Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement. The information set out below in this announcement is provided for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares in the Company.

铁货 IRC

IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1029)

IRC ANNOUNCES 2016 INTERIM RESULTS K&S COMMENCING REGULAR SHIPMENTS SOON AND BECOMING A MAJOR IRON ORE PRODUCER

CONFERENCE CALL

A conference call will be held today at 11h00 Hong Kong time to discuss the interim results. The number is +852 2112 1700 and the passcode is 1551031#. Presentation slides to accompany the call are available at www.ircgroup.com.hk. A replay call will be available from 1 September 2016 at www.ircgroup.com.hk/html/ir_call.php.

Wednesday, 31 August 2016: The Board of Directors of IRC Limited ("IRC" or the "Company", together with its subsidiaries, the "Group") is pleased to provide the interim results of the Company for the six months ended 30 June 2016.

KEY HIGHLIGHTS

- Net loss attributable to owners of the Company reduced by 95% to US$9.9 million (30 June 2015: US$198.6 million)
- Underlying loss excluding impairment of US$9.8 million (30 June 2015: US$9.0 million)
- K&S completed numerous commissioning tests with the production of maiden ores; on track to commission in Q3 2016 with regular shipments
- Kuranakh moved to care and maintenance with minimal cash outflow and costs
- ICBC waivers obtained – waivers of maintaining certain cash deposits and waivers of the obligations to comply with certain financial covenants
- Agreed with CNEEC to delay the outstanding construction payments – alleviate cash flow in near terms.

Commenting on the results, Yury Makarov, Chief Executive Officer of IRC said:

"As we are announcing our interim results, we are making plans for regular shipments of product at K&S. This is an incredibly exciting moment for IRC and has been a long time in coming. In the past few months, we have announced numerous commissioning milestones for K&S; now the construction at K&S is all but completed and our first trainload of high grade iron ore concentrate is sitting in the wagons awaiting the short trip to its customer. We are expecting to commence regular shipments to customers shortly.

However the commodity and financial markets remain both volatile and challenging for companies like us. We have good relationships with customers in North East China who remain keen on taking delivery of the high quality K&S product but sadly for us the price of the product, set on the international markets, remains weak mainly due to oversupply from Australia. We have maintained a positive and constructive dialogue with our lenders at ICBC and will work with them to try to make sure both their interests and ours are aligned as much as possible.

We are delighted to report that our net loss has reduced by 95% and look forward to improving this result further as K&S comes online. When K&S is in full capacity, our forecast shows that it will produce at a cash cost per tonne of approximately US$34, putting us in a satisfying position at the lower quartile of the industry cost curve. With the help of Amur River Bridge, cash costs will be well below US$30 per tonne.

The second half of 2016 will mark the transformation of IRC as K&S completes its full commissioning. K&S will be our game changer – together with our shareholders, we look forward to the positive impact it will bring to our financial and operational landscapes."

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 2016 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 2016

	NOTES	**Six months ended 30 June 2016 US$'000 (unaudited)**	Six months ended 30 June 2015 US$'000 (unaudited)
Revenue	4	**16,147**	43,047
Operating expenses	5	**(25,905)**	(50,303)
Impairment charges	6	**(147)**	(189,526)
		(9,905)	(196,782)
Share of results of a joint venture		**147**	430
		(9,758)	(196,352)
Other gains and losses	7	**(1,107)**	(2,820)
Financial income	8	**276**	1,108
Financial expenses	9	**(635)**	(1,020)
Loss before taxation		**(11,224)**	(199,084)
Income tax credit	10	**1,002**	90
Loss for the period		**(10,222)**	(198,994)
Loss for the period attributable to:			
Owners of the Company		**(9,945)**	(198,570)
Non-controlling interests		**(277)**	(424)
Loss for the period		**(10,222)**	(198,994)
Loss per share (US cents)	12		
Basic		**(0.16)**	(4.05)
Diluted		**(0.16)**	(4.05)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Six Months Ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the period	**(10,222)**	(198,994)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**1,255**	10
Total comprehensive expenses for the period	**(8,967)**	(198,984)
Total comprehensive expenses attributable to:		
Owners of the Company	**(8,977)**	(198,631)
Non-controlling interests	**10**	(353)
	(8,967)	(198,984)

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	NOTES	**As at 30 June 2016 US$'000 (unaudited)**	As at 31 December 2015 US$'000 (audited)
NON-CURRENT ASSETS			
Exploration and evaluation assets	13	**18,701**	18,603
Property, plant and equipment	13	**215,979**	199,714
Other non-current assets	14	**88,517**	89,017
Restricted bank deposit	19	**1,977**	2,119
		325,174	309,453
CURRENT ASSETS			
Inventories	15	**20,971**	29,575
Trade and other receivables	16	**14,661**	25,463
Time deposits	17	**2,800**	6,960
Cash and cash equivalents		**21,778**	49,184
		60,210	111,182
TOTAL ASSETS		**385,384**	420,635
CURRENT LIABILITIES			
Trade and other payables	18	**(18,215)**	(18,032)
Current income tax payable		**(293)**	(366)
Bank borrowings — due within one year	19	**(42,500)**	(53,050)
		(61,008)	(71,448)
NET CURRENT (LIABILITIES) ASSETS		**(798)**	39,734
TOTAL ASSETS LESS CURRENT LIABILITIES		**324,376**	349,187
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(5,402)**	(6,324)
Provision for close down and restoration costs		**(7,696)**	(6,449)
Bank borrowings — due more than one year	19	**(196,434)**	(215,238)
		(209,532)	(228,011)
TOTAL LIABILITIES		**(270,540)**	(299,459)
NET ASSETS		**114,844**	121,176

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2016

	NOTE	**As at 30 June 2016 US$'000 (unaudited)**	As at 31 December 2015 US$'000 (audited)
CAPITAL AND RESERVES			
Share capital	20	**1,260,665**	1,260,665
Capital reserve		**17,984**	17,984
Reserves		**5,765**	1,967
Accumulated losses		**(1,170,860)**	(1,160,915)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**113,554**	119,701
NON-CONTROLLING INTERESTS		**1,290**	1,475
TOTAL EQUITY		**114,844**	121,176

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2016

	Total attributable to owners of the Company									
	Share capital US$'000	Capital reserve[a] US$'000	Treasury shares US$'000	Accumulated losses US$'000	Share-based payments reserve US$'000	Translation reserve US$'000	Other reserves[b] US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 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
Balance at 1 January 2016 (audited)	1,260,665	17,984	–	(1,160,915)	11,545	(23,400)	13,822	119,701	1,475	121,176
Loss for the period	–	–	–	(9,945)	–	–	–	(9,945)	(277)	(10,222)
Other comprehensive expenses for the period										
Exchange differences on translation of foreign operations	–	–	–	–	–	968	–	968	287	1,255
Total comprehensive expenses for the period	–	–	–	(9,945)	–	968	–	(8,977)	10	(8,967)
Share-based payments	–	–	–	–	560	–	–	560	–	560
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(195)	(195)
Deemed contribution from a shareholder	–	–	–	–	–	–	2,270	2,270	–	2,270
Balance at 30 June 2016 (unaudited)	1,260,665	17,984	–	(1,170,860)	12,105	(22,432)	16,092	113,554	1,290	114,844

(a) The amounts represent deemed contribution from the then ultimate holding company of the Company (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 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 interests on outstanding capital contribution (Note 20).

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net cash generated from (used in) operations	**12,177**	(2,775)
Interest expenses paid	**(5,233)**	(5,424)
Loan guarantee fee paid	**(1,126)**	–
Income tax paid	**(75)**	(417)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**5,743**	(8,616)
INVESTING ACTIVITIES		
Restricted bank deposit placed	**(26,131)**	(1,000)
Purchases of property, plant and equipment and exploration and evaluation assets	**(6,080)**	(44,151)
Time deposits placed	**(2,990)**	(11,293)
Restricted bank deposit withdrawn	**26,273**	–
Time deposits withdrawn	**7,150**	–
Proceeds on disposal of property, plant and equipment	**1,193**	44
Interest received	**276**	1,109
Dividends received from joint venture	**–**	917
NET CASH USED IN INVESTING ACTIVITIES	**(309)**	(54,374)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(35,595)**	(35,920)
Dividends paid to non-controlling interests	**(195)**	(534)
Proceeds from bank borrowings	**3,795**	61,194
Loan commitment fees paid	**–**	(72)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(31,995)**	24,668
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**(26,561)**	(38,322)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**49,184**	45,040
Effect of foreign exchange rate changes	**(845)**	(263)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**21,778**	6,455

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 financial information relating to the year ended 31 December 2015 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 2015 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 modified, but did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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 Group's current liabilities exceeding its current assets by US$798,000 as at 30 June 2016, the Group's outstanding bank borrowings and related interest due for repayment in the coming twelve months and the Group's capital and other commitments as at 30 June 2016, against the cash and cash equivalents and the credit facilities maintained by the Group.

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

(i) On 14 March 2016, the Group entered into an agreement with its construction contractor of the K&S mine project ("K&S Project"), in respect of, among others, new deferred payment terms for the Group's remaining obligations under the EPC Contract (as defined in note 19) in three equal instalments within 30 days of 31 December 2017, 31 December 2018 and 31 December 2019 respectively;

1. BASIS OF PREPARATION (CONTINUED)

(ii) On 19 April 2016, the Group has obtained waivers from Industrial and Commercial Bank of China ("ICBC") in respect of the ICBC Facility Agreement (as defined in note 19), including obligations to maintain certain cash deposits with ICBC and obligations of the Group and its guarantor, Petropavlovsk PLC, to comply with certain financial covenants, subject to the fulfillment of certain conditions precedent which were satisfied on 21 June 2016. Details of these waivers are set out in notes 19 and 21;

(iii) The Group is currently negotiating with several banks in Russia for working capital financing for K&S Project and has received terms sheets or proposals from certain banks for short-term revolving loan facilities;

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

(v) Based on the results of the commissioning testing, the 60% loading test and the 72-hour run test of the various plant units at the K&S Project, the Group is anticipating operation and commercial production of the K&S Project in September 2016 upon the full remediation of the identified technical issues from the testing by the construction contractor. It is expected that the project will contribute significantly positively to the Group's cash flows from the start of its commercial operation as all material capital expenditure for mining, processing and production of the Kimkan deposit has incurred;

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

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

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

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

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. Should the Group experience a delay of the completion of the K&S Project beyond the Group's expectation and/or if the conditions described above turn out to be significantly more unfavourable than forecasted by the Group, the Group would need to carry out contingency plans including expediting negotiations with its substantial shareholder, General Nice Development Limited ("General Nice"), Mr. Cai Sui Xin (a substantial shareholder of General Nice), and Minmetals Cheerglory Limited ("Minmetals") in respect of the incomplete share subscription in the Company (see note 20 for details); and/or entering into negotiations with banks and other investors for additional debt or equity financing; and/or calling the construction contractor's performance bond provided by a bank.

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 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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 authorised 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 2016 (unaudited)

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	**15,580**	**—**	**567**	**—**	**16,147**
Segment revenue	**15,580**	**—**	**567**	**—**	**16,147**
Site operating expenses and service costs	**(17,823)**	**(2,631)**	**(751)**	**(7)**	**(21,212)**
Site operating expenses and service costs include:					
Depreciation and amortisation (see note 5(a))	**—**	**(3,891)**	**(75)**	**—**	**(3,966)**
Impairment charges	**—**	**—**	**—**	**(147)**	**(147)**
Share of results of a joint venture	**—**	**—**	**—**	**147**	**147**
Segment loss	**(2,243)**	**(2,631)**	**(184)**	**(7)**	**(5,065)**
Central administrative expenses					**(4,668)**
Central depreciation					**(25)**
Other gains and losses					**(1,107)**
Financial income					**276**
Financial expenses					**(635)**
Loss before taxation					**(11,224)**

3. SEGMENT INFORMATION (CONTINUED)

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)

4. REVENUE

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

	Six months ended 30 June	
	2016 US$'000 (unaudited)	2015 US$'000 (unaudited)
Revenue		
Sale of iron ore concentrate	**8,637**	28,699
Sale of ilmenite	**6,943**	13,304
Engineering services	**567**	1,044
	16,147	43,047

5. OPERATING EXPENSES

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Site operating expenses and service costs[(a)]	**21,212**	45,105
Central administrative expenses[(b)]	**4,693**	5,198
	25,905	50,303

(a) Site operating expenses and service costs

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Staff costs	**6,252**	10,386
Fuel	**1,392**	4,209
Materials	**2,714**	8,981
Depreciation	**3,966**	2,743
Electricity	**312**	905
Royalties	**47**	540
Railway tariff	**7,059**	17,622
Movement in finished goods and work in progress	**5,602**	1,696
Inventory written down (recovery)	**258**	(135)
Subcontracted mining costs and engineering services	**1,100**	5,233
Professional fees	**32**	57
Bank charges	**60**	111
Insurance	**12**	21
Office rent	**158**	192
Business travel expenses	**25**	35
Office costs	**178**	218
Mine development costs capitalised in property, plant and equipment	**(8,592)**	(8,643)
Allowance for bad debts	**201**	2
Property tax	**966**	1,111
Rental income less negligible outgoings	**—**	(75)
Other income, net	**(530)**	(104)
	21,212	45,105

5. OPERATING EXPENSES (CONTINUED)

(b) Central administrative expenses

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Staff costs	**2,442**	3,524
Materials	**—**	12
Depreciation	**25**	57
Professional fees*	**797**	516
Bank charges	**44**	25
Insurance	**79**	158
Office rent	**211**	373
Business travel expenses	**201**	200
Share-based payments	**560**	17
Office costs	**187**	161
Property tax	**—**	4
Other expenses	**246**	193
Rental income less negligible outgoings	**(99)**	(42)
	4,693	5,198

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

6. IMPAIRMENT CHARGES

During the six months ended 30 June 2015, management concluded that impairment charge was necessary for the K&S Project as its recoverable amount was lower that its carrying amount. Due to falling spot iron ore prices and forecast inflation, the carrying amount of the K&S Project was impaired by approximately US$189,526,000. This impairment charge was 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.

For the purpose of the impairment testing for the six months ended 30 June 2016 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 2015: 12.0%). Management concluded that no impairment charge was necessary for the K&S Project as at 30 June 2016 as its recoverable value was higher than its carrying value. The directors of the Group will continue to monitor the latest market trends and assess impairment on an ongoing basis.

The key assumptions and considerations used for the purpose of impairment tests for K&S Project 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.

6. IMPAIRMENT CHARGES (CONTINUED)

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

During the period, full impairment was made on the interest in a joint venture amounting to US$147,000 (6 months ended 30 June 2015: nil) as a result of Kuranakh project being put under care and maintenance since March 2016 which led to a halt in supply of raw materials from the Kuranakh project to the joint venture for its further production of vanadium for sale. The directors of the Company consider that there is no future cash inflow to substantiate the going concern of the joint venture in the foreseeable future.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Net foreign exchange loss	**(2,300)**	(2,614)
Gain (loss) on disposal of property, plant and equipment	**1,193**	(206)
	(1,107)	(2,820)

8. FINANCIAL INCOME

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest income on cash and cash equivalents	**78**	1,027
Interest income on time deposits	**198**	76
Others	**—**	5
	276	1,108

9. FINANCIAL EXPENSES

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**7,742**	8,171
Less: interest expenses capitalised to property, plant and equipment	**(7,456)**	(7,403)
	286	768
Unwinding of discount on environmental obligation	**349**	252
	635	1,020

10. INCOME TAX CREDIT

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Russia current tax expenses	**(14)**	(18)
Deferred tax credit	**1,016**	108
	1,002	90

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2016 and 2015.

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

No Hong Kong profits tax, United Kingdom Corporation tax, the People's Republic of China Enterprise Income tax and Cypriot Corporation 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 2016 and 2015.

11. DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during both the six months ended 30 June 2016 and 2015.

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	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per ordinary share being loss for the period attributable to owners of the Company	**(9,945)**	(198,570)

Number of shares

	Six months ended 30 June	
	2016	2015
	Number	Number
	'000	'000
Number of ordinary shares for the purposes of basic and diluted loss per ordinary share	**6,155,886**	4,904,394

The computation of weighted average number of ordinary shares for the purposes of basic and diluted loss per ordinary share for the six months ended 30 June 2015 had been arrived at after eliminating the shares of the Company held under the Company's Long-term Incentive Plan (32,362,875 Treasury shares) (30 June 2016: Nil).

The computation of diluted loss per share for the six months ended 30 June 2016 does not take into account the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

The computation of diluted loss per share for the six months ended 30 June 2015 does not take into account the Company's outstanding shares awarded under the Company's Long-term Incentive Plan since assuming their vesting 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$6.1 million (for the six months ended 30 June 2015: US$44.2 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 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$23.2 million (31 December 2015: US$23.1 million).

14. OTHER NON-CURRENT ASSETS

	As at 30 June 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Prepayments for property, plant and equipment	**88,376**	88,859
Cash advances to employees	**141**	158
	88,517	89,017

15. INVENTORIES

	As at 30 June 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Stores and spares	**6,434**	10,079
Work in progress	**14,537**	16,128
Finished goods	**—**	3,368
	20,971	29,575

Work in progress, finished goods and spare parts were recovered by US$1,543,000 and raw and other materials were written down by US$1,801,000 to its net realisable value during the six months ended 30 June 2016 (31 December 2015: Work in progress and finished goods were recovered by US$252,000 and spare parts were written down by US$7,400,000 to its net realisable value). No inventories had been pledged as security in both periods.

16. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
VAT recoverable	**4,011**	5,318
Advances to suppliers	**98**	2,485
Amounts due from customers under engineering contracts	**387**	476
Trade receivables	**375**	10,141
Other debtors	**9,790**	7,043
	14,661	25,463

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 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Less than one month	**255**	5,271
One month to three months	**80**	4,861
Over six months	**40**	9
Total	**375**	10,141

The Group allows credit periods ranging from 20 days to 90 days (31 December 2015: 15 days to 63 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 three to nine months. The carrying amounts of the assets approximate their fair value. As at 30 June 2016, time deposits carrying interest at fixed rate of 1.75% per annum (31 December 2015: 0.45% to 15.50% per annum).

18. TRADE AND OTHER PAYABLES

	As at 30 June 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Trade payables	**2,782**	3,121
Advances from customers	**91**	195
Accruals and other payables	**15,342**	14,716
	18,215	18,032

For related party and individual third party trade creditors, the average credit period on purchase of goods and services for the period was 33 days (2015: 19 days).

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

	As at 30 June 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Less than one month	**617**	1,030
One month to three months	**68**	37
Three months to six months	**24**	51
Over six months	**2,073**	2,003
Total	**2,782**	3,121

19. BANK BORROWINGS

	As at 30 June 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Secured bank loans		
Asian Pacific Bank	**—**	10,550
ICBC	**238,934**	257,738
Total	**238,934**	268,288
Carrying amount repayable		
Within one year	**42,500**	53,050
More than one year, but not exceeding two years	**39,287**	39,134
More than two years, but not exceeding five years	**157,147**	176,104
Total	**238,934**	268,288

Bank loans from Asian Pacific Bank

In March 2015, the Group renewed the US$15,000,000 term loan facility with Asian Pacific Bank for a 13-month period with an annual interest of 9% repayable monthly and the loan principal was repayable by 21 April 2016. As at 30 June 2016, the loan amount was fully repaid (31 December 2015: US$8,350,000 was drawn down from the loan facility).

In October 2015, the Group renewed another US$10,000,000 loan facility ("US$10,000,000 Loan Facility") with Asian Pacific Bank for a 12-month period. The loan bore an annual interest of 10.60% which was repayable monthly. As at 30 June 2016, the loan was fully repaid (31 December 2015: US$2,200,000 was drawn down from the loan facility).

For the six months ended 30 June 2016, the Group drew down US$3,795,000 from these facilities from Asian Pacific Bank in several tranches on a rolling basis and US$14,345,000 were repaid in aggregate during the period.

As at 30 June 2016, the Group maintained no (31 December 2015: US$10,550,000) loan facilities from Asian Pacific Bank.

These facilities were primarily for working capital financing the Group's Kuranakh project. As at 31 December 2015, both loan facilities were secured against the helicopter owned by LLC GMMC ("LLC GMMC"), subsidiary of the Group and the shares of OJSC Giproruda ("OJSC Giproruda"), subsidiary of the Group.

19. BANK BORROWINGS (CONTINUED)

Bank loan from ICBC

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

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 LLC KS GOK to be used to fund the construction of the Group's mining operations at K&S in time for the start of major construction works in early 2011. Interest under the facility was charged at 2.80% above London Interbank Offering rate ("LIBOR") per annum. The whole facility amount is repayable semi-annually in 16 installments of US$21,250,000 each, starting from December 2014 and is fully repayable by June 2022.

The loan is carried at amortised cost with effective interest rate at 6.13% per annum (2015: 5.91%). The outstanding loan principal was US$255,000,000 as at 30 June 2016 (31 December 2015: US$276,250,000).

As at 30 June 2016 and 31 December 2015, the Group had no undrawn finance facility in relation to the ICBC Facility Agreement.

As at 31 December 2015, US$2,119,000 was deposited in a debt service reserve account ("DSRA") with ICBC under a security deposit agreement ("DSRA Agreement") related to the ICBC Facility Agreement and was presented as restricted deposit under non-current assets. In January 2016, the Group placed restricted bank deposits of an amount up to US$28,250,000 in order to replenish the restricted deposit level pursuant to the security deposit agreement.

In accordance with the waiver and consent letter dated 19 April 2016 which the conditions precedent were satisfied on 21 June 2016, ICBC, among others, waived the Group's restriction on withdrawing from the DSRA for repayment of the ICBC loan installment and related interest due in June 2016 and the requirement of the Group to maintain the DSRA until 30 June 2018 (or an earlier date if the Company and Petropavlovsk PLC decide that the aforementioned waivers are no longer required). Accordingly, balance of US$1,977,000 remained in the DSRA as at 30 June 2016 without replenishment. The deposit carries interest at prevailing market rate at around 1.0% per annum for the six months ended 30 June 2016 and year ended 31 December 2015.

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 2016 and 2015. Details of the share capital of the Company at 30 June 2016 and 31 December 2015 are as follows:

	Number of shares	Share capital
		US$'000
Authorised		
At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	Unlimited number of ordinary shares with no par value.	
Issued and fully paid		
At 1 January 2015 and 30 June 2015	4,859,910,301	1,211,231
Issue of new ordinary shares pursuant to an open offer of shares	1,295,976,080	52,656
Transaction costs attributable to issue of new ordinary shares	–	(3,222)
At 31 December 2015 and 30 June 2016	6,155,886,381	1,260,665

As disclosed in note 31 to the Group's 2015 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 of up to approximately HK$1,845,000,000 (equivalent to approximately US$238,000,000) in aggregate.

The last subscription made by General Nice was on 30 April 2014. A cumulative total of 1,365,876,000 new shares of the Company had been allotted and issued to General Nice as at 30 April 2014. As General Nice did not complete the subscription in accordance with the agreed timeline, Minmetals' subscription will be subject to further agreement between the parties. No subscription was made by Minmetals up to 30 June 2016.

On 17 November 2014, the Company agreed with General Nice that General Nice's further subscription of the Company's shares 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 the completion of General Nice's further subscription, 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.

20. SHARE CAPITAL (CONTINUED)

At 30 June 2016 and 31 December 2015, excluding the shares subscribed by General Nice in the Company's open offer in 2015, a cumulative total of 1,365,876,000 new shares of the Company had been allotted and issued to General Nice, following the receipt of aggregate subscription monies of approximately HK$1,315.9 million (equivalent to approximately US$169.6 million).

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

21. RELATED PARTY DISCLOSURES

Transactions between the Group and its other related parties are disclosed below. All of the transactions were reviewed by independent members of the Board.

During the six months ended 30 June 2016, 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. 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)

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]		Services received[b]	
	Six months ended 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**—**	1	**2,417**	2
LLC NPGF Regis	**6**	7	**—**	—
CJSC Albynsky Rudnik	**188**	—	**—**	—
CJSC Pokrovsky Rudnik	**586**	1	**—**	—
MC Petropavlovsk	**130**	218	**23**	34
LLC Gidrometallurgia	**45**	51	**—**	—
LLC Helios	**—**	—	**1**	9
Transaction with other related party				
Asian Pacific Bank	**—**	23	**—**	—

	Interest on outstanding capital contribution[c]	
	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Transaction with other related party		
General Nice	**2,270**	1,502

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

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

(c) Amount represents interest charged on outstanding capital contribution (see note 20 for details).

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

For the six months ended 30 June 2016 and 2015, there is a deemed contribution from a shareholder, General Nice, for accrued interests on outstanding contribution capital.

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 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)	**As at 30 June 2016 US$'000 (unaudited)**	As at 31 December 2015 US$'000 (audited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**111**	98	**1,209**	9
OJSC Irgiredmet	**—**	—	**2**	2
LLC NPGF Regis	**39**	28	**94**	83
CJSC Pokrovsky Rudnik	**691**	903	**—**	—
CJSC Albynsky Rudnik	**420**	157	**—**	—
MC Petropavlovsk	**167**	144	**1,977**	1,930
LLC Gidrometallurgia	**2**	1	**—**	—
LLC Helios	**—**	1	**—**	—
Outstanding balances with other related parties				
Asian Pacific Bank	**4**	4	**—**	—
General Nice	**6,165**	3,897	**—**	—
	7,599	5,233	**3,282**	2,024

(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) 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.

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 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Asian Pacific Bank	**2,749**	24,829

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	
	2016 US$'000 (unaudited)	2015 US$'000 (unaudited)
Interest income from cash and cash equivalents	**31**	407

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

21. RELATED PARTY DISCLOSURE (CONTINUED)

Guarantee arrangements (Continued)

As at 30 June 2016, Petropavlovsk PLC beneficially owns approximately 35.83% (31 December 2015: 35.83%) of the issued share capital of the Company and accordingly as agreed with the directors of Petropavlovsk PLC, its voting rights in the Company are insufficient to give it the practical ability to direct the relevant activities of the Company unilaterally and does not retain control over the Company. Against this, pursuant to the Recourse Agreement, a fee equal to 1.75% on the outstanding loan amount under the ICBC Facility Agreement has been charged for the provision of the guarantee by Petropavlovsk PLC which amounted to US$2,394,000 during the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil). Under the ICBC Facility Agreement, each of the following will constitute a covenant; and noncompliance with any covenant will constitute an event of default upon which the ICBC Facility Agreement will become immediately due and payable: (i) Petropavlovsk PLC must retain not less than 30% ("Minimal Holding") direct or indirect interest in the Company; (ii) Petropavlovsk PLC has an obligation to maintain a minimum tangible net worth of not less than US$750,000,000, a minimum interest cover ratio of 3.5:1 and a maximum leverage ratio of 4:1 and the group entity holding K&S Project has an obligation to maintain a minimum Debt Service Cover Ratio as defined in the ICBC Facility Agreement of 1.1x (the "Financial Covenants"); and (iii) there are also certain limited restrictions on the ability of Petropavlovsk PLC to grant security over its assets, make disposals of its assets or enter into merger transactions.

According to a waiver and consent letter of 19 April 2016, ICBC has agreed to grant a waiver of the Financial Covenants until 31 December 2017 (or an earlier date of Petropavlovsk PLC and the group entity holding K&S Project manage to comply with their respective Financial Covenants), subject to the fulfillment of certain conditions precedent which were subsequently satisfied on 21 June 2016. ICBC has also agreed to amend the Minimal Holding from 30% to 15%.

Key Management Compensation

During the six months ended 30 June 2016, George Jay Hambro (from 1 January to 20 January 2016), Yury Makarov and Danila Kotlyarov (For the six months ended 30 June 2015: George Jay Hambro, Yury Makarov, Raymond Woo (from 1 January to 25 March 2015) and Danila Kotlyarov (from 1 January to 30 June 2015)) 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	
	2016	2015
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**570**	1,087
Post-employment benefits	**44**	112
Share-based payments	**150**	–
	764	1,199

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

RESULTS OF OPERATIONS

The following table summarises the consolidated results of the Group for the six months ended 30 June 2016 and 2015:

	For the six months ended 30 June		
	US$'000	US$'000	
	2016	2015	Variance
Key Operating Data			
Iron Ore Concentrate			
— Sales volume (tonnes)	**219,352**	535,048	(59.0%)
— Average price (US$/tonne)	**39**	54	(27.8%)
Ilmenite			
— Sales volume (tonnes)	**60,044**	110,568	(45.7%)
— Average price (US$/tonne)	**117**	120	(2.5%)
Consolidated Income Statement (US$'000)			
Revenue			
Iron Ore Concentrate	**8,637**	28,699	(69.9%)
Ilmenite	**6,943**	13,304	(47.8%)
Engineering Services	**567**	1,044	(45.7%)
Total Revenue	**16,147**	43,047	(62.5%)
Site operating expenses and service costs	**(21,212)**	(45,105)	(53.0%)
Central administration expenses	**(4,693)**	(5,198)	(9.7%)
Impairment charges	**(147)**	(189,526)	(99.9%)
Share of results of a joint venture	**147**	430	(65.8%)
Net operating loss	**(9,758)**	(196,352)	(95.0%)
Other gains and losses and other expenses	**(1,107)**	(2,820)	(60.7%)
Financial (expenses) income, net	**(359)**	88	n/a
Loss before taxation	**(11,224)**	(199,084)	(94.4%)
Income tax credit	**1,002**	90	>100%
Loss after taxation	**(10,222)**	(198,994)	(94.9%)
Non-controlling interests	**277**	424	(34.7%)
Loss attributable to owners of the Company	**(9,945)**	(198,570)	(95.0%)
Underlying Results (US$'000)			
Loss attributable to owners of the Company, excluding impairment charges	**(9,798)**	(9,044)	8.3%

Revenue

Iron Ore Concentrate

IRC's operating results are mainly derived from the mining operation of Kuranakh. Since Kuranakh has been moved to care and maintenance during the first half of 2016, IRC has halted the production of iron ore concentrate. Consequently, the sales volume of its iron ore decreased by 59.0% compared to same period last year. Despite the short-lived spike of the iron ore price market in April, the market fundamentals remain unchanged; supply still exceeds demand and commensurate fall in iron ore prices especially in the first quarter of 2016 when most of the Kurankah's sales were recorded. This resulted in a 27.8% decrease in selling price from US$54 per tonne to US$39 per tonne. As a result, sales revenue of iron ore decreased by 69.9% from US$28.7 million to US$8.6 million.

Ilmenite

As mentioned previously, as Kurankah has been moved to care and maintenance, the production of ilmenite has been suspended. During the first half of 2016, 60,044 tonnes of ilmenite were sold, a 45.7% decrease compared to the same period last year. The selling price of ilmenite also decreased slightly from US$120 per tonne to US$117 per tonne. As a result, revenue from ilmenite sales decreased by 47.8% from US$13.3 million to US$6.9 million.

Engineering Services

Revenue from Giproruda, the small engineering services division of the Group, reduced by US$0.5 million to US$0.6 million, due to decreased billing for its consulting services and the impact of the Rouble depreciation.

Site Operating Expenses and Service Costs

Site Operating Expenses and Service Costs mainly represent the mining and operating expenses incurred by the Group's sole mine in production, the Kuranakh mine. In light of Kuranakh being moved to care and maintenance, the decrease in sales volumes of iron ore and ilmenite has subsequently resulted in a significant decrease in site operating expenses by 53% from US$45.1 million to US$21.2 million and a breakdown of the expenses is set out in note 5a to the condensed consolidated financial statements.

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		
	2016		2015
	Total cash cost US$ million	**Cash cost per tonne US$/t**	Cash cost per tonne US$/t
Mining	**1.0**	**5.4**	11.4
Processing	**2.3**	**12.3**	11.3
Transportation to plant	**0.7**	**3.8**	5.5
Production overheads, site administration and related costs	**2.7**	**14.4**	13.2
Transportation to customers	**3.9**	**17.8**	20.7
Movements in inventories and finished goods	**4.4**	**20.1**	2.3
Contribution from sales of ilmenite* and others	**(3.5)**	**(18.8)**	(11.0)
Net cash cost	**11.5**	**55.0**	53.4

* net of tariff and other railway charges for ilmenite

The cash cost per tonne was largely in line with the same period last year as the Group continued to implement stringent cost cutting measures, with the aid of Russian Roubles devaluation. As widely reported in the press, the Russian Roubles depreciated significantly since December 2014 and the currency remained weak in 2016. While the Group's income is mainly US Dollars denominated and therefore unaffected by the Roubles depreciation, the Group's operating costs, which are mostly denominated in Roubles, reduced significantly in 2016.

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

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

* As of 30 June 2016

Segment Information

Despite the Group's effort to reduce operating costs, the decrease in selling prices of iron ore and ilmenite in 2016 had resulted in the "Mine in production" segment reporting a segmental loss before impairment of US$2.2 million (30 June 2015: loss of US$1.4 million) following a decrease in production and sales due to Kuranakh being moved to care and maintenance, as well as weak commodities price market. The "Engineering" segment also recorded a loss of US$0.2 million, a slight improvement from the same period last year (30 June 2015: US$0.4 million).

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 9.7% to US$4.7 million.

Impairment Charges
The business model for K&S mine is sensitive to iron ore price. During the first half of 2015, given the low iron ore price environment, a significant impairment of US$189.5 million was made to partially write down the carrying value of the project. As the iron ore price was relatively stable during the first half of 2016, no further impairment was made against the project.

An impairment was made on the interest in a joint venture amounting to US$147,000 (30 June 2015: US$ nil) as a result of Kuranakh project being put under care and maintenance since March 2016 which led to a halt in supply of raw materials from the Kuranakh project to the joint venture for its further production of vanadium for sale.

Share of Results of Joint Venture
The vanadium joint venture, 46% owned by IRC, recorded a share of profit of the joint venture of US$147,000 (30 June 2015: share of profit of US$430,000) during the first half of 2016.

Other Gains and Losses and Other Expenses
The Other Gains and Losses and Other Expenses of US$1.1 million (30 June 2015: US$2.8 million) mainly represents the exchange losses following the depreciation of Russian Roubles.

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

Income Tax Credit
The income tax credit of US$1.0 million (30 June 2015: US$0.1 million) mainly represents the movements in deferred tax liabilities.

Loss Attributable to the Owners of the Company
As the iron ore price was relatively stable in the first half of 2016 compared to same period last year, there was no significant impairment made against the projects of the Company in the first half of the year (30 June 2015 impairment to K&S: US$189.5 million). As a result, the loss attributable to the Owners of the Company in the first half of 2016 amounted to US$9.9 million (30 June 2015: US$198.6 million) a significant reduction of loss compared to the same period last year.

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.

The Underlying Loss, which excludes impairment charges, in the first half of 2016 was US$9.8 million (30 June 2015: US$9.0 million). The slight augmentation of the underlying loss was attributable to the fact that Kuranakh (which was the main source of revenue of the Group) being moved to care and maintenance and provided a smaller contribution to cover the overheads of the Group.

Cash Flow Statement

The following table summaries the key cash flow items of the Group for the six months ended 30 June 2016 and 30 June 2015:

	For the six months ended 30 June	
US$'000	**2016**	2015
Net cash generated from (used in) operations	**12,177**	(2,775)
Interest paid	**(5,233)**	(5,424)
Capital expenditure	**(6,080)**	(44,151)
(Repayment for)/proceeds from bank borrowings, net	**(31,800)**	25,274
Loan guarantee fee paid	**(1,126)**	–
Other payments and adjustments, net	**354**	784
Net movement during the period	**(31,708)**	(26,292)
Cash and bank balances (including time and restricted deposits)		
— At 1 January	**58,263**	74,990
— At 30 June	**26,555**	48,698

The net cash generated from operations amounted to US$12.2 million (30 June 2015: net cash used in operation: US$2.8 million), mainly due to cash inflow from the release of Kuranakh's working capital after the mine was moved to care and maintenance. Capital expenditure of US$6.1 million was spent mainly on the K&S mine, as the construction progress of the project is close to commissioning completion.

A net bank repayment of US$31.8 million mainly represents the repayment of ICBC project finance facility and the working capital facilities of Kuranakh. 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 for up to approximately HK$1,845 million (equivalent to approximately US$238 million) in aggregate. The share placements not only provided the Group with strong strategic Chinese investment partners, but also solidified the Group's financial strength by unlocking the value in IRC's extensive portfolio of development projects. The transaction also includes off-take and marketing arrangements, providing IRC with both sales volume and cash-flow security. As at 30 June 2016, 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.

The Company completed an open offer in August 2015 and received a net proceeds of approximately US$49.4 million. According to the intended use of proceeds, not less than 80% would be used to finance the K&S project and the remaining would be used for general working capital purposes of the Group. The proceeds had been used in accordance with the intention mentioned above.

Cash Position and Capital Expenditure

As at 30 June 2016, the carrying amount of the Group's cash and bank balances was approximately US$26.6 million (31 December 2015: US$58.3 million) of which US$2.0 million (31 December 2015: US$2.1 million) was under restricted cash deposit. The balance represents a decrease of US$31.7 million, mainly to fund the repayment of bank loans and the Group's administrative costs.

Exploration, Development and Mining Production Activities

For the six months ended 30 June 2016, US$26.5 million (30 June 2015: US$87.9 million) was incurred on development and mining production activities. No exploration activity was carried out for the first half of 2016 and 2015. The following table details the capital and operating expenditures in the first half of 2016 and 2015:

US$'m	**For the six months ended 30 June 2016** Operating expenses	Capital expenditure	Total	For the six months ended 30 June 2015 Operating expenses	Capital expenditure	Total
Kuranakh	**17.8**	**0.0**	**17.8**	43.4	0.1	43.5
K&S development	**2.6**	**6.0**	**8.6**	0.3	43.9	44.2
Exploration projects and others	**—**	**0.1**	**0.1**	—	0.2	0.2
	20.4	**6.1**	**26.5**	43.7	44.2	87.9

The table below sets out the details of material new contracts and commitments entered into during 2016 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** 2016	2015
Kuranakh	Mining	**0.0**	0.2
K&S	Purchase of property, plant and equipment	**0.5**	0.5
		0.5	0.7

Borrowings and Charges

As at 30 June 2016, the Group had gross borrowings of US$255.0 million (31 December 2015: US$286.9 million). All of the Group's borrowings were denominated in US dollars and represented the long term borrowing drawn from the US$340 million ICBC loan facility which is guaranteed by Petropavlovsk. The working capital facility for the Kuranakh project was fully repaid at the end of the first half of 2016 (31 December 2015: US$10.6 million). The Group has been keeping its borrowing costs at market level, with its weighted average interest rate at approximately 6.1% (30 June 2015: 5.9%) per annum. As of 30 June 2016, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, was 64.9% (31 December 2015: 63.4%).

During the first half of 2016, the Group has successfully obtained loans waivers from ICBC, as all conditions precedent have been fulfilled. The waivers obtained include a waiver from the obligation of the Group to maintain cash deposits of approximately US$26 million with ICBC from 21 June 2016 to 30 June 2018 (both days inclusive), and a waiver from the obligations of the Group and Petropavlovsk PLC to comply with certain financial covenants from 21 June 2016 to 31 December 2017 (both days inclusive).

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 2016, the Group employed approximately 1,262 employees (31 December 2015: 1,800 employees). The total staff costs excluding share based payments decreased to US$8.7 million for the first half of 2016 (30 June 2015: US$13.9 million) following decreases in headcount after moving Kuranakh to care and maintenance, adjustments in remuneration, and the effect of the Russian Rouble depreciation. 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 2016 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 2016, the Group incurred loss for the six-month ended 30 June 2016, and as at 30 June 2016 the Group's current liabilities exceeded its current assets and the Group had outstanding bank borrowings and related interest 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."

PROJECT REVIEW

Kuranakh

Kuranakh — Under Care & Maintenance

As announced in the last financial report, due to difficult operating environment, Kuranakh has been moved to care and maintenance status and involves only limited cost now and going forward in order to relief the Group's cash flow. The Group has reduced the number of staff at Kuranakh to minimum levels for equipment maintenance and security. Certain personnel have been relocated to K&S where commercial production will soon commence. The only major non-operating cost that the site will bear is domestic property taxes however relief will be sought for these.

Production

As Kuranakh has been moved to care and maintenance status, the production volume decreased considerably. During the first half of 2016, a total of c.53,000 m^3 of overburden was removed; and c.569,000 tonnes of ore was removed at Kuranakh mine. The Crushing and Screening Plant processed c.578,000 tonnes of ores, producing 290,394 tonnes of pre-concentrate at the average grade of 26.6% Fe and 7.9% TiO2. The ore stockpile after the announcement of production suspension at Kuranakh allowed a production of 188,111 tonnes of iron ore concentrate and 34,043 tonnes of ilmenite during the first half of 2016 (30 June 2015 production: 566,349 tonnes of iron ore concentrate; 95,702 tonnes of ilmenite).

Financials

As Kuranakh has been moved to care and maintenance status, the last shipments of product were completed in the second quarter of 2016. For the first half of 2016, Kuranakh recorded a small amount of sales, totalled 219,352 tonnes of iron ore concentrates and 60,044 tonnes of ilmenite (30 June 2015 sales: 535,048 tonnes of iron ore concentrates; 110,568 tonnes of ilmenite). The average selling price for Kuranakh's iron ore concentres and ilmenite were US$39 per tonne and US$117 per tonne respectively (30 June 2015: US$54 per tonne for iron ore and US$120 per tonne for ilmenite).

Nonetheless, due to the Group's stringent effort of cost optimisation, with the aid of Russian Rouble depreciation, the cash costs per tonne of Kuranakh remains in line with the same period last year at US$55.0 (30 June 2015: US$53.4). For breakdown of cash cost, please refer to "Site Operating Expenses And Service Costs" under the Results of Operations section.

In light of Kuranakh being moved to care and maintenance status, the decrease in production and sales volume together with a lower average selling price, the segmental revenue decreased from US$42.0 million in first half of 2015 to US$15.6 million in 2016. The negative segmental EBITDA was US$2.2 million for the first half of 2016 (30 June 2015: negative EBITDA of US$1.4 million). For more details of Kuranakh's financials, please refer to the "Mine in production" under the Segment Information section.

Safety

IRC complies with the ISO 140001: 2014 certification, a qualification which was achieved in 2012 and renewed in 2015. At the Kuranakh, for the first six months of 2016, the LTIFR was 5.1 (30 June 2015: 1.23). The LTIFR is a measure of the number of lost-time injuries per million hours worked, and as Kuranakh has been moved to care and maintenance, the numbers of hours worked at the mine has decreased significantly, leading to the increase of LTIFR in the first half of 2016. The actual number of injuries during the first six months of 2016 was in line with the same period last year.

K&S

K&S — Fully Operational & Commercial Production Soon

K&S is expected to be operational for commercial production in the third quarter of 2016. Since late 2015, CNEEC, K&S's main contractor, has commenced the hot commissioning programme for the project. To date, CNEEC completed most major parts of the hot commissioning, namely the successful hot commissioning of the First Stage and Final Stage of Crushing and Screening Plant, the Onsite Railway Infrastructure that connects to the Trans-Siberian Railway.

In the past few months, CNEEC has been working hard for a fully operational K&S. In July and August 2016, the Group has commenced the 60% loading test and the 72-hour test; as well as the hot testing of railway scales, the reclaimer unit and loading unit. CNEEC has also commenced the testing of the Drying Unit, which will be necessary during winter to allow K&S to operate in all seasons.

At the beginning of 2016, CNEEC advised the handover of an operational plant by 30 June 2016, however, while conducting various hot testing of the Processing Plant and other components, some teething issues were identified and CNEEC and IRC are working closely to resolve the issues. Subject to these technical issues being resolved, CNEEC has advised that a fully operating plant is expected to be handed over to IRC in the third quarter of 2016. After a short but efficient ramp up process, the plant is expected to operate at its full capacity, producing 3.2 million tonnes of 65.8% Fe grade iron ore concentrates per annum. Production guidance of 2016 will be provided when K&S is closer to full commissioning. As announced previously, IRC is entitled to claim certain liquidated damages from CNEEC for the delay of handover of the operational plant of K&S to the Company. However, the first priority will be working together to resolve the teething issues identified for commercial production the soonest.

It is noteworthy that during the hot testing, K&S has already successfully produced its first iron ore concentrates during the first half of 2016. As of 26 July 2016, the total amount of iron ore concentrates produced and stored at wet concentrate storage has accumulated to 11,672 tonnes.

Mining

The Kimkan operation covers nearly 50 km^2 and comprises two key ore zones — Central and West. Open pit mining commenced at the Central area, with ore being stockpiled for processing. During the first half of 2016, no stripping and mining activities took place as the Group has already performed stripping and mining activities in the previous years. The stockpile necessary to commence operations has already built up and it is considered more prudent to preserve cash. When full commissioning approaches, the mining contractor will start preparations for mining works recommencement, firstly with drilling and blasting operations to prepare ore volumes in the open pit, and later with excavation and hauling operations to replenish ore stockpile that will be used for plant feeding. As at the end of first half of 2016, ore stockpiles totalled 5.0 million tonnes are ready for processing.

K&S Optionalities

The Processing Plant of K&S is well situated between the two deposits, Kimkan and Sutara. Construction began in 2010 and the commissioning process is now underway. The plant design for Phase One is to process about 10 million RoM tonnes to produce 3.2 million tonnes of iron ore concentrate at 65.8% Fe grade per annum. There is an option for a Phase Two expansion for the Processing Plant, with the addition of ore feed from the Sutara Pit, doubling the throughput capacity to about 20 million RoM tonnes, to produce 6.3 million tonnes of iron ore concentrate with a 65% Fe grade per annum. The Group is also exploring other optionalities for capacity increase and efficient use of the K&S processing capacity under current market conditions.

Safety

IRC complies with the ISO 140001: 2014 certification, a qualification which was achieved in 2012 and renewed in 2015. The K&S Mine reported an excellent safety performance for the first half of 2016. There were no injuries recorded during the year and the LTIFR was therefore zero.

At the end of June 2016, approximately 935 people were employed for the project in addition to varying contractor numbers depending upon the activities.

Amur River Bridge
Although the Amur River Bridge project is no longer an IRC's project, it is noteworthy that IRC will have direct benefit from this project. The Amur River Bridge, alias Tongjiang-Nizhneleninskoye Bridge, is a railway bridge project that built across the Amur River border between Russia and China. The idea was first launched by IRC in 2006, and the project was later sold to Russian and Chinese development Funds in November 2014 to accelerate the construction progress of the bridge. K&S Mine is situated approximately 240 kilometres from the bridge site and IRC's nearest customer within China is approximately 180 kilometres away from the bridge. Thus, IRC will benefit from the project with reduced transportation distance and time. The bridge could halve the transport costs of K&S. Currently, the media reports that the Chinese side of the Bridge has been generally completed and the Russian side of the Bridge has commenced construction.

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 dependent on government's planning. Consequently, IRC has developed an alternate 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. There is an option to further increase the project value at very little additional capital expenditure with the addition of a further wet magnetic separation stage to produce a high-grade "super-concentrate" with an Fe 68% content.

In 2013, IRC completed an internal Bankable Feasibility Study. In 2014, a third-party verification and a fatal flaws analysis for the DSO-style operation was carried out.

Currently, the Garinskoye project was placed on hold while the Group focuses its effort and resources on the commissioning of K&S.

Exploration Projects & Others
IRC's other exploration projects comprise an extensive portfolio that is diversified by geography, commodity and development stages. It aims to add value through the discovery of new resources and increasing and confirming mineable reserves. Currently, IRC is keeping these valuable licenses for later development until market conditions improve. Apart from exploration projects, IRC is also involved in complementary business of a steel slag reprocessing plant (SRP) and a mining consultancy services agency (Giproruda). Regarding SRP project, as its feedstock is dependent on the concentrate from Kuranakh, as the latter was moved to care and maintenance, IRC is seeking alternative sources of materials as the feedstock for the project. In addition, during the first half of 2016, the exploration licenses of Orlovsko and Molybdenum projects have not been renewed after thorough consideration for their economical values, cost of development and market conditions in order to divert the Group's resources to develop projects with higher returns.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 30 June 2016, 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 2015 Annual Report.

During the six months ended 30 June 2016, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except for: a) the Non-Executive Directors Mr. Cai Sui Xin and Mr. Liu Qingchun and the Independent Non-Executive Director Mr. Simon Murray were unable to attend the annual general meeting of the Company held on 28 June 2016 as provided for in code provision A.6.7 as they had overseas engagements; and b) pursuant to Rule 3.10A of the Listing Rules, the Independent Non-Executive Directors of a listed issuer must represent at least one-third of the board of directors. Following the appointment Mr. Danila Kotlyarov as an Executive Director of the Company with effect from 20 January 2016, the number of Independent Non-Executive Directors of the Company has fallen below the minimum number as required under Rule 3.10A. During the transitional period, the Board believes that there is still a sufficient independent element on the Board, which can effectively exercise independent judgment. On 16 March 2016, Mr. Simon Murray was re-designated from a Non-Executive Director to an Independent Non-Executive Director of the Company. Following the re-designation, the number of Independent Non-Executive Directors of the Company has fulfilled the minimum number as required under Rule 3.10A of the Listing Rules.

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 2016 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
IRC Limited
Yury Makarov
Chief Executive Officer

Hong Kong, People's Republic of China
Wednesday, 31 August 2016

As at the date of this announcement, the Executive Directors of the Company are Mr Yury Makarov and Mr Danila Kotlyarov. The Non-Executive Directors are Mr George Jay Hambro, Mr Cai Sui Xin (Mr Benjamin Ng as his alternate) and Mr Raymond Kar Tung Woo. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Simon Murray, CBE, Chevalier de la Légion d'Honneur, Mr Chuang-Fei Li and Mr Jonathan Martin Smith.

IRC Limited
6H, 9 Queen's Road Central
Hong Kong
Tel: +852 2772 0007
Email: ir@ircgroup.com.hk
Website: www.ircgroup.com.hk

For further information please visit www.ircgroup.com.hk or contact:

Shirly Chan
Manager — Communications & Investor Relations
Telephone: +852 2772 0007
Mobile: +852 9688 8293
Email: sc@ircgroup.com.hk