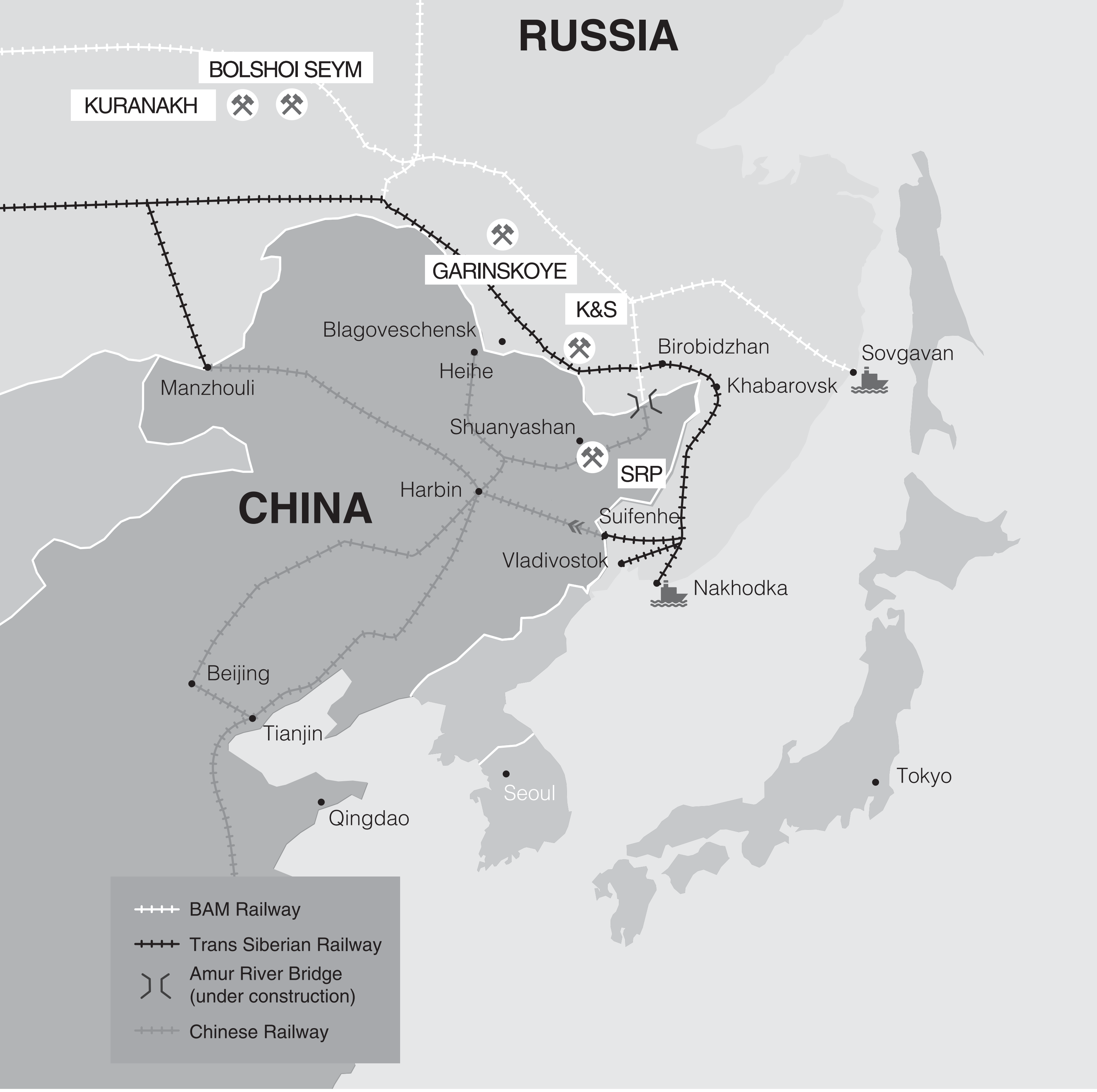
铁货 IRC

IRC Limited
鐵江現貨有限公司

HONG KONG STOCK CODE 股份代號：1029

Interim Report
中期報告 2017



ABOUT US

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

WHY IRC

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

2017 AND BEYOND

K&S mine, our 3.2 million tonne per annum project, has started trial production in 2016 and will ramp up to near full production capacity by the end of 2017. It produces premium 65% iron ore products at some of the lowest industry costs level. In the long term, we will have optionalities of doubling group's production capacity and beyond by developing K&S Phase II and other exploration projects.

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CHAIRMAN & CEO REPORT

Dear Stakeholders and Shareholders,

TURNAROUND FOR IRC AS K&S BRINGS POSITIVE CASHFLOW & PROFITABILITY

A few weeks ago before this report was written, IRC announced that K&S had produced more than one million tonnes of iron ore concentrate since inception of the mine. This was an exciting moment for IRC and marks the beginning of the transformation of K&S from a development project to a cash generating mine. Since the inception of K&S' production, our sales are growing daily and K&S has been cashflow positive. The Group recorded a revenue of US$51.2 million in the first half of 2017 (first half of 2016: US$16.1 million) and achieved a turnaround with a net operating gain of US$2.3 million, against a net operating loss of US$11.4 million in the same period last year, thanks to the US$14 million EBITDA that K&S generated. We look forward to improving the operating results further as K&S comes to full operation.

CONTINUOUS RAMP-UP, TRIPLING SALES YEAR-ON-YEAR

The ramp-up programme of K&S is moving forward. Our second quarter production figures revealed a 20% increase in production volume compared to the first quarter of 2017. At the time we write this report, K&S is operating at a steady production capacity of about 60% and this figure is increasing. We continue to aim at bringing K&S to near full capacity by the end of this year.

In terms of production and sales, the Group has produced and sold about 700,000 tonnes of iron ore concentrate during the first half of 2017, tripling the volumes when comparing to the same period last year.

IMPROVING COMMODITIES MARKET

The commodity and financial markets have improved during the first half of 2017. As a result of the Chinese government's economic stimulus package and the Belt-And-Road initiatives, the demand for steel has boosted the downstream property and infrastructure markets and this has led to an increase in demand for iron ore products. The average benchmark Platts 62% iron ore price index for the first half of 2017 was US$74 per tonne, 43% higher than that in the same period last year.

In addition, we have been seeing an increasing price premium for 65% iron ore concentrate over the 62% ones, as steel mills in China are opting for better-grade materials which allow for improved efficiency and lower pollution. The Platts 65% iron ore index increased 57% to an average of US$87 per tonne in the first half of 2017 when comparing with that of the same period last year. As the product that K&S produces is of the 65% grade, the price variance is advantageous to K&S. While investors may have concerns over the flooding supplies of 62% iron ore products in the market, the 65% grade is effectively a different market segment and we are fortunate to benefit from the increasing price margin percentage between the 65% and 62% iron ore products.

DIVERSIFICATION OF CUSTOMERS

During the first half of 2017, K&S has expanded its customer base and is currently selling to four different buyers on a continuous basis. These customers come from different countries and regions, including Russia and China. Diversification of customers allows us to commend a stronger bargaining power for better prices and sales terms. All products that K&S produces are effectively sold immediately, a testimony that K&S' products are well received by the market. We will continue to broaden our customer base to capitalise on the advantages.

CONTINUOUS COST-CONTROL FOR IMPROVING MARGINS

While we are improving our top line, we have also been controlling our cost well. As K&S is still ramping up, its cost structure is not yet fully optimised. The cash cost for the first half of 2017 stood at an average of US$52 per tonne. With economy of scale, this cost is expected to be reduced considerably to below US$40 per tonne when K&S operates at its full capacity and the Sino-Russian Amur River Bridge becomes operational. We also managed to keep the corporate administrative cost in line with that of last year even though the scale of operation of the Group has increased.

SUPPORTS FROM LENDER & GOVERNMENT

Additionally, we owe thanks to the assistance from our lender. To show their support to K&S, ICBC granted waivers to the Group for the obligations to maintain certain cash deposits and to comply with certain financial covenants. In addition, ICBC has also agreed to restructure the repayment schedule which fully relieves K&S from principal repayments in 2017. These waivers allow us to strengthen our cashflow position while K&S is ramping up its production.

We are also grateful to receive continuous support from the local government with various tax reliefs. During the first half of 2017, we are honoured to have Mr. Alexander Galushka, the Minister of the Development of the Russian Far East visiting K&S. In addition, we are proud to have collaborated with the government to initiate new mining education programmes to foster home-grown talents for the mining industry, bringing human capital resources to the Group and the local community.

THE SINO-RUSSIAN BRIDGE

The Sino-Russian Amur River Railway Bridge project is reported to be on schedule for operation in 2018. The Russian side of the bridge construction is in progress while the basic construction of Chinese side has been completed. The Bridge aims to encourage bilateral trade and is expected to further reduce K&S' unit cash cost by about US$5 per tonne when we transport our products to China. The infrastructure is expected to bring closer economic cooperation between the two countries which IRC may benefit from.

In addition, following the recent Chinese President's visit to Russia, Russian President Vladimir Putin and Chinese President Xi Jinping signed a joint statement on further deepening the bilateral comprehensive strategic partnership. With this strengthened Sino-Russian relationship and the Belt-And-Road initiatives, we believe commodities producers like IRC would benefit when the infrastructure projects and commodities demand pick up along the new "Silk Road". Given that the Far East of Russia is one of the strategic points for the Sino-Russia Economic Corridor, K&S is well-situated to enjoy this geographical advantage.

OUTLOOK FOR 2017 AND BEYOND

We are pleased to witness the transformation that IRC has gone through in the first half of 2017. K&S continues to generate positive cash flow and as the mine ramps up its production capacity, it is on track to make greater contributions to IRC. With the commodities market in an improved position, we hope to yield better earnings and strive for greater value generation.

Last but not least, we thank our team, shareholders and stakeholders for their continuous support.

George Jay Hambro
Chairman

Yury Makarov
Chief Executive Officer

RESULTS OF OPERATIONS

The following table summarises the consolidated results of the Group for the six months ended 30 June 2017 and 2016:

	For the six months ended 30 June		
	2017	2016	Variance
Key Operating Data			
Iron Ore Concentrate			
— Sales volume (tonnes)	**698,632**	219,352	>100%
— Average price (US$/tonne)	**72**	39	84.6%
Ilmenite			
— Sales volume (tonnes)	**–**	60,044	(100%)
— Average price (US$/tonne)	**–**	117	(100%)
Consolidated Income Statement (US$'000)			
Revenue			
Iron Ore Concentrate	**50,534**	8,637	>100%
Ilmenite	**–**	6,943	(100%)
Engineering Services	**628**	567	10.8%
Total Revenue	**51,162**	16,147	>100%
Site operating expenses and service costs	**(43,793)**	(22,877)	91.4%
Central administration expenses	**(5,038)**	(4,693)	7.4%
Impairment charges	**(4)**	(147)	(97.3%)
Share of results of a joint venture	**4**	147	(97.3%)
Net operating gain/(loss)	**2,331**	(11,423)	N/A
Other income, gains and (losses)	**1,723**	558	>100%
Financial expenses, net of financial income	**(13,753)**	(359)	>100%
Loss before taxation	**(9,699)**	(11,224)	(13.6%)
Income (tax expense)/tax credit	**(64)**	1,002	N/A
Loss after taxation	**(9,763)**	(10,222)	(4.5%)
Non-controlling interests	**41**	277	(85.2%)
Loss attributable to owners of the Company	**(9,722)**	(9,945)	(2.2%)
Underlying Results (US$'000)			
Loss attributable to owners of the Company, excluding impairment charges	**(9,718)**	(9,798)	(0.8%)

RESULTS OF OPERATIONS (CONTINUED...)

REVENUE

Iron ore concentrate

IRC's operating results improved significantly due to the positive contribution from K&S. The mine commenced its trial operation in 2016 and its operating results started being reflected in the Group's income statement since the beginning of 2017. Compared to last year, when the Group had no significant operation because the Kuranakh was moved to care and maintenance, the sales volume of iron ore increased significantly to 698,632 tonnes in 2017, a 218.5% increase compared to same period last year. As a result of improved commodities environment during the first half of 2017, the average achieved selling price of the iron ore concentrate also increased by 84.6% to US$72 per tonne (six months ended 30 June 2016 average selling price: US$39 per tonne). Also, while Kuranakh was producing c.62%Fe grading iron ore concentrate, K&S is producing 65%Fe grading iron ore concentrate which commends a price premium over the benchmark 62% ore. The selling price of K&S' product is based on the Platts 65%Fe index. As a result of the increased sales volume and selling price, the 2017 sales revenue of iron concentrate represents almost a six fold increase to US$50.5 million when comparing with 2016.

Ilmenite

There is no ilmenite sales during the first half of 2017 because K&S does not produce ilmenite. The sales of ilmenite from Kuranakh, before the mine was being moved to care and maintenance was US$6.9 million for the six months ended 30 June 2016.

Engineering Services

Revenue in the first half of 2017 of US$0.6 million from Giproruda, the small engineering services division of the Group remained stable when comparing with the same period in 2016.

SITE OPERATING EXPENSES AND SERVICE COSTS

Site Operating Expenses and Service Costs in 2017 mainly represent the mining and operating expenses incurred by the Group's current sole mine in production, the K&S operation; while the 2016 figures represent the cost and expenses of Kuranakh, the only mine in operation at that time. K&S commenced its trial operation in 2016 and IRC started recognising its operating results in the income statement since the beginning of 2017. This is different from the situation last year, when Kuranakh was being moved to care and maintenance in beginning of 2016 with decreasing sales volumes of iron ore and ilmenite. As a result, there is an increase in site operating expenses and service costs from US$22.9 million in 2016 to US$43.8 million in 2017 to match with the increased scale of operation. A breakdown of the expenses is set out in note 5a to the condensed consolidated financial statements on page 29.

RESULTS OF OPERATIONS (CONTINUED...)

In accordance with the general market practice and for presentation and analysis purposes, the table below classifies ilmenite sales in Kuranakh (no ilmenite production from K&S) 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:

	For the six months ended 30 June		
	2017		2016
	Total cash cost US$ million	Cash cost per tonne US$/t	Cash cost per tonne US$/t
Mining	**6.9**	**9.7**	5.4
Processing	**9.1**	**12.9**	12.3
Transportation to plant	**–**	**–**	3.8
Production overheads, site administration and related costs	**8.9**	**12.7**	14.4
Transportation to customers	**10.1**	**14.5**	17.8
Movements in inventories and finished goods	**1.2**	**1.7**	20.1
Contribution from sales of ilmenite* and others	**–**	**–**	(18.8)
Net cash cost	**36.2**	**51.5**	55.0

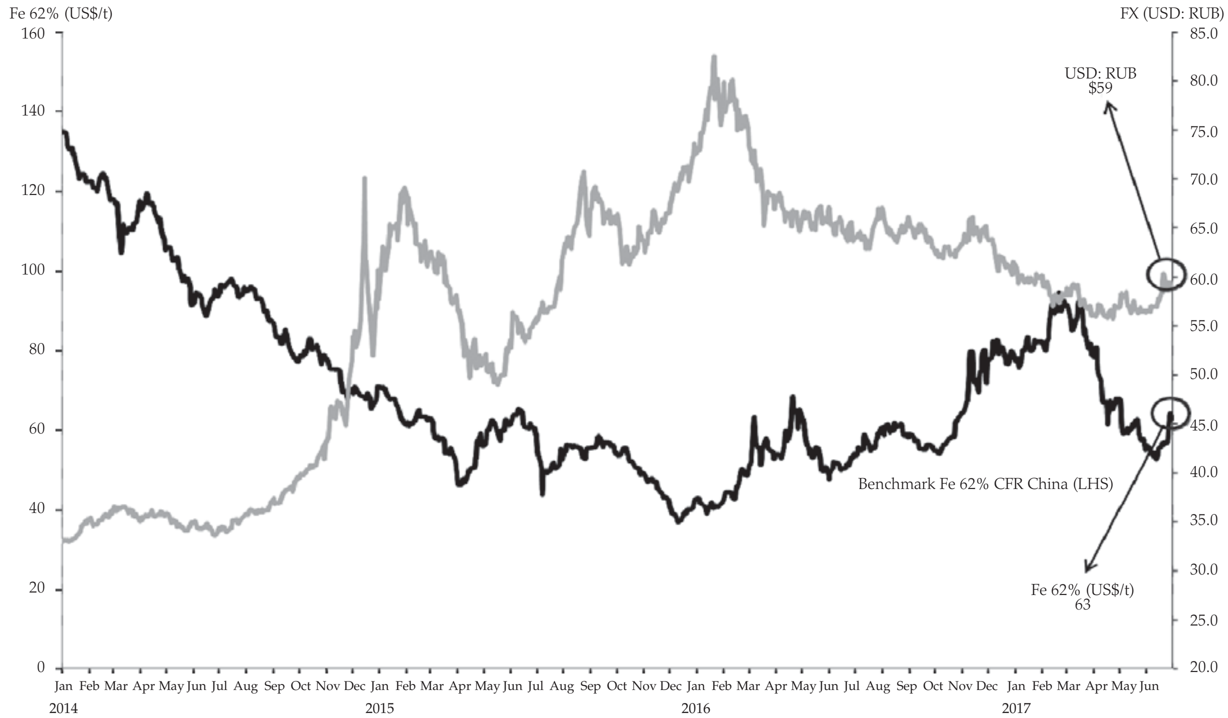
* net of tariff and other railway charges for ilmenite

The cash cost per tonne is lower than the same period last year despite K&S not yet producing at its full production capacity, an indication that K&S is a more efficient and lower-cost mine than Kuranakh. The cash cost of K&S is expected to be further reduced when K&S is producing at higher capacity due to economy of scale. In addition, the Group continues to implement stringent cost control measures with the aid of Russian Roubles devaluation. As widely reported in the press, the Russian Roubles depreciated significantly since December 2014 and the currency remained weak in the first half 2017. 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, would be reduced as Roubles depreciates.

RESULTS OF OPERATIONS (CONTINUED...)

The chart below shows how the depreciation of Rouble helps offsetting the effect of the reduction in iron ore prices:

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



SEGMENT INFORMATION

K&S generated an EBITDA of US$14 million and, after taking into account depreciation and the ongoing maintenance costs of Kuranakh, the "Mine in production" segment reported a gain of US$8.9 million in 2017. The Kuranakh operation continues to be under care and maintenance and has no production during the first half of 2017 (30 June 2016: "Mine in production" solely contributed by Kuranakh reported a segmental loss of US$3.1 million). The "Engineering" segment also recorded a reduction in loss to US$0.3 million, an improvement from the same period last year (30 June 2016: US$0.4 million).

CENTRAL ADMINISTRATION EXPENSES

Special attention continues to be paid to controlling administrative costs. The successful implementation of the cost savings initiatives continued to provide benefits, with the Group's 2017 central administration costs being at a similar level to that of the same period last year even though the scale of the Group's operation has increased.

IMPAIRMENT CHARGES

During the first half of 2017, an impairment of US$4,000 on the interest from joint venture was made (30 June 2016: US$147,000). Such impairment was made on a prudent basis in light of the fact that the continuing operation of the vanadium joint venture in the foreseeable future has yet to be ascertained.

SHARE OF RESULTS OF JOINT VENTURE

The vanadium joint venture, 46% owned by IRC, contributed a profit of US$4,000 (30 June 2016: profit of US$147,000) to IRC during the first half of 2017.

OTHER INCOME, OTHER GAINS AND LOSSES

The Other income and other gains of US$1.7 million mainly represents the gains in assets disposals and the income from equipment leases.

NET FINANCIAL EXPENSES

Net financial expenses of US$13.8 million, mainly represent the interest expenses of the ICBC project finance loan and other loan waiver fees and expenses, were booked. As IRC commenced the recognition of K&S' revenue since the beginning of 2017, the related financial expenses were reflected in the 2017 income statement instead of being capitalised as in 2016.

INCOME TAX (EXPENSE) CREDIT

The income tax expense of US$64,000 (30 June 2016 income tax credit: US$1.0 million) mainly represents the movements in deferred tax provisions.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

During the first half of 2017, IRC commenced the recognition of revenue from the mining operation of K&S which significantly improves the operating results of the Group. However, due to the accounting requirements to recognise K&S' depreciation and interest expenses in the 2017 income statement (while such expenses were capitalised and were not reflected in the 2016 income statement), the resulting 2017 net loss of US$9.7 million was comparable to that of 2016 of US$9.9 million.

UNDERLYING RESULTS OF THE GROUP

IRC's operating results are mainly derived from the mining operations. 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 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.

Despite the positive operating results of K&S, the Group's Underlying Loss, which excludes impairment charges, only reduces by 0.8% to US$9.7 million (30 June 2016: US$9.8 million). This is mainly due to the accounting requirements to recognise K&S' depreciation and interest expenses in the 2017 income statement as mentioned above.

RESULTS OF OPERATIONS (CONTINUED...)

CASH FLOW STATEMENT

The following table summaries the key cash flow items of the Group for the six months ended 30 June 2017 and 30 June 2016:

	For the six months ended 30 June	
US$'000	**2017**	2016
Net cash generated from operations	**18,657**	12,177
Interest paid	**(5,025)**	(5,233)
Capital expenditure	**(3,596)**	(6,080)
Repayment of borrowings	**(21,607)**	(31,800)
Loan guarantee fee and waiver fee paid	**(4,078)**	(1,126)
Other payments and adjustments, net	**(77)**	354
Net movement during the year	**(15,726)**	(31,708)
Cash and bank balances (including time and restricted deposits)		
— At 1 January	**33,319**	58,263
— At 30 June	**17,593**	26,555

The net cash generated from operations amounted to US$18.7 million (30 June 2016: US$12.2 million), mainly due to cash inflow from the K&S mine. Capital expenditure of US$3.6 million was spent mainly on the K&S mine while it is in the process of ramping up its production.

A net loan repayment of US$21.6 million mainly represents the repayment of the bridging loans that the Group drew at the end of 2016 to service the ICBC loan.

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 for 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 30 June 2017, 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.

Cash Position and Capital Expenditure

As at 30 June 2017, the carrying amount of the Group's cash, deposits and bank balances was approximately US$17.6 million (31 December 2016: US$33.3 million). The decrease in cash balance is mainly due to the repayment of the bridging loans as mentioned above.

Exploration, Development and Mining Production Activities

For the six months ended 30 June 2017, US$42.4 million (30 June 2016: US$26.5 million) was incurred on development and mining production activities. No exploration activity was carried out for the first half of 2017 and 2016. The following table details the capital and operating expenditures in the first half of 2017 and 2016:

	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
US$'m	**Operating expenses**	**Capital expenditure**	**Total**	Operating expenses	Capital expenditure	Total
Kuranakh	**1.7**	**–**	**1.7**	17.8	–	17.8
K&S development	**37.0**	**3.4**	**40.4**	2.6	6.0	8.6
Exploration projects and others	**0.1**	**0.2**	**0.3**	—	0.1	0.1
	38.8	**3.6**	**42.4**	20.4	6.1	26.5

The table below sets out the details of material new contracts and commitments entered into during 2017 on a by-project basis. The amount was relatively small, reflecting the fact that the K&S mine is close to completion.

		For the six months ended 30 June	
US$'m	**Nature**	**2017**	2016
Kuranakh	Mining	**–**	–
K&S	Purchase of property, plant and equipment	**1.2**	0.5
		1.2	0.5

RESULTS OF OPERATIONS (CONTINUED...)

Borrowings and Charges

As at 30 June 2017, the Group had gross borrowings of US$235.4 million (31 December 2016: US$257.0 million). All of the Group's borrowings were denominated in US dollars. US$1.6 million represents the Group's working capital loan and the rest represents the long term borrowing drawn from the 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 6.3% (30 June 2016: 6.1%) per annum. As of 30 June 2017, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, was 61.8% (31 December 2016: 61.1%).

In the first half of 2017, the debt service holiday agreed by ICBC became effective. ICBC has agreed to restructure the principal repayment schedule of K&S' project finance facility which fully relieves K&S from principal repayments of US$42.5 million in 2017. According to the agreement, the repayments under the Project Finance Facility are restructured as follows: (i) two repayment instalments, originally due for payment on 20 June 2017 and 20 December 2017 and in an aggregate amount of US$42.5 million have been waived; and (ii) in respect of the five subsequent repayment instalments under the Project Finance Facility, each repayment instalment has been increased by US$8.5 million to US$29.75 million, with the aggregate amount of the increase being equal to US$42.5 million. The restructuring of the repayments has been effective since 20 March 2017 and shall continue to be effective until 20 June 2020, subject to the on-going satisfaction of certain conditions.

Risk of Exchange Rate Fluctuation

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

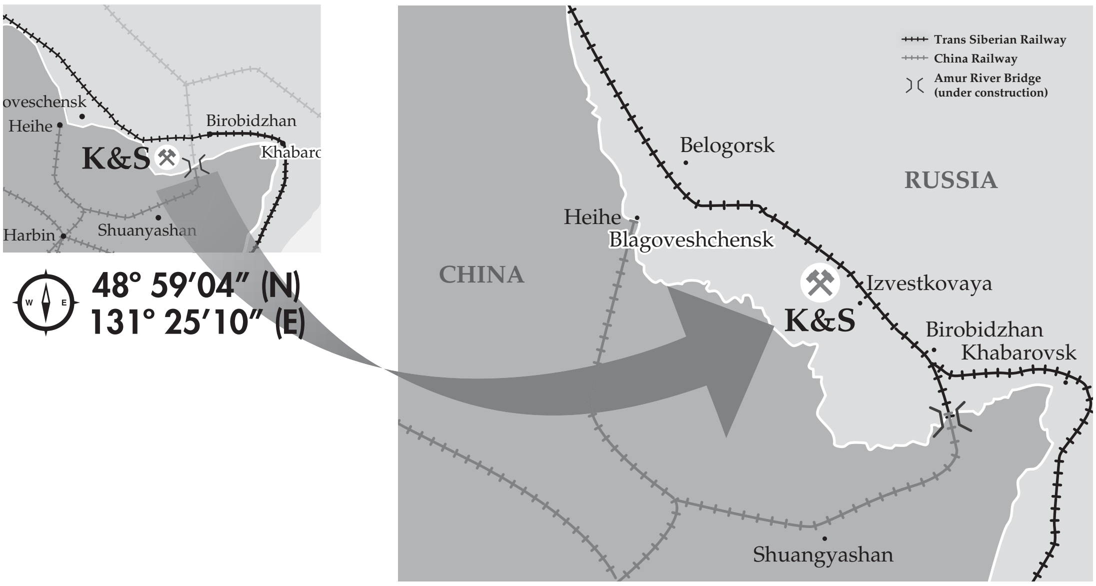
Employees and Emolument Policies

As at 30 June 2017, the Group employed approximately 1,535 employees (31 December 2016: 1,477 employees). The total staff costs excluding share based payments was US$10.9 million for the first half of 2017 (30 June 2016: US$8.7 million). The emolument policy of the Group is set up by the Remuneration Committee on the basis of the employees' merit, qualifications and competence with reference to market conditions and trends.

PROJECT REVIEW

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. The project consists of two principal deposits – Kimkan and Sutara. The K&S Phase One is to produce 3.2 million tonnes per annum of iron ore concentrate with 65% Fe grade. There is an option for a Phase Two expansion to a total of 6.3 million tonnes per annum. As an interim development between the two phases, IRC is assessing an option to upgrade the Phase One production facility to increase the production capacity to about 4.6 million tonnes per annum with a capital expenditure requirement of about US$50 million. The Phase One Processing Plant is being constructed by CNEEC and funded through a project finance facility provided by ICBC and equity.

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 reported to be commissioned in 2018, 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 RAMP-UP PROGRESS

During first half of 2017, K&S' ramp up progress was satisfactory. Continuous improvement in remedial work paid off with the plant managed to produce at more than 80% capacity during a loading test in June 2017. Although some additional issues were revealed, K&S team is planning to resolve them quickly. Despite more ramping-up tests needing to be conducted, K&S' Processing Plant was operating in a stable and continuous manner at a steady production capacity of about 50% in June 2017. With a well-experienced site team, IRC remains confident in resolving the outstanding issues and aims at operating the plant at close to full capacity by the end of 2017.

PRODUCTION

During the first half of 2017, 2,404,190 tonnes of ore was fed for primary processing and 1,619,262 tonnes of pre-concentrate was produced. Finally, 697,431 tonnes of iron ore concentrate was produced and 698,632 tonnes was sold.

SALES & MARKETING

As K&S is producing more concentrate, it has also successfully diversified its customer base and is currently selling to four different buyers on a continuous basis. These customers come from different countries and regions, including Russia and China. Diversification of customers allows the Group to commend a stronger bargaining power for better prices and sales terms. The Group's sales and marketing team is in discussion with other potential buyers to further broaden the customer base.

K&S UNIT CASH COST

In view of the fact that K&S has not yet reached full production capacity, the unit cash cost per tonne in the first half of 2017 amounting to US$52 per tonne has not yet reached its optimal level. Taking into account the potential Rouble depreciation to previous lows and the opening of the Amur River Bridge in 2018 which would reduce transportation costs, the Group considers that K&S' cash cost is expected to remain below US$40 per tonne when full scale operation at K&S is achieved.

SAFETY

The LTIFR is a measure of the number of lost-time injuries per one million hours worked. During the first half of the year, no injuries occurred at K&S operation and the LTIFR of K&S was zero (30 June 2016 K&S LTIFR: nil).

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 the first half of 2017, the mining contractor has re-commenced the mining works in the first quarter of 2017; and started to increase the mining scale during the second quarter of 2017. Currently, it is focusing to operate in full scale mining operation to catch up with the previous mining volumes lag. The process of drilling and blasting operations in the open pit, and then excavation and hauling operations have begun to replenish the ore stockpile that has been used for plant feeding. During the first half of 2017, a total of 2,115,800 tonnes of ore were mined.

AMUR RIVER BRIDGE/TONGJIANG BRIDGE

Amur River Bridge is a national project between China and Russia to build a railway bridge across the Amur River border between the two countries. The Amur River Bridge was hailed as one of the major projects between the two countries. These infrastructure projects including the Amur River Bridge are expected to bring closer economic cooperation which IRC may benefit from.

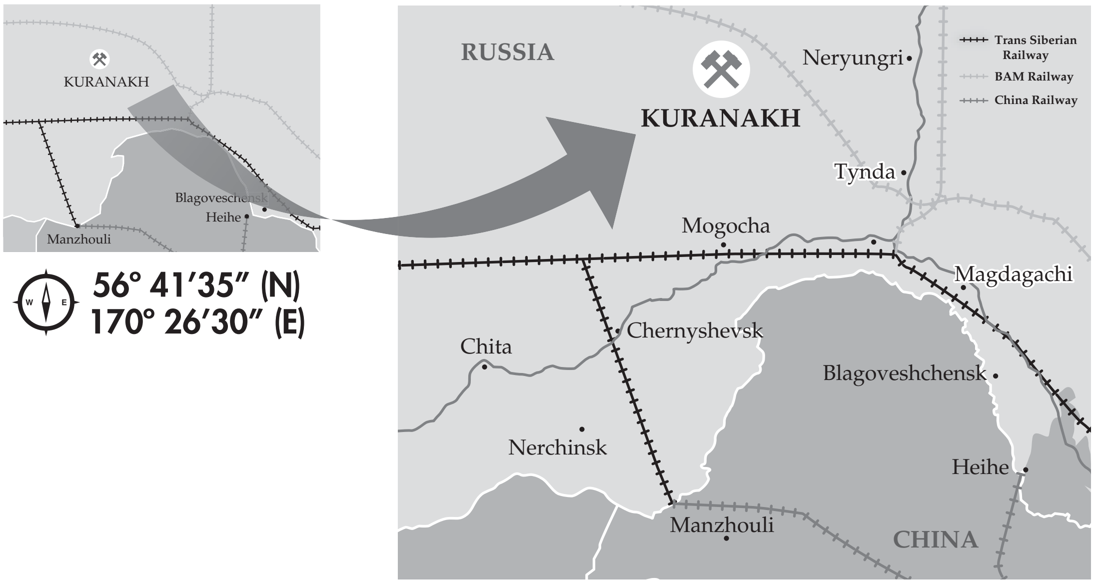
According to the public sources and government reports, the Chinese side of the bridge has been completed, while the Russian side of the construction is estimated to be completed in 2018.

The current distance from K&S operation to the Chinese border (Suifenhe) is approximately 1,000 kilometres. When the Amur River Bridge is completed, the distance and cost for K&S transport of products will be hugely reduced.

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. The bridge could halve the transport costs of K&S and further confirming IRC as one of the lowest cost iron ore projects in the world.

Kuranakh

100% owned



OVERVIEW

Kuranakh, 100% owned by IRC, was the Group's first mining operation and the first vertically integrated titano-magnetite operation in Russia, designed, built and managed by IRC. The mine was initiated in 2010 and was moved to care and maintenance since beginning of 2016 due to difficult operating environment in commodities market in previous years.

The Kuranakh Mine is located in the Amur Region of the Russian Far East, 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% TiO2 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

LTIFR is a measure of the number of lost-time injuries per one million hours worked. As the mine was moved into care and maintenance, there was no injuries and the LTIFR was zero during the first half of 2017 (30 June 2017 LTIFR: 5.1).

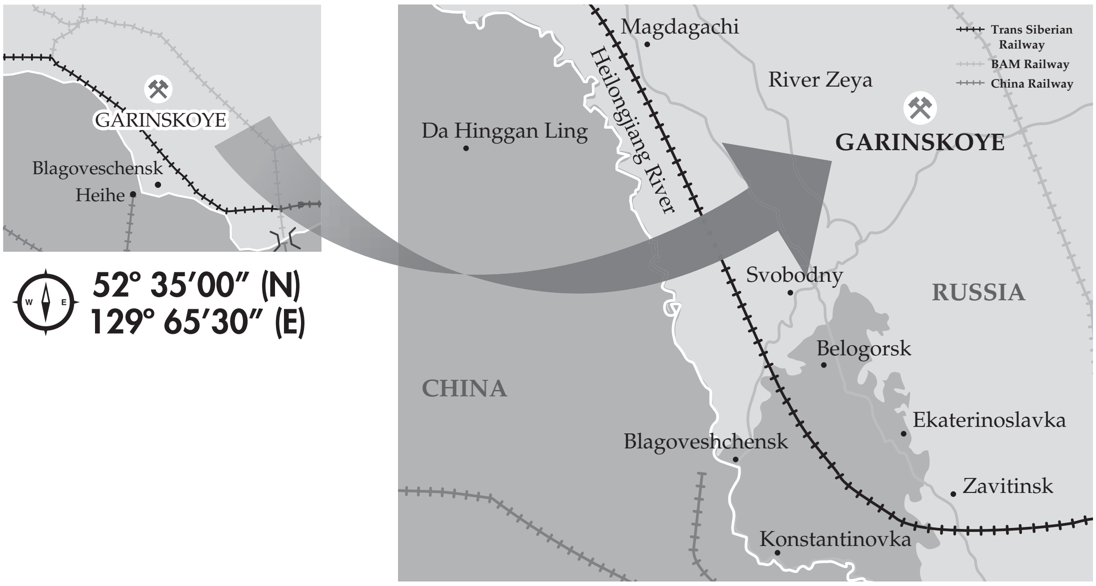
KURANAKH — CONTINUED TO BE IN CARE & MAINTENANCE

Kuranakh has been moved to care and maintenance since the beginning of 2016 due to difficult operating environment. Consequently, during the first half of 2017, there was no production or sales from Kuranakh operation. The only minimal costs recorded were for equipment maintenance and security. Nevertheless, in light of the improved commodities market, the management of IRC may consider the option of re-opening Kuranakh if the iron ore market upside prevails.

PROJECT REVIEW (CONTINUED...)

Garinskoye

99.6% owned



OVERVIEW

Garinskoye, 99.6% owned by IRC, is an advanced exploration project. 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

EXPLORATION PROJECTS & OTHERS

IRC's other exploration projects comprise an extensive portfolio that is diversified by geography, commodity and development stages. 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. Apart from exploration projects, IRC is also involved in complementary business of a steel slag reprocessing plant (SRP) and a mining consultancy services agency (Giproruda). Regarding SRP project, as its feedstock is dependent on the concentrate from Kuranakh, and as the latter was moved to care and maintenance during 2016, IRC has been seeking alternative sources of materials as the feedstock for the project. However, if Kuranakh is to be reopened in light of recent recovery of iron ore prices, it may once again resume providing feedstock to the SRP project. Below is a summary of the Group's current exploration projects portfolio:

Project	Products/Service	Location
Kostenginskoye (K&S Resource Base) (100% owned)	Iron ore concentrate	Jewish Autonomous Region, Russian Far East
Bolshoi Seym (100% owned)	Ilmenite	Amur Region, Russian Far East
SRP (46% owned)	Vanadium Pentoxide	Heilongjiang, China
Giproruda (70% owned)	Technical mining research and consultancy services	St. Petersburg, Russia

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of IRC Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 39, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2017

		Six months ended 30 June	
	NOTES	**2017 US$'000 (unaudited)**	2016 US$'000 (unaudited)
Revenue	3	**51,162**	16,147
Operating expenses	5	**(48,831)**	(27,570)
Impairment charges		**(4)**	(147)
		2,327	(11,570)
Share of results of a joint venture		**4**	147
		2,331	(11,423)
Other income, gains and losses		**1,723**	558
Financial income		**65**	276
Financial expenses	6	**(13,818)**	(635)
Loss before taxation		**(9,699)**	(11,224)
Income tax (expense) credit	7	**(64)**	1,002
Loss for the period		**(9,763)**	(10,222)
Loss for the period attributable to:			
Owners of the Company		**(9,722)**	(9,945)
Non-controlling interests		**(41)**	(277)
Loss for the period		**(9,763)**	(10,222)
Loss per share (US cents)	9		
Basic		**(0.14)**	(0.16)
Diluted		**(0.14)**	(0.16)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED...)

For the Six Months Ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the period	**(9,763)**	(10,222)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**355**	1,255
Total comprehensive expenses for the period	**(9,408)**	(8,967)
Total comprehensive expenses attributable to:		
Owners of the Company	**(9,405)**	(8,977)
Non-controlling interests	**(3)**	10
	(9,408)	(8,967)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	**As at 30 June 2017 US$'000 (unaudited)**	As at 31 December 2016 US$'000 (audited)
NON-CURRENT ASSETS			
Exploration and evaluation assets		**19,020**	18,856
Property, plant and equipment	10	**332,965**	333,690
Interest in joint venture		**—**	—
Other non-current assets		**175**	76
Restricted bank deposit		**1,977**	1,977
Valued-added tax recoverable		**2,107**	2,720
		356,244	357,319
CURRENT ASSETS			
Inventories		**19,303**	20,371
Trade and other receivables	11	**22,480**	23,813
Bank balances		**15,616**	31,342
		57,399	75,526
TOTAL ASSETS		**413,643**	432,845
CURRENT LIABILITIES			
Trade and other payables	12	**(31,526)**	(21,471)
Financial liabilities carried at fair value		**(5)**	—
Income tax payable		**(342)**	(346)
Borrowings – due within one year	13	**(31,387)**	(65,744)
		(63,260)	(87,561)
NET CURRENT LIABILITIES		**(5,861)**	(12,035)
TOTAL ASSETS LESS CURRENT LIABILITIES		**350,383**	345,284
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(6,562)**	(6,486)
Provision for close down and restoration costs		**(10,776)**	(10,115)
Construction costs payable		**(14,516)**	(17,830)
Borrowings – due more than one year	13	**(191,496)**	(177,239)
		(223,350)	(211,670)
TOTAL LIABILITIES		**(286,610)**	(299,231)
NET ASSETS		**127,033**	133,614

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED...)

At 30 June 2017

	NOTES	**As at 30 June 2017 US$'000 (unaudited)**	As at 31 December 2016 US$'000 (audited)
CAPITAL AND RESERVES			
Share capital	14	**1,285,158**	1,285,158
Capital reserve		**17,984**	17,984
Reserves		**12,824**	9,680
Accumulated losses		**(1,188,863)**	(1,179,141)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**127,103**	133,681
NON-CONTROLLING INTERESTS		**(70)**	(67)
TOTAL EQUITY		**127,033**	133,614

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2017

	Total attributable to owners of the Company									
	Share capital US$'000	Capital reserve[(a)] US$'000	Treasury shares US$'000	Accumulated losses US$'000	Share-based payment reserve US$'000	Translation reserve US$'000	Other reserves[(b)] US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2016 (audited)	1,260,665	17,984	–	(1,160,915)	11,545	(23,400)	13,822	119,701	1,475	121,176
Loss for the period	–	–	–	(9,945)	–	–	–	(9,945)	(277)	(10,222)
Other comprehensive expenses for the period										
Exchange differences on translation of foreign operations	–	–	–	–	–	968	–	968	287	1,255
Total comprehensive expenses for the period	–	–	–	(9,945)	–	968	–	(8,977)	10	(8,967)
Share-based payments	–	–	–	–	560	–	–	560	–	560
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(195)	(195)
Deemed contribution from a shareholder	–	–	–	–	–	–	2,270	2,270	–	2,270
Balance at 30 June 2016 (unaudited)	1,260,665	17,984	–	(1,170,860)	12,105	(22,432)	16,092	113,554	1,290	114,844
Balance at 1 January 2017 (audited)	1,285,158	17,984	–	(1,179,141)	12,675	(22,199)	19,204	133,681	(67)	133,614
Loss for the period	–	–	–	(9,722)	–	–	–	(9,722)	(41)	(9,763)
Other comprehensive expenses for the period										
Exchange differences on translation of foreign operations	–	–	–	–	–	317	–	317	38	355
Total comprehensive expenses for the period	–	–	–	(9,722)	–	317	–	(9,405)	(3)	(9,408)
Share-based payments	–	–	–	–	560	–	–	560	–	560
Deemed contribution from a shareholder	–	–	–	–	–	–	2,267	2,267	–	2,267
Balance at 30 June 2017 (unaudited)	1,285,158	17,984	–	(1,188,863)	13,235	(21,882)	21,471	127,103	(70)	127,033

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

(b) The amounts 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, 2) transfer of share-based payment 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, 3) deemed contribution from General Nice Development Limited ("General Nice"), a shareholder of the Company, for accrued interests on outstanding capital contribution (note 14), and 4) direct expenses in relation to the right to subscribe for shares of the Company granted to Tiger Capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net cash generated from operations	**18,657**	12,177
Interest expenses paid	**(5,025)**	(5,233)
Income tax paid	**(3)**	(75)
NET CASH FROM OPERATING ACTIVITIES	**13,629**	6,869
INVESTING ACTIVITIES		
Restricted bank deposit placed	**–**	(26,131)
Restricted bank deposit withdrawn	**–**	26,273
Purchases of property, plant and equipment and exploration and evaluation assets	**(3,596)**	(6,080)
Time deposits placed	**–**	(2,990)
Time deposits withdrawn	**–**	7,150
Proceeds on disposal of property, plant and equipment	**–**	1,193
Interest received	**65**	276
NET CASH USED IN INVESTING ACTIVITIES	**(3,531)**	(309)
FINANCING ACTIVITIES		
Repayment of borrowings	**(42,166)**	(35,595)
Proceeds from bank borrowings	**20,559**	3,795
Loan guarantee fee and waiver fee paid	**(4,078)**	(1,126)
Dividends paid to non-controlling interests	**–**	(195)
NET CASH USED IN FINANCING ACTIVITIES	**(25,685)**	(33,121)
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**(15,587)**	(26,561)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**31,342**	49,184
Effect of foreign exchange rate changes	**(139)**	(845)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, represent by bank balances	**15,616**	21,778

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 December 2016 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

In preparing these condensed 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 period, the Group's current liabilities exceeding its current assets by United States Dollars ("US$") 5,861,000 as at 30 June 2017, the Group's outstanding bank borrowings and related interest due for repayment in the coming twelve months and the Group's capital and other commitments as at 30 June 2017, against the expected future net cash inflows, cash and cash equivalents and the credit facilities available to the Group.

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

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

(ii) In April 2016, the Group obtained waivers from Industrial and Commercial Bank of China ("ICBC") in respect of the ICBC Facility Agreement (as defined in note 13), including obligations to maintain certain cash deposits with ICBC and obligations of the Group and its guarantor, Petropavlovsk PLC, to comply with certain financial covenants, subject to the fulfillment of certain conditions precedent which were satisfied on 21 June 2016;

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

1. BASIS OF PREPARATION (CONTINUED)

(iv) With the commencement of commercial production of the K&S Project in January 2017, it is expected that the project will continue to contribute positively to the Group's cash flows from the start of its commercial operation as all material capital expenditure for mining, processing and production of the Kimkan deposit has been incurred. The Group is anticipating full commercial production of the K&S Project in the first quarter of 2018;

(v) On 27 February 2017, the Group obtained waiver from ICBC in respect of the ICBC Facility Agreement (as defined in note 13) to restructure and reschedule two repayment instalments which are originally due for payment on 20 June 2017 and 20 December 2017 in an aggregate amount of US$42,500,000 evenly into five subsequent semi-annual repayment instalments as such each of the repayment instalment due on 20 June 2018, 20 December 2018, 20 June 2019, 20 December 2019 and 20 June 2020, respectively, is increased by US$8,500,000 to an amount equal to US$29,750,000. The restructuring of the repayments was subject to the fulfillment of certain conditions precedent which were satisfied in March 2017. Details of this waiver notice are set out in note 13;

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

(vii) The substantial volatility in the iron ore price may continue to have an impact on the Group as the Group's financial position is materially dependent on the price at which it can sell its iron ore production.

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

However, if the Group were unable to successfully implement the measures described above or the market conditions turn out to be significantly less favourable to the Group than predicted, the Group may not have sufficient working capital to finance its operations and its financial liquidity may be adversely impacted. The Group would need to carry out contingency plans including entering into negotiations with banks or other investors for additional debt or equity financing.

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. Accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014–2016 Cycle

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

Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. REVENUE

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

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(unaudited)	(unaudited)
Revenue		
Sale of iron ore concentrate	**50,534**	8,637
Sale of ilmenite	**—**	6,943
Engineering services	**628**	567
	51,162	16,147

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2017

4. SEGMENT INFORMATION

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

Six months ended 30 June 2017 (unaudited)

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	50,534	–	628	–	51,162
Segment revenue	50,534	–	628	–	51,162
Site operating expenses and service costs	(42,605)	(269)	(913)	(6)	(43,793)
Site operating expenses and service costs include:					
Depreciation and amortisation (see note 5(a))	(3,905)	(158)	(77)	–	(4,140)
Other income	1,020	–	–	–	1,020
Impairment charges	–	–	–	(4)	(4)
Share of results of a joint venture	–	–	–	4	4
Segment gains (losses)	8,949	(269)	(285)	(6)	8,389
General administrative expenses					(5,019)
General depreciation					(19)
Other income, gains and losses					703
Financial income					65
Financial expenses					(13,818)
Loss before taxation					(9,699)

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2016 (unaudited)

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	15,580	—	567	—	16,147
Segment revenue	15,580	—	567	—	16,147
Site operating expenses and service costs	(18,707)	(3,155)	(1,008)	(7)	(22,877)
Site operating expenses and service costs include:					
Depreciation and amortisation (see note 5(a))	—	(3,891)	(75)	—	(3,966)
Impairment charges	—	—	—	(147)	(147)
Share of results of a joint venture	—	—	—	147	147
Segment loss	(3,127)	(3,155)	(441)	(7)	(6,730)
General administrative expenses					(4,668)
General depreciation					(25)
Other income, gains and losses					558
Financial income					276
Financial expenses					(635)
Loss before taxation					(11,224)

5. OPERATING EXPENSES

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(unaudited)	(unaudited)
Site operating expenses and service costs[a]	**43,793**	22,877
Central administrative expenses[b]	**5,038**	4,693
	48,831	27,570

(a) Site operating expenses and service costs

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(unaudited)	(unaudited)
Railway tariff	**10,064**	7,059
Staff costs	**8,199**	6,252
Subcontracted mining costs and engineering services	**7,367**	1,100
Depreciation	**4,140**	3,966
Materials	**3,789**	2,714
Electricity	**3,729**	312
Property tax	**3,096**	966
Movement in finished goods and work in progress	**1,119**	5,602
Fuel	**728**	1,392
Professional fees	**398**	32
Office costs	**203**	178
Office rent	**153**	158
Insurance	**82**	12
Bank charges	**50**	60
Business travel expenses	**22**	25
Royalties	**7**	47
Allowance for bad debts	**—**	201
Inventory (recovery) written down	**(19)**	258
Mine development costs capitalised in property, plant and equipment	**(1,367)**	(8,592)
Other expense	**2,033**	1,135
	43,793	22,877

5. OPERATING EXPENSES (CONTINUED)

(b) Central Administrative Expenses

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(unaudited)	(unaudited)
Staff costs	**2,669**	2,442
Professional fees*	**928**	797
Share-based payments	**560**	560
Office rent	**232**	211
Business travel expenses	**192**	201
Office costs	**168**	187
Insurance	**103**	79
Bank charges	**79**	44
Depreciation	**19**	25
Other expenses	**88**	147
	5,038	4,693

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

6. FINANCIAL EXPENSES

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**10,715**	7,742
Less: interest expenses capitalised to property, plant and equipment	**—**	(7,456)
	10,715	286
Waiver fee in connection with restructuring of repayments of bank borrowings	**2,000**	—
Unwinding of discount on environmental obligation and long-term construction costs payable	**1,103**	349
	13,818	635

7. INCOME TAX (EXPENSE) CREDIT

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(unaudited)	(unaudited)
Russia Corporate tax expense	**(7)**	(14)
Deferred tax (expense) credit	**(57)**	1,016
	(64)	1,002

Russia Corporate tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2017 and 2016.

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

No Hong Kong Profits tax, United Kingdom Corporate tax, the People's Republic of China Enterprise Income tax and Cyprus Corporate Tax was provided for as the Group had no assessable profit arising in or derived from, these jurisdictions for the six months ended 30 June 2017 and 2016.

8. DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during both the six months ended 30 June 2017 and 2016.

9. LOSS PER SHARE

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

Loss

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per ordinary share being loss for the period attributable to owners of the Company	**(9,722)**	(9,945)

Number of shares

	Six months ended 30 June	
	2017	2016
	Number	Number
	'000	'000
Number of ordinary shares for the purposes of basic and diluted loss per ordinary share	**7,093,386**	6,155,886

The computation of diluted loss per share for both periods ended 30 June 2017 and 2016 does not (i) take into account of the Company's outstanding shares awarded under the Group's Long-term Incentive Plan ("LTIP") since assuming their issuance would result in a decrease in loss per share, and does not (ii) assume the exercise of share options granted by the Group because the exercise price of those options was higher than the average market price for the Group shares.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately US$3.6 million (for the six months ended 30 June 2016: US$6.1 million) on the mine development and acquisition of property, plant and equipment.

The depreciation charge incurred for the six months ended 30 June 2017 is approximately US$4,159,000 (for the six months ended 30 June 2016: US$3,991,000).

At 30 June 2017, the Group did not have any material contractual commitments for the acquisition of property, plant and equipment (31 December 2016: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2017

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 US$'000 (unaudited)	As at 31 December 2016 US$'000 (audited)
Valued-added tax recoverable	**6,136**	3,750
Advances to suppliers	**1,629**	1,203
Amounts due from customers under engineering contracts	**173**	358
Trade receivables	**2,188**	4,276
Other debtors	**12,354**	14,226
	22,480	23,813

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

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

	As at 30 June 2017 US$'000 (unaudited)	As at 31 December 2016 US$'000 (audited)
Less than one month	**1,835**	4,057
One month to three months	**343**	176
Over three months to six months	**1**	11
Over six months	**9**	32
Total	**2,188**	4,276

The Group allows credit periods ranging from 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.

12. TRADE AND OTHER PAYABLES

	As at 30 June 2017 US$'000 (unaudited)	As at 31 December 2016 US$'000 (audited)
Trade payables	**4,479**	1,675
Advances from customers	**128**	349
Accruals and other payables	**26,919**	19,447
	31,526	21,471

For related party and individual third party trade creditors, the average credit period on purchase of goods and services for the period was 39 days (31 December 2016: 30 days).

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

	As at 30 June 2017 US$'000 (unaudited)	As at 31 December 2016 US$'000 (audited)
Less than one month	**2,714**	1,571
One month to three months	**1,569**	53
Over three months to six months	**83**	33
Over six months	**113**	18
Total	**4,479**	1,675

13. BORROWINGS

	As at 30 June 2017 US$'000 (unaudited)	As at 31 December 2016 US$'000 (audited)
Bank loans		
ICBC	**221,246**	219,739
Sberbank of Russia PJSC	**1,637**	1,430
	222,883	221,169
Other loans		
Polisko LLC	**–**	12,466
Uzhuralzoloto Group of Companies JSC ("Uzhuralzoloto JSC")	**–**	9,348
	–	21,814
Total	**222,883**	242,983
Secured	**222,883**	230,517
Unsecured	**–**	12,466
	222,883	242,983
Borrowings repayable:		
Within one year	**31,387**	65,744
More than one year, but not exceeding two years	**55,853**	39,387
More than two years, but not exceeding five years	**55,853**	118,160
More than five years	**79,790**	19,692
Total	**222,883**	242,983

Bank loan from ICBC

As disclosed in the Company's 2016 annual report, the Group entered into a project finance facility agreement with ICBC (the "ICBC Facility Agreement") on 13 December 2010 pursuant to which ICBC would lend US$340,000,000 to LLC KS GOK to be used to fund the construction of the Group's mining operations at K&S Project in time for the start of major construction works in early 2011. The whole facility amount was originally repayable semi-annually in 16 instalments of US$21,250,000 each, starting from December 2014 and would be fully repayable by June 2022. On 27 February 2017, ICBC agreed to restructure two repayment instalments originally due for payment on 20 June 2017 and 20 December 2017 in an aggregate amount of US$42,500,000 evenly into five subsequent semi-annual repayment instalments. As a result, each of the repayment instalments due on 20 June 2018, 20 December 2018, 20 June 2019, 20 December 2019 and 20 June 2020 increased by US$8,500,000 to an amount equal to US$29,750,000.

13. BORROWINGS (CONTINUED)

Bank loan from ICBC (Continued)

The loan is carried at amortised cost and is interest bearing at an effective interest rate of 6.3% (2016: 6.13%) per annum. The outstanding loan principal was US$233,750,000 as at 30 June 2017 and 31 December 2016.

As at 30 June 2017 and 31 December 2016, the Group had no undrawn finance facility available under the ICBC Facility Agreement.

Details of the guarantee granted by Petropavlovsk PLC in relation to the ICBC Facility Agreement are set out in note 15.

Bank loan from Sberbank of Russia PJSC ("Sberbank")

For the period ended 30 June 2017, the Group drew down US$20,559,000 from this facility and US$20,352,000 was repaid during the period.

As at 30 June 2017, the Group had a US$8,363,000 undrawn loan facility with Sberbank.

As at 30 June 2017, the loan was secured against a helicopter owned by LLC GMMC, a subsidiary of the Group.

Loan from Polisko LLC and Uzhuralzoloto

The loans from Polisko LLC and Uzhuralzoloto were fully repaid in January 2017.

14. SHARE CAPITAL

There were no movements in the issued share capital of the Company during the six months ended 30 June 2017 and 2016. Details of the share capital of the Company at 30 June 2017 and 31 December 2016 are as follows:

	Number of shares	Share capital US$'000
Issued and fully paid		
At 1 January 2016 and 30 June 2016	6,155,886,381	1,260,665
Issue of new ordinary shares	937,500,000	24,589
Transaction costs attributable to issue of new ordinary shares	—	(96)
At 31 December 2016 and 30 June 2017	7,093,386,381	1,285,158

As disclosed in the Company's 2016 annual report, General Nice did not complete the subscription in accordance with the agreed timeline. The subscription from Minmetals Cheerglory Limited ("Minmetals") will be subject to further agreement between the parties; no subscription was made by Minmetals up to 30 June 2017.

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

At 30 June 2017, the option shares granted to Tiger Capital Fund in December 2016 remained outstanding. No option shares granted were exercised or lapsed during the six months ended 30 June 2017.

15. RELATED PARTY DISCLOSURES

During the six months ended 30 June 2017, the Group entered into the following transactions with related parties:

Related parties

Petropavlovsk PLC, which is a substantial shareholder of the Company, and its subsidiaries are considered to be related parties. Dr. Pavel Maslovskiy, a shareholder of Petropavlovsk PLC, is a close family member of Yury Makarov, a director of the Company.

Asian Pacific Bank ceased to be a related party on 22 June 2017 as Mr. Peter Hambro, who held interests and had significant influence on the Asian Pacific Bank, retired from the Board of Directors of Petropavlovsk PLC on 22 June 2017.

As disclosed below, Petropavlovsk PLC, the Company and LLC KS GOK have entered into an agreement setting out the terms on which Petropavlovsk PLC provides the guarantee.

Trading transactions

Related party transactions the Group entered into that related to the day-to-day operation of the business are set out below.

	Services provided[(a)] Six months ended 30 June		Services received[(b)] Six months ended 30 June	
	2017 US$'000 (unaudited)	2016 US$'000 (unaudited)	**2017 US$'000 (unaudited)**	2016 US$'000 (unaudited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**—**	—	**2,060**	2,417
LLC NPGF Regis	**7**	6	**—**	—
CJSC Albynsky Rudnik	**274**	188	**—**	—
CJSC Pokrovsky Rudnik	**1,042**	586	**—**	—
MC Petropavlovsk	**182**	130	**43**	23
LLC Gidrometallurgia	**55**	45	**—**	—
LLC Helios	**—**	—	**—**	1

	Interest on outstanding capital contribution[(c)] Six months ended 30 June	
	2017 US$'000 (unaudited)	2016 US$'000 (unaudited)
Transaction with other related party		
General Nice	**2,267**	2,270

15. RELATED PARTY DISCLOSURES (CONTINUED)

Related parties (Continued)

Trading transactions (Continued)

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

(b) Amounts represent fee paid/payable to related parties for receipt of financial guarantee, administrative support and helicopter services.

As disclosed in the Company's 2016 annual report, a fee equal to 1.75% on the outstanding loan amount under the ICBC Facility Agreement should be paid to Petropavlovsk PLC when Petropavlovsk PLC ceased to be the parent company of the Company. During the six months ended 30 June 2017, amount of US$2,045,000 has been charged to the Group for the provision of the guarantee by Petropavlovsk PLC (for the six months ended 30 June 2016: US$2,394,000).

(c) Amount represents interest charged on outstanding capital contribution and is recognised as a deemed capital contribution.

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

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

	Amounts owed by related parties[a]		Amounts owed to related parties[b]	
	As at 30 June 2017 US$'000 (unaudited)	As at 31 December 2016 US$'000 (audited)	**As at 30 June 2017 US$'000 (unaudited)**	As at 31 December 2016 US$'000 (audited)
Petropavlovsk PLC and its subsidiaries				
Peter Hambro Mining Treasury UK Limited	**—**	—	**—**	12,466[c]
Petropavlovsk PLC	**—**	—	**5,477**	3,416
OJSC Irgiredmet	**—**	—	**2**	2
LLC NPGF Regis	**9**	50	**102**	99
CJSC Pokrovsky Rudnik	**1,616**	806	**—**	—
CJSC Albynsky Rudnik	**—**	702	**—**	—
MC Petropavlovsk	**—**	144	**1,953**	1,886
LLC Gidrometallurgia	**1**	2	**—**	—
Outstanding balances with other related party				
General Nice	**9,882**	8,480	**—**	—
	11,508	10,184	**7,534**	17,869

15. RELATED PARTY DISCLOSURES (CONTINUED)

Related parties (Continued)

Trading transactions (Continued)

(a) The amounts are recorded in other receivables, which are unsecured, non-interest bearing and repayable on agreed terms within twelve months from the end of the reporting period.

(b) Other than the outstanding loan balance of US$12,466,000 due to Peter Hambro Mining Treasury UK Limited as described in note (c) below, the amounts are recorded in other payables, which are unsecured, non-interest bearing and repayable on agreed terms within twelve months from the end of the reporting period.

(c) The amount represented a loan from Peter Hambro Mining Treasury UK Limited of US$12,466,000 through Polisko LLC in December 2016. This balance was repaid in January 2017.

Key Management Compensation

The remuneration of directors, which represents members of key management, during the period was as follows:

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**921**	896
Post-employment benefits	**50**	53
Share-based payments	**214**	214
	1,185	1,163

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' INTERESTS

As at 30 June 2017, 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 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, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares of the Company

Name of director	Nature of interest	Number of shares in the Company	Percentage of issued shares in the Company as at 30 June 2017
George Jay Hambro	Interest of a controlled corporation*	445,866	0.01%
	Beneficial interest**	34,286,539	0.48%
	Contingent beneficial interest***	30,822,425	0.43%^
Yury Makarov	Beneficial interest	30,911,505	0.44%
	Contingent beneficial interest***	30,822,425	0.43%^
Raymond Kar Tung Woo	Beneficial interest	7,435,360	0.10%
Danila Kotlyarov	Contingent beneficial interest***	30,822,425	0.43%^
Cai Sui Xin^^	Interest of a controlled corporation	1,516,226,000^^^	21.38%
Cheng Chi Kin	Contingent beneficial interest****	60,000,000	0.85%^

* These shares are beneficially owned by a company 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 director.

*** 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 55 of the 2016 Annual Report of the Company under the heading "Long-term incentive arrangements".

**** The interest relates to the share options granted by the Company on 30 December 2016. Details of the share options are set out on page 135 of the 2016 Annual Report of the Company under the heading "Share Capital".

^ These percentages are calculated on the basis of 7,093,386,381 Shares in issue as at 30 June 2017.

^^ These shares are beneficially owned by General Nice Development Limited ("GND") and Mr Cai Sui Xin 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 Cai Sui Xin also directly holds 5% equity interest in GND.

^^^ Based on the Company's understanding, the number of Shares which are held by GND as at 30 June 2017 was 981,900,000 Shares (representing approximately 13.84% of the total issued shares of the Company as at 30 June 2017).

Long positions in shares of an associated corporation

Name of director	Nature of interest	Number of shares in Petropavlovsk PLC ("Petropavlovsk")	Percentage of issued shares in Petropavlovsk as at 30 June 2017
Yury Makarov	Beneficial interest	75,278	0.00%

Petropavlovsk PLC ("Petropavlovsk"), through its wholly-owned subsidiary Cayiron Limited, is a substantial shareholder of the Company, and accordingly an associated corporation of the Company. Yury Makarov is the stepson of Dr Pavel Maslovskiy, the Chief Executive Officer and a director of Petropavlovsk as of 30 June 2017. Dr Pavel Maslovskiy resigned as the Chief Executive Officer and a director of Petropavlovsk on 17 July 2017.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2017.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to any Director or chief executive of the Company, as at 30 June 2017, 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 director	Capacity	Number of shares in the Company	Percentage of issued shares in the Company as at 30 June 2017
Petropavlovsk PLC	Interest of a controlled corporation	2,205,900,000	31.10%
Cayiron Limited*	Beneficial interest	2,205,900,000*	31.10%
Ming Chi Tsoi**	Interest of a controlled corporation	1,516,226,000^	21.38%
General Nice Group Holdings Limited***	Interest of a controlled corporation	1,516,226,000^	21.38%
General Nice Development Limited	Beneficial interest	1,516,226,000^	21.38%
A Plus Capital Management Limited^^	Interest of a controlled corporation	937,500,000	13.22%
Tiger Capital Fund SPC – Tiger Global SP	Beneficial interest	937,500,000	13.22%
Full House Asset Management Company Limited^^^	Fund manager	937,500,000	13.22%

* Cayiron Limited is a wholly owned subsidiary of Petropavlovsk PLC. All 2,205,900,000 shares were pledged. Please refer to the section "Guarantee" on page 72 of the 2016 Annual Report for details.

** These shares are beneficially owned by General Nice Development Limited ("GND") and 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.

^ Based on the Company's understanding, the number of Shares which are held by GND as at 30 June 2017 was 981,900,000 Shares (representing approximately 13.84% of the total issued shares of the Company as at 30 June 2017).

^^ A Plus Capital Management Limited is the beneficial owner of Tiger Capital Fund SPC – Tiger Global SP.

^^^ Full House Asset Management Company Limited is the investment advisor of Tiger Capital Fund SPC – Tiger Global SP.

Save as disclosed above and those disclosed under the section headed "Directors' Interests", the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at 30 June 2017.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 30 June 2017, the Company had not been notified of any short positions being held by any substantial shareholder in shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Management and Board of IRC are committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Detailed disclosure of the Company's corporate governance policies and practices is available in the 2016 Annual Report.

During the six months ended 30 June 2017, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except for: a) the Non-Executive Director Mr Cai Sui Xin was unable to attend the annual general meeting of the Company held on 20 June 2017 as provided for in code provision A.6.7 as he had overseas engagements; and b) although the Company has set up an internal audit function as provided for in code provision C.2.5, the Company has not yet carried out an internal audit as Kuranakh is under care and maintenance and the production levels of K&S up to 30 June 2017 were not sufficient to justify the expense and management time required to complete such an internal audit. The Company confirms that it will carry out internal audits after K&S ramps up its production capacity in the second half of 2017.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code during the period and they have confirmed their full compliance with the required standard set out in the Model Code. The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

Petropavlovsk and General Nice are connected parties of the Group and transactions with these entities during the six months ended 30 June 2017 are set out in note 15 to the condensed consolidated financial statements.

The 2017 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

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.

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

GLOSSARY (CONTINUED...)

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
Tiger Capital	Tiger Capital Fund SPC – Tiger Global SP, an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands participating in Tiger Global SP, a segregated portfolio of Tiger Capital Fund SPC
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 wet metric tonne (1,000 kg)
US Dollar or US$	United States Dollar

GLOSSARY (CONTINUED...)

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 wet 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.

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 first half of 2017 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.

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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 (B. Ng as Alternate Director)
C.K. Cheng

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

2017 & Our Future	K&S	Commercial production (Phase I) Doubling production (Phase II)
	Garinskoye	Production
2016	IRC	Tiger Capital shares subscription
	K&S	Trial production commenced and ramp-up First iron ore concentrate production Final hot commissioning and testing
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

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