铁货 IRC

IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Exchange of Hong Kong Code: 1029)

IRC: 2015 INTERIM RESULTS

Thursday, 27 August, 2015: IRC Limited ("IRC" or the "Company", stock code 1029) is pleased to announce its interim results for the six months ended 30 June 2015.

KEY HIGHLIGHTS

- Sales volumes of iron ore and ilmenite increased by 3.5% and 59.8% respectively
- Revenue decreased by 36.2% due to falling commodity prices however with careful cost management and Rouble depreciation, cash costs reduced by a larger amount of 53.9% to US$53.4 per tonne
- Central administrative expenses decreased by 49.2% to US$5.2 million
- Underlying loss for the period reduced by 64% to US$9.0 million (30 June 2014: US$25.3 million)
- Loss for the period amounted to US$198.6 million (30 June 2014: US$88.2 million), including a non-cash impairment of US$189.5 million (30 June 2014: US$62.9 million)
- Construction of the K&S project progressing well with hot commissioning in the second half of 2015; governmental support confirmed with tax concessions
- Balance sheet strengthened after receiving net proceeds of US$49.4 million from Open Offer in August

Commenting on the results, Jay Hambro, Executive Chairman of IRC said:

"With an operating environment proving even more challenging than last year I am pleased to report that IRC is still moving forward and indeed managing to make great strides towards fulfilling its ambitious and demanding targets. Volatility in bulk commodity markets has increased and the general negative trend has put significant pressure on our company. However we have reacted accordingly with measures to optimise project statistics, reduce head office charges and enhance the balance sheet. These have all yielded positive outcomes and so we believe IRC is well placed to take the next steps.

In terms of our 2015 half year results, we are glad to report that our continuous effort to control costs has reaped rewards. The underlying loss of the Group has reduced by 64% despite the challenging global environment with falling commodity prices. This is a testament to IRC's determination to, not only survive, but excel in times of adversity. IRC recently carried out an open offer and has successfully raised net proceeds of c.US$50 million. This fund raising exercise was conducted in July, when the capital markets were depressed with significant volatility and uncertainty. This is another indication of the support that IRC receives from its stakeholders.

Construction and commissioning at K&S continues and despite the normal challenges of weather, administration and general teething problems we are comforted by our contractor in the ability to produce 500,000 tonnes of product in 2015. The construction progress at the bridge that will connect Russia to China 240 km away from K&S is also good and we are told that first use could be as early as 2016. Including the bridge to our forecasts and restating costs to make our product uniform to the global 62% iron, our cost should be as low as US$28 per tonne. Governmental support for K&S remains strong. Recently the Project has been granted with a series of tax concessions on mining royalties, property tax and corporate tax which further consolidates K&S's position as one of the lowest cost iron ore producers in the world.

As K&S commissions we hope we are reaching a turning point for IRC and even that we also see some positivity return to the bulk commodity markets."

A teleconference call to discuss the results will be held today at 09h00 Hong Kong time. The number is +852 2112 1700, the passcode is 3863027#. A replay of the conference call will be available at www.ircgroup.com.hk tomorrow (28 August 2015). Copies of the 2015 Interim Report and presentation slides are available www.ircgroup.com.hk.

The board of directors of IRC Limited hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2015 which have been reviewed by the Company's Audit Committee, comprising of independent non-executive directors, and by the external auditors.

INTERIM FINANCIAL REPORT

Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2015

	NOTES	**Six months ended 30 June** **2015** **US$'000** **(unaudited)**	2014 US$'000 (unaudited)
Revenue	4	**43,047**	67,475
Operating expenses	5	**(50,303)**	(92,883)
Impairment charges	6	**(189,526)**	(62,879)
		(196,782)	(88,287)
Share of results of a joint venture		**430**	2,278
		(196,352)	(86,009)
Other gains and losses	7	**(2,820)**	(1,725)
Financial income	8	**1,108**	548
Financial expenses	9	**(1,020)**	(1,380)
Loss before taxation		**(199,084)**	(88,566)
Income tax credit	10	**90**	172
Loss for the period		**(198,994)**	(88,394)
Loss for the period attributable to:			
Owners of the Company		**(198,570)**	(88,206)
Non-controlling interests		**(424)**	(188)
Loss for the period		**(198,994)**	(88,394)
			(restated)
Loss per share (US cents)	12		
Basic		**(4.05)**	(1.86)
Diluted		**(4.05)**	(1.86)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the period	**(198,994)**	(88,394)
Other comprehensive income (expense) for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**10**	(508)
Total comprehensive expenses for the period	**(198,984)**	(88,902)
Total comprehensive expenses attributable to:		
Owners of the Company	**(198,631)**	(88,563)
Non-controlling interests	**(353)**	(339)
	(198,984)	(88,902)

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	NOTES	**As at 30 June 2015 US$'000 (unaudited)**	As at 31 December 2014 US$'000 (audited)
NON-CURRENT ASSETS			
Exploration and evaluation assets	13	**54,997**	54,790
Property, plant and equipment	13	**350,011**	462,860
Interests in a joint venture		**6,365**	7,294
Other non-current assets	14	**167,053**	199,123
Restricted bank deposit	19	**28,250**	27,250
		606,676	751,317
CURRENT ASSETS			
Inventories	15	**41,474**	49,178
Trade and other receivables	16	**29,028**	25,993
Time deposits	17	**13,993**	2,700
Cash and cash equivalents		**6,455**	45,040
		90,950	122,911
TOTAL ASSETS		**697,626**	874,228
CURRENT LIABILITIES			
Trade and other payables	18	**(13,610)**	(14,800)
Current income tax payable		**(270)**	(478)
Bank borrowings — due within one year	19	**(58,000)**	(63,500)
		(71,880)	(78,778)
NET CURRENT ASSETS		**19,070**	44,133
TOTAL ASSETS LESS CURRENT LIABILITIES		**625,746**	795,450
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(6,378)**	(6,471)
Provision for close down and restoration costs		**(4,335)**	(4,022)
Bank borrowings — due more than one year	19	**(233,127)**	(205,052)
		(243,840)	(215,545)
TOTAL LIABILITIES		**(315,720)**	(294,323)
NET ASSETS		**381,906**	579,905

	NOTES	**As at 30 June 2015 US$'000 (unaudited)**	As at 31 December 2014 US$'000 (audited)
CAPITAL AND RESERVES			
Share capital	20	**1,211,231**	1,211,231
Treasury shares		**(11,986)**	(11,986)
Capital reserve		**17,984**	17,984
Reserves		**13,210**	11,752
Accumulated losses		**(850,516)**	(651,946)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**379,923**	577,035
NON-CONTROLLING INTERESTS		**1,983**	2,870
TOTAL EQUITY		**381,906**	579,905

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Total attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Capital reserve[b] US$'000	Treasury shares US$'000	Accumulated losses US$'000	Share-based payments reserve US$'000	Translation reserve US$'000	Other reserves[a] US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2014 (audited)	5,834	1,166,006	17,984	(12,846)	(334,302)	11,905	(15,825)	19,020	857,776	5,062	862,838
Loss for the period	—	—	—	—	(88,206)	—	—	—	(88,206)	(188)	(88,394)
Other comprehensive expenses for the period											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(357)	—	(357)	(151)	(508)
Total comprehensive expenses for the period	—	—	—	—	(88,206)	—	(357)	—	(88,563)	(339)	(88,902)
Share-based payments	—	—	—	—	—	3,300	—	—	3,300	—	3,300
Issue of new shares (Note 20)	20,209	19,782	—	—	—	—	—	—	39,991	—	39,991
Transaction costs attributable to issue of new shares	(300)	(300)	—	—	—	—	—	—	(600)	—	(600)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	1,185,488	(1,185,488)	—	—	—	—	—	—	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(346)	(346)
Balance at 30 June 2014 (unaudited)	1,211,231	—	17,984	(12,846)	(422,508)	15,205	(16,182)	19,020	811,904	4,377	816,281
Balance at 1 January 2015 (audited)	1,211,231	—	17,984	(11,986)	(651,946)	14,698	(21,639)	18,693	577,035	2,870	579,905
Loss for the period	—	—	—	—	(198,570)	—	—	—	(198,570)	(424)	(198,994)
Other comprehensive expenses for the period											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(61)	—	(61)	71	10
Total comprehensive expenses for the period	—	—	—	—	(198,570)	—	(61)	—	(198,631)	(353)	(198,984)
Share-based payments	—	—	—	—	—	17	—	—	17	—	17
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(534)	(534)
Deemed contribution from a shareholder	—	—	—	—	—	—	—	1,502	1,502	—	1,502
Balance at 30 June 2015 (unaudited)	1,211,231	—	17,984	(11,986)	(850,516)	14,715	(21,700)	20,195	379,923	1,983	381,906

(a) The amount arose from (1) acquisition of non-controlling interests and deemed contribution arising from the group restructuring for the Company's listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), (2) transfer of share-based payments reserve upon vesting of share-based awards resulted from difference between the cost of the treasury shares and fair value at grant date of the awarded shares, and (3) deemed contribution from a shareholder, General Nice Development Limited ("General Nice"), for accrued interest on outstanding capital contribution (Note 20).

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	NOTE	Six months ended 30 June 2015 US$'000 (unaudited)	2014 US$'000 (unaudited)
OPERATING ACTIVITIES			
Net cash used in operations		**(2,775)**	(21,309)
Interest expenses paid		**(5,424)**	(4,699)
Income tax paid		**(417)**	(310)
NET CASH USED IN OPERATING ACTIVITIES		**(8,616)**	(26,318)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment and exploration and evaluation assets		**(44,151)**	(53,952)
Restricted bank deposit placed		**(1,000)**	(21,250)
Time deposits placed		**(11,293)**	(1,723)
Interest received		**1,109**	548
Dividends received from joint venture		**917**	—
Proceeds on disposal of property, plant and equipment		**44**	340
NET CASH USED IN INVESTING ACTIVITIES		**(54,374)**	(76,037)
FINANCING ACTIVITIES			
Proceeds on issuance of new shares	20	**—**	39,991
Proceeds from bank borrowings		**61,194**	91,081
Repayment of bank borrowings		**(35,920)**	(42,700)
Transaction costs attributable to issuance of new shares		**—**	(600)
Loan commitment fees paid		**(72)**	(278)
Dividends paid to non-controlling interests		**(534)**	(346)
NET CASH FROM FINANCING ACTIVITIES		**24,668**	87,148
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**(38,322)**	(15,207)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		**45,040**	89,642
Effect of foreign exchange rate changes		**(263)**	(590)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		**6,455**	73,845

1. BASIS OF PREPARATION

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

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

In preparing these condensed consolidated financial statements, the directors of the Company have given careful consideration to the going concern status of the Group in light of the Group's loss for the period, the continuous decline in iron ore price during the period, the Group's outstanding bank borrowings due for repayment in the coming twelve months and the Group's capital and other commitments as at 30 June 2015, against the cash and cash equivalents and the credit facilities maintained by the Group. Further, the Company anticipates that iron ore prices will remain under pressure in the coming twelve months, which will continue to impact the Group's margins and liquidity.

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

(i) The completion of the open offer of new shares of the Company on 7 August 2015 with net proceeds of approximately US$49.4 million (note 22);

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

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

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

1. BASIS OF PREPARATION (Continued)

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

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

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

The directors of the Company consider that after taking into account the above, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future and are satisfied that all covenant obligations will be met accordingly. Accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

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

Amendments to HKFRS	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRS	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions

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

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

3. SEGMENT INFORMATION

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

Six months ended 30 June 2015 (unaudited)

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	**42,003**	**—**	**1,044**	**—**	**43,047**
Segment revenue	**42,003**	**—**	**1,044**	**—**	**43,047**
Site operating expenses and service costs	**(43,406)**	**(267)**	**(1,400)**	**(32)**	**(45,105)**
Site operating expenses and service costs include:					
Depreciation and amortisation (see note 5(a))	**—**	**(2,645)**	**(98)**	**—**	**(2,743)**
Impairment charges	**—**	**(189,526)**	**—**	**—**	**(189,526)**
Share of results of a joint venture	**—**	**—**	**—**	**430**	**430**
Segment (loss) profit	**(1,403)**	**(189,793)**	**(356)**	**398**	**(191,154)**
Central administrative expenses					**(5,141)**
Central depreciation					**(57)**
Other gains and losses					**(2,820)**
Financial income					**1,108**
Financial expenses					**(1,020)**
Loss before taxation					**(199,084)**

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2014 (unaudited)

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

4. REVENUE

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

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
	(unaudited)	(unaudited)
Revenue		
Sale of iron ore concentrate	**28,699**	54,426
Sale of ilmenite	**13,304**	10,996
Engineering services	**1,044**	2,053
	43,047	67,475

5. OPERATING EXPENSES

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
	(unaudited)	(unaudited)
Site operating expenses and service costs [(a)]	**45,105**	82,641
Central administrative expenses [(b)]	**5,198**	10,242
	50,303	92,883

5. OPERATING EXPENSES (Continued)

(a) Site operating expenses and service costs

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
	(unaudited)	(unaudited)
Staff costs	**10,386**	21,239
Fuel	**4,209**	7,105
Materials	**8,981**	14,750
Depreciation	**2,743**	11,397
Electricity	**905**	1,404
Royalties	**540**	1,768
Railway tariff	**17,622**	21,788
Movement in finished goods and work in progress	**1,696**	(7,107)
(Recovery of inventory written down) inventory written down	**(135)**	3,821
Subcontracted mining costs and engineering services	**5,233**	19,812
Professional fees	**57**	191
Bank charges	**111**	209
Insurance	**21**	232
Office rent	**192**	486
Business travel expenses	**35**	74
Office costs	**218**	400
Mine development costs capitalised in property, plant and equipment	**(8,643)**	(18,062)
Allowance for bad debts	**2**	38
Property tax	**1,111**	2,061
Rental income less negligible outgoings	**(75)**	—
Other (income) expenses	**(104)**	1,035
	45,105	82,641

5. OPERATING EXPENSES (Continued)

(b) Central Administrative Expenses

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
	(unaudited)	(unaudited)
Staff costs	**3,524**	4,584
Materials	**12**	—
Depreciation	**57**	107
Professional fees*	**516**	726
Bank charges	**25**	22
Insurance	**158**	69
Office rent	**373**	742
Business travel expenses	**200**	378
Share-based payments	**17**	3,300
Office costs	**161**	243
Property tax	**4**	8
Other expenses	**193**	63
Rental income less negligible outgoings	**(42)**	—
	5,198	10,242

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

6. IMPAIRMENT CHARGES

At 30 June 2014, the Group considered whether there were any indicators that further impairment or the need to reverse previously recognised impairment existed at Kuranakh project located in the Amur Region of the Russian Federation; and K&S Project which is at the developing stage and is located in the EAO Region. As a result, the related property, plant and equipment of the Kuranakh project has been fully impaired by approximately US$62,879,000, due to its higher cash costs of production, lower purity of the ore concentrates and the weaker forecast iron ore and ilmenite prices mainly affected by the falling commodity prices across the globe. The impairment charge was charged against to mine development costs within property, plant and equipment. In addition, management concluded that no impairment charge was necessary for the K&S Project as at 30 June 2014 as its recoverable value was higher than its carrying value. The management also considered factors like the slight rebound in iron ore price at the spot market subsequent to the reporting date and the fact that the project was still under development and would not be put into commercial run till 2015.

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

As at 30 June 2015, management concluded that impairment charge was necessary for the K&S Project as its recoverable amount is lower that its carrying amount. Due to falling spot iron ore prices and forecast inflation, the carrying amount of the K&S Project has been impaired by approximately US$189,526,000. This impairment charge is allocated against property, plant and equipment amounting to US$127,204,000 and prepayments for property plant and equipment amounting to US$62,322,000. The directors of the Group will continue to monitor the latest market trends and assess impairment on an ongoing basis.

For the purpose of the impairment testing of the K&S Project, the recoverable amount of the project has been determined based on value in use, being estimated future cash flows of the project discounted to their present value using a discount rate of 12.0% (for the six months ended 30 June 2014: 11.5%).

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

Forecast inflation rates and sales prices for iron ore were based on external sources and adjustments to these were made for the expected quality of the forecast production. In addition, management has estimated the long term forecast sales prices for iron ore concentrate prices which take into account their views of the market, recent volatility and other external sources of information. Judgment has then been applied by management in determining a long-term price of iron ore concentrate for the purpose of assessing impairments.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
	(unaudited)	(unaudited)
Net foreign exchange loss	**(2,614)**	(1,842)
(Loss) gain on disposal of property, plant and equipment	**(206)**	117
	(2,820)	(1,725)

8. FINANCIAL INCOME

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest income on cash and cash equivalents	**1,027**	433
Interest income on time deposits	**76**	85
Others	**5**	30
	1,108	548

9. FINANCIAL EXPENSES

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowings:		
— wholly repayable within five years	**8,171**	7,027
Less: interest expenses capitalised to property, plant and equipment	**(7,403)**	(5,983)
	768	1,044
Unwinding of discount on environmental obligation	**252**	336
	1,020	1,380

10. INCOME TAX CREDIT

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
	(unaudited)	(unaudited)
Russia current tax expense	**(18)**	(109)
Deferred tax credit	**108**	281
	90	172

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2015 and 2014.

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

For the six months ended 30 June 2015 and 2014, the Group had no assessable profit subject to Cypriot corporation tax. For the six months ended 30 June 2015 and 2014, no Hong Kong profits tax, UK Corporation tax and PRC Enterprise Income tax was provided for as the Group had no assessable profit arising in or derived from these jurisdictions during both periods.

11. DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during both the six months ended 30 June 2015 and 2014.

12. LOSS PER SHARE

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

Loss

	Six months ended 30 June	
	2015	2014
	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	**198,570**	88,206

Number of shares

	Six months ended 30 June	
	2015	2014
	Number	Number
	'000	'000
		(restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per ordinary share	**4,904,394**	4,738,113

The computation of weighted average number of ordinary shares for the purposes of basic loss per ordinary share for the six months ended 30 June 2015 does not take into account the Company's 32,362,875 (for the six months ended 30 June 2014: 34,684,875) treasury shares.

The weighted average number of ordinary shares for the six months ended 30 June 2015 and 2014 has been adjusted for the open offer to qualifying shareholders on the basis of 4 offer shares for every 15 existing shares held by the qualifying shareholders that was completed on 5 August 2015.

The computation of diluted loss per share for the six months ended 30 June 2015 and 2014 does not take into account of the Company's outstanding shares awarded under the Group's Long-term Incentive Plan ("LTIP") and Deferred Subscription Share (as defined in note 20) since assuming their issuance would result in a decrease in loss per share.

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

During the period, the Group spent approximately US$44.2 million (for the six months ended 30 June 2014: US$54.0 million) on the mine development and acquisition of property, plant and equipment, including prepayments for property, plant and equipment as disclosed in note 14.

At 30 June 2015, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$24.0 million (31 December 2014: US$68.3 million).

14. OTHER NON-CURRENT ASSETS

	As at 30 June 2015 US$'000 (unaudited)	As at 31 December 2014 US$'000 (audited)
Deferred insurance premium for bank facilities	**—**	3,446
Prepayments for property, plant and equipment	**166,864**	194,076
Deferred loan arrangement fee	**—**	1,490
Cash advances to employees	**189**	111
	167,053	199,123

15. INVENTORIES

	As at 30 June 2015 US$'000 (unaudited)	As at 31 December 2014 US$'000 (audited)
Stores and spares	**19,647**	25,796
Work in progress	**17,728**	18,370
Finished goods	**4,099**	5,012
	41,474	49,178

Work in progress and finished goods have been recovered by US$135,000 during the six months ended 30 June 2015 (written down by US$1,635,000 during the year ended 31 December 2014). No inventories had been pledged as security in both periods.

16. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 US$'000 (unaudited)	As at 31 December 2014 US$'000 (audited)
VAT recoverable	**14,296**	14,974
Advances to suppliers	**2,260**	3,466
Amounts due from customers under engineering contracts	**758**	399
Trade receivables	**6,741**	4,930
Other debtors	**4,973**	2,224
	29,028	25,993

16. TRADE AND OTHER RECEIVABLES

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

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

	As at 30 June 2015 US$'000 (unaudited)	As at 31 December 2014 US$'000 (audited)
Less than one month	**6,612**	4,245
One month to three months	**58**	650
Over three months to six months	**1**	21
Over six months	**70**	14
Total	**6,741**	4,930

The Group allows credit periods ranging from 10 days to 90 days (31 December 2014: 10 days to 90 days) to individual third party customers. The directors of the Company considered that the carrying value of trade and other receivables is approximately equal to their fair value.

17. TIME DEPOSITS

Time deposits of the Group comprised short-term bank deposits with an original maturity of six to nine months. The carrying amounts of the assets approximate their fair value. As at 30 June 2015, time deposits carrying interest at fixed rate of 0.45% to 11.25% per annum (31 December 2014: 0.7% to 8.15% per annum).

18. TRADE AND OTHER PAYABLES

	As at 30 June 2015 US$'000 (unaudited)	As at 31 December 2014 US$'000 (audited)
Trade payables	**3,847**	4,525
Advances from customers	**108**	443
Accruals and other payables	**9,655**	9,832
	13,610	14,800

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

	As at 30 June 2015 US$'000 (unaudited)	As at 31 December 2014 US$'000 (audited)
Less than one month	**939**	1,524
One month to three months	**67**	25
Three months to six months	**15**	779
Over six months	**2,826**	2,197
Total	**3,847**	4,525

19. BANK BORROWINGS

	As at 30 June 2015 US$'000 (unaudited)	As at 31 December 2014 US$'000 (audited)
Bank loans		
Asian Pacific Bank	**15,500**	21,000
Industrial and Commercial Bank of China ("ICBC")	**275,627**	247,552
Total	**291,127**	268,552
Unsecured	**—**	15,000
Secured	**291,127**	253,552
Total	**291,127**	268,552
Carrying amount repayable		
Within one year	**58,000**	63,500
More than one year, but not exceeding two years	**38,854**	38,864
More than two years, but not exceeding five years	**194,273**	166,188
Total	**291,127**	268,552

Bank loans from Asian Pacific Bank

In April 2014, the Group renewed the US$15,000,000 loan facility with Asian Pacific Bank. The loan bears an annual interest of 9% which is repayable monthly. In March 2015, the US$15,000,000 term loan facility had been renewed for a 13-month period and with an annual interest of 9% repayable monthly and the loan principal is repayable by 21 April 2016. As at 30 June 2015, the whole loan amount was drawn down under the loan facility (31 December 2014: US$15,000,000).

In November 2013, the Group renewed another US$10,000,000 term-loan facility with Asian Pacific Bank. The loan bears an annual interest of 10.60% which is repayable monthly. The principal of the loan is repayable by 20 November 2014. On 23 October 2014, the US$10,000,000 term-loan facility had been renewed for another 12-month period with an annual interest of 10.60% repayable on the last day of credit period. As at 30 June 2015, US$500,000 was drawn down from such facility (31 December 2014: US$6,000,000).

19. BANK BORROWINGS (Continued)

Bank loans from Asian Pacific Bank (Continued)

For the six months ended 30 June 2015, the Group drew down US$9,170,000 from these facilities from Asian Pacific Bank in several tranches on a rolling basis and US$14,670,000 were repaid in aggregate during the period.

As at 30 June 2015, the Group had US$9,500,000 (31 December 2014: US$4,000,000) undrawn loan facility with Asian Pacific Bank.

These facilities are primarily working capital financing the Group's Kuranakh project. Both loans are secured against the helicopter owned by LLC GMMC, subsidiary of the Group. In addition, shares of OJSC Giproruda, subsidiary of the Group, have been pledged to secure the US$15,000,000 loan facility.

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

On 6 December 2010, LLC KS GOK ("K&S"), a wholly owned subsidiary of the Company, had entered into an US$400 million Engineering Procurement and Construction Contract ("EPC Contract") with China National Electric Engineering Corporation ("CNEEC") for the construction of the Group's mining operations at K&S.

On 13 December 2010, the Group entered into a project finance facility agreement with ICBC (the "ICBC Facility Agreement") pursuant to which ICBC will lend US$340,000,000 (equivalent to HK$2.64 billion) to K&S to be used to fund the construction of the Group's mining operations at K&S in time for the start of major construction works in early 2011. Interest under the facility was charged at 2.80% above London Interbank Offering rate ("LIBOR") per annum. The whole facility amount is repayable semi-annually in 16 installments of US$21,250,000 each, starting from December 2014 when the whole facility amount is expected to be drawn down and is fully repayable by June 2022.

Additional drawn downs amounting to US$52,024,000 were made by the Group during the six months ended 30 June 2015. The loan is carried at amortised cost with effective interest rate at 5.65% per annum. The outstanding loan principals were US$297,500,000 as at 30 June 2015 (31 December 2014: US$266,726,000), which is repayable semi-annually starting from December 2015 and is expected to be fully repaid by June 2022.

As at 30 June 2015 and 31 December 2014, US$28,250,000 and US$27,250,000, respectively, were deposited with ICBC under a security deposit agreement related to the ICBC Facility Agreement and is presented as restricted bank deposit under non-current assets. The deposit carries interest at prevailing market rate at around 1.0% per annum for the six months ended 30 June 2015 and year ended 31 December 2014.

As at 30 June 2015, the Group had no (31 December 2014: US$52,024,000) undrawn financing facility in relation to the ICBC Facility Agreement.

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

20. SHARE CAPITAL

There were no movements in the issued share capital of the Company during the six months ended 30 June 2015. Details of the allotment and issuance of ordinary shares by the Company during the six months ended 30 June 2014 are as follows:

	Number of shares	US$'000
Authorised		
At 1 January 2014		
— Ordinary shares of HK$0.01 each	10,000,000,000	12,820
At 30 June 2014, 31 December 2014 and 30 June 2015	Note	Note

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

	Number of shares	US$'000
Issued and fully paid		
At 1 January 2014		
— Ordinary shares of HK$0.01 each	4,529,910,301	5,834
Issue of new ordinary shares of HK$0.01 each to General Nice in February 2014	165,000,000	213
Transfer from share premium upon abolition of par value	—	1,185,488
Issue of new ordinary shares of HK$0.01 each to General Nice in April 2014	165,000,000	19,996
Transaction costs attributable to issue of new ordinary shares in April 2014	—	(300)
At 30 June 2014, 31 December 2014 and 30 June 2015		
— Ordinary shares with no par value	4,859,910,301	1,211,231

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

As disclosed in note 33 to the Group's 2014 consolidated financial statements, on 17 January 2013, the Company entered into a conditional subscription agreement with each of General Nice and Minmetals Cheerglory Limited ("Minmetals") for an investment by General Nice and Minmetals in new shares of the Company up to approximately HK$1,845,000,000 (equivalent to approximately US$238,000,000) in aggregate.

20. SHARE CAPITAL (Continued)

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

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

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

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

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

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

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

20. SHARE CAPITAL (Continued)

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

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

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

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

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

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

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

20. SHARE CAPITAL (Continued)

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

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

At 30 June 2015 and 31 December 2014, a cumulative total of 1,365,876,000 new shares of the Company had been allotted and issued to General Nice, following the receipt of aggregate subscription monies of approximately HK$1,315.9 million (equivalent to approximately US$169.6 million).

During the six months ended 30 June 2014, transaction costs of approximately US$600,000 (during the six months ended 30 June 2015: Nil) directly attributable to the issuance of new shares to General Nice were debited against equity.

21. RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its other related parties are disclosed below. All of the transactions were reviewed by independent members of the Board.

During the six months ended 30 June 2015, the Group entered into the following transactions with related parties:

Related parties

Petropavlovsk PLC, which is the Group's ultimate holding company, and its subsidiaries are considered to be related parties. Mr. Peter Hambro and Dr. Pavel Maslovskiy, shareholders of Petropavlovsk PLC, are close family members of the directors of the Company, Mr. George Jay Hambro and Mr. Yury Makarov, respectively.

Asian Pacific Bank is considered as a related party as Mr. Peter Hambro has interests and is able to exercise significant influence over Asian Pacific Bank.

21. RELATED PARTY DISCLOSURES (Continued)

Related parties (Continued)

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

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

	Services provided[a] Six months ended 30 June		Services received[b] Six months ended 30 June	
	2015 US$'000 (unaudited)	2014 US$'000 (unaudited)	**2015 US$'000 (unaudited)**	2014 US$'000 (unaudited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**1**	1	**2**	10
OJSC Irgiredmet	**—**	—	**—**	4
LLC NPGF Regis	**7**	19	**—**	—
CJSC Peter Hambro Mining Engineering	**—**	—	**—**	2
CJSC Pokrovsky Rudnik	**1**	1	**—**	—
MC Petropavlovsk	**218**	376	**34**	143
LLC Karagay	**—**	1	**—**	—
LLC Gidrometallurgia	**51**	84	**—**	—
LLC Kapstroy	**—**	50	**—**	—
LLC Helios	**—**	—	**9**	8
Transaction with other related party				
Asian Pacific Bank	**23**	38	**—**	—
General Nice	**1,502**	—	**—**	—

(a) Amounts represent charge received from related parties for provision of administrative support and interest on outstanding capital contribution.

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

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

21. RELATED PARTY DISCLOSURES (Continued)

Related parties (Continued)

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

	Amounts owed by related parties[a]		Amounts owed to related parties[b]	
	As at 30 June 2015 US$'000 (unaudited)	As at 31 December 2014 US$'000 (audited)	**As at 30 June 2015 US$'000 (unaudited)**	As at 31 December 2014 US$'000 (audited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**899**	897	**760**	765
OJSC Irgiredmet	**—**	—	**3**	3
LLC NPGF Regis	**27**	18	**109**	112
CJSC Pokrovsky Rudnik	**2**	1	**—**	—
LLC Kapstroy	**—**	1	**—**	—
MC Petropavlovsk	**181**	99	**1,941**	1,899
LLC Gidrometallurgia	**2**	1	**—**	—
LLC Helios	**5**	1	**—**	—
Outstanding balances with other related parties				
Asian Pacific Bank	**—**	6	**—**	—
General Nice	**1,584**	—	**—**	—
	2,700	1,024	**2,813**	2,779

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

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

21. RELATED PARTY DISCLOSURE (Continued)

Banking arrangements

Other than the related party transactions as disclosed in note 19, the Group has bank accounts with Asian Pacific Bank. The bank balances and time deposits at the end of the reporting period are set out below:

	As at 30 June 2015 US$'000 (unaudited)	As at 31 December 2014 US$'000 (audited)
Asian Pacific Bank	**15,977**	24,454

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

	Six months ended 30 June	
	2015 US$'000 (unaudited)	2014 US$'000 (unaudited)
Interest income from cash and cash equivalents	**407**	163

21. RELATED PARTY DISCLOSURE (Continued)

Guarantee arrangements

In relation to the ICBC loan as described in note 19, Petropavlovsk PLC has guaranteed the Group's obligations under the ICBC Facility Agreement. Petropavlovsk PLC, the Company and K&S GOK have entered into an agreement setting out the terms on which Petropavlovsk PLC provides the guarantee ("Recourse Agreement"). No fee will be payable by the Group in respect of the provision of the guarantee by Petropavlovsk PLC while Petropavlovsk PLC remains the parent company of the Company under relevant financial reporting standards. In the event that Petropavlovsk PLC ceases to be the parent company of the Company under the relevant financial reporting standards as agreed with Petropavlovsk PLC, a fee of 1.75% on outstanding amount will be payable by the Company to Petropavlovsk PLC in respect of the guarantee. No security will be granted by the Group to Petropavlovsk PLC in respect of the guarantee. Pursuant to the Recourse Agreement, Petropavlovsk PLC will have the right to inject funds into the Group by shareholder loan (on normal commercial terms at the time) in order to enable the Group to make payments under the ICBC Facility Agreement or for other working capital purposes. The Recourse Agreement also contains reporting obligations and customary covenants from the Group which require Petropavlovsk PLC's consent as guarantor (acting reasonably and taking into account the effect upon the Group's ability to fulfill its obligations under the ICBC Facility Agreement) for certain actions including the issuance, acquisition or disposal of securities, and entry into joint ventures.

As at 30 June 2015, Petropavlovsk PLC beneficially owns approximately 45.39% (31 December 2014: 45.39%) of the issued share capital of the Company. Though Petropavlovsk PLC has less than a majority of the voting rights of the Company, its voting rights are sufficient to give it the practical ability to direct the relevant activities of the Company unilaterally and retains control over the Company. Accordingly, the Company is still considered as a subsidiary of Petropavlovsk PLC. Under the ICBC Facility Agreement, each of the following will constitute a covenant; and noncompliance with any covenant will constitute an event of default upon which the ICBC Facility Agreement will become immediately due and payable: (i) Petropavlovsk PLC must retain a not less than 30% ("Minimal Holding") direct or indirect interest in the Company; (ii) Petropavlovsk PLC has an obligation to maintain a minimum tangible net worth of not less than US$750,000,000, a minimum interest cover ratio of 3.5:1 and a maximum leverage ratio of 4:1 and the group entity holding K&S Project has an obligation to maintain a minimum Debt Service Cover Ratio as defined in the ICBC Facility Agreement of 1.1x; (the "Financial Covenants") and (iii) there are also certain limited restrictions on the ability of the Petropavlovsk PLC to grant security over its assets, make disposals of its assets or enter into merger transactions.

21. RELATED PARTY DISCLOSURE (Continued)

Guarantee arrangements (Continued)

According to a waiver letter of 30 December 2014, ICBC has agreed to grant a waiver of the Financial Covenants until 31 December 2015 (or an earlier date on which Petropavlovsk PLC and the Group's entity holding the K&S Project manage to comply with their respective Financial Covenants), subject to the fulfillment of certain conditions precedent which were subsequently satisfied on 6 February 2015. ICBC has also agreed to amend the Minimal Holding from 30% to 15%.

Key Management Compensation

During the six months ended 30 June 2015, George Jay Hambro, Yury Makarov, Danila Kotlyarov (from 25 March to 30 June 2015), Raymond Woo, Daniel Bradshaw, Jonathan Martin Smith, Chuang-fei Li, Simon Murray, Cai Sai Xin and Liu Qingchun (During the six months ended 30 June 2014: George Jay Hambro, Yury Makarov, Raymond Woo, Daniel Bradshaw, Jonathan Martin Smith, Chuang-fei Li, Simon Murray, Cai Sai Xin and Liu Qingchun) were considered the key management of the Group. The remuneration of key management personnel is set out below in aggregate.

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**1,299**	1,412
Post-employment benefits	**112**	143
Share-based payments	**—**	1,489
	1,411	3,044

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

22. EVENT AFTER THE REPORTING PERIOD

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

As Petropavlovsk PLC has not subscribed for the Offer Shares it was entitled to, its equity interest in the Company was diluted to 35.83% upon completion of this shares transaction.

23. CONTINGENT LIABILITIES

Save as set out below, as at 30 June 2015, the Group did not have any material contingent liabilities.

The Company's EPC Contract with its main contractor at the K&S Project, CNEEC, includes terms that include liquidated damages from the contractor for delays. The Company is engaged in discussions with the contractor with regard to these liquidated damages. A fully funded bond is available to the Group on demand to cover all contractor delay penalties. At the same time, CNEEC has proposed that they are entitled to payment for some extra works that they carried out in addition to the original design to further enhance the plant design and the Company is considering this proposal in conjunction with the contractor delay obligations. The Group has no contractual liability under the engineering, procurement and construction contract to pay for these additional works but has subsequently agreed to share a proportion of CNEEC's properly incurred additional costs, subject to due diligence on the claims and satisfaction on the standard of works. The directors of the Company consider that the Group is in a strong position to defend against the claims and believe that the resolution of this matter will not have a material effect on the Group's financial position, results of operations or cash flows.

23. CONTINGENT LIABILITIES (Continued)

A negative tax ruling from Russia tax authorities has been received by the Group requiring the payment by a Russian subsidiary of the Group of approximately US$3.8 million in respect of withholding tax which the Russia tax authorities claim was payable on the payment of interest on intra-group loans from its Russian subsidiaries to other subsidiaries outside of Russia. The Group's position is that at the time of the payment of such interest, the relevant group company receiving the payment was resident in the UK and the payment was therefore not subject to any withholding tax due to the double tax treaty between the UK and Russia. This is disputed by the Russia tax authorities. The Group has made an appeal against the negative ruling by the Russia tax authority but the appeal has been rejected. The Group has commenced proceedings to challenge the decision. The directors of the Company consider that the dispute is a possible obligation which may, but probably will not, require an outflow of resources of the Group.

RESULTS OF OPERATIONS

The Underlying Results of the Group

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

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

	For the six months ended 30 June		
	2015	2014	Variance
Loss attributable to owners of the Company	**(198,570)**	(88,206)	>100%
Impairment charges	**189,526**	62,879	>100%
Underlying loss for the period	**(9,044)**	(25,327)	(64.3%)

It is worth noting that, despite the further softening of the iron ore and ilmenite prices in the first half of 2015 which decreased the Group's revenue by 36.2%, IRC managed to significantly reduce its underlying loss by 64.3%. This underlines the Group's continuous effort to control cost in the midst of the current challenging operating environment.

Revenue

Iron ore concentrate

During the first half of 2015, IRC increased the sales volume of its iron ore by 3.5% over the same period last year, suggesting good demand for the Group's iron ore concentrate. However, the significant increase in iron ore supply in the market, and commensurate fall in iron ore prices, have resulted in a 48.6% decrease in selling price from US$105 per tonne to US$54 per tonne. As a result, sales revenue of iron ore decreased by 47.3% from US$54.4 million to US$28.7 million.

Ilmenite

110,568 tonnes of ilmenite were sold during the first half of 2015, a 59.8% increase compared to 69,200 tonnes in the same period last year, reflecting the premium quality of the Group's ilmenite and a reasonable ilmenite market in terms of quantity demand. However, the positive effect of the increase in sales volume was, however, partially offset by the 24.5% fall in price from US$159 per tonne to US$120 per tonne. As a result, revenue from ilmenite sales increased by US$2.3 million to US$13.3 million.

Engineering Services

Revenue from Giproruda, the small engineering services division of the Group, reduced by US$1.0 million to US$1.0 million, due to decreased billing for its consulting services and the impact of the Rouble depreciation.

Site Operating Expenses and Service Costs

Site Operating Expenses and Service Costs mainly represent the mining and operating expenses incurred by the Group's sole mine in production, the Kuranakh mine. The expenses decreased by 45.4% from US$82.6 million to US$45.1 million and a breakdown of the expenses is set out in note 5a to the condensed consolidated financial statements.

Considering that the sales volumes of iron ore and ilmenite increased by 3.5% and 59.8% respectively, and also taking into account the relatively high inflation in Russia, the 45.4% reduction in cost is particularly notable. This is the results of the successful implementation of the cost cutting measures and revised mining plan with the help of the depreciation in Russian Roubles.

During the first six months of 2015, 566,349 tonnes (30 June 2014: 503,871 tonnes) of iron ore concentrate and 95,702 tonnes (30 June 2014: 86,693 tonnes) of ilmenite were produced, ahead of the Group's 2015 annualised production targets by 25.9% and 19.6% respectively. In accordance with the general market practice and for presentation and analysis purposes, the table below classifies ilmenite sales as a by-product credit by treating the sales revenue as an offsetting item in the production cash cost of iron ore. The details of the key cash cost components are as follows:

	For the six months ended 30 June		
	2015		2014
	Total cash cost US$ million	**Cash cost per tonne US$/t**	Cash cost per tonne US$/t
Mining	**6.5**	**11.4**	34.1
Processing	**6.4**	**11.3**	17.7
Transportation to plant	**3.1**	**5.5**	9.6
Production overheads, site administration and related costs	**7.4**	**13.2**	30.7
Transportation to customers	**11.1**	**20.7**	31.0
Movements in inventories and finished goods	**1.2**	**2.3**	1.9
Contribution from sales of ilmenite* and others	**(6.3)**	**(11.0)**	(9.1)
Net cash cost	**29.4**	**53.4**	115.9

* net of tariff and other railway charges for ilmenite

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

Segment Information

Despite the Group's effort to reduce operating costs, the decrease in selling prices of iron ore and ilmenite in 2015 had resulted in the "Mine in production" segment reporting a segmental loss before impairment of US$1.4 million (30 June 2014: loss of US$13.5 million). The "Engineering" segment also recorded a loss of US$0.4 million (30 June 2014: US$0.3 million) following a decrease in consultancy billings.

Central Administration Expenses

In light of the challenging market and operating environments, special attention continues to be given to controlling administrative costs. The successful implementation of the cost savings initiatives continued to provide benefits, with the Group's central administration costs reducing 49.2% to US$5.2 million.

Impairment Charges

The business model for our K&S mine is sensitive to iron ore price. Given the significant reduction in price, it is considered appropriate to record a one-off non-cash impairment provision of US$189.5 million to partially write down the carrying value of the project (30 June 2014: impairment provision of US$62.9 million against the Kuranakh mine).

Share of Results of Joint Venture

The vanadium joint venture, 46% owned by IRC, reported reasonable operating results considering the challenging operating environment and falling prices. During the first six months of 2015, the Group recorded a share of profit of the joint venture of US$0.4 million (30 June 2014: share of profit of US$2.3 million).

Other Gains and Losses and Other Expenses

The Other Gains and Losses and Other Expenses of US$2.8 million (30 June 2014: US$1.7 million) mainly represents the exchange losses following the depreciation of Russian Roubles.

Net Financial Income/(Expenses)

Net financial income mainly represents the interest income from bank deposits net of the interest expenses of the working capital facilities from Asia Pacific Bank.

Loss Attributable to The Owners of the Company

As a result of the above, the Loss attributable to the Owners of the Company in the first half of 2015 increased to US$198.6 million (30 June 2014: US$88.2 million). The increase is mainly due to the non-cash impairments of US$189.5 million and the reduction in revenue of US$24.4 million, partially offset by the Group's continuous effort to control costs.

Cash Flow Statement

The following table summaries the key cash flow items of the Group for the six months ended 30 June 2015 and 30 June 2014:

US$'000	For the six months ended 30 June	
	2015	2014
Net cash used in operations	**(2,775)**	(21,309)
Interest paid	**(5,424)**	(4,699)
Capital expenditure	**(44,151)**	(53,952)
Proceeds on issuance of shares, net of transaction costs	**—**	39,391
Proceeds from bank borrowings, net of repayment	**25,274**	48,381
Other payments and adjustments, net	**784**	(636)
Net movement during the period	**(26,292)**	7,176
Cash and bank balances (including time and restricted deposits)		
— At 1 January	**74,990**	98,382
— At 30 June	**48,698**	105,558

The net cash used in operations reduced significantly from US$21.3 million to US$2.8 million, mainly due to the cost cutting measures implemented and other working capital movements. Capital expenditure of US$44.2 million was spent mainly on the K&S mine, as the construction progress of the project stepped up for commissioning. A net bank borrowing of US$25.3 million had been drawn during the first half of 2015, mainly represents the drawing of the remaining ICBC project finance facility of US$52.0 million offset by the repayments. The ICBC facility was to finance the construction of the K&S project.

Liquidity, Financial and Capital Resources

Share capital

On 17 January 2013, the Company entered into a conditional subscription agreement with each of General Nice Development Limited ("General Nice") and Minmetals for an investment by General Nice and Minmetals in new shares of the Company up to approximately HK$1,845 million (equivalent to approximately US$238 million) in aggregate. The share placements not only provided the Group with strong strategic Chinese investment partners, but also solidified the Group's financial strength by unlocking the value in IRC's extensive portfolio of development projects. The transaction also includes off-take and marketing arrangements, providing IRC with both sales volume and cash-flow security. As at 30 June 2015, General Nice has completed more than 80% of its commitment by investing approximately US$170 million into the Company, while the completion of the subscription by Minmetals is subject to further agreement between the parties. The Company is in discussions with General Nice and Minmetals about a further deferred completion and other available options.

On 29 June 2015, the Company announced its equity fund raising plan by way of an open offer in order to finance the completion of construction of K&S and for providing general working capital to the Group. The open offer was completed on 7 August 2015 after allotting and issuing 1,295,976,080 ordinary shares and receiving a net proceeds of approximately US$49.4 million.

Cash Position and Capital Expenditure

As at 30 June 2015, the carrying amount of the Group's cash and bank balances was approximately US$48.7 million (31 December 2014: US$75.0 million) of which US$28.3 million (31 December 2014: US$27.3 million) was under restricted cash deposit. The balance represents a decrease of US$26.3 million, mainly to fund the K&S development and the Group's administrative costs.

Exploration, Development and Mining Production Activities

For the six months ended 30 June 2015, US$87.9 million (30 June 2014: US$127.5 million) was incurred on development and mining production activities. No exploration activity was carried out during the first half of 2015 and 2014. The following table details the capital and operating expenditures in the first half of 2015 and 2014:

US$'m	**For the six months ended 30 June 2015** Operating expenses	Capital expenditure	Total	For the six months ended 30 June 2014 Operating expenses	Capital expenditure	Total
Kuranakh	**43.4**	**0.1**	**43.5**	73.3	0.9	74.2
K&S development	**0.3**	**43.9**	**44.2**	0.3	52.2	52.5
Exploration projects and others	**—**	**0.2**	**0.2**	0.1	0.7	0.8
	43.7	**44.2**	**87.9**	73.7	53.8	127.5

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

US$'m	**Nature**	**For the six months ended 30 June 2015**	2014
Kuranakh	Mining	**0.2**	0.1
K&S	Purchase of property, plant and equipment	**0.5**	—
	Sub-contracting for excavation related works	**—**	0.1
Others	Other contracts and commitments	**—**	0.1
		0.7	0.3

Borrowings and Charges

As 30 June 2015, the Group had gross borrowings of US$313.0 million (31 December 2014: US$287.7 million). All of the Group's borrowings were denominated in US dollars. Of the gross borrowings, US$15.5 million (31 December 2014: US$21.0 million) was bank borrowing for funding the working capital of the Group while the remaining US$297.5 million (31 December 2014: US$266.7 million) represents long term borrowing drawn from the US$340 million ICBC loan facility which is guaranteed by Petropavlovsk. The Group has been keeping its borrowing costs at market level, with its weighted average interest rate at approximately 5.9% (30 June 2014: 6.0%) per annum. As of 30 June 2015, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, increased to 38.8% (31 December 2014: 25.0%) mainly due to the drawing of the ICBC loan facility to finance the construction of the K&S project and the provision of the non-cash impairment charge mentioned above.

Risk of Exchange Rate Fluctuation

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

Employees and Emolument Policies

As at 30 June 2015, the Group employed approximately 1,800 employees (31 December 2014: 2,300 employees). The total staff costs excluding share based payments decreased to US$13.9 million for the first half of 2015 (30 June 2014: US$25.8 million) following decreases in headcount, adjustments in remuneration, and the effect of the Russian Roubles depreciation. As part of the cost reduction program, directors and senior management of the Group are subject to a remuneration reduction of up to 15% with effect from March 2015. The emolument policy of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence with reference to market conditions and trends.

Extract From The Independent Auditors' Report

The following is an extract of the independent auditors' Report on Review of Condensed Consolidated Financial Statements for the six months ended 30 June 2015 which has included an emphasis of matter, but without qualifying the review conclusion:

“CONCLUSION

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

EMPHASIS OF MATTER

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements which indicates that, as at 30 June 2015, the Group incurred loss for the six-month ended 30 June 2015, and as at 30 June 2015 the Group had outstanding bank borrowings due for repayment in the coming twelve months and significant capital and other commitments against the cash and cash equivalents and the credit facilities maintained by the Group. The directors have performed an assessment of the Group’s future liquidity and cash flows, which included a review of assumptions about the likelihood of success of the measures being implemented to ensure the Group’s financing needs, as well as of assumptions about market factors that are likely to have a significant impact on the Group’s future cash flows. These assumptions are described in more detail in note 1 to the condensed consolidated financial statements. Based on the assessment, the directors are satisfied that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due for the foreseeable future. However, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.”

OPERATIONS REPORT

Kuranakh

Production

During the first half of 2015, mining production and development activities progressed well. Mining works were conducted in accordance with the revised mining plan, keeping the grades and production yields on a stable level.

Ore removed for the first six months totalled 1,639,870 tonnes. The Crushing and Screening Plant processed a total of 1,874,629 tonnes of ore. The average grade of ore from the ground was 27.5% Fe and 8.3% TiO_2 respectively. Stockpiles at the end of June 2015 totalled 221,016 tonnes, equivalent to 21 days feed for the processing plant.

As of the end of first half of 2015, 566,349 tonnes and 95,702 tonnes of iron ore and ilmenite concentrates were produced respectively, 12% and 10% higher than their respective production volumes in same period last year. This is equal to 63% of the 900,000 tonnes annual iron ore target and 60% of the 160,000 tonnes annual ilmenite target.

Financial Performance

During the first half of 2015, IRC increased the sales volume of its iron ore by 3.5% over the same period last year, suggesting good demand for the Group's iron ore concentrate. On the other hand, the sales volume of ilmenite increased approximately 60% to 110,568 tonnes compared to the same period last year. This increase in sales of ilmenite reflected the premium quality of the Group's ilmenite and a reasonable ilmenite market in terms of quantity demand, although price remained under pressure.

Despite improved sales volumes, Kuranakh recorded a 35.8% decrease in revenue to US$42.0 million compared to same period last year. The decrease was mainly due to low commodities price market.

Nevertheless, cash costs of Kuranakh are significantly lower than a year before, as a result of the successfully ongoing cost optimisation programme initiated in 2014. During the first half of 2015, cash costs averaged US$53.4 per tonne. This represents a 53.9% decrease compared to same period last year (30 June 2014: US$115.9 per tonne). For the breakdown of cash cost, please refer to "Site Operating Expenses And Service Costs" under Results of Operations section.

Russian inflation continues to rise and this exerts weigh on the financial performance at Kuranakh.

Kuranakh reported a segmental EBITDA loss before impairment of US$1.4 million for the first half of 2015 (30 June 2014: US$7.9 million), nearly 80% reduction of loss compared to the same period last year. This is mainly attributable to our successful implementation of the cost savings initiatives.

Kuranakh Mine Strategic Review

Since the second quarter of 2014, a strategic review was commenced at Kuranakh to assess the economic viability of the operation going forward. Despite the cost saving measures successfully lowered our costs, given the prevailing conditions in commodity prices, the future of the Kuranakh operation remains subject to review. Stakeholders are once again advised that a temporary or permanent move towards a care and maintenance status at Kuranakh is a real possibility unless the market prices for iron ore or ilmenite improve or further cost savings can be achieved. In the event that operations at Kuranakh are suspended, a limited number of personnel could be relocated to K&S where production will soon commence. In the event of a shutdown, it is expected that the processing and sale of inventories, with the sale of equipment, could generate sufficient funds to pay down the working capital facilities.

Safety

As of the end of first half of 2015, there are approximately 800 people employed at Kuranakh. Our safety vision is for a culture of zero harm. We are committed to the safety of our employees and contractors by adhering to the strictest safety policies and standards. The LTIFR per 1,000,000 hours worked improved to 1.23 for the first six months of 2015, compared to 3.0 in the first half of 2014.

K&S

Project Progress

At K&S, cold commissioning is actively ongoing. Crushing and Screening plant is up and ready for hot testing with almost all individual parts of equipment being tested. Hot commissioning of the mine is expected in the second half of 2015, after K&S main processing plant starts commissioning. By then, the production and building up of fine crushed ore stockpiles will be ready for final processing. Overall work progress remains solid, reconfirming previous target for K&S reaching full production capacity in fourth quarter 2015.

When the final stage of construction at K&S is completed and the mine is fully ramped up, K&S will move towards an annual capacity of 3.2 million tonnes and potentially expand to 6.3 million tonnes afterwards.

In light of weak iron ore prices, and following the positive outcomes of the cost-cutting programme at Kuranakh, IRC has done a cost optimisation study for K&S. IRC's study shows that costs at the K&S can be reduced by 28%. It is estimated that an average for a period of full capacity operation will yield premium 65.8% iron ore concentrate to the Chinese border for US$35.4 per tonne. If restating this cost per global benchmark for 62% material and including the impact of forecast cost savings from the Amur/Heilongjiang River Bridge, the operating costs can be as low as US$28.0 per tonne.

Mining

Stripping and mining activities achieved a landmark during the second half of 2014 when the stockpile necessary to commence operations was built up. At the same time, while commissioning is approaching, the mining contractor has started preparations for mining works recommencement closer to year end. Firstly with drilling and blasting operations to prepare ore volumes in the open pit, and later with excavation and hauling operations to replenish ore stockpile that will be used for plant feeding.

Processing Plant
The processing plant is on track for hot commissioning in the second half of 2015. Fine-crushed ore storage, the thickening units, the beneficiation plant and the concentrate storage and loading units has commenced commissioning in the second quarter of 2015.

Safety
The K&S Project continued to report an excellent safety performance during the first half of 2015. The reported LTIFR rate per 1,000,000 hours worked was 0.0, an excellent performance.

At the end of June 2015, approximately 700 people were employed at the project in addition to varying contractor numbers depending upon the activities.

Infrastructure

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

The Amur River Bridge
(Tongjiang-Nizhneleninskoye Railway Bridge)
The bridge project to build a railway bridge across the Amur river border between Russia and China, was first launched by IRC in 2006, and later sold to Russian and Chinese development Funds in November 2014.

Currently, the bridge construction is progressing well, with the Chinese railway access lines now complete and main bridge base being erected on the Chinese side.

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

Exploration Project — Garinskoye

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

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

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

Corporate Update — Fund Raising

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

MARKET REVIEW

Iron Ore

During the first half of 2015, the iron ore price fell almost 50% year-on-year, as the iron ore supply surplus coincided with weakened China demand. The iron ore industry continues to be flooded by oversupply, caused by the absence of supply discipline as the large producers in the industry sought to maintain margins through economies of scale.

The benchmark iron ore price for delivery to China averaged just US$60 per tonne during the first half of 2015, 46% lower than the first half of 2014 and 27% lower than the second half of 2014. The price hit a low of US$46 per tonne in early April, followed by a short-lived rebound, recovering to US$65 per tonne in mid-June, but subdued to below US$50 per tonne again in early July. Price is expected to be under pressure for the second half of 2015 when the larger producers' ramped-up production hit the market.

The iron ore average selling price (ASP) for IRC was US$54 per tonne, 49% lower than the US$105 per tonne achieved in the first half of 2014. Sales volume for iron ore concentrate are secured under a long-term offtake agreement and prices are calculated on the INCOTERM "Delivered at Place" (DAP) basis. The ASP calculation is based on a formula which takes into account prices in preceding months, and therefore lags spot prices.

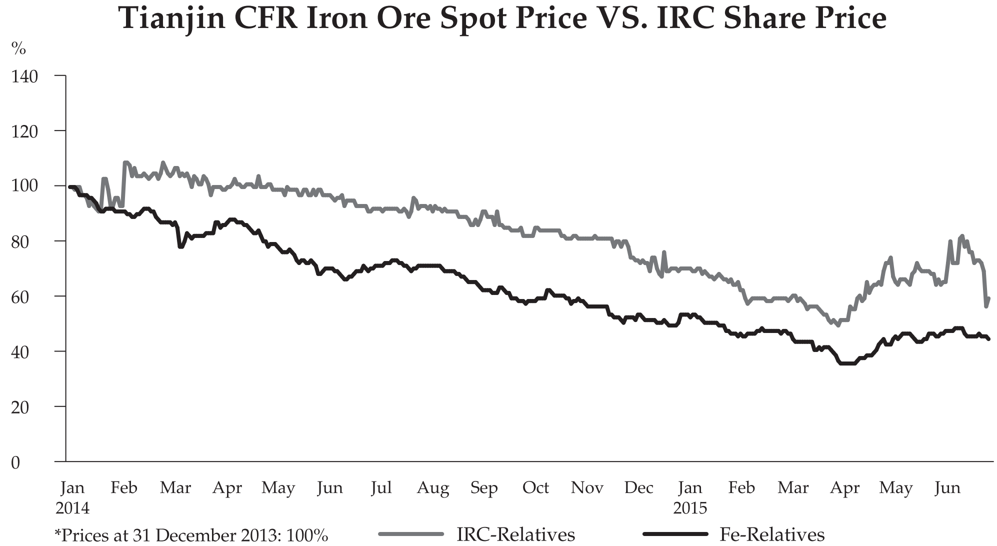
Ilmenite

During the first half of 2015, the price of ilmenite concentrates remained weak, as the oversupply of the feedstock in the market persisted. The situation is exacerbated with weakening demand. Slowing Chinese growth rates and tight credit have put pressure on the property market, negatively affecting the pigment sector, a key market for ilmenite products. While weak pigment prices continued to dampen any upside to ilmenite prices in the first half of 2015, some operations could be curtailed or idled due to uneconomic operating conditions leading to a rationalisation of supply; giving some hopes of recovery to the latter half of the year.

Towards the end of the first half of 2015, there was some positive dynamics noted in the ilmenite market, however some industry analysts think that the slight rebound is short-lived, while others believed that it will perhaps remain until the end of the third quarter.

Ilmenite sales totalled 110,568 tonnes in the first half of 2015, 60% more than the first half of 2014. However, the ilmenite ASP fell to US$120 per tonne for the first six months of 2015, a 25% decrease compared to the US$159 per tonne achieved in the same period last year.

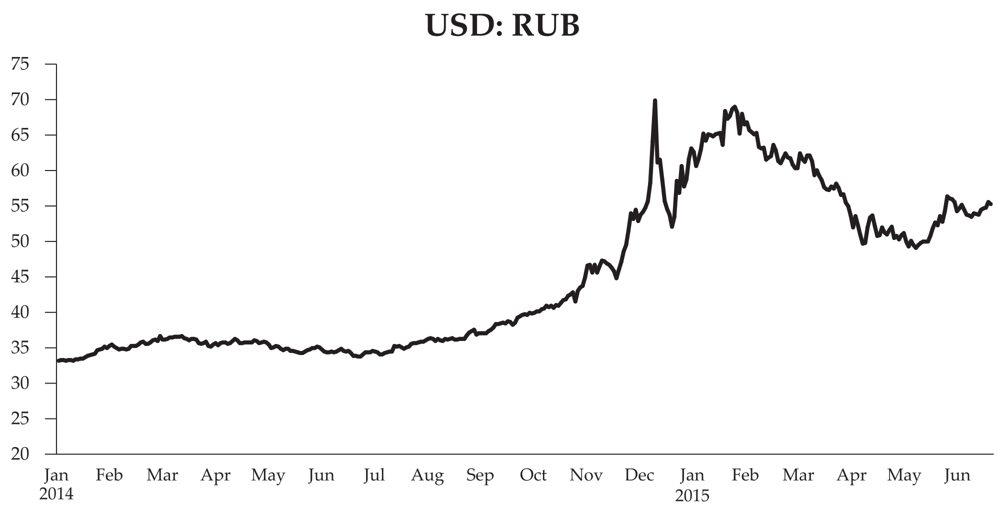
During the first half of 2015, IRC share price out-performed the Tianjin CFR Iron Ore Spot Price.



Foreign Exchange

During the first half of 2015, Rouble remained weak following the sharp depreciation against the US dollar. With the Group's operating costs mainly in Roubles and revenues mainly in US Dollars, this has a positive impact on our operating margins.

The US Dollar: Rouble exchange rate has been weak since late 2014. At the beginning of 2015, it opened at 57.8 and closed at 55.3 at the end of first half. However, the weakness continues following more Western sanctions, originated due to geo-political uncertainty in the Ukraine and Crimea. The prevailing weakness of Rouble is further supported by the fall in oil and gas prices. By the middle of August, the US Dollar: Rouble exchange rate rose to over 60.0 again, approximately 50% of its value same period last year, significantly reducing the operating cost of the Company. There has been no material impact to IRC's operations due to international sanctions against Russia.



OTHER INFORMATION

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 30 June 2015, the Company had not been notified of any short positions being held by any substantial shareholder in shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Corporate Governance

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 2014 Annual Report.

During the six months ended 30 June 2015, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited save that the Non-Executive Directors, Mr Simon Murray and Mr Cai Sui Xin were unable to attend the annual general meeting of the Company held on 4 June 2015 as provided for in code provision A.6.7 as they had overseas engagements.

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

Publication of Interim Results and Interim Report

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and of the Company (www.ircgroup.com.hk). The interim report of the Company for the six months ended 30 June 2015 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on or around the date of this announcement.

By Order of the Board
G. Jay HAMBRO
Executive Chairman

Hong Kong, People's Republic of China
Thursday 27 August 2015

As at the date of this announcement, the Executive Directors of the Company are Mr G. Jay Hambro and Mr Yury Makarov. The Non-Executive Directors are Mr Cai Sui Xin, Mr Liu Qingchun, Mr Simon Murray, CBE, Chevalier de la Légion d'Honneur and Mr Raymond Kar Tung Woo. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Chuang-Fei Li and Mr Jonathan Martin Smith.

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