268,288**	268,552

Bank loan from Asian Pacific Bank

In April 2014, the Group renewed the US$15,000,000 loan facility ("US$15,000,000 Loan Facility") with Asian Pacific Bank for a 12-month period with an annual interest of 9.0% repayable monthly. In March 2015, such term-loan facility was renewed for another 13-month period with an annual interest of 9.0% repayable monthly and the loan principal is repayable by 21 April 2016. As at 31 December 2015, the Group has drawn down US$8,350,000 from the US$15,000,000 Loan Facility.

In October 2014, the Group renewed another US$10,000,000 loan facility ("US$10,000,000 Loan Facility") with Asian Pacific Bank for 12-month period. The loan bore an annual interest of 10.60% which was repayable monthly. As at 31 December 2014, the Group had drawn down US$6,000,000 from the US$10,000,000 Loan Facility.

In October 2015, the Group renewed the 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 is repayable by 27 October 2016. As at 31 December 2015, the Group had drawn down US$2,200,000 from the US$10,000,000 Loan Facility.

In 2015, the Group drew down US$12,870,000 from these facilities from Asian Pacific Bank in several tranches on a rolling basis and US$23,320,000 were repaid in aggregate during the year.

At 31 December 2015, the Group had US$14,450,000 (31 December 2014: US$4,000,000) undrawn loan facility with Asian Pacific Bank.

At 31 December 2015, these facilities were primarily working capital financing the Group's Kuranakh project. Both Loan Facilities were secured against the helicopter owned by LLC GMMC ("LLC GMMC"), subsidiary of the Group and the shares of OJSC Giproruda ("OJSC Giproruda"), subsidiary of the Group.

As at 31 December 2014, US$10,000,000 Loan Facility was secured against the helicopter owned by LLC GMMC and the US$15,000,000 Loan Facility was secured against the shares of OJSC Giproruda.

29. 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, entered into the HK$3.11 billion (equivalent to US$400 million) Engineering Procurement and Construction Contract ("EPC Contract") with the China National Electric Engineering Corporation ("CNEEC"), contractor at the twin deposits of Kimkan and Sutara ("K&S") project for the construction of the Group's mining operations at K&S.

On 13 December 2010, the Group entered into a project finance facility agreement with ICBC (the "ICBC Facility Agreement") pursuant to which ICBC would lend US$340,000,000 (equivalent to HK$2.64 billion) to LLC KS GOK to 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 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 2012, 2013 and 2014, the Group made further drawdowns amounting to US$281,018,000. Additional drawn downs amounting to US$52,024,000 were made by the Group during the year. The loan is carried at amortised cost with effective interest rate at 5.91% per annum (2014: 5.63%). The first installments of US$21,250,000 was repaid in December 2014. Further installments of US$42,500,000 in aggregate were repaid in June and December 2015. The outstanding loan principal was US$276,250,000 as at 31 December 2015 (31 December 2014: US$266,726,000).

As at 31 December 2015, the Group had no (2014: US$52,024,000) undrawn financial facility in relation to the ICBC Facility Agreement.

As at 31 December 2015 and 2014, US$2,119,000 and US$27,250,000 respectively, were deposited in a debt service reserve account with ICBC under a security deposit agreement ("DSRA 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 2015 and 2014. In January 2016, the Group has placed restricted bank deposits of an amount up to US$28,250,000 in order to replenish the restricted deposit level pursuant to the security deposit agreement.

Details of guarantee granted by Petropavlovsk PLC in relation to the ICBC Facility Agreement are set out in note 38.

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30. PROVISION FOR CLOSE DOWN AND RESTORATION COSTS

	2015 US$'000	2014 US$'000
At the beginning of year	**4,022**	8,616
Unwinding of discount	**479**	625
Exchange adjustments	**(1,132)**	(2,990)
Change in estimates	**3,080**	(2,229)
At the end of year	**6,449**	4,022

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 2015 and 2014 represents the provision recognised for Kuranakh project discounted at 10.9% (2014: 14.1%) 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 10.2% (2014: 12.0%) per annum with the expected timing of cash outflow on the closure of mining operation to be after 2029.

31. SHARE CAPITAL

Details of the allotment and issuance of ordinary shares by the Company during the years ended 31 December 2015 and 31 December 2014 are as follows:

	Number of shares	US$'000
Authorised		
At 1 January 2014		
— Ordinary shares of HK$0.01 each	10,000,000,000	12,820
At 31 December 2014, 1 January 2015 and 31 December 2015	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.

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31. SHARE CAPITAL (CONTINUED)

	Number of shares	US$'000
Issued and fully paid		
At 1 January 2014		
— Ordinary shares of HK$0.01 each	4,529,910,301	5,834
Issue of new ordinary shares of HK$0.01 each to General Nice Development Limited ("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 and 1 January 2015		
— Ordinary shares with no par value	4,859,910,301	1,211,231
Issue of new ordinary shares pursuant to an open offer	1,295,976,080	52,656
Transaction costs attributable to issue of new ordinary shares	—	(3,222)
At 31 December 2015		
— Ordinary shares with no par value	6,155,886,381	1,260,665

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

On 29 June 2015, the Company announced its equity fund raising plan in order to finance the completion of construction at the K&S Project and bring it into full commercial production and for providing general working capital to the Group. The fund raising was conducted by way of an open offer ("Open Offer") to qualifying shareholders on the basis of 4 offer shares ("Offer Shares") for every 15 existing shares held by the qualifying shareholders on the record date. The Offer Shares were offered at the subscription price of HK$0.315 each. On 5 August 2015, the Company announced the completion of the Open Offer. 1,295,976,080 ordinary shares were allotted and issued on 7 August 2015 with net proceeds of approximately US$49.4 million.

31. SHARE CAPITAL (CONTINUED)

As disclosed in note 33 to the Group's 2014 consolidated financial statements, on 17 January 2013, the Company entered into a conditional subscription agreement with each of 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) 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).

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31. SHARE CAPITAL (CONTINUED)

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

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

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.

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31. SHARE CAPITAL (CONTINUED)

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 2015 and 31 December 2014, excluding the shares subscribed by General Nice in the Company's Open Offer in 2015, 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 2015, transaction costs of approximately US$3,222,000 (2014: US$600,000) directly attributable to the issuance of new shares were debited against equity.

32. TREASURY SHARES

	US$'000
As at 1 January 2014	12,846
Vesting of share-based awards for the year	(860)
As at 31 December 2014 and 1 January 2015	11,986
Vesting of share-based awards for the year	(11,986)
As at 31 December 2015	—

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 2015, 32,362,875 shares (2014: 2,322,000 shares) were vested to the employees of the Group under the LTIP as detailed in note 34. There was no share held under the EBT as at 31 December 2015 (31 December 2014: 32,362,875 shares).

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33. NOTES TO THE CASH FLOW STATEMENTS

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

	2015 US$'000	2014 US$'000
Loss before taxation	**(508,998)**	(311,310)
Adjustments for:		
Depreciation of property, plant and equipment	**684**	6,514
Financial income	**(1,458)**	(1,667)
Financial expenses	**1,872**	2,543
Net loss (gain) on disposal of property, plant and equipment	**371**	(110)
Impairment charges	**480,050**	260,828
Write down of inventories	**7,148**	1,635
Net gain on disposal of subsidiaries	**—**	(3,127)
Share-based payments and LTIP expense	**147**	3,326
Share of results of a joint venture	**(1)**	(2,900)
Net foreign exchange loss	**4,358**	13,407
Allowance for doubtful debts	**44**	64
Other non-cash adjustments	**7**	173
Operating cash flows before movements in working capital	**(15,776)**	(30,624)
Decrease in inventories	**12,455**	7,704
Increase in trade and other receivables	**(2,690)**	(2,007)
Increase (decrease) in trade and other payables	**5,212**	(671)
Net cash used in operations	**(799)**	(25,598)

(b) Major non-cash transactions

For the year ended 31 December 2015, property, plant and equipment of approximately US$158,000 (2014: US$237,000) were acquired but the amount has not yet been settled at 31 December 2015.

There were no other major non-cash transactions during the years ended 31 December 2015 and 2014.

34. SHARE-BASED PAYMENTS

a) Long Term Incentive Plan

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.

On 1 August 2011, 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.

34. SHARE-BASED PAYMENTS (CONTINUED)

a) Long Term Incentive Plan (Continued)

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 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.

On 30 June 2015, the vesting period for the shares awarded in 2012 ended and the Company assessed that all the vesting conditions were fulfilled. Accordingly, 1,000,000 shares arising from the shares awarded in 2012 were fully vested. There was no outstanding share under the Company's LTIP 1 scheme as at 31 December 2015.

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.

In 2015, the Company assessed that all the vesting conditions were fulfilled and accordingly, 31,362,875 shares awarded in 2014 were fully vested. There was no outstanding share under the Company's LTIP 2 scheme as at 31 December 2015.

The net amount expensed under LTIP 1 and LTIP 2 during the year totalled US$17,000 (2014: US$3,326,000).

34. SHARE-BASED PAYMENTS (CONTINUED)

b) Share Option Scheme

In November 2015, the Company adopted a share option scheme ("Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 19 November 2025. Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options (the "Options") to any directors and employee of the Group to subscribe for shares of the Company at a price which shall be at least the higher of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The Company's share option scheme (the Scheme), was adopted pursuant to a resolution passed on 20 November 2015 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 19 November 2025. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue on the date of commencement of dealings in the shares of the Company on the Stock Exchange, unless the Company obtains further approval from the shareholders.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

On 20 November 2015, 228,000,000 share options were granted to the Company's selected employees and two executive directors. The exercise price is HK$0.315 per share, which is higher than the closing price of the Company's shares on the date of grant of HK$0.246 per share. Of the total 228,000,000 share options, 58,000,000 share options were granted to executive directors of the Company, and 170,000,000 share options were granted to certain employees of the Group. The share options are valid for a period of 10 years from the date of grant and are subject to the vesting periods as follows:

— one-third of the Options granted to each Grantee shall vest on 19 November 2016;

— one-third of the Options granted to each Grantee shall vest on 19 November 2017; and

— one-third of the Options granted to each Grantee shall vest on 19 November 2018.

34. SHARE-BASED PAYMENTS (CONTINUED)

b) Share Option Scheme (Continued)

Each one-third tranche of the share options granted in 2015 are subject to the following vesting conditions:

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

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

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

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

At 31 December 2015, 228,000,000 share options granted remained outstanding under the scheme (31 December 2014: no share options granted nor outstanding). No share options were exercised or lapsed during the year ended 31 December 2015.

The fair value of the share options granted during the year ended 31 December 2015 was approximately HK$26,273,000 and was determined using the Black-Scholes valuation model by an independent valuer, RSM Consulting (Hong Kong) Limited with value per option in the range of HK$0.1095 to HK$0.1242 per option. The significant inputs into the model are as follows:

Share price, at the grant date (HK$)	0.246
Exercise price (HK$)	0.315
Expected volatility (%)	49.76
Expected dividend yield (%)	—
Expected share option life (years)	10
Annual risk-free interest rate (%)	1.614

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous six years.

The amount expensed under the Share Option Scheme during the year ended 31 December 2015 totalled US$130,000 (31 December 2014: nil).

The expected share option life is based on the share option maturity period of 10 years.

35. 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 2015 amounted to US$62,500 (2014: US$121,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2015, contributions of US$5,000 (31 December 2014: US$11,000) due in respect of the year ended 31 December 2015 (2014) had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

The Group decided to commence moving the Kuranakh Project to temporary care and maintenance in March 2016 and issued notice of termination to the employees with arrangement of severance payment amounting to US$1.7 million which is included in other payables, according to the Labour Code of the Russian Federation.

36. 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 29 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

	Carrying value as at 31 December 2015 US$'000	Carrying value as at 31 December 2014 US$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**75,602**	82,254
Financial liabilities		
Amortised cost	**(274,157)**	(273,734)

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.

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36. 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 at the reporting date are as follows:

	Assets		Liabilities	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
Russian Roubles	**10,289**	22,804	**12,521**	8,775
US Dollars	**2,700**	2,811	**10**	11
Pounds Sterling	**22**	25	**1**	1
Kazakh Tenge	**—**	23	**—**	—
Euro	**1**	1	**—**	—
Hong Kong Dollars ("HK$")	**5,378**	1,032	**—**	35

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% (2014: 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. No sensitivity analysis is presented for foreign currency fluctuation between US$ against HK$ because Hong Kong dollars is pegged to US$.

In 2015, a positive number indicates a decrease in post tax loss where the functional currencies of the group entities strengthen 25% against the relevant foreign currency of Russian Roubles. For a 25% weakening of functional currency the group entities against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss and the balances below would be negative.

In 2014, a negative number below indicates an increase in post tax loss where the functional currencies of the group entities strengthen 25% against the relevant foreign currency of Russian Roubles. For a 25% weakening of functional currency the group entities against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss and the balances below would be positive.

	Russian Rouble currency impact	
	2015	2014
	US$'000	US$'000
Profit or loss	**446**	(2,806)

36. 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.

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to a bank borrowings (see note 29 for details) and cash flow interest rate risk in relation to variable-rate bank borrowings (see note 29 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 is 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 are detailed below.

The interest rate exposure to cash equivalents, restricted bank deposits and time deposits of the Group. 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 2015 would decrease/increase by US$4,468,000 (at 31 December 2014: US$7,985,000). 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. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group'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 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 38. Amounts held on deposit as at 31 December 2015 and 2014 with these banks located in Russia were approximately US$47,361,000 and approximately US$28,920,000, representing 56% and 39% 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 2015 is included in note 24.

The Group'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 statement of financial position and statement of financial position respectively.

36. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with management. At 31 December 2015, the Group's principal financial liabilities was trade and other payables and bank borrowings. The management of the 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 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 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.

	Weighted average interest rate	Due on demand or within one year	Due within one to two years	Due within two to five years	Due after more than five years	Total undiscounted cash flows	Carrying amount at 31 December 2015
	%	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2015							
Trade and other payables	**—**	**5,869**	**—**	**—**	**—**	**5,869**	**5,869**
Bank borrowings	**6.1%**	**61,457**	**49,837**	**141,134**	**65,845**	**318,273**	**268,288**
		67,326	**49,837**	**141,134**	**65,845**	**324,142**	**274,157**
As at 31 December 2014							
Trade and other payables	—	5,182	—	—	—	5,182	5,182
Bank borrowings	6.0%	73,030	50,940	144,668	59,283	327,921	268,552
		78,212	50,940	144,668	59,283	333,103	273,734

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 of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

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37. 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 received	3,736
Gain on disposal	3,296
Net cash inflow arising on disposal:	
Cash consideration	3,152
Less: bank balances and cash disposed of	(1)
	3,151

37. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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)

38. RELATED PARTY DISCLOSURES

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

For the years ended 31 December 2015 and 2014, Petropavlovsk PLC, which is a substantial shareholder of the 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.

For both years, 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.

For both years, 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.

38. RELATED PARTY DISCLOSURES (CONTINUED)

Related parties (Continued)

For both years, Vanadium Joint Venture is a joint venture of the Group and hence is a related party.

As disclosed in note 29, 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").

Transactions with related parties of the Group entered into during the year are set out below.

For the year ended 31 December 2015, there is a deemed contribution from a shareholder, General Nice for accrued interests on outstanding capital contribution.

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)]	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**1**	2	**2,204**	32
OJSC Irgiredmet	**—**	—	**—**	18
LLC NPGF Regis	**14**	28	**—**	20
CJSC Peter Hambro Mining Engineering	**—**	—	**—**	2
CJSC Pokrovsky Rudnik	**911**	3	**—**	—
CJSC Albynsky Rudnik	**160**	—	**—**	—
LLC Kapstroy	**—**	46	**—**	—
MC Petropavlovsk	**421**	684	**69**	229
LLC Karagay	**—**	1	**—**	—
LLC Gidrometallurgia	**97**	152	**—**	—
LLC Helios	**—**	—	**11**	13
Trading transactions with other related parties				
Asian Pacific Bank	**—**	71	**—**	—
General Nice	**3,815**	—	**—**	—

(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.

38. 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]	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**98**	897	**9**	765
OJSC Irgiredmet	**—**	—	**2**	3
LLC NPGF Regis	**28**	18	**83**	112
CJSC Pokrovsky Rudnik	**903**	1	**—**	—
CJSC Albynsky Rudnik	**157**	—	**—**	—
LLC Kapstroy	**—**	1	**—**	—
MC Petropavlovsk	**144**	99	**1,930**	1,899
LLC Gidrometallurgia	**1**	1	**—**	—
LLC Helios	**1**	1	**—**	—
Outstanding balances with other related parties				
Asian Pacific Bank	**4**	6	**—**	—
General Nice	**3,897**	—	**—**	—
	5,233	1,024	**2,024**	2,779

(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 29, the Group has bank accounts with Asian Pacific Bank.

The bank balances at the end of the reporting period are set out below:

	2015	2014
	US$'000	US$'000
Asian Pacific Bank	**24,829**	24,454

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

	2015	2014
	US$'000	US$'000
Interest income from cash and cash equivalents	**381**	365

38. RELATED PARTY DISCLOSURES (CONTINUED)

Guarantee arrangements

In relation to the ICBC loan as disclosed in note 29, 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 2015, Petropavlovsk PLC beneficially owns approximately 35.83% (31 December 2014: 45.39%) of the issued share capital of the Company and accordingly as agreed with the directors of Petropavlovsk PLC, its voting rights in the Company are insufficient to give it the practical ability to direct the relevant activities of the Company unilaterally and does not retain control over the Company. Against this, pursuant to the Recourse Agreement, a fee equal to 1.75% on the outstanding loan amount under the ICBC Facility Agreement has been charged for the provision of the guarantee by Petropavlovsk PLC which amounted to US$2,086,000 in 2015 (2014: nil). 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 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.

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 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 2015 George Jay Hambro, Yury Makarov, Danila Kotlyarov (from 25 March to 31 December 2015), Raymond Woo, Daniel Bradshaw, Jonathan Martin Smith, Chuang-fei Li, Simon Murray, Cai Sai Xin and Liu Qingchun (2014: George Jay Hambro, Yury Makarov, Raymond Woo, Daniel Bradshaw, Jonathan Martin Smith, Chuang-fei Li, Simon Murray, Cai Sai Xin and Liu Qingchun) were considered the key management of the Group. The remuneration of key management personnel for the year ended 31 December 2015 amounted to US$3,241,000 (31 December 2014: US$4,598,000).

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39. 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 2015[(c)]	2014[(c)]	Principal activities
Arfin Limited	Cyprus 22 August 2005	US$18,705	**100%**	100%	Provision of financing services for the Group
Brasenose Services Limited	Cyprus 20 January 2004	US$63,653	**100%**	100%	Investment holding
Dardanius Limited	Cyprus 16 October 2006	US$5,685	**100%**	100%	Investment holding
Esimanor Limited	Cyprus 15 March 2008	US$3,984	**100%**	100%	Investment holding
Expokom Limited	Cyprus 22 December 2005	US$311,464	**100%**	100%	Investment holding
Guiner Enterprises Ltd	Cyprus 25 August 2007	US$368,801	**100%**	100%	Investment holding
Kapucius Services Limited	Cyprus 12 April 2006	US$645,557	**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$27,097	**100%**	100%	Investment holding
Metellus Limited	Cyprus 21 August 2006	US$7,176	**100%**	100%	Investment holding
Rumier Holdings Ltd	Cyprus 3 October 2007	US$429,891	**100%**	100%	Investment holding
Russian Titan Company Limited	Cyprus 10 November 2003	US$270,925	**100%**	100%	Investment holding
Tenaviva Limited	Cyprus 31 December 2007	US$5,642	**100%**	100%	Investment holding
Thorholdco (Cyprus) Limited	Cyprus 3 October 2013	US$1,005	**100%**	100%	Investment holding
Aricom Limited	United Kingdom 12 September 2003	GBP1,316,039	**100%**	100%	Investment holding
Aricom UK Limited	United Kingdom 1 March 2007	GBP242,261,914	**100%**	100%	Investment holding

For the Year Ended 31 December 2015

39. 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 2015[c]	2014[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$1,575,383	**100%**	100%	General trading
Ariva HK Limited	Hong Kong 11 March 2008	HK$52,950,991	**100%**	100%	Investment holding
Thorholdco Limited	Cayman Islands 18 May 2010	US$8,461	**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
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

For the Year Ended 31 December 2015

39. 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 2015[c]	2014[c]	Principal activities
LLC Amursnab	Russia 28 December 2009	RUR10,000,000	**99.9%**	99.9%	Procurement services
LLC Uralmining	Russia 12 October 2008	RUR1,000,000	**100%**	100%	Exploration and mining — Bolshoi Seym
Caedmon Limited	Cyprus 29 September 2011	US$1,424	**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 2015 and 2014, 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	
		2015	2014	**2015**	2014	**2015**	2014
				US$'000	US$'000	**US$'000**	US$'000
OSJC Giproruda	Russia	**29.72%**	29.72%	**279**	294	**1,346**	2,745
An individual immaterial subsidiary with non-controlling interest						**129**	125
						1,475	2,870

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.

39. 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.

	2015 **US$'000**	2014 US$'000
OJSC Giproruda		
Current assets	**5,136**	7,828
Non-current assets	**3,510**	4,735
Current liabilities	**(570)**	(826)
Non-current liabilities	**(690)**	(912)
Equity attributable to owners of the Company	**6,040**	8,080
Non-controlling interests	**1,346**	2,745
Revenue	**1,559**	4,442
Expenses	**(2,497)**	(3,452)
(Loss) profit for the year	**(938)**	990
(Loss) profit attributable to owners of the Company	**(659)**	696
(Loss) profit attributable to non-controlling interests	**(279)**	294
(Loss) profit for the year	**(938)**	990
Other comprehensive expenses attributable to owners of the Company	**(1,381)**	(5,108)
Other comprehensive expenses attributable to non-controlling interests	**(584)**	(2,160)
Other comprehensive expenses for the year	**(1,965)**	(7,268)
Total comprehensive expenses attributable to owners of the Company	**(2,040)**	(4,412)
Total comprehensive expenses attributable to non-controlling interests	**(863)**	(1,866)
Total comprehensive expenses for the year	**(2,903)**	(6,278)
Net cash (used in) from operating activities	**(2,315)**	872
Net cash used in investing activities	**479**	345
Effect of foreign exchange rate changes	**(622)**	(2,661)
Net decrease in cash and cash equivalents	**(2,458)**	(1,444)

For the Year Ended 31 December 2015

40. CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015	2014
	US$'000	US$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**—**	3
Investment in subsidiaries	**132,737**	595,709
	132,737	595,712
CURRENT ASSETS		
Prepayment and other receivables	**4,135**	288
Amounts due from subsidiaries	**865**	1,080
Cash and cash equivalents	**6,450**	3,541
	11,450	4,909
TOTAL ASSETS	**144,187**	600,621
CURRENT LIABILITIES		
Amounts due to subsidiaries	**(21,924)**	(18,692)
Accruals and other payables	**(1,087)**	(2,024)
	(23,011)	(20,716)
NET CURRENT LIABILITIES	**(11,561)**	(15,807)
NET ASSETS	**121,176**	579,905
CAPITAL AND RESERVES		
Share capital	**1,260,665**	1,211,231
Capital reserve	**592**	592
Share-based payments reserve	**436**	3,589
Other reserves	**3,815**	—
Accumulated losses	**(1,144,332)**	(635,507)
TOTAL EQUITY	**121,176**	579,905

The Company's statements of financial position was approved and authorised for issue by the board of directors on 31 March 2016 and are signed on its behalf by:

George Jay Hambro	**Danila Kotlyarov**
DIRECTOR	*DIRECTOR*

For the Year Ended 31 December 2015

41. STATEMENT OF FINANCIAL POSITION (CONTINUED)

Movement in the Company's reserves

	Share capital US$000	Share premium US$000	Capital reserves US$000	Share based payment reserve US$000	Other reserves US$000	Accumulated losses US$000	Total US$000
At 1 January 2014	5,834	1,166,006	592	797	—	(59,377)	1,113,852
Loss for the year	—	—	—	—	—	(576,130)	(576,130)
Total comprehensive income (expenses) for the year	—	—	—	—	—	(576,130)	(576,130)
Issue of new shares (note 31)	20,209	19,782	—	—	—	—	39,991
Transaction costs attributable to issue of new shares (note 31)	(300)	(300)	—	—	—	—	(600)
Transfer upon abolition of par value under the new Hong Kong CO	1,185,488	(1,185,488)	—	—	—	—	—
Share-based payment	—	—	—	3,326	—	—	3,326
Vesting of share-based awards	—	—	—	(534)	—	—	(534)
At 31 December 2014	1,211,231	—	592	3,589	—	(635,507)	579,905
Loss for the year	—	—	—	—	—	(508,825)	(508,825)
Total comprehensive income (expenses) for the year	—	—	—	—	—	(508,825)	(508,825)
Issue of new shares (note 31)	52,656	—	—	—	—	—	52,656
Transaction costs attributable to issue of new shares (note 31)	(3,222)	—	—	—	—	—	(3,222)
Share-based payment	—	—	—	147	—	—	147
Vesting of share-based awards	—	—	—	(3,300)	—	—	(3,300)
Deemed contribution from a shareholder	—	—	—	—	3,815	—	3,815
At 31 December 2015	1,260,665	—	592	436	3,815	(1,144,332)	121,176

FINANCIAL SUMMARY

	Results of the Group for the year ended 31 December				
	2011 US$'000	2012 US$'000	2013 US$'000	2014 US$'000 (restated)	**2015** **US$'000**
Revenue	122,208	139,687	160,854	122,414	**81,910**
Profit (loss) attributable to owners of the Company	1,001	(57,554)	(41,613)	(317,644)	**(508,969)**

	Assets and liabilities of the Group as at 31 December				
	2011 US$'000	2012 US$'000	2013 US$'000	2014 US$'000	**2015** **US$'000**
Total assets	862,582	957,704	1,095,678	874,228	**420,635**
Less: Total liabilities	(49,504)	(174,511)	(232,840)	(294,323)	**(299,459)**
Total net assets	813,078	783,193	862,838	579,905	**121,176**

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

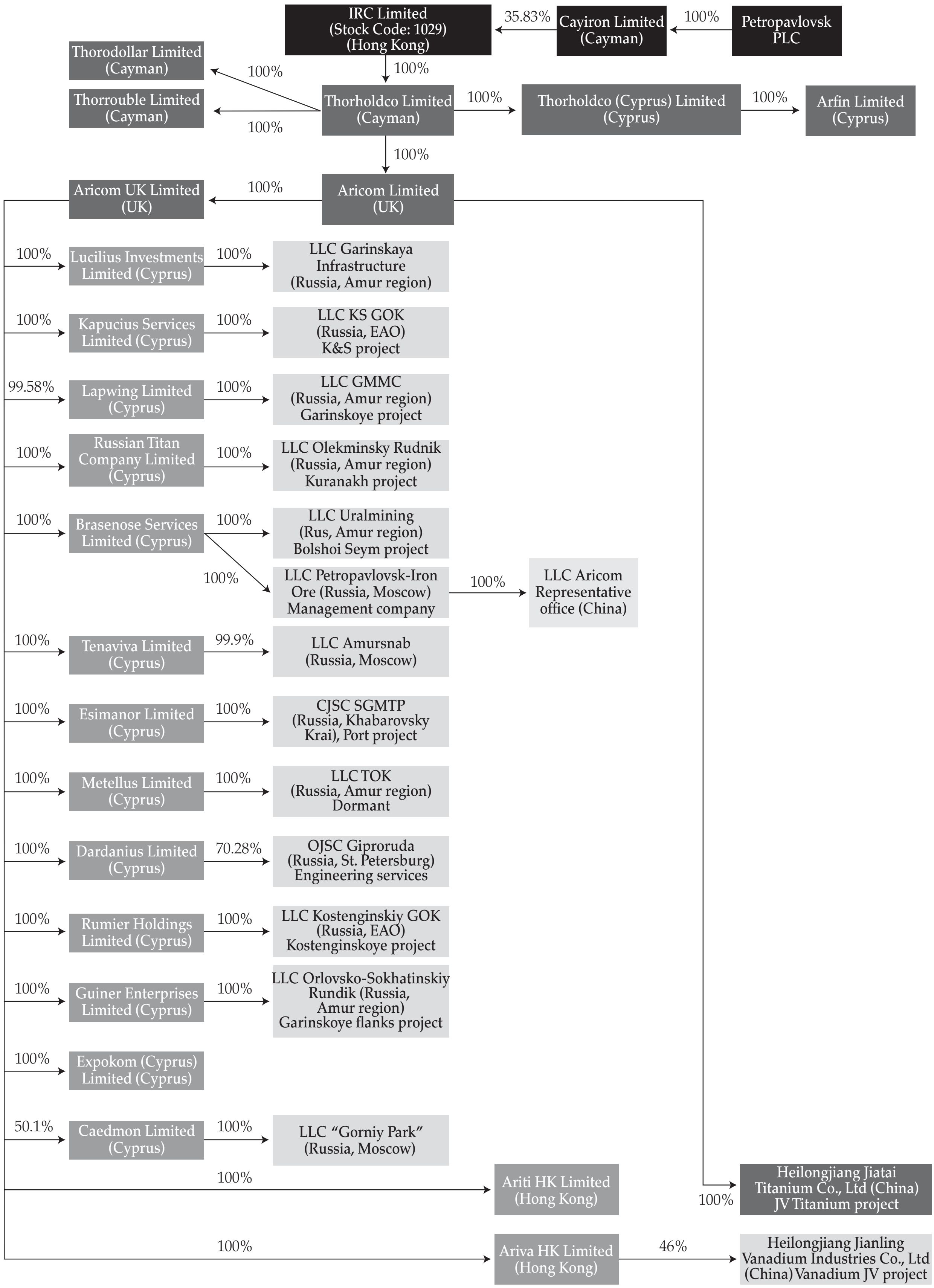
LIST OF ABBREVIATIONS

°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

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Corporate Website: www.ircgroup.com.hk

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

PRINCIPAL PLACE OF BUSINESS IN RUSSIA

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7/F, Business Center "Golden Gate"
Moscow
109544
Russia

CHAIRMAN

G.J. Hambro

EXECUTIVE DIRECTORS

Chief Executive Officer: Y.V. Makarov
Chief Financial Officer: D. Kotlyarov

NON-EXECUTIVE DIRECTORS

G.J. Hambro
R.K.T. Woo
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
S. Murray, *CBE, Chevalier de la Légion d'Honneur*

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

D. Kotlyarov
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 2015 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.

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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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)

Our Future	K&S	Commercial production (Phase I) Doubling production (Phase II)
	Garinskoye	Production
2015	IRC	Completed fully underwritten Open Offer
	K&S	Ongoing commissioning and testing
2014	K&S	Commissioning Programme 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	IRC	Group reserves increase threefold
	Kuranakh	Full year production targets exceeded
	K&S	First drawdown ICBC facility Optimisation Study to double K&S production
2010	IRC	HKEx listing
	Kuranakh	Commissioned Iron ore production full capacity
	K&S	US$340m ICBC facility US$400m CNEEC EPC contract
	SRP	First production

铁货
IRC

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