铁货
IRC

IRC Limited 鐵江現貨有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 1029)

Announcement of Annual Results 2010

IRC produces and develops industrial commodities products that are used in industry across the world. IRC's work is focussed in north-eastern China and the Russian Far East, where in 2010 it has brought Russia's first vertically-integrated titanomagnetite plant into production. IRC's projects also include the development of two further major iron ore concentrate production sites in Russia and a vanadium processing plant in Heilongjiang province.

Financial highlights

- IRC became a cashflow-generating business with the formal commissioning of Kuranakh;
- Revenue enlarged to US$25.8m, an increase of 212% from 2009;
- Financial results reflected in US$82.4m loss, 14% better than forecast and 40.9% better than 2009;
- Strong year-end cash position of US$225.5m providing sufficient equity for current development plans;
- c.US$240m raised in equity on the Stock Exchange of Hong Kong;
- Signing of US$340m project finance facility with ICBC to provide all remaining finance for current development plan to total designed production rate of 4.4 mtpa.

Operational highlights

- Completion of extensive studies by an external independent geologist substantially augmenting JORC-estimated reserves and resources versus those previously reported to the Stock Exchange of Hong Kong;
- IRC's resources in accordance with the guidelines of the JORC Code (2004) are now 1.2 billion tonnes, including 648.3 million tons of proven and probable reserves ready for open pit mining;
- Iron ore concentrate production achieved as forecast; sales ongoing;
- Excellent progress of development projects.

CHAIRMAN'S STATEMENT

I am pleased to present the first annual results of IRC since our listing on the Hong Kong Stock Exchange last year.

We have achieved the primary objectives that we promised at the time of the IPO:

— We have raised the necessary finance for the full development of the K&S mine, which will commence production in 2013, increasing our overall production by a factor of three and reducing our operating costs per tonne by almost half. This financing with the Industrial and Commercial Bank of China (ICBC) has been realised on favourable terms. The Chinese participation in our financing and the fact that the Chinese market is our principal customer is a strong sign of our position as a Sino-Russian industrial commodity developer.

— We have executed the main development and construction contract for the K&S project with a major Chinese state contractor; I am able to report very satisfactory further progress with this work.

— There has been significant advancement of the bridge project across the Amur/Heilongjiang River. Although not essential to our core business, the bridge will reduce our transportation and handling costs.

I am delighted to report that, as I write, iron ore prices are at an all time high of nearly US$200 per tonne. While I am sure the market will continue to be volatile, our cost base means that we should enjoy a substantial margin on our production at such levels generating excellent cashflow and returns for shareholders.

As well as the geological advantage provided by our substantial resource base, our geographical position close to the largest market in the world for iron ore with an existing infrastructure base is of exceptional benefit to us. We use both the Trans-Siberian and BAM railways, which provide us with a route to an international customer base at very obvious freight cost advantages over our main competitors in Australia and South America.

The potential of an ore resource base of over one billion tonnes will only be realised with the help of our valuable human resource. I would particularly like to thank our entire workforce in Russia and China, as well as our supporters in government and local administration. In 2010 our total workforce expansion reflected growth in our geological resource base, as our production and construction sites develop and our administrative facilities ramp up ahead of production.

I believe that what we have achieved will be fully recognised in due course and I would like to thank all stakeholders for their support and continued interest.

Jay Hambro
Chairman

2010 Consolidated Financial Statements

Consolidated Income Statement

For The Year Ended 31 December 2010

	NOTES	**2010**	2009
		US$'000	*US$'000*
Revenue	*4*	**25,792**	8,260
Net operating expenses	*5*	**(61,584)**	(40,555)
Impairment charges	*6*	**(35,972)**	(97,371)
		(71,764)	(129,666)
Share of results of joint ventures		**(135)**	(90)
Net operating loss		**(71,899)**	(129,756)
Other gains and losses and other expenses		**(5,570)**	(13,552)
Financial income		**10,929**	15,145
Financial expenses	*7*	**(11,813)**	(10,337)
Loss before taxation		**(78,353)**	(138,500)
Taxation expense	*8*	**(3,676)**	(637)
Loss for the year		**(82,029)**	(139,137)
Loss for the year attributable to:			
Owners of the Company		**(82,358)**	(139,291)
Non-controlling interests		**329**	154
		(82,029)	(139,137)
Loss per share (US cents)	*10*		
Basic and diluted		**(3.62)**	(7.66)

Consolidated Statement Of Comprehensive Income
For The Year Ended 31 December 2010

	2010	2009
	US$'000	*US$'000*
Loss for the year	**(82,029)**	(139,137)
Other comprehensive income (expenses) for the year (net of tax):		
Exchange differences on translation of foreign operations and translation to presentation currency	**766**	(458)
Total comprehensive expenses for the year	**(81,263)**	(139,595)
Total comprehensive expenses attributable to:		
Owners of the Company	**(81,552)**	(139,633)
Non-controlling interests	**289**	38
	(81,263)	(139,595)

Consolidated Statement Of Financial Position

At 31 December 2010

	NOTES	**2010**	2009
		US$'000	*US$'000*
NON-CURRENT ASSETS			
Intangible assets	*11*	**31,533**	28,690
Property, plant and equipment	*12*	**499,270**	404,741
Interest in an associate		**—**	—
Interests in joint ventures		**10,346**	22,692
Other non-current assets		**44,550**	4,173
		585,699	460,296
CURRENT ASSETS			
Inventories		**27,121**	13,033
Trade and other receivables	*13*	**29,231**	19,739
Loans due from related parties		**—**	375,384
Cash and cash equivalents		**225,468**	18,415
		281,820	426,571
TOTAL ASSETS		**867,519**	886,867
CURRENT LIABILITIES			
Trade and other payables	*14*	**(57,085)**	(16,437)
Current income tax payable		**(185)**	(270)
Derivative financial instruments		**—**	(1,711)
		(57,270)	(18,418)
NET CURRENT ASSETS		**224,550**	408,153
TOTAL ASSETS LESS CURRENT LIABILITIES		**810,249**	868,449
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(2,024)**	(1,961)
Provision for close down and restoration costs		**(3,607)**	(2,990)
Loans due to a related party		**—**	(264,158)
		(5,631)	(269,109)
TOTAL LIABILITIES		**(62,901)**	(287,527)
NET ASSETS		**804,618**	599,340

Notes to the Consolidated Financial Statements

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out in the annual report.

The figures in respect of the announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the announcement.

2. Application of new and revised HKFRSs

In the current year, the Group has applied a number of new and revised Standards and Interpretations issued by the HKICPA that are mandatorily effective for 2010 financial year.

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3(as revised in 2008), HKAS 1 and HKAS 28[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the year ending 31 December 2013 and that application of the standard may not have significant impacts on the amounts reported in respect of the Group's financial assets and financial liabilities.

The amendments to HKFRS 7 titled *Disclosures - Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 *Related Party Disclosures (as revised in 2009)* modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because certain counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to HKAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) — Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) - Int 19 will affect the required accounting. In particular, under HK(IFRIC) — Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

3. Segment information

HKFRS 8 *Operating Segments* requires the Group to disclose reported segments in accordance with internal reports that are provided to the Group's chief operating decision maker. The Group considers its Executive Committee to be the chief operating decision maker. For management purposes, the Group is organised into four operating segments, Mines in Production, Mines in Development, Engineering, and Other. These operating segments form the basis on which the Group's Executive Committee makes decisions about resource allocation and performance assessment. The Group has four reportable segments under HKFRS 8:

- Mines in Production segment ("Mines in Production"), comprising iron ore projects in production phase. The segment includes the Kuranakh project*.

- Mines in Development segment ("Mines in Development"), comprising iron ore projects in the exploration and development phase. The segment includes the Kuranakh project* and the K&S project, and mines in the exploration and evaluation stage including the Garinskoye project and the Bolshoi Seym project (held by an associate) as well as the Kostenginskoye and Garinskoye Flanks projects.

- Engineering segment ("Engineering"), comprising in-house engineering and scientific expertise related to Giproruda.

- Other segment ("Other") primarily includes the Group's interest in joint venture arrangements for the design and development of a titanium sponge production plant in the People's Republic of China ("PRC"), the Group's interest in joint venture arrangements for the production of vanadium pentoxide and related products in the PRC as well as various other projects, which have similar economic characteristic and activities.

* *The Kuranakh project was grouped under Mines in Development when it was under exploration and development phase. Upon the commencement of production, it is reported as a separate segment, Mines in Production, since September 2010.*

Segment results represent the results earned by each segment without the allocation of central administration costs, central depreciation and amortisation, other gains and losses and other expenses, financial income, financial expenses and taxation.

Segment results represents the profit (loss) generated by each segment for the purpose of monitoring segment performance.

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than loans and other receivables from related parties and central cash and cash equivalents; and

- all liabilities are allocated to reportable segments other than deferred tax, derivative financial instruments and loans payable to a related party.

For the year ended 31 December 2010

	Mines in production *US$'000*	Mines in development *US$'000*	Engineering *US$'000*	Other *US$'000*	Total *US$'000*
Revenue					
External sales	**12,634**	**—**	**13,158**	**—**	**25,792**
Total revenue	**12,634**	**—**	**13,158**	**—**	**25,792**
Net operating expenses	**(14,947)**	**(7,796)**	**(10,863)**	**(40,597)**	**(74,203)**
Net operating expenses include:					
Impairment charges	**—**	**(1,028)**	**—**	**(34,944)**	**(35,972)**
Depreciation and amortisation	**(2,368)**	**(1,402)**	**(621)**	**(28)**	**(4,419)**
Share of results of joint ventures	**—**	**—**	**—**	**(135)**	**(135)**
Segment results	**(2,313)**	**(7,796)**	**2,295**	**(40,732)**	**(48,546)**
Central administration					**(22,847)**
Central depreciation and amortisation					**(506)**
Other gains and losses and other expenses					**(5,570)**
Financial income					**10,929**
Financial expenses					**(11,813)**
Taxation expense					**(3,676)**
Loss for the year					**(82,029)**
Other segment information					
Additions to non-current assets:					
— Capital expenditure	**—**	**113,545**	**353**	**7,946**	**121,844**
Interests in joint ventures	**—**	**—**	**—**	**4,731**	**4,731**
Exploration and evaluation expenditure capitalised within intangible assets	**—**	**3,323**	**—**	**—**	**3,323**
Segment assets	**132,191**	**495,596**	**19,492**	**17,412**	**664,691**
Central cash and cash equivalents					**202,828**
Total assets					**867,519**
Segment liabilities	**(8,763)**	**(31,640)**	**(2,597)**	**(17,877)**	**(60,877)**
Deferred tax liabilities					**(2,024)**
Total liabilities					**(62,901)**

For the year ended 31 December 2009

	Mines in development *US$'000*	Engineering *US$'000*	Other *US$'000*	Total *US$'000*
Revenue				
External sales	—	8,260	—	8,260
Total revenue	—	8,260	—	8,260
Net operating expenses	(106,000)	(7,431)	(1,975)	(115,406)
Net operating expenses include:				
Impairment charges	(97,371)	—	—	(97,371)
Depreciation and amortisation	(376)	(169)	—	(545)
Share of results of joint ventures	—	—	(90)	(90)
Segment results	(106,000)	829	(2,065)	(107,236)
Central administration				(22,077)
Central depreciation and amortisation				(443)
Other gains and losses and other expenses				(13,552)
Financial income				15,145
Financial expenses				(10,337)
Taxation expense				(637)
Loss for the year				(139,137)
Other segment information				
Additions to non-current assets:				
— Other additions to intangible assets	—	—	104	104
— Capital expenditure	81,236	436	788	82,460
Interests in joint ventures	—	—	2,021	2,021
Exploration and evaluation expenditure capitalised within intangible assets	422	—	—	422
Segment assets	439,657	18,468	42,370	500,495
Central cash and cash equivalents				10,988
Loans and other receivables from related parties				375,384
Total assets				886,867
Segment liabilities	(14,909)	(2,302)	(2,486)	(19,697)
Deferred tax liabilities				(1,961)
Derivative financial instruments				(1,711)
Loans payable to a related party				(264,158)
Total liabilities				(287,527)

Revenue by geographical location[(a)]

	2010	2009
	US$'000	*US$'000*
Russia and the Commonwealth of Independent States ("CIS")	**13,184**	8,260
PRC	**12,608**	—
	25,792	8,260

(a) Based on the location to which the product was shipped or in which the services were provided.

Non-current assets by location of asset[(b)]

	2010	2009
	US$'000	*US$'000*
Russia and CIS	**575,237**	428,252
PRC	**10,411**	31,973
Hong Kong	**51**	—
United Kingdom ("UK")	**—**	71
	585,699	460,296

(b) Excluding financial assets.

Information about major customers

The Group's revenue included revenue arising from sales of iron ore concentrate and rendering engineering services to a number of individual third party customers during the year ended 31 December 2010 and rendering engineering services to a number of individual third party customers during the year ended 31 December 2009, that individually amounted to more than 10% of the Group's total revenue.

For the year ended 31 December 2010 sales were made to Heilongjiang Jianlong Steel Company Limited (US$12,593,000) attributable to the Mines in Production segment, OJSC Arkhangelskgeoldobycha (US$4,688,000) and OJSC Apatit (US$4,040,000) attributable to the Engineering segment, respectively comprising 49%, 18% and 16% of the total revenue.

For the year ended 31 December 2009 sales were made to OJSC Apatit (US$2,974,000), OJSC Arkhangelskgeoldobycha (US$1,682,000), OJSC Kovdorskiy GOK (US$825,000) and National Center KPMS RK (US$981,000) solely attributable to the Engineering segment, respectively, comprising 36%, 20%, 10% and 12% of the total revenue.

4. Revenue

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

	2010	2009
	US$'000	*US$'000*
Revenue		
Sales of goods	**12,634**	—
Rendering of services	**13,158**	8,260
	25,792	8,260

5. Net operating expenses

	2010	2009
	US$'000	*US$'000*
Net operating expenses		
Costs of sales and service costs[(a)]	**22,258**	5,305
Administration expenses[(b)]	**39,710**	35,345
Other net operating income	**(384)**	(95)
	61,584	40,555

(a) Cost of sales and service costs

Staff costs	**12,001**	2,631
Fuel	**2,280**	—
Materials	**7,953**	1
Depreciation and amortisation	**2,848**	141
Movements in finished goods and work in progress	**(16,289)**	—
Outside service fee	**6,503**	—
Electricity	**1,143**	1
Royalties	**544**	—
Inventory written off*	**—**	239
Railway tariff	**4,853**	—
Others	**422**	2,292
	22,258	5,305

(b) Administration expenses

Staff costs	**17,601**	15,223
Depreciation	**721**	847
Professional fees**	**7,048**	4,351
Bank charges	**213**	155
Insurance	**372**	749
Office rent	**2,155**	2,833
Travel and entertainment	**3,015**	2,105
Share-based payments	**1,589**	2,449
Office costs	**1,288**	998
(Reversal of allowance) allowance for doubtful debts***	**(42)**	3,589
Loss on disposal of property, plant and equipment	**920**	230
Others	**4,830**	1,816
	39,710	35,345

* Inventories are valued at the lower of cost and net realisable value. At 31 December 2010, no inventory was written off; while at 31 December 2009, work in progress was written down to its net realisable value resulting in a charge to the consolidated income statement of US$239,000 due to high costs of production associated with the start-up of operations.

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

*** (Reversal of allowance) allowance for doubtful debts of approximately (US$42,000) and US$3,589,000 were recognised in profit and loss for the year ended 31 December 2010 and 2009, respectively. The amount for the year ended 31 December 2009 represented full impairment for (i) a deposit paid in advance for construction of apartments, which was considered not recoverable as the contractor has been declared bankrupt; and (ii) a trade debtor at Giproruda and a deposit paid for the acquisition of a railway locomotive which did not proceed as the counterparties were in financial difficulties. The amount for the year ended 31 December 2010 represents certain recovery of a trader debtor at Giproruda.

6. Impairment charges

In 2009, in light of the delays in the commencement of commercial production and increases in capital expenditure, management assessed the carrying value of the CGU of a titanomagnetite concentrate and ilmenite concentrate project located in the Amur Region of the Russian Federation ("Kuranakh project") for impairment. The revised recoverable amount also took into account significant increases in Russian railway tariffs for ilmenite. As a result, an impairment charge of US$87.9 million was recognised against the Kuranakh project.

At 31 December 2010, the Company considered whether there were any indicators that further impairment or the need to reverse previously recognised impairment existed at Kuranakh and K&S, a magnetite concentrate project, which is at the developing stage and is located in the EAO Region. Management concluded that no further impairment charge is required.

In 2009, impairment charges of US$3,704,000 and US$5,740,000 were recognised in relation to Aricom's* interest in an associate and the amount owed by that associate. Aricom has a 49% stake in LLC Uralmining, holding a licence to develop the Bolshoi Seym deposit. Due to uncertainties about the commercial viability of the project and the progression of the development of the project, it was decided to write off the carrying value of the equity interest of US$3,704,000 and loans advanced of US$5,740,000. In 2010, further loans of US$1,028,000 to LLC Uralmining have been impaired.

In 2010, the Company was advised that its joint venture partner in the Jiatai Titanium project had decided to withdraw from some of its non-core ventures and consequently no longer wished to proceed with the project. To date the Company has invested approximately US$20.8 million in the joint venture, and a further US$15.3 million on the titanium sponge processing technology, which was expected to be recharged to the joint venture. As a consequence the building of the plant was deferred and there is uncertainty as to the eventual outcome of the joint venture activities and the recoverability of the amounts invested. As a result, the directors concluded that the most appropriate course of action was to provide for an impairment of US$34.9 million against the invested amounts. This impairment was allocated to intangible assets (US$0.7 million), property, plant and equipment (US$14.6 million) and interests in joint ventures (US$19.6 million). The impairment took into account the recoverable value of the Group's share of the joint venture of US$3.5 million which reflected the Group's 65% share of the cash within the joint venture, net of its liabilities. Following discussions with its joint venture partner, the Group has entered into an agreement pursuant to which the 35% stake held by its joint venture partner will be independently appraised and, subject to certain conditions including the receipt of the necessary approvals for the implementation of the transfer and for an extension for the period in which the outstanding capital has to be paid up and there being no material adverse change, the Group will bid for the 35% stake at the appraised value if the appraised value is at or below RMB76 million or such higher number as the Group may agree. There is no certainty that the Group would be a successful bidder, but it is considering how it would proceed if it does acquire the 35% stake. One route might be to continue with the project alone and another to proceed with a different joint venture partner.

In the event that the Company is successful in acquiring the 35% stake interest and proceeds with the project alone or with a different joint venture partner, it may be possible to reverse some or all of the impairment charge. In the event that the Company acquires the 35% stake but ultimately does not proceed with the project or failed to acquired the 35% stake, a further impairment charge may be required.

* All references in this document to Aricom refer to the company's wholly-owned, indirect subsidiary. For the avoidance of ambiguity, one of IRC's predecessor companies was previously and variously known as Aricom Limited and Aricom plc. Further information may be found in the full Annual Report or in IRC's listing Prospectus of October 2010.

7. Financial expenses

	2010	2009
	US$'000	*US$'000*
Interest expenses on loan wholly repayable to related parties within five years	**11,254**	9,848
Unwinding of discount on environmental obligation	**549**	191
Others	**10**	298
	11,813	10,337

8. Taxation expense

	2010	2009
	US$'000	*US$'000*
UK current tax	**(3,062)**	(372)
Cyprus current tax	**(49)**	(71)
Russia current tax	**(481)**	(564)
Current tax expense	**(3,592)**	(1,007)
Deferred tax (expense) credit	**(84)**	370
	(3,676)	(637)

UK corporation tax is calculated at 28% of the estimated assessable profit for both years. Cyprus corporation tax is calculated at a rate of 10% of the estimated assessable profit for both years. Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for both years. No Hong Kong profits tax was provided for as the Group had no assessable profit arising in or derived from Hong Kong.

9. Dividends

No dividend was paid or proposed by Aricom during the year ended 31 December 2009. An interim dividend of US$644,437,000 was proposed and approved by the directors of Aricom on 22 June 2010. Of this amount US$22,460,000 was paid in cash and the remainder was offset against amounts owing to Petropavlovsk PLC, the parent company of the Group, prior to the listing of the Company's shares on the Stock Exchange under the group re-organisation.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010.

10. Loss per share

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

Loss	**2010**	2009
	US$'000	*US$'000*
Loss for the purposes of basic and diluted loss per ordinary share being net loss attributable to owners of the Company	**(82,358)**	(139,291)

Number of shares	**2010**	2009
	Number	Number
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per ordinary share	**2,265,032**	1,817,589

The number of ordinary shares for the purpose of calculating basic loss per share has been retrospectively adjusted for the share sub-division, the deemed bonus element relating to the shares of the Company issued to Cayiron Limited in August 2010 and the capitalisation issue of the shares of the Company.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Note: The computation of diluted loss per share for year ended 31 December 2010 and 2009 does not assume the conversion of Aricom's outstanding warrants and share options since their exercise would result in a decrease in loss per share.

11. Intangible assets

The Group	**2010**	2009
	US$'000	*US$'000*
At the beginning of year	**28,690**	613
Additions	**3,323**	526
Transfers from plant, property and equipment	**237**	27,551
Impairment (see note 6)	**(717)**	—
At the end of year	**31,533**	28,690

During the year ended 31 December 2009, and following its acquisition by Petropavlovsk PLC, Aricom reassessed the development plans for its various projects. As a result of this assessment, Garinskoye and the Garinskoye and Kostengiskoye Flanks have been transferred to exploration and evaluation assets within intangible assets, because the decision to commence with the development of these projects was reassessed in the context of the enlarged group's priorities.

In part additions represent amounts paid to acquire licences for intellectual property in relation to the processing of titanium sponge which have subsequently been impaired in 2010, as set out in note 6.

12. Property, plant and equipment

The Group	Mine development costs	mining assets	Non-Mining assets	Capital construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST					
At 1 January 2009	767,164	—	55,410	10,551	833,125
Additions	62,508	—	7,010	5,184	74,702
Acquisition of assets	7,509	—	249	—	7,758
Disposals	—	—	(754)	—	(754)
Transfers	—	—	6,444	(6,444)	—
Transfers to intangible assets	(27,551)	—	—	—	(27,551)
Exchange adjustments	—	—	(243)	(133)	(376)
At 31 December 2009 and 1 January 2010	809,630	—	68,116	9,158	886,904
Additions	110,201	—	3,364	8,279	121,844
Disposals	(6,068)	—	(308)	—	(6,376)
Transfers	(70,981)	83,960	(12,006)	(973)	—
Transfers to intangible assets	(237)	—	—	—	(237)
Transfer to joint venture[(a)]	—	—	—	(1,828)	(1,828)
Exchange adjustments	—	—	(60)	—	(60)
At 31 December 2010	842,545	83,960	59,106	14,636	1,000,247
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2009	(386,407)	—	(4,108)	—	(390,515)
Depreciation charge for the year	—	—	(3,902)	—	(3,902)
Eliminated on disposals	—	—	201	—	201
Impairment (see note 6)	(65,216)	—	(22,713)	—	(87,929)
Exchange adjustments	—	—	(18)	—	(18)
At 31 December 2009 and 1 January 2010	(451,623)	—	(30,540)	—	(482,163)
Depreciation charge for the year	(1,456)	(2,332)	(1,979)	—	(5,767)
Eliminated on disposals	1,459	—	51	—	1,510
Transfers	(2,130)	(158)	2,288	—	—
Impairment (see note 6)	—	—	—	(14,572)	(14,572)
Exchange adjustments	—	—	15	—	15
At 31 December 2010	(453,750)	(2,490)	(30,165)	(14,572)	(500,977)
CARRYING AMOUNTS					
At 31 December 2010	388,795	81,470	28,941	64	499,270
At 31 December 2009	358,007	—	37,576	9,158	404,741

(a) This amount relates to costs on capital construction in progress that has now been considered to form part of investment in joint ventures as capital injection.

13. Trade and other receivables

The Group	**2010**	2009
	US$'000	*US$'000*
VAT recoverable	**12,399**	9,907
Advances to suppliers	**8,871**	3,979
Amounts due from customers under engineering contracts	**1,511**	698
Trade receivables	**5,054**	1,833
Other debtors	**1,396**	3,322
	29,231	19,739

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

Amounts included in trade receivables at 31 December 2010 related to both iron ore concentrate sold and services performed under engineering contracts and invoiced to those customers; while the amounts included in trade receivables at 31 December 2009 only related to services performed under engineering contracts and invoiced to those customers.

The Group's credit risk is concentrated, with 72.7% (31 December 2009: Nil) of the total trade receivables due from the Group's largest customer during the year. The Group has implemented policies that require appropriate credit checks on potential customers before granting credit. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and credit ratings of its counterparties are monitored by management. The maximum credit risk of such financial assets is represented by the carrying value of the asset.

In determining recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for these balances which are not past due.

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

	2010	2009
	US$'000	*US$'000*
Less than one month	**4,039**	1,002
One month to three months	**462**	180
Over three months to six months	**10**	9
Over six months	**543**	642
Total	**5,054**	1,833

The Group allows credit periods ranging from 5 days to 45 days to individual third party customers. The Directors considered that the carrying value of trade and other receivables is approximately equal to their fair value.

Below is an aged analysis of trade receivables based on invoice date which are past due but not impaired:

	2010	2009
	US$'000	*US$'000*
Less than one month	**—**	—
One to three months	**4**	—
Over three months to six months	**3**	9
Over six months	**543**	546
Total	**550**	555

The Group has not provided for impairment loss on trade receivables which are past due as there has not been a significant change in the credit quality and amounts are still considered recoverable based on historical experience.

The following shows an analysis of movements in the allowances for doubtful debts in respect of advances to suppliers and trade receivables:

	2010	2009
	US$'000	*US$'000*
At the beginning of year	**3,718**	—
Change in allowance for doubtful debts	**(42)**	3,589
Exchange adjustments	**(546)**	129
At the end of year	**3,130**	3,718

Included in the allowance for doubtful debts were individually impaired advances to suppliers and trade receivables with an aggregate balance of US$3,130,000 and US$3,718,000 as at 31 December 2010 and 2009, respectively. The amount represented full impairment for (i) a deposit paid in advance for construction of apartments, which was considered not recoverable as the contractor has been declared bankrupt; and (ii) a trade debtor at Giproruda and a deposit paid for the acquisition of a railway locomotive which did not proceed as the counter parties were in financial difficulties. The Group did not hold any collateral over these balances.

14. Trade and other payables

The Group

	2010	2009
	US$'000	*US$'000*
Trade creditors	**12,360**	5,866
Advances from customers	**1,261**	5,801
Insurance premium payable	**24,218**	—
Accruals and other payables	**19,246**	4,770
	57,085	16,437

For individual third party trade creditors, the average credit period on purchases of goods and services for the year was 22 days (2009: 26 days).

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

Below is an aged analysis of the Group's trade creditors.

	2010	2009
	US$'000	*US$'000*
Less than one month	**9,202**	3,154
One month to three months	**1,711**	789
Over three months to six months	**1,418**	135
Over six months	**29**	1,788
Total	**12,360**	5,866

ANNUAL GENERAL MEETING

The Directors of the Company does not recommend the distribution of a final dividend for the year ended 31 December 2010.

The annual general meeting of the Company ("AGM") will be held on 12 April 2011 and the notice of 2011 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") on or around the date of this announcement.

RESULTS OF OPERATIONS

IRC is an international producer of industrial commodities, with a current focus in iron concentrate. IRC is operating and developing five main projects.

IRC builds on the tradition of a group that has been finding, developing, constructing and operating mining projects in this region for nearly seventeen years.

Most recently, IRC management has developed Kuranakh from a greenfield site to a producing mine.

2010 has been a year of transformation for IRC. With IRC's first mine moving into production, 2010 results are not directly comparable to 2009.

Revenue

Compared to 2009, revenue increased by US$17.5 million to US$25.8 million in 2010. This was primarily attributable to the formal commissioning of operations and sales generated from Kuranakh, IRC's first producing mine. IRC started its first regular sales to its target customer in September 2010 and recorded revenue of US$12.6 million. Revenues from Giproruda, a leading mining and engineering institute 70% owned by IRC, increased by 59% from US$8.3 million to US$13.2 million, compared to 2009, reflecting recovery of the mining sector in the second half of 2009, which also contributed to revenue growth this year.

Net operating expenses

Costs of sales and service costs

IRC's costs of sales and service costs increased by US$17.0 million from US$5.3 million in 2009 to US$22.3 million for 2010. This increase was primarily attributable to the commencement of operations of IRC's Kuranakh processing plant in the second half of 2010, including the cost of iron ore concentrate sold and the railway tariff incurred. The increase in corresponding staff cost in IRC's engineering business to generate additional engineering service revenue as mentioned above also contributed to the increase in IRC's operating expenses.

Administration expenses and other net operating income

IRC's administrative expenses increased by 11.6% to US$39.3 million (2009: US$35.3 million). This was due in part to an increase in staff costs in relation to increase in personnel at IRC's project sites at Kuranakh and K&S, and to the establishment of IRC's Hong Kong headquarters, as well as to an increase in professional fees incurred during 2010, attributable to audit, legal and consultancy fees and fees relating to financing transactions in addition to engineering consultancy fees paid.

Impairment charges

IRC recognised impairment charges of US$36.0 million in 2010 compared to US$97.4 million last year.

The impairment in 2010 arose primarily as a result of writing down IRC's assets in relation to the Jiatai Titanium joint venture (US$34.9 million) due to uncertainty regarding future prospects, as the joint venture partner advised IRC of its intention to retire from this venture. The balance (US$1.1 million) related to the impairment of amounts advanced to an associate, LLC Uralmining, in connection with the Bolshoi Seym Project.

Impairment charges in 2009 related to the Kuranakh Project (US$87.9 million) and the Bolshoi Seym Project (US$9.5 million).

Net operating loss

As a result of the above, IRC's net operating loss in 2010 amounted to US$71.9 million, a decrease of US$57.9 million, or 44.6% from IRC's net operating loss for 2009 (2009: US$129.8 million).

Other gains and losses and other expenses

The net decrease of US$8.0 million from US$13.6 million in 2009 to US$5.6 million in 2010 arose as a result of the extinguishment of the financial liability related to Aricom warrants, which were converted in May 2010, and an increase in net foreign exchange gain contrary to foreign exchange loss in 2009 as a result of a weakening of the Russian rouble against the US dollar. Against this, IRC incurred expenses of US$9.4 million as a result of its IPO which exceeded costs incurred in 2009 of US$5.6 million in relation to the acquisition of Aricom by Petropavlovsk.

Financial income

Financial income decreased by US$4.2 million, or 27.8% from US$15.1 million in 2009 to US$10.9 million in 2010, primarily due to the reduction of interest income received on amounts loaned to Petropavlovsk Group after the acquisition of Aricom in April 2009. The loan amount has been fully repaid in second half of 2010.

Financial expenses

Financial expenses increased by US$1.5 million, or 14.3%, from US$10.3 million for 2009 to US$11.8 million for 2010. This increase was primarily attributable to the increase of interest paid on the amounts loaned by the Petropavlovsk Group following the acquisition of Aricom in April 2009. The amounts loaned by the Petropavlovsk Group were transferred to entities within IRC in June 2010 as part of the restructuring of IRC, and were subsequently repaid in the second half of 2010.

Taxation

While IRC's Russian tax expense remained flat at approximately US$0.5 million in 2010 compared to US$0.6 million in 2009, its total tax charge increased by US$3.1 million to US$3.7 million for 2010. This was primarily attributable to an increase of approximately US$2.7 million in UK corporate tax expense, due to the increase in financial income and intra-group financing activities in 2010. IRC has utilised a tax loss previously incurred by Petropavlovsk Group to offset such tax expense.

Loss for the year attributable to owners of the Company

As a result of the above, IRC recorded a loss of US$82.4 million for 2010, a decrease of 40.9% from 2009 of US$139.3 million.

New JORC findings

In conjunction with rule 18.14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), IRC commissioned a new report from Wardell Armstrong International, an independent geologist. This report has found substantial material newly-accredited to the JORC standard, at K&S and at Kuranakh. This presents the possibility of increased mine life and capacity at two of IRC's major production sites.

Further details of the resources are set out in IRC's annual report.

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. Throughout the year, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 Directors have complied with the standard set out in the Model Code throughout the year ended 31 December 2010.

AUDIT COMMITTEE

The audited financial statements have been reviewed by the Audit Committee of the Company, which comprises three Independent Non-executive Directors: Mr C.F. Li, Mr D.R. Bradshaw and Mr J.E. Martin Smith. Mr C.F. Li is the Chairman of the Audit Committee.

PUBLICATION OF FINAL RESULTS AND ANNUAL 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 annual report of the Company for the year ended 31 December 2010 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
Jay Hambro
Chairman

Hong Kong, People's Republic of China, 28 February 2011

As at the date of this announcement, the executive Directors of the Company are Mr Jay Hambro, Mr Yury Makarov, and Mr Raymond Kar Tung Woo. The non-executive Directors are Dr Pavel Maslovskiy and Mr Simon Murray, CBE. The independent non-executive Directors are Mr Daniel Bradshaw, Mr Jonathan Martin Smith and Mr Chuang-Fei Li.

This announcement and the full IRC Annual Report 2010 are available for reference at the Company's website, www.ircgroup.com.hk and at the website of the Stock Exchange of Hong Kong at www.hkexnews.hk, or on request from the Company.

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