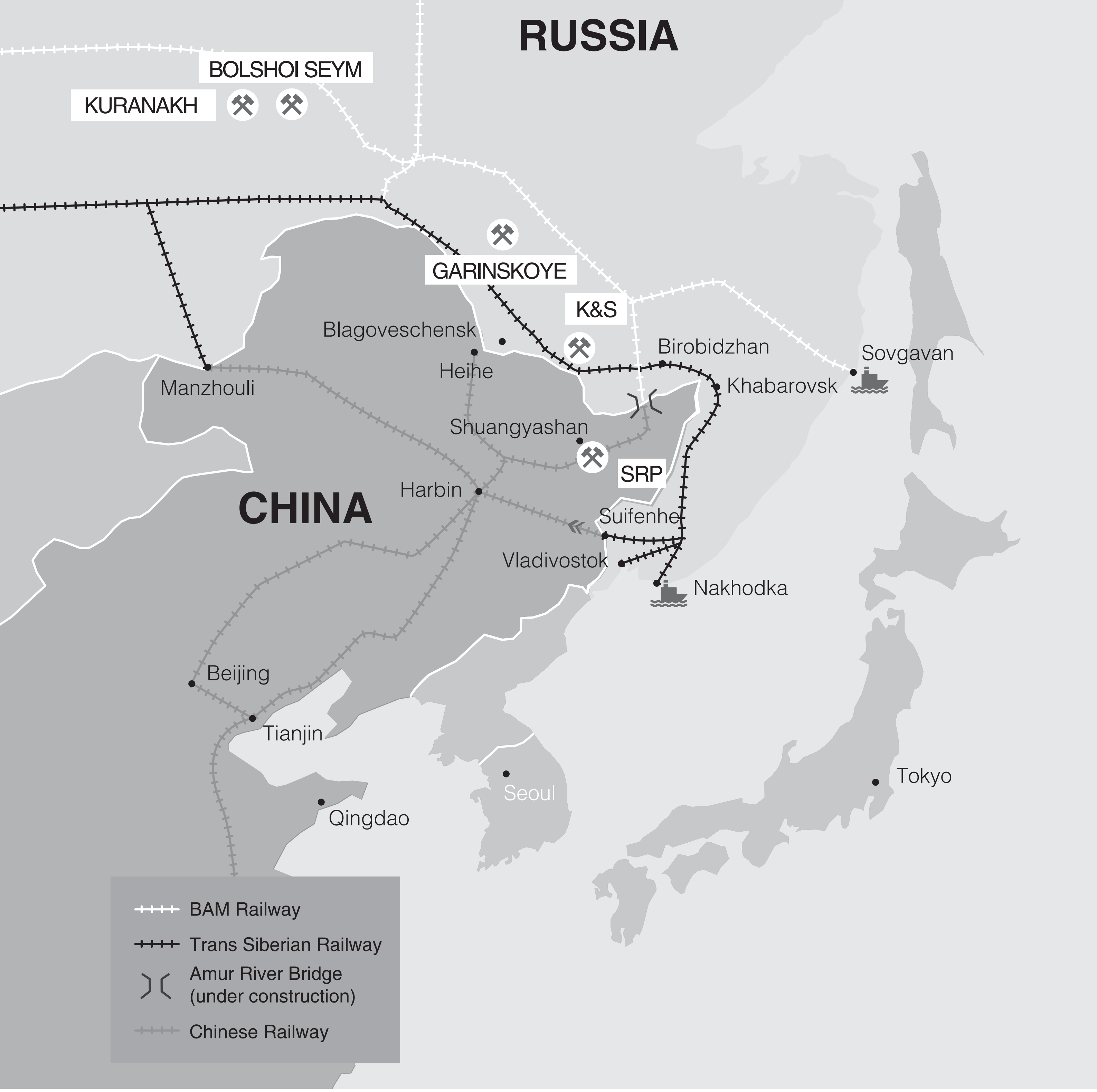
IRC Limited
鐵江現貨有限公司

HONG KONG STOCK CODE 股份代號：1029

Interim Report
中期報告 2018



ABOUT US

IRC is the largest iron ore mining operator exclusively in the Russian Far East. Our world-class expertise focuses on producing the high-quality iron ore concentrate with long term customer relationship in China and Russia.

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.

2018 AND BEYOND

K&S mine, our 3.2 million tonne per annum project, has started commercial production and will ramp up the production capacity in 2018. The mine produces premium 65% iron ore products at some of the most competitive industry costs levels. In long term, we will have optionalities of doubling the 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,

GROWING REVENUE, IMPROVING UNDERLYING RESULTS

During the first half of 2018, K&S made steady progress in the ramping up programme and continued to increase the production capacity. The high production and sales volumes resulted in growth of 37% in the Group's revenue to US$70 million and growth of 43% in EBITDA to US$12 million. As a result, the Group's underlying loss reduced by 17% to US$8 million.

RAMP-UP APPROACHING FINAL PHASE

With full commitments and dedications from our experienced K&S site team, K&S is entering into the final phase of the ramping-up programme. After resolving some of the production bottlenecks, K&S achieved a number of milestones in the first half of 2018, including achieving historically high records of monthly production and sales volumes. In addition, the plant managed to operate at 105% of its design capacity during a 24-hour production run, and also managed to produce at more than 90% of its design capacity continuously for 72 hours. These demonstrated K&S' ability to run at load for a prolonged period.

Towards the end of first half of 2018, our mining contractor brought additional mining equipment to the site to support our increasing production volume. K&S was running at an average capacity of 66% in the first half of 2018 and was producing steadily at 78% capacity at the end of June 2018. We look forward to the plant continuing to increase its production volume as the rest of the bottlenecks are being resolved.

BENEFITS FROM COMMODITY AND CURRENCY MARKETS

Despite the pessimistic forecast of the iron ore market at the beginning of 2018, the iron ore price has been strong and stable in the first half of 2018. The 65% iron ore Platts spot price averaged US$86 per tonne. The media reports that the Chinese government is tightening the pollution control policy which leads to many Chinese steel manufacturers deciding to use the higher grade 65% iron ore as feedstocks. This is reflected in the price premium spread for 65% Fe over the 62% one for which the gap has widened to c. US$27 per tonne as of the 2018 interim end. K&S produces 65% iron ore concentrate and its price is determined based on the 65% Fe price benchmark. The price premium is therefore beneficial to K&S. Nevertheless, it is a market practice that discounts are offered to customers. While the aforesaid price premium is increasing, the customers of K&S are also negotiating for greater discounts.

In terms of currency, the Rouble continued to remain weak against the US dollar in 2018 with the currency depreciated to an average of 60 against the dollar in the first half of 2018. The Russia's currency continues to fall in July and August 2018 to its lowest dollar value in nearly two years, jarred by new American sanctions. The weakness in the Rouble has a positive impact on the Group's operating margins, as the Group's operating costs are mainly denominated in Roubles and revenues mainly in US Dollars.

IRC is listed in Hong Kong with its operations mainly located in the Russia Far East. Most of the Group's customers and suppliers are based in China or Russia. K&S has not been subject to any direct negative impact from the sanctions against Russia.

DIVERSIFICATION OF CUSTOMERS

With the market preferring high-grade iron ore, the potential demand for K&S' products is large. Apart from selling to the Chinese customers, we are also increasing our sales to Russia. Diversification of customers not only allows K&S to commend a stronger bargaining power for prices and sales terms but also enhances risk management.

SUPPORTS FROM LENDER AND SHAREHOLDER

In June 2018, the Company received a bridge loan of US$30 million from Petropavlovsk PLC, the major shareholder of the Company and the guarantor of the ICBC loan. The loan was to finance the payment of the June 2018 instalment of the ICBC loan, which was made within the required time frame. An independent financial advisor had reviewed the terms of the bridge loan and confirmed that obtaining the loan was in the best interest of the Company and the shareholders.

In June 2018, the Company obtained certain waivers from ICBC which included a waiver from the obligation of the Group to maintain the debt service reserve account and a waiver from obligations of K&S and Petropavlovsk PLC to comply with certain financial covenants.

The supports from Petropavlovsk and ICBC have provided a financial cushion to IRC which helps facilitate our discussion with various parties to restructure the Group's borrowings. While the Company is discussing the restructuring of the loan with ICBC, the negotiations with another finance provider to refinance the ICBC loan continue.

OUTLOOK FOR 2018 AND BEYOND

The China's Belt-and-Road Initiative programme is starting to yield positive impacts to the Russian Far East. According to the media, there are 28 joint projects, valued at US$4 billion, with China already committed to developing the area. With more infrastructure developments in the Russian Far East, we believe commodities producers like IRC would benefit from it. One of the key highlights of the joint development between Russia and China is the Amur River Railway Bridge, due for operation in 2019. This Bridge is one of the key infrastructures to bring closer economic cooperation between the two countries. It will not only improve the logistic and transportation network of the region but will also lower the transportation cost of K&S.

We are working hard to resolve the remaining bottlenecks at K&S in preparation for full-capacity-operation which will provide greater contribution to IRC and the shareholders. We are aware of the recent global political unrest and the potential impacts this may bring. IRC is taking a cautious approach when facing the challenges ahead.

We wish to take this opportunity to thank the stakeholders and shareholders of IRC for the continuous supports.

George Jay Hambro	**Yury Makarov**
Chairman	*Chief Executive Officer*

RESULTS OF OPERATIONS

The following table summarises the consolidated results of the Group for the six months ended 30 June 2018 and 2017:

	For the six months ended 30 June		
	2018	2017	Variance
Key Operating Data			
Iron Ore Concentrate			
*– Production volume (tonnes)**	***1,084,602***	*697,431*	*55.5%*
*– Sales volume (tonnes)**	***1,046,649***	*698,632*	*49.8%*
*– Average price (US$/tonne)**	***67^***	*72^*	*(7.0%)*
Consolidated Income Statement (US$'000)			
Revenue			
Iron Ore Concentrate	**69,962**	50,534	38.4%
Engineering Services	**223**	628	(64.5%)
Total Revenue	**70,185**	51,162	37.2%
Site operating expenses and service costs	**(65,249)**	(43,793)	49.0%
General Administrative expenses	**(5,235)**	(5,038)	3.9%
Impairment charges	**–**	(4)	(100.0%)
Share of results of a joint venture	**–**	4	(100.0%)
Other income, gains and losses	**2,933**	1,723	70.2%
Allowance for financial assets measured at amortised cost	**(7,548)**	–	N/A
Financial expenses, net of financial income	**(10,387)**	(13,753)	(24.5%)
Loss before taxation	**(15,301)**	(9,699)	57.8%
Income tax expense	**(336)**	(64)	>100.0%
Loss after taxation	**(15,637)**	(9,763)	60.2%
Non-controlling interests	**18**	41	(56.1%)
Loss attributable to owners of the Company	**(15,619)**	(9,722)	60.7%
Underlying Results (US$'000)			
EBITDA			
– Mine in production	**14,561**	11,834	23.0%
– Group	**11,766**	8,213	43.3%
Loss attributable to owners of the Company, excluding impairment charges	**(8,071)**	(9,718)	(16.9%)

* Based on wet metric tonne.

^ If the average selling price is calculated based on dry metric tonne and, before taking into account the negative price variance of about $2 per tonne due to hedging, average selling price was about US$74.5 per tonne for the six months ended 30 June 2018 (30 June 2017: US$81 per tonne).

RESULTS OF OPERATIONS (CONTINUED...)

THE UNDERLYING RESULTS OF THE GROUP

IRC's operating results are mainly derived from the mining operation of K&S. The Group manages its operations with principal reference to the underlying operating cash flows and recurring earnings. The Group's income statement, however, sometimes includes certain material non-cash items which are non-operating and non-recurring in nature and should be considered separately.

The Company has a net receivable from General Nice and, due to a winding up order being made by the High Court of Hong Kong against General Nice, it is unlikely that the Company will recover the receivable. Consequently, a one-off, non-cash provision of US$7.5 million has been charged to the statement of profit or loss in the first half of 2018.

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

	For the six months ended 30 June		
US$'000	**2018**	2017	Variance
Loss attributable to owners of the Company	**(15,619)**	(9,722)	60.7%
Impairment charges	**–**	4	N/A
Impairment provision for the receivable from General Nice	**7,548**	–	N/A
Underlying loss for the year	**(8,071)**	(9,718)	(16.9%)

The Underlying Loss of the Group amounted to US$8.1 million (30 June 2017: US$9.7 million). The 16.9% reduction in underlying loss was mainly due to K&S steadily increasing its production capacity and making a greater contribution to the Group.

Another key performance indicator is the EBITDA of the mines and of the Group. For the first half of 2018, due to the higher sales revenue from the K&S mine, EBITDA of the mine in production segment increased 23.0% to US$14.6 million. The Group's EBITDA also increased to US$11.8 million, 43.3% higher than the corresponding period in 2017.

The improvement in EBITDA and underlying results reflect the positive contributions that K&S made in the first half of 2018.

RESULTS OF OPERATIONS (CONTINUED...)

REVENUE

Iron ore concentrate

IRC's revenue from the sale of iron ore increased by 38.4% in 2018 and this is resulted from the successful operation of K&S, as the mine has commenced commercial production and the production capacity has been steadily increasing. When comparing to the same period last year, the sales volume of iron ore increased significantly to 1,046,649 tonnes, representing an increase of 49.8%. In terms of the selling price, as the market iron ore price was relatively high in the first half of 2017 and the price has slightly softened thereafter, K&S' achieved selling price decreased 7% to US$67 per tonne in 1H2018 (30 June 2017 average selling price: US$72 per tonne).

The chart below shows the gradually growth of high grade 65% Fe price over the past 3 years:

Engineering Services

Revenue from Giproruda, the small engineering services division of the Group, decrease from US$628,000 to US$223,000, due to decreased billing for its consulting services.

SITE OPERATING EXPENSES AND SERVICE COSTS

Site Operating Expenses and Service Costs mainly represent the mining and operating expenses incurred by the Group's sole mine in production, the K&S operation. The increase in cost of 49.0% is in line with the increase in sales volume. If depreciation charge, which has increased by US$5 million mainly as a result of the 2017 asset impairment reversal, is not taken into account, the site operating expenses and service costs only increased by 41.5%. This compares positively to the increase in sales volume of 49.8%. A breakdown of the expenses is set out in note 4a to the condensed consolidated financial statements on page 36.

The details of the key cash cost components are showed in the table below:

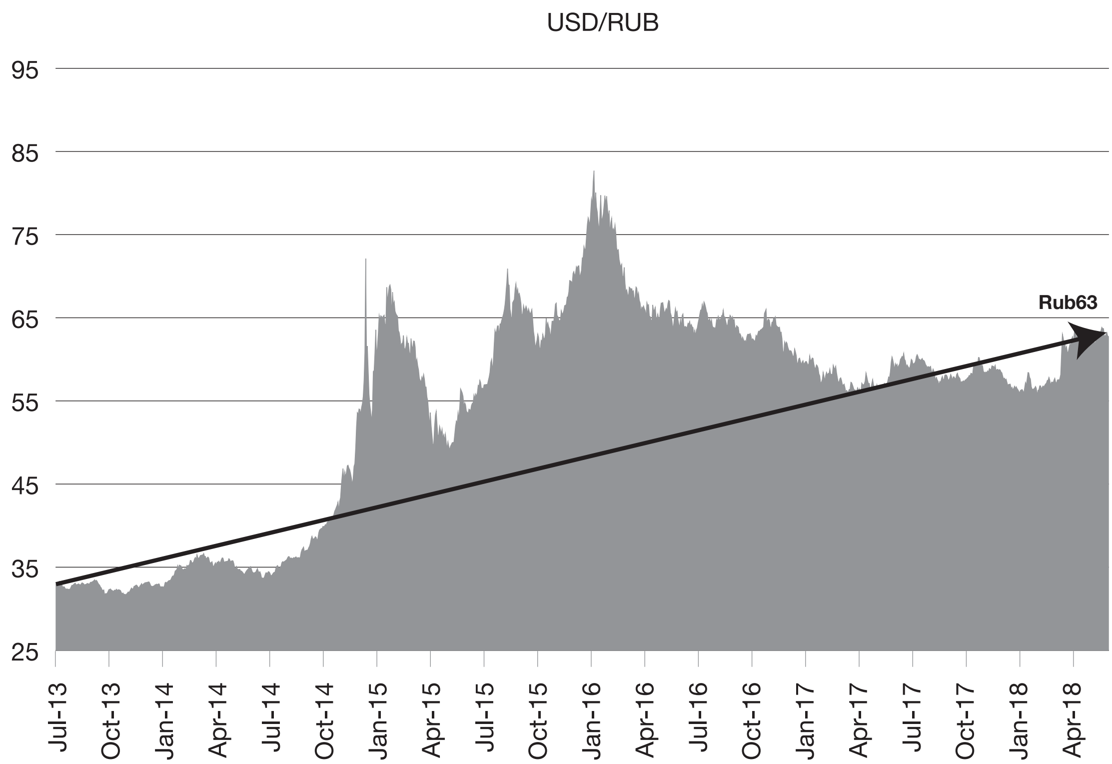
	For the six months ended 30 June		
	2018		2017
	Total cash cost US$ million	**Cash cost per tonne US$/t**	Cash cost per tonne US$/t
Mining	**12.9**	**12.2**	9.7
Processing	**12.3**	**11.6**	12.9
Production overheads, site administration and related costs	**11.4**	**10.8**	12.7
Transportation to customers	**19.1**	**18.2**	14.5
Movements in inventories and finished goods	**(1.2)**	**(1.1)**	1.7
Net cash cost	**54.5**	**51.7**	51.5

The cash cost per tonne of first half of 2018 of US$51.7 was comparable to that of the same period last year. Despite the effect of economies of scale from the K&S plant which allowed a 10.0% reduction in processing expenses and a 15.0% decrease in production overheads, site administration and related costs on a per-tonne basis, the savings were offset by higher mining cost and transportation expenses. The mining cost increased by US$2.5 per tonne mainly due to the increased stripping ratio. Transportation cost to customers also increased by US$3.7 per tonne during the period, mainly due to the increase in wagon tariff which is beyond the control of IRC.

The cash cost of K&S is expected to be reduced when the mine is producing at full capacity due to the economies of scale and the additional reduction on transportation cost by the usage of the Amur River Bridge in 2019. The Group continued to implement stringent cost control measures, with the aid of the devaluation of the Russian Roubles. As the Group's operating cost is mainly denominated by Russian Roubles, which has been depreciating since 2013, the Group continues to enjoy the positive impact on the operating margin.

The chart below shows the depreciation of the Roubles over the past 5 years:

US Dollar to Russian Rouble (USD/RUB) 5 Years Forex Chart



SEGMENT INFORMATION

The "Mine in production" segment mainly represents the sales of iron ore concentrates of K&S. In the first six months of 2018, following the successful ramping up of K&S' production, this segment generated an EBITDA of US$14.6 million (30 June 2017: US$11.8 million), representing an increase of 23.0% over the same period of last year. The "Mine in development", "Engineering" and "Other" segments recorded a total loss of US$0.7 million (30 June 2017: US$0.6 million) which is in line with the amount of loss incurred in the same period last year.

GENERAL ADMINISTRATIVE EXPENSES

Special attention continues to be paid to controlling administrative costs. Despite the increase in the scope of the Group's operation, the general administrative expenses for the first half of 2018 remained at a similar level to that of the same period last year. Excluding the non-cash share-based expenses, the general administrative expenses for 2018 decreased by 7.9% to US$4.1 million (30 June 2017: US$4.5 million) as a result of our stringent expense control.

IMPAIRMENT CHARGES

During the first half of 2018, no impairment charge was made (30 June 2017: US$4,000).

RESULTS OF OPERATIONS (CONTINUED...)

SHARE OF RESULTS OF JOINT VENTURE

The operation of the vanadium joint venture, 46% owned by IRC, was suspended and hence there was no income from this joint venture in the first half of 2018.

OTHER INCOME, GAINS AND LOSSES

The Other Income, Gains and Losses of US$2.9 million (30 June 2017: US$1.7 million), mainly represents the gains in foreign exchange.

ALLOWANCE FOR FINANCIAL ASSETS MEASURED AT AMORTISED COST

General Nice has an outstanding commitment to make an equity investment in IRC and has agreed to pay interest on the outstanding committed amount. IRC has been recording the outstanding interest, net of any liabilities due to General Nice, as a receivable. A winding up order was made against General Nice on 16 July 2018 by the High Court of Hong Kong. While IRC is considering the appropriate course of action in light of the winding up order, it is unlikely that the Company will recover the receivable and consequently a one-off, non-cash provision of US$7.5 million has been made. (30 June 2017: Nil)

NET FINANCIAL EXPENSES

Net financial expenses represent the interest income from bank deposits net of the interest expenses of the ICBC project finance loan and other loans, waiver fees and other related expenses. During the reporting period, the net financial expenses decreased by 24.5% to US$10.4 million (30 June 2017: US$13.8 million) mainly due to one-off facilitation fees being paid in 2017 for arranging a bridging loan and for the application of ICBC repayment waivers. Such fees were not incurred in 2018.

INCOME TAX EXPENSE

The income tax expense of US$336,000 (30 June 2017: US$64,000) mainly represents movements in deferred tax provisions.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

During the first half of 2018, the increasing contribution from K&S reduced the underlying loss of the company. However, due to a one-off, non-cash provision of US$7.5 million made against a receivable from General Nice, the loss attributable to the Owners of the Company in the first half of 2018 amounted to US$15.6 million (30 June 2017: US$9.7 million).

CASH FLOW STATEMENT

The following table summarises the key cash flow items of the Group for the six months ended 30 June 2018 and 30 June 2017:

	For the six months ended 30 June	
US$'000	**2018**	2017
Net cash generated from operations	**11,675**	18,657
Interest paid	**(5,656)**	(5,025)
Capital expenditure	**(2,227)**	(3,596)
Taxes paid	**(2,367)**	(3)
Repayment of borrowings, net	**(1,376)**	(21,607)
Loan guarantee fee and waiver fee paid	**–**	(4,078)
Other payments and adjustments, net	**(18)**	(74)
Net movement during the year	**31**	(15,726)
Cash and bank balances (including time and restricted deposits)		
— At 1 January	**10,974**	33,319
— At 30 June	**11,005**	17,593

The net cash generated from operations of US$11.7 million (30 June 2017: US$18.7 million) was mainly derived from the operating cash generated by K&S. The decrease in the cash inflow from operation is mainly due to the need to build up the necessary working capital for the commercial operation of K&S. Most of the net cash generated from operations was utilised to pay for the interest of the ICBC loan, capital expenditure and taxes. A bridge loan of about US$30 million was obtained from Petropavlovsk to settle the ICBC loan principal repayment of the same amount.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Share Capital

There was no change in the share capital of the Company in the first half of 2018.

General Nice has an outstanding commitment to make an equity investment in IRC but it has not been materialised. A winding up order against General Nice was made by the High Court of Hong Kong on 16 July 2018 and the Company is considering the appropriate course of action in light of the winding up order.

Cash Position and Capital Expenditure

As at 30 June 2018, the carrying amount of the Group's cash and bank balances was approximately US$11.0 million (31 December 2017: US$11.0 million). The cash balance is analysed in the "Cash Flow Statement" section above.

Exploration, Development and Mining Production Activities

For the six months ended 30 June 2018, US$57.4 million (30 June 2017: US$42.4 million) was incurred on development and mining production activities. No exploration activity was carried out for the first half of 2018 and 2017. The following table details the capital and operating expenditures in the first half of 2018 and 2017:

	For the six months ended 30 June					
	2018			2017		
US$'m	**Operating expenses**	**Capital expenditure**	**Total**	Operating expenses	Capital expenditure	Total
Kuranakh	**–**	**–**	**–**	1.7	0.0	1.7
K&S development	**55.4**	**1.9**	**57.3**	37.0	3.4	40.4
Exploration projects and others	**0.1**	**0.0**	**0.1**	0.1	0.2	0.3
	55.5	**1.9**	**57.4**	38.8	3.6	42.4

The table below sets out the details of material new contracts and commitments entered into during first half of 2018 on a by-project basis. The amount was relatively small, reflecting the fact that the K&S mine is close to ramping up to full capacity.

		For the six months ended 30 June	
US$'m	**Nature**	**2018**	2017
K&S	Purchase of property, plant and equipment	**0.2**	1.2
	Sub – contracting for mining works	**0.5**	–
	Sub – contracting for railway and related works	**0.8**	–
Others	Other contracts and commitments	**0.7**	–
		2.2	1.2

Borrowings and Charges

As at 30 June 2018, the Group had gross borrowings of US$233.9 million (31 December 2017: US$235.2 million), mainly represents the long-term borrowing drawn from the ICBC loan facility of US$204 million (31 December 2017: US$233.8 million) and the bridge loan obtained from Petropavlovsk of approximately US$29.9 million (31 December 2017: Nil). The Group has been keeping its borrowing costs at market level, with its weighted average interest rate at approximately 6.6% (30 June 2017: 6.3%) per annum. As of 30 June 2018, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, was 47.4% (31 December 2017: 45.8%).

As announced on 21 March 2017, the debt service holiday agreed by ICBC has become 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$42,500,000 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$8,500,000 to US$29,750,000, with the aggregate amount of the increase being equal to US$42,500,000. 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 Rouble and is therefore exposed to exchange rate risk associated with fluctuations in the relative values of US Dollars. Exchange rate risks are mitigated to the extent considered necessary by the Board of Directors, primarily through holding the relevant currencies. As of 30 June 2018, the Group does not undertake any material foreign currency transaction hedging.

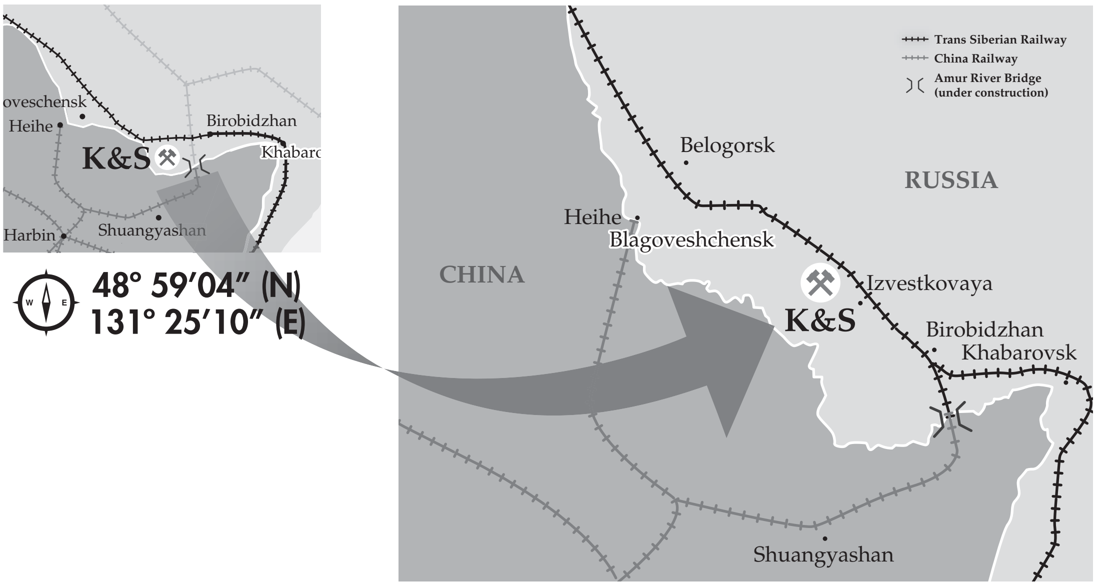
Employees and Emolument Policies

As at 30 June 2018, the Group employed approximately 1,574 employees (31 December 2017: 1,535 employees). Due to the increased scale of operation at K&S, the total staff costs (excluding share based payments) increased by US$1.4 million to US$12.2 million. The emolument policy of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence with reference to market conditions and trends.

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 1 is to produce 3.2 million tonnes per annum of iron ore concentrate with 65% Fe grade. There is an option for a Phase 2 expansion to produce a total of 6.3 million tonnes of 65% iron ore concentrate per annum. As an interim development between the two phases, IRC is assessing an option to upgrade the Phase 1 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 1 Processing Plant has been constructed by CNEEC and funded through a project finance facility provided by ICBC.

K&S enjoys tremendous geographical advantage. The Trans-Siberian Railway is linked directly to the mine site, allowing easy transport of products to customers. With the help of the Amur River Bridge which is expected to be completed and operational in 2019, the transportation 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 ENTERING INTO FINAL PHASE

During the first half of 2018, K&S' ramp up progress was satisfactory. The plant successfully operated at 105% of its design capacity during a 24-hour production run and operated at more than 90% of its design capacity continuously for 72 hours. These demonstrated the plant's capability to run at load on a prolonged period. In additional, K&S' mining contractor also brought new equipment to the site to support the increasing production volume. Although some additional ramping up issues have been revealed, K&S team is planning to resolve them quickly. Despite more ramping-up tests needing to be conducted, K&S' Processing Plant is currently operating in a stable and continuous manner at a steady production capacity of 78%. With the well-experienced site team, IRC remains confident in resolving the outstanding issues to allow K&S to continue the increase in production volume.

PRODUCTION

During the first half of 2018, 3,255,200 tonnes of ore were fed for primary processing and 2,330,614 tonnes of pre-concentrate were produced. Finally, 1,084,602 tonnes of iron ore concentrate were produced and 1,046,649 tonnes were sold.

SALES & MARKETING

As K&S is producing more iron ore concentrate, it is also diversifying its customer base. K&S 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 2018 of US$51.7 per tonne has not yet reached its optimal level. Taking into account the potential Rouble depreciation to the previous lows and the opening of the Amur River Bridge in 2019 which would reduce transportation costs, K&S' cash cost is expected to be further lowered 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 2017: zero).

MINING

The Kimkan operation covers an area of approximately 50 km^2 and comprises of two key ore zones – Central and West. Open pit mining has commenced at the Central area with ore being stockpiled for processing.

During the first half of 2018, the mining contractor brought new equipment to the site and started to increase the mining scale. With the additional mining fleet, the mining contractor can increase its mining volume to approximately 1.4 million cubic metres of rock mass per month which can provide the necessary feedstock for K&S to operate at higher than its design capacity of 3.2 million tonnes per annum. Currently, the mining contractor 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 2018, a total of 3,334,300 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 is hailed as one of the major projects between the two countries. The infrastructure projects such as the Amur River Bridge are expected to bring closer economic cooperation which IRC may benefit from.

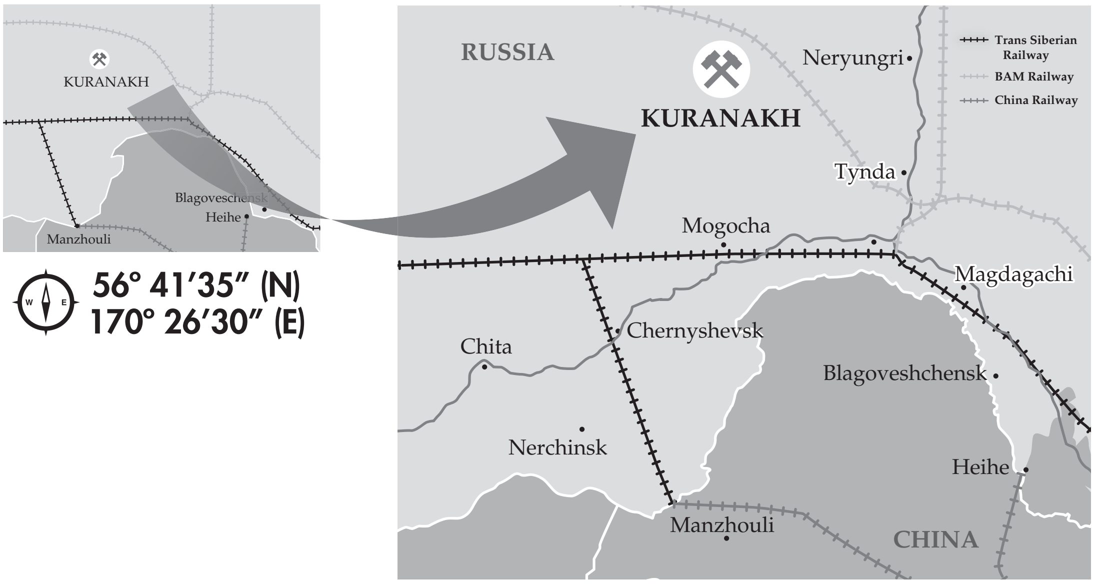
According to the recent Russian media, the Amur River Bridge has experienced to technical issues which caused some delays from the original plan. Despite this small delay, when the Bridge is operational in 2019, K&S will be able to reduce the transportation cost to the Chinese boarder by up to US$5 per tonne based on the preliminary estimation. This will allow K&S to strengthen its position as a low-cost iron ore concentrate producer. Moreover, the Bridge will become a part of the new export route and stimulus for the creation of new logistical and industrial clusters, improving the transport accessibility of the region which K&S is expected to benefit indirectly.

The current distance between K&S and the Chinese border (Suifenhe) is approximately 1,000 kilometres. 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.

PROJECT REVIEW (CONTINUED...)

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 challenging operating environment in the 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 an area of approximately 85 km^2 and comprises of the Kuranakh and Saikta open-pit mines, an on-site Crushing and Screening Plant and the nearby Olekma Processing Plant. The operation produces an iron ore concentrate with a 62.5% Fe quality content and an ilmenite concentrate with a 48% TiO_2 quality content. The concentrates can be 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

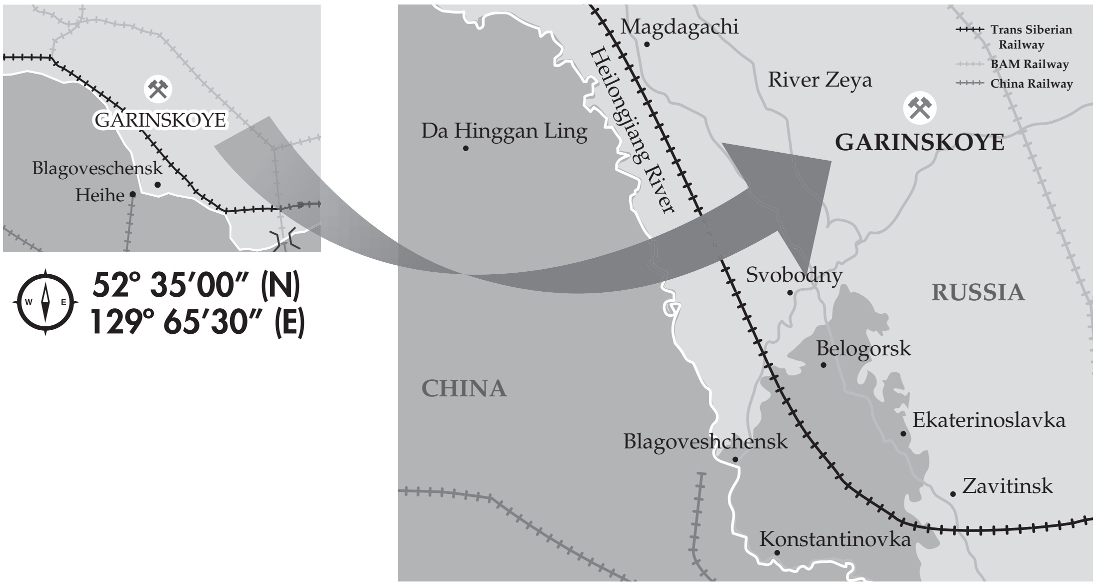
As the mine was moved into care and maintenance, there was no injuries and the LTIFR was zero during the first half of 2018 (30 June 2017: zero).

KURANAKH – CONTINUED TO BE IN CARE & MAINTENANCE

Kuranakh has been moved to care and maintenance since the beginning of 2016 due to the softening of the market iron ore price. Consequently, during the first half of 2018, there is no production or sales from Kuranakh operation. The only minimal costs recorded were for equipment maintenance and security. Although the subsidiary company that holds Kuranakh has applied for liquidation to save the ongoing costs, IRC retains the option of re-opening Kuranakh or pursuing other development alternatives if the iron ore market upside prevails.

Garinskoye

99.6% owned



OVERVIEW

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

The project is located in the Amur Region of the Russian Far East, midway between the BAM and Trans-Siberian Railways. With exploration licences for ground covering an area of 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 stripping 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 a 68% iron ore 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 the SRP project, as its feedstock is dependent on the concentrate from Kuranakh, and as the latter was moved to care and maintenance in 2016 and there were no alternative sources of materials as the feedstock, it was moved to care and maintenance. Below is a summary of the Group's current exploration projects portfolio:

Project	Products/Service	Location
Kostenginskoye* (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

* Resource base for K&S

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 19 to 47, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 in the condensed consolidated financial statements which states that as at 30 June 2018, the Group's current liabilities exceeds its current assets by US$74.5 million and that the Group is refinancing its loan facilities to enable it to meet its liquidity needs for the next twelve months. The refinancing is subject to approval indicating that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	**US$'000**	US$'000
		(unaudited)	(unaudited)
Revenue	3	**70,185**	51,162
Operating expenses	4	**(61,352)**	(44,672)
Depreciation and amortisation	4	**(9,132)**	(4,159)
Impairment charges		**–**	(4)
Share of results of a joint venture		**–**	4
Other income, gains and losses		**2,933**	1,723
Allowance for financial asset measured at amortised cost		**(7,548)**	–
Financial income		**43**	65
Financial expenses	5	**(10,430)**	(13,818)
Loss before taxation		**(15,301)**	(9,699)
Income tax expense	6	**(336)**	(64)
Loss for the period		**(15,637)**	(9,763)
Loss for the period attributable to:			
Owners of the Company		**(15,619)**	(9,722)
Non-controlling interests		**(18)**	(41)
		(15,637)	(9,763)
Loss per share (US cents)	8		
Basic		**(0.22)**	(0.14)
Diluted		**(0.22)**	(0.14)

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

For the Six Months Ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the period	**(15,637)**	(9,763)
Other comprehensive (expense) income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(547)**	355
Fair value gain on cash flow hedge instruments	**2,026**	–
Total comprehensive expense for the period	**(14,158)**	(9,408)
Total comprehensive expense attributable to:		
Owners of the Company	**(14,025)**	(9,405)
Non-controlling interests	**(133)**	(3)
	(14,158)	(9,408)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**As at 30 June 2018 US$'000 (unaudited)**	As at 31 December 2017 US$'000 (audited)
NON-CURRENT ASSETS			
Exploration and evaluation assets		**19,280**	19,149
Property, plant and equipment	9	**451,080**	459,118
Other non-current assets		**73**	97
Restricted bank deposit		**977**	1,977
Valued-added tax recoverable		**1,690**	2,918
		473,100	483,259
CURRENT ASSETS			
Inventories		**29,354**	28,616
Trade and other receivables	10	**16,699**	25,410
Time deposits		**653**	347
Bank balances		**9,375**	8,650
Other financial assets		**174**	–
		56,255	63,023
TOTAL ASSETS		**529,355**	546,282
CURRENT LIABILITIES			
Trade and other payables	11	**(40,799)**	(33,598)
Income tax payable		**(318)**	(2,638)
Borrowings – due within one year	12	**(89,588)**	(60,950)
Other financial liabilities		**–**	(1,852)
		(130,705)	(99,038)
NET CURRENT LIABILITIES		**(74,450)**	(36,015)
TOTAL ASSETS LESS CURRENT LIABILITIES		**398,650**	447,244
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(3,856)**	(3,623)
Provision for close down and restoration costs		**(13,344)**	(14,030)
Construction costs payable		**(12,347)**	(16,069)
Borrowings – due more than one year	12	**(133,605)**	(162,078)
		(163,152)	(195,800)
TOTAL LIABILITIES		**(293,857)**	(294,838)
NET ASSETS		**235,498**	251,444

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

At 30 June 2018

	NOTE	**As at 30 June 2018 US$'000 (unaudited)**	As at 31 December 2017 US$'000 (audited)
CAPITAL AND RESERVES			
Share capital	13	**1,285,158**	1,285,158
Reserves		**(1,049,494)**	(1,033,681)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**235,664**	251,477
NON-CONTROLLING INTERESTS		**(166)**	(33)
TOTAL EQUITY		**235,498**	251,444

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2018

	Total attributable to owners of the Company									
	Share capital US$'000	Capital reserve[(a)] US$'000	Share-based payment reserve US$'000	Translation reserve US$'000	Hedging reserve US$'000	Other reserve[(b)] US$'000	Accumulated losses US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2017 (audited)	1,285,158	17,984	12,675	(22,199)	–	19,204	(1,179,141)	133,681	(67)	133,614
Loss for the period	–	–	–	–	–	–	(9,722)	(9,722)	(41)	(9,763)
Other comprehensive income (expenses) for the period										
Exchange differences on translation of foreign operations	–	–	–	317	–	–	–	317	38	355
Total comprehensive income (expenses) for the period	–	–	–	317	–	–	(9,722)	(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	13,235	(21,882)	–	21,471	(1,188,863)	127,103	(70)	127,033
Balance at 31 December 2017	1,285,158	17,984	14,190	(21,882)	(1,852)	23,766	(1,065,887)	251,477	(33)	251,444
Adjustment (Note 2.2)	–	–	–	–	–	–	(2,900)	(2,900)	–	(2,900)
Balance at 1 January 2018 (adjusted)	1,285,158	17,984	14,190	(21,882)	(1,852)	23,766	(1,068,787)	248,577	(33)	248,544
Loss for the period	–	–	–	–	–	–	(15,619)	(15,619)	(18)	(15,637)
Other comprehensive (expenses) income for the period										
Exchange differences on translation of foreign operations	–	–	–	(432)	–	–	–	(432)	(115)	(547)
Fair value gain on cash flow hedge instruments	–	–	–	–	2,026	–	–	2,026	–	2,026
Total comprehensive income (expenses) for the period	–	–	–	(432)	2,026	–	(15,619)	(14,025)	(133)	(14,158)
Share-based payments	–	–	1,112	–	–	–	–	1,112	–	1,112
Balance at 30 June 2018 (unaudited)	1,285,158	17,984	15,302	(22,314)	174	23,766	(1,084,406)	235,664	(166)	235,498

(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 Fund SPC – Tiger Global SP ("Tiger Fund").

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net cash generated from operations	**11,675**	18,657
Income tax paid	**(2,367)**	(3)
NET CASH FROM OPERATING ACTIVITIES	**9,308**	18,654
INVESTING ACTIVITIES		
Purchases of property, plant and equipment and exploration and evaluation assets	**(2,227)**	(3,596)
Time deposits placed	**1,000**	–
Time deposits withdrawn	**(306)**	–
Interest received	**43**	65
NET CASH USED IN INVESTING ACTIVITIES	**(1,490)**	(3,531)
FINANCING ACTIVITIES		
Interest expenses paid	**(5,656)**	(5,025)
Repayment of borrowings	**(31,200)**	(42,166)
Proceeds from borrowings	**29,824**	20,559
Loan guarantee fee and waiver fee paid	**–**	(4,078)
NET CASH USED IN FINANCING ACTIVITIES	**(7,032)**	(30,710)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**786**	(15,587)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**8,650**	31,342
Effect of foreign exchange rate changes	**(61)**	(139)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, represent by bank balances	**9,375**	15,616

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2018

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 (the "HKICPA") as well as 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 2017 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 2017 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; included 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, its net current liabilities position of approximately United States Dollars ("US$") 74.5 million as at 30 June 2018 and the outstanding bank borrowings and related interest due for repayment in the coming twelve months against the expected future net cash inflows from operations, cash and cash equivalents and the credit facilities being refinanced the Group.

The Group has prepared a cash flow forecast which involves judgments and estimations based on management's input of key variables and market conditions including the future economic conditions, expected production capacity of the Kimkan and Sutara Project ("K&S Project"), iron ore prices and the US$/Rouble exchange rates for a fifteen month period after 30 June 2018. The cash flow forecast has been determined using estimations of future cash flows based on projected income and expenses of the business and working capital needs.

The Group has advanced negotiations with the bank to refinance and to obtain an amendment and extension of the Group's credit facilities. The amendment includes changes to the financial covenants and the repayment terms. The execution of the amendment is subject to final approval by the bank and documentation.

However, if the Group is unable to successfully refinance its loan facilities 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 loan repayments resulting in its financial liquidity being 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 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 the derivative financial instruments, which are measured at fair value.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

HKFRS 15 requires entities to recognise revenue when 'control' of goods or services transfers to the customer, whereas the previous standard, HKAS 18, required entities to recognise revenue when the 'risks and rewards' of the goods or services transfer to the customer.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Directors considered that the balance of 'advance from customers' is insignificant and hence no reclassification to 'contract liabilities' is made.

As the point of transfer of risks and rewards of goods and services and transfer of control occur at the same time, there is no change in the timing of revenue recognition of iron ore sales upon adoption of HKFRS 15.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Sales of iron ore

The Group sells iron ore products to the customers. Revenue is recognised at a point of time when there is persuasive evidence that the control of the goods has been transferred to the customers, being when the iron ore has been delivered to the agreed pickup location. Upon delivery of the goods, the customers have control over the products such as the determination of the distribution channel, the price to sell the goods, the primary responsibility when onselling the goods and bear the risk of loss in relation to the goods.

Shipping services

The Group identifies shipping service associated with sales of iron ore as a performance obligation separate to the sale of goods. The Group allocates the transaction price of the relevant sale transaction to the distinct performance obligation related to shipping of goods and recognises the corresponding revenue over the period of the performance obligation if the amount is significant. Allocation of transaction price to delivery services is based on the best estimate of a similar stand-alone service. Upon assessment, the Group concluded that the shipping service revenue component is not significant and has not separately recognised the shipping revenue from the sales of iron ore.

Price adjustments in case of provisionally priced sales

The Group has provisionally priced sales in cases when the contract terms for the iron ore sales allow for a price adjustment based on the final assay of the goods received by the customers. The Group considers such provisional pricing to be a variable consideration and recognises revenue at an amount representing the Group's best estimate for the expected final consideration based on the product assays on date of dispatch. The Group applies judgement regarding likelihood of significant reversals to ensure that revenue is only recognised to the extent that it is highly probable that significant reversal will not occur. Any adjustments to the final price are recognised as revenue.

Changes in fair value of provisionally prices sales

In case of provisional pricing arrangements, where the period between provisional invoicing and quotational period completion is typically within 30 days, the Group re-estimates the fair value of the final sales price adjustment continually by reference to forward market prices.

Engineering services

Revenue from provision of engineering services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The application of HKFRS 15 has no material impact on the amounts reported set out in these condensed consolidated financial statements.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

In addition, the Group applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset and is included in the "Other income, gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables, restricted bank deposit, time deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial assets except for trade receivables which are measured at fair value, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

Hedge accounting

The Group has elected to adopt the new general hedge accounting in HKFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Hedge accounting (Continued)

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 US$'000	New carrying amount under HKFRS 9 US$'000
Financial assets					
Trade receivables		Amortised cost (Loans and receivables)	FVTPL	1,803	1,803
Other receivables	(a)	Amortised cost (Loans and receivables)	Amortised cost	12,941	10,041
Bank balances		Amortised cost (Loans and receivables)	Amortised cost	8,650	8,650
Restricted bank deposit		Amortised cost (Loans and receivables)	Amortised cost	1,977	1,977
Time deposits		Amortised cost (Loans and receivables)	Amortised cost	347	347

Financial liabilities

There was no change to the classification and measurement of financial liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

(a) Impairment under ECL model

Loss allowances for other receivables at amortised cost are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, except for the interest receivable from General Nice which has been measured on a lifetime ECL basis as the Group has assessed that the credit risk had increased since initial recognition.

As at 31 December 2017, the credit risk associated with General Nice has increased due to adverse news about its financial status, and that General Nice was selling the Company's shares.

As a result, on adoption of HKFRS 9, a credit loss allowance of approximately US$2.9 million has been recognised against accumulated losses at 1 January 2018, and charged against the other receivables.

All loss allowances for financial assets including other receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Allowance for other receivables US$'000
At 31 December 2017	–
Amount remeasured through opening accumulated losses	2,900
As at 1 January 2018	2,900

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item affected.

	31 December 2017 (audited) US$'000	**Impact of HKFRS 9** US$'000	**1 January 2018 (restated)** US$'000
Trade and other receivables	25,410	(2,900)	22,510
Accumulated losses	(1,065,887)	(2,900)	(1,068,787)

3. REVENUE AND 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 2018 (unaudited)

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Segment revenue – external					
Sale of iron ore concentrate	69,962	–	–	–	69,962
Engineering services	–	–	223	–	223
Total revenue	69,962	–	223	–	70,185
Geographical markets					
People's Republic of China	46,459	–	–	–	46,459
Russia	23,503	–	223	–	23,726
	69,962	–	223	–	70,185
Timing of revenue recognition					
At a point of time	69,962	–	–	–	69,962
Over time	–	–	223	–	223
	69,962	–	223	–	70,185
Site operating expenses and service costs	(64,346)	(145)	(752)	(6)	(65,249)
Site operating expenses and service costs include:					
Depreciation and amortisation (see note 4(a))	(8,945)	(107)	(74)	–	(9,126)
Segment results	5,616	(145)	(529)	(6)	4,936
General administrative expenses					(5,229)
General depreciation					(6)
Other income, gains and losses					2,933
Allowance for financial asset measured at amortised cost					(7,548)
Financial income					43
Financial expenses					(10,430)
Loss before taxation					(15,301)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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
Segment revenue – external					
Sale of iron ore concentrate	50,534	–	–	–	50,534
Engineering services	–	–	628	–	628
Total revenue	50,534	–	628	–	51,162
Geographical markets					
People's Republic of China	43,816	–	–	–	43,816
Russia	6,718	–	628	–	7,346
	50,534	–	628	–	51,162
Timing of revenue recognition					
At a point of time	50,534	–	–	–	50,534
Over time	–	–	628	–	628
	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 4(a))	(3,905)	(158)	(77)	–	(4,140)
Impairment charges	–	–	–	(4)	(4)
Share of results of a joint venture	–	–	–	4	4
Segment results	7,929	(269)	(285)	(6)	7,369
General administrative expenses					(5,019)
General depreciation					(19)
Other income, gains and losses					1,723
Financial income					65
Financial expenses					(13,818)
Loss before taxation					(9,699)

4. OPERATING EXPENSES

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
Site operating expenses and service costs[a]	**65,249**	43,793
General administrative expenses[b]	**5,235**	5,038
	70,484	48,831

(a) Site operating expenses and service costs

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
Railway costs	**17,860**	10,064
Subcontracted mining costs and engineering services	**13,604**	7,367
Staff costs	**9,985**	8,199
Depreciation	**9,126**	4,140
Materials usage	**5,803**	3,789
Electricity	**4,332**	3,729
Property tax	**3,336**	3,096
Fuel	**1,139**	728
Professional fees*	**207**	398
Office costs	**195**	203
Rental fee	**165**	153
Insurance	**79**	82
Bank charges	**54**	50
Business travel expenses	**18**	22
Royalties	**–**	7
Recoveries of inventories written down	**–**	(19)
Mine development costs capitalised in property, plant and equipment	**(791)**	(1,367)
Movement in finished goods and work in progress	**(1,430)**	1,119
Other expense	**1,567**	2,033
	65,249	43,793

4. OPERATING EXPENSES (CONTINUED)

(b) General Administrative Expenses

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
Staff costs other than share-based payments	**2,246**	2,669
Professional fees*	**1,273**	928
Share-based payments	**1,112**	560
Office costs	**173**	168
Business travel expenses	**165**	192
Office rent	**118**	232
Bank charges	**97**	79
Insurance	**45**	103
Depreciation	**6**	19
Other expenses	**–**	88
	5,235	5,038

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

5. FINANCIAL EXPENSES

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest expense on bank borrowings	**8,988**	12,715
Interest expense on loan payable to a related party	**167**	–
	9,155	12,715
Unwinding of discount on environmental obligation and long-term construction costs payable	**1,275**	1,103
	10,430	13,818

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
Russia Corporate tax	**(9)**	(7)
Hong Kong Profits tax	**(29)**	–
Deferred tax expense	**(298)**	(57)
	(336)	(64)

Russia Corporate tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2018 and 2017.

Based on the approved federal and regional laws in Russia, the K&S Project is considered to be an investment project and is eligible to income tax relief over 10 years starting from 2017. The K&S Project is exempted from Russia Corporate tax for the period from 2017 to 2021 and then, will be taxed at a reduced rate of 10% in the following 5 years increasing to 20% thereafter.

Hong Kong Profits tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2018 and 2017.

No 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 2018 and 2017.

7. DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during both the six months ended 30 June 2018 and 2017.

8. 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	
	2018	2017
	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	**(15,619)**	(9,722)

8. LOSS PER SHARE (CONTINUED)

Number of shares

	Six months ended 30 June	
	2018	2017
	Number	Number
	'000	'000
Number of ordinary shares for the purposes of basic and diluted loss per ordinary share	**7,093,386**	7,093,386

The computation of diluted loss per share for both periods ended 30 June 2018 and 2017 does not 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 Company's shares.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately US$2.2 million (for the six months ended 30 June 2017: US$3.6 million) on the mine development and acquisition of property, plant and equipment.

The depreciation charge incurred for the six months ended 30 June 2018 is approximately US$9,132,000 (for the six months ended 30 June 2017: US$4,159,000)

At 30 June 2018, the Group did not have any material contractual commitments for the acquisition of property, plant and equipment (31 December 2017: Nil).

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 US$'000 (unaudited)	As at 31 December 2017 US$'000 (audited)
Valued-added tax recoverable	**5,394**	8,063
Advances to suppliers	**4,431**	2,603
Trade receivables	**4,263**	1,803
Amounts due from customers under engineering contracts	**379**	167
Other debtors	**2,232**	12,774
	16,699	25,410

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Except for trade receivables measured at FVTPL, the Group applies the simplified approach in accordance to HKFRS 9 to measure ECL which uses a lifetime ECL, the directors of the Company considered that the lifetime ECL allowance is insignificant as at 30 June 2018.

Other debtors at 31 December 2017 comprised mainly of the interest receivable from General Nice. As a result of the winding-up order made against General Nice by the High Court of Hong Kong on 16 July 2018, the Directors of the Company have assessed the recoverability of the amount and recognised an allowance of US$7.5 million charged to the profit or loss during the current interim period. Due to the significant increase in the credit risk associated with General Nice, the interest receivable has been fully impaired as at 30 June 2018.

The Company is considering the courses of action available to it in light of the winding-up order.

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

	As at 30 June 2018 US$'000 (unaudited)	As at 31 December 2017 US$'000 (audited)
Less than one month	**4,221**	1,791
One month to three months	**39**	1
Over three months to six months	**–**	–
Over six months	**3**	11
Total	**4,263**	1,803

The Group allows credit periods of 30 days to individual third party customers. The directors of the Company considered that the carrying value of other receivables is approximately equal to their fair value.

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

For the Six Months Ended 30 June 2018

11. TRADE AND OTHER PAYABLES

	As at 30 June 2018 US$'000 (unaudited)	As at 31 December 2017 US$'000 (audited)
Trade payables	**3,947**	4,369
Accruals and other payables	**36,852**	29,229
	40,799	33,598

For individual third party trade creditors, the average credit period on purchase of goods and services for the period was 24 days (31 December 2017: 27 days).

The following is an aged analysis of the trade creditors based on invoice date.

	As at 30 June 2018 US$'000 (unaudited)	As at 31 December 2017 US$'000 (audited)
Less than one month	**3,823**	3,361
One month to three months	**24**	854
Over three months to six months	**4**	8
Over six months	**96**	146
Total	**3,947**	4,369

12. BORROWINGS

	As at 30 June 2018 US$'000 (unaudited)	As at 31 December 2017 US$'000 (audited)
Bank loans		
Industrial and Commercial Bank of China ("ICBC")	**193,032**	221,578
Sberbank of Russia PJSC	**–**	1,450
	193,032	223,028
Other loans		
EPC-Finance LLC	**73**	–
CJSC Pokrovskiy Rudnik	**30,088**	–
	30,161	–
Total	**223,193**	223,028
Secured	**193,032**	223,028
Unsecured	**30,161**	–
	223,193	223,028
Bank borrowings repayable:		
Within one year	**89,588**	60,950
More than one year, but not exceeding two years	**55,057**	55,344
More than two years, but not exceeding five years	**78,548**	106,734
Total	**223,193**	223,028

12. BORROWINGS (CONTINUED)

Bank loan from ICBC

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, K&S Project. The whole facility 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 repayments originally due for payment on 20 June 2017 and 20 December 2017 total of US$42,500,000 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 US$29,750,000.

The loan is carried at amortised cost at an effective interest rate of 5.65% (2017: 6.41%) per annum. The outstanding loan principal was US$204,000,000 as at 30 June 2018 (31 December 2017: US$233,750,000).

As at 30 June 2018 and 31 December 2017, the Group had no undrawn finance facility available under the ICBC Facility Agreement.

Details of the guarantee granted by Petropavlovsk PLC, a related party, in relation to the ICBC Facility Agreement are set out in note 14.

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

On 17 November 2016, Ariti HK Ltd., a wholly-owned subsidiary of the Company, obtained a revolving loan facility from Sberbank of Russia PJSC primarily for working capital financing for the purchase of mineral resources from LLC KS GOK. The loan facility included amounts of US$7,000,000 up to 31 March 2017 and US$10,000,000 for the period from 1 April 2017 to 16 May 2018. The loan facility carried interest at 6% per annum repayable monthly and the loan principal is repayable by 16 May 2018.

The loan from Sberbank was fully repaid in May 2018.

Loan from EPC-Finance LLC

On 27 April 2018, LLC Petropavlovsk Iron Ore, a subsidiary of the Group, obtained an unsecured long-term loan of RUB6,000,000 from EPC-Finance LLC, an independent third party. The loan carries interest of 11% per annum and is be repayable on 27 April 2020. As at 30 June 2018, RUB4,580,000 (equivalent to US$73,000) has been drawn down.

Loan from CJSC Pokrovskiy Rudnik

In June 2018, the Group obtained an unsecured short-term loan of RUB1,877,712,900 (equivalent to US$29,750,000) from CJSC Pokrovskiy Rudnik, a subsidiary of Petropavlovsk PLC. The loan carries interest of 12% per annum and is repayable on 20 October 2018.

13. SHARE CAPITAL

There were no movements in the issued share capital of the Company during the six months ended 30 June 2018 and 2017. Details of the share capital of the Company at 30 June 2018 and 31 December 2017 are as follows:

	Number of shares	Share capital US$'000
Issued and fully paid		
At 1 January 2018 and 30 June 2018	7,093,386,381	1,285,158

As disclosed in the Company's 2017 annual report, a shareholder, General Nice, did not complete the subscription in accordance with the agreed timeline set out in the share subscription agreement ("Subscription Agreement").

At 30 June 2018, the rights granted to Tiger Capital Fund to subscribe for a maximum of 60,000,000 new ordinary shares ("Option Shares") in December 2016 remained outstanding. No option shares granted were exercised or lapsed during the six months ended 30 June 2018.

14. RELATED PARTY DISCLOSURES

In addition to the transactions, balances and commitments disclosed elsewhere in this report, during the six months ended 30 June 2018, 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.

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 and also an unsecured short term loan.

14. RELATED PARTY DISCLOSURES (CONTINUED)

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	
	2018 US$'000 (unaudited)	2017 US$'000 (unaudited)	**2018 US$'000 (unaudited)**	2017 US$'000 (unaudited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**–**	–	**2,091**	2,060
LLC NPGF Regis	**1**	7	**–**	–
CJSC Albynsky Rudnik	**–**	274	**–**	–
CJSC Pokrovsky Rudnik	**–**	1,042	**–**	–
Malomirsky Rudnik	**211**	–	**–**	–
MC Petropavlovsk	**177**	182	**38**	43
LLC Gidrometallurgia	**59**	55	**–**	–
CJSC Pokrovskiy Rudnik	**–**	–	**167**	–

	Interest on outstanding capital contribution[(c)] Six months ended 30 June	
	2018 US$'000 (unaudited)	2017 US$'000 (unaudited)
Transaction with other related party		
General Nice	**–**	2,267

(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, helicopter services and interest payable/paid on short term loan.

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

14. RELATED PARTY DISCLOSURES (CONTINUED)

Trading transactions (Continued)

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 2018 US$'000 (unaudited)	As at 31 December 2017 US$'000 (audited)	**As at 30 June 2018 US$'000 (unaudited)**	As at 31 December 2017 US$'000 (audited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**–**	–	**8,469**	6,390
OJSC Irgiredmet	**–**	–	**2**	2
LLC NPGF Regis	**17**	18	**96**	105
CJSC Pokrovsky Rudnik	**143**	156	**–**	–
CJSC Albynsky Rudnik	**149**	162	**–**	–
Malomirsky Rudnik	**236**	–	**–**	–
MC Petropavlovsk	**371**	188	**1,958**	1,975
LLC Gidrometallurgia	**3**	3	**–**	–
CJSC Pokrovskiy Rudnik	**–**	–	**30,088[c]**	–
Outstanding balances with other related party				
General Nice	**–**	12,971	**–**	1,592
	919	13,498	**40,613**	10,064

(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$30,088,000 due to CJSC Pokrovskiy Rudnik 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 CJSC Pokrovskiy Rudnik of US$30,088,000 in June 2018.

14. RELATED PARTY DISCLOSURES (CONTINUED)

Key Management Compensation

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

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**1,050**	921
Post-employment benefits	**57**	50
Share-based payments	**491**	214
	1,598	1,185

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 2018, 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 2018
George Jay Hambro	Interest of a controlled corporation*	445,866	0.01%
	Beneficial interest**	34,286,539	0.48%
	Contingent beneficial interest***	62,885,354	0.89%^
Yury Makarov	Beneficial interest	30,911,505	0.44%
	Contingent beneficial interest***	62,885,354	0.89%^
Raymond Kar Tung Woo	Beneficial interest	7,435,360	0.10%
Danila Kotlyarov	Contingent beneficial interest***	62,885,354	0.89%^
Chi Kin Cheng	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 and 29 September 2017. Details of the share option scheme are set out on page 132 of the 2017 Annual Report of the Company under the heading "SHARE-BASED PAYMENTS TRANSACTIONS".

**** 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 126 of the 2017 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 2018.

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 2018
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, a director of Petropavlovsk as of 30 June 2018.

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 2018.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to any Director or chief executive of the Company, as at 30 June 2018, 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 2018
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	991,257,100^	13.97%
General Nice Group Holdings Limited***	Interest of a controlled corporation	991,257,100^	13.97%
General Nice Development Limited****	Beneficial interest	991,257,100^	13.97%

* Cayiron Limited is a wholly owned subsidiary of Petropavlovsk PLC. All 2,205,900,000 shares are pledged. Please refer to the section "Guarantee" on page 70 of the 2017 Annual Report of the Company for details.

** As of 30 June 2018, these shares were beneficially owned by General Nice Development Limited ("GND") and Ming Chi Tsoi was deemed to be interested in such shares under the SFO by virtue of the fact that he held 35% equity interest in GND.

*** General Nice Group Holdings Limited held 50% equity interest in GND as at 30 June 2018.

**** A winding-up order was made against the General Nice Development Limited ("GND") by the High Court of Hong Kong on 16 July 2018. According to GND, GND would be controlled by the provisional liquidator.

^ Based on the Company's understanding, the number of Shares held by GND as at 30 June 2018 was 445,931,100 Shares (representing approximately 6.29% of the total issued shares of the Company as at 30 June 2018).

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 2018.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 30 June 2018, 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, GOING CONCERN 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 2017 Annual Report of the Company.

During the six months ended 30 June 2018, 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 that the Independent Non-Executive Director, Mr. Simon Murray, *CBE, Chevalier de la Légion d'Honneur* was unable to attend the annual general meeting of the Company held on 25 June 2018 as provided for in code provision A.6.7 as he had overseas engagements. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code during the period and they have confirmed their full compliance with the required standard set out in the Model Code. The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. In preparing 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, its net current liabilities position of approximately US$74.5 million as at 30 June 2018 and the outstanding bank borrowings and related interest due for repayment in the coming twelve months against the expected future net cash inflows from operations, cash and cash equivalents and the credit facilities being refinanced the Group.

The Group has prepared a cash flow forecast which involves judgments and estimations based on management's input of key variables and market conditions including the future economic conditions, expected production capacity of the Kimkan and Sutara Project ("K&S Project"), iron ore prices and the US$/Rouble exchange rates for a fifteen month period after 30 June 2018. The cash flow forecast has been determined using estimations of future cash flows based on projected income and expenses of the business and working capital needs.

The Group has advanced negotiations with the bank to refinance and to obtain an amendment and extension of the Group's credit facilities. The amendment includes changes to the financial covenants and the repayment terms. The execution of the amendment is subject to final approval by the bank and documentation.

However, if the Group is unable to successfully refinance its loan facilities 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 loan repayments resulting in its financial liquidity being 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 consolidated financial statements have been prepared on a going concern basis. Please also refer to the paragraph regarding material uncertainty related to going concern on page 18 for details.

Petropavlovsk and General Nice are connected parties of the Group and transactions with these entities during the six months ended 30 June 2018 are set out in note 14 to the condensed consolidated financial statements.

The 2018 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
CEO	Chief Executive Officer
CFO	Chief Financial Officer
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)

GLOSSARY (CONTINUED...)

Metallurgical	Describing the science concerned with the production, purification and properties of metals and their applications
Micon	Micon International Limited has provided consulting services to the international mining industry since 1988, with particular focus upon mineral resource estimations, metallurgical services, mine design and production scheduling, preparation of pre-feasibility and feasibility studies, independent reviews of mining and mineral properties, project monitoring, independent engineer roles, financial analysis and litigation support. Micon's resource estimate complies with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required by Canadian National Instrument 43-101 (NI 43-101)
Mill	Equipment used to grind crushed rocks to the desired size for mineral extraction
Mineralisation	Process of formation and concentration of elements and their chemical compounds within a mass or body of rock
Minmetals Cheerglory	Minmetals Cheerglory Limited, the Hong Kong incorporated, wholly owned subsidiary of China Minmetals Corporation
NI 43-101	Also referred to as National Instrument 43-101, the (Canadian) Standards of Disclosure for Mineral Projects, including Companion Policy 43-101 as amended from time to time
Open-pit	A large scale hard rock surface mine; mine working or excavation open to the surface
Optimisation	Co-ordination of various mining and processing factors, controls and specifications to provide optimum conditions for technical/economic operation
Ore	Material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives
Ore-field	A zone of concentration of mineral occurrences
Ore body	Mining term to define a solid mass of mineralised rock which can be mined profitably under current or immediately foreseeable economic conditions
Ore Reserves	The parts of a Mineral Resource that can at present be economically mined
Petropavlovsk	Petropavlovsk plc, the London Stock Exchange quoted, Russian gold mining company
Precious metal	Gold, silver and platinum group minerals
Primary	Characteristic of or existing in a rock at the time of its formation; pertains to minerals, textures etc.; original
Processing	Methods employed to clean, process and prepare materials or ore into the final marketable product
Recovery	Proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
Resources	The concentration of material of economic interest in or on the earth's crust
ROM	Run-of-mine. This is recovered ore, as mined with dilution, before any pre-concentration or other form of processing
Russian Far East	Refers to the Far Eastern Federal district of the Russian Federation, which covers the area of Russia between Lake Baikal in Siberia and the Pacific Ocean
Shareholder(s)	Holder of the Share(s)
SRP	Steel/Slag Reprocessing Project
Stock Exchange	The Stock Exchange of Hong Kong Limited
Tailings	Material that remains after all metals/minerals considered economic have been removed from the ore
TiO_2	Titanium dioxide. A fine white powder. Used in paints, plastics or paper, it provides for maximum whiteness and opacity
Titanomagnetite	Concentrate which is a variation of a magnetite concentrate typically with a high vanadium and titanium content
Treatment plant	A plant where ore undergoes physical or chemical treatment to extract the valuable metals/minerals
Tonne/t	1 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 2018 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 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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DEPUTY CHAIRMAN
D.R. Bradshaw

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Chief Financial Officer: D. Kotlyarov

NON-EXECUTIVE DIRECTORS
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P.C.P. Hambro
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*
R.K.T. Woo

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

Our Future	K&S	Doubling production (Phase II)
	Garinskoye	Commercial production
	Bolshoi Seym	Commercial production
2018	K&S	Final phase of ramping up programme Operated at 105% of design capacity
2017	K&S	Commercial production (Phase I) 90%-capacity Loading Test Full year produced over 1.5 million tonnes
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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