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IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1029)

Announcement of Interim Results 2011

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

- Positive cashflow from our first mine, Kuranakh, contributed to the Group's maiden profit of US$3.6 million (30 June 2010: loss of US$51.9 million);
- Revenue increased by US$55.2 million to US$60.4 million;
- Increase of 12% in average realised prices for iron ore concentrate sales compared to year-end 2010; and
- Excellent progress in fulfilling the relevant requirements to start the planned drawdown process from the US$340 million project finance for the K&S project.

Operating highlights

- Produced our half-millionth tonne of iron ore concentrate at Kuranakh;
- Total production increased by 142%, compared to the previous six-month period;
- Confident to achieve a production target of 400,000 tonnes of iron ore concentrate and 30,000 tonnes of ilmenite concentrate in the second half of 2011, equivalent to a revised full year target of approximately 750,000 tonnes of iron ore concentrate and 52,000 tonnes of ilmenite concentrate;
- Continued construction at K&S, targeted for commissioning in 2013; and
- Continued exploration works at all sites.

Chairman's statement

Following our announcement in July, that we have made substantial progress both production and construction, I am delighted to present this set of interim results. Work continues apace, and we look forward to delivering on our growth potential.

In the first half of 2011, we sought to:

1. Deliver IRC's maiden profit.

2. Produce our half-millionth tonne of iron ore concentrate at Kuranakh;

3. Continue construction at K&S, integrating a construction team contracted from CNEEC;

4. Continue exploration work at all sites; and

5. Manage our cost expectations.

I am pleased to report that all of these have been achieved.

We also maintain an active business development programme, and are constantly looking to improve stakeholder value through efficient management, organic growth and regular consideration of merger and acquisition potential.

I am also pleased to announce the appointment of Mr Nicholas Bias, effective today, as a member of our executive team and responsible for group communications and investor activities in particular. Mr Bias joins us from Glencore International where he was responsible for investor relations during their flotation, in addition to his previous roles at other fast-growing mid-cap miners like ourselves, such as Aquarius Platinum and LionOre Mining.

Thank you for your confidence in our work.

Jay Hambro,
Chairman

The board of directors ("Board") of IRC Limited is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30 June 2011 with the comparative figures for the corresponding period in 2010 are as follows:

Condensed consolidated financial statements

Condensed consolidated income statement

For the 6 months ended 30 June 2011

	NOTES	Six months ended 30 June **2011** **US$'000** **(unaudited)**	2010 US$'000 (audited)
Revenue	4	**60,432**	5,198
Net operating expenses	5	**(66,140)**	(22,074)
Impairment charges	6	**—**	(34,511)
		(5,708)	(51,387)
Share of results of joint ventures		**(80)**	—
Share of results of an associate		**(617)**	—
Net operating loss		**(6,405)**	(51,387)
Other gains and losses and other expenses	7	**10,135**	1,539
Financial income		**525**	10,743
Financial expenses		**(325)**	(11,269)
Profit (loss) before taxation		**3,930**	(50,374)
Taxation expense	8	**(190)**	(1,315)
Profit (loss) for the period		**3,740**	(51,689)
Profit (loss) for the period attributable to:			
Owners of the Company		**3,637**	(51,905)
Non-controlling interests		**103**	216
Profit (loss) for the period		**3,740**	(51,689)
Earnings (loss) per share (US cents)	10		
Basic		**0.11**	(2.77)
Diluted		**0.11**	(2.77)

Condensed consolidated statement of comprehensive income
For the 6 months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Profit (loss) for the period	**3,740**	(51,689)
Other comprehensive income (expenses) for the period (net of tax):		
Exchange differences on translation of foreign operations and translation to presentation currency	**1,710**	(320)
Reclassification adjustment on translation difference upon acquisition of additional interest in Jiatai Titanium project	**(882)**	—
Total comprehensive income (expenses) for the period	**4,568**	(52,009)
Total comprehensive income (expenses) attributable to:		
Owners of the Company	**4,084**	(52,088)
Non-controlling interests	**484**	79
	4,568	(52,009)

Condensed consolidated statement of financial position
As at 30 June 2011

	NOTES	**As at 30 June 2011 US$'000 (unaudited)**	As at 31 December 2010 US$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**540,326**	499,270
Intangible assets	11	**40,262**	31,533
Goodwill	16	**6,061**	—
Interest in an associate		**—**	—
Interests in joint ventures	16	**7,248**	10,346
Other non-current assets	12	**64,430**	44,550
		658,327	585,699
CURRENT ASSETS			
Inventories	13	**35,691**	27,121
Trade and other receivables	14	**56,382**	29,231
Cash and cash equivalents		**122,075**	225,468
		214,148	281,820
TOTAL ASSETS		**872,475**	867,519
CURRENT LIABILITIES			
Trade and other payables	15	**(52,711)**	(57,085)
Current income tax payable		**(108)**	(185)
		(52,819)	(57,270)
NET CURRENT ASSETS		**161,329**	224,550
TOTAL ASSETS LESS CURRENT LIABILITIES		**819,656**	810,249
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(2,213)**	(2,024)
Provision for close down and restoration costs		**(4,247)**	(3,607)
		(6,460)	(5,631)
TOTAL LIABILITIES		**(59,279)**	(62,901)
NET ASSETS		**813,196**	804,618

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
CAPITAL AND RESERVES		
Share capital	**4,330**	4,330
Share premium	**1,028,468**	1,028,468
Capital reserve	**17,609**	16,946
Treasury shares	**(43,000)**	(43,000)
Reserves	**33,478**	29,684
Accumulated losses	**(232,499)**	(236,136)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**808,386**	800,292
NON-CONTROLLING INTERESTS	**4,810**	4,326
TOTAL EQUITY	**813,196**	804,618

Notes to the condensed consolidated financial statements

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance 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") and with HKAS 34.

2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied for the first time, a number of new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The application of the new and revised 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 new or revised standards that have been issued but not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Statements[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 July 2012

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.

The new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The directors of the Company anticipate that the application of these new standards will have no material impact on the results and the financial position of the Group.

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 2011

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	**53,871**	**—**	**6,561**	**—**	**60,432**
Total revenue	**53,871**	**—**	**6,561**	**—**	**60,432**
Site operating expenses and service costs	**(44,030)**	**(1,646)**	**(5,861)**	**(1,124)**	**(52,661)**
Site operating expenses and service costs include:					
Depreciation and amortisation	**(3,140)**	**(1,187)**	**(270)**	**(42)**	**(4,639)**
Share of results of joint ventures	**—**	**—**	**—**	**(80)**	**(80)**
Share of results of an associate	**—**	**(617)**	**—**	**—**	**(617)**
Segment results	**9,841**	**(2,263)**	**700**	**(1,204)**	**7,074**
Central administrative expenses					**(13,273)**
Central depreciation and amortisation					**(206)**
Other gains and losses and other expenses					**10,135**
Financial income					**525**
Financial expenses					**(325)**
Taxation expense					**(190)**
Profit for the period					**3,740**

Six months ended 30 June 2010

	Mine in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	—	—	5,198	—	5,198
Total revenue	—	—	5,198	—	5,198
Site operating expenses and service costs	—	(8,567)	(4,424)	(33,851)	(46,842)
Site operating expenses and service costs include:					
Depreciation and amortisation	—	(513)	(324)	(12)	(849)
Segment results	—	(8,567)	774	(33,851)	(41,644)
Central administrative expenses					(9,529)
Central depreciation and amortisation					(214)
Other gains and losses and other expenses					1,539
Financial income					10,743
Financial expenses					(11,269)
Taxation expense					(1,315)
Loss for the period					(51,689)

4. Revenue

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

	Six months ended 30 June **2011** **US$'000** **(unaudited)**	2010 US$'000 (audited)
Revenue		
Sales of goods	**53,871**	—
Rendering of services	**6,561**	5,198
	60,432	5,198

5. Net Operating Expenses

	Six months ended 30 June **2011** **US$'000** **(unaudited)**	2010 US$'000 (audited)
Site operating expenses and service costs	**52,661**	12,331
Central administrative expenses	**13,479**	9,743
	66,140	22,074

Included in site operating expenses and service costs was the cost of goods sold and service costs of US$30,540,000 (for the six months ended 30 June 2010: US$3,173,000).

6. Impairment Charges

In 2010, the Company was advised that its joint venture partner had decided to withdraw from some of its non-core ventures and consequently no longer wished to proceed with the Jiatai Titanium project (as defined in note 16). As of 30 June 2010, the Company had 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 was 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$33.1 million against the invested amounts of US$33.1 million. This impairment recognised in the consolidated income statement for the six months ended 30 June 2010, was allocated to intangible assets (US$0.7 million), property, plant and equipment (US$14.6 million) and interests in joint ventures (US$17.8 million). The impairment took into account the recoverable value of the Group's share of the joint venture of US$4.9 million which reflected the Group's 65% share of the cash within the joint venture, net of its liabilities.

In 2011, the Group has successfully acquired the 35% interest from the joint venture partner and plan to proceed with a different joint venture partner. Please see note 16 for details.

In the event that the Company ultimately does not proceed with the project, an impairment charge may be required.

7. Other Gains and Losses and Other Expenses

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Change in fair value of financial instruments at fair value through profit or loss	**—**	1,711
Net foreign exchange gain	**6,825**	2,197
Gain on acquisition of an additional interest in Jiatai Titanium project (note 16)		
— Gain on remeasurement of previously held equity interest	**428**	—
— Reclassification of foreign exchange translation gain of Jiatai Titanium project previously accumulated in translation reserve	**882**	—
Reversal of (provision for) listing expenses	**2,000**	(2,369)
	10,135	1,539

8. Taxation Expense

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
United Kingdom ("UK") current tax	**—**	(1,068)
Cyprus current tax	**(1)**	(25)
Russia current tax	**(176)**	(285)
Current tax expense	**(177)**	(1,378)
Deferred tax (expense) credit	**(13)**	63
	(190)	(1,315)

UK corporation tax is calculated at a rate of 27% (2010: 28%) of the estimated assessable profit.

Cyprus corporation tax is calculated at a rate of 10% of the estimated assessable profit for each of the six months ended 30 June 2010 and 2011.

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2010 and 2011.

For the six months ended 30 June 2011, the Group had no assessable profit subject to UK corporation tax. No Hong Kong profits tax was provided for as the Group had no assessable profit arising in or derived from Hong Kong.

9. Dividends

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 prior to the listing of the Company's shares on the Stock Exchange under the group re-organisation.

No dividends were paid, declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend.

10. Earnings/Loss Per Share

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

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(unaudited)	(audited)
Earnings/loss for the purposes of basic and diluted earnings/loss per ordinary share being profit (loss) for the period attributable to owners of the Company	**3,637**	(51,905)

Number of shares

	Six months ended 30 June	
	2011	2010
	Number	Number
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings/loss per ordinary share	**3,246,000**	1,872,196
Effect of dilutive potential ordinary shares:		
Shares awarded under Long-term Incentive Plan	**26,919**	—
Weighted average number of ordinary shares for the purposes of diluted earnings/loss per ordinary share	**3,272,919**	1,872,196

The number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 June 2010 has been retrospectively adjusted for the share sub-division in June 2010, 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 in October 2010.

The computation of diluted loss per share for the six months ended 30 June 2010 does not assume the conversion of Aricom's then outstanding warrants and share options since their exercise would result in a decrease in loss per share.

11. Property, Plant and Equipment and Intangible Assets

During the period, the Group spent approximately US$69.7 million (for the period ended 30 June 2010: US$60.8 million) on the mine development and exploration, including prepayments for property, plant and equipment as disclosed in note 12.

At 30 June 2011, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting US$14.6 million (2010: US$23 million).

12. Other Non-Current Assets

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
Deferred insurance premium for bank facilities	**22,518**	22,518
Prepayments for property, plant and equipment	**35,360**	15,837
Deferred loan arrangement fee	**6,146**	5,780
Cash advances to employees	**406**	415
	64,430	44,550

13. Inventories

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
Stores and spares	**26,839**	18,545
Work in progress	**6,274**	4,896
Finished goods	**2,578**	3,680
	35,691	27,121

14. Trade and Other Receivables

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
VAT recoverable	**19,386**	12,399
Advances to suppliers	**15,693**	8,871
Amounts due from customers under engineering contracts	**2,810**	1,511
Trade receivables	**15,650**	5,054
Other debtors	**2,843**	1,396
	56,382	29,231

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 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
Less than one month	**14,342**	4,039
One month to three months	**419**	462
Over three months to six months	**694**	10
Over six months	**195**	543
Total	**15,650**	5,054

The Group allows credit periods ranging from 10 days to 45 days (2010: 5 days to 45 days) to individual third party customers.

15. Trade and Other Payables

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
Trade payables	**11,455**	12,360
Advances from customers	**309**	1,261
Insurance premium payable	**22,518**	24,218
Accruals and other payables	**18,429**	19,246
	52,711	57,085

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

	As at 30 June 2011 US$'000 (unaudited)	As at 31 December 2010 US$'000 (audited)
Less than one month	**7,111**	7,414
One month to three months	**1,262**	1,711
Three months to six months	**276**	1,418
Over six months	**1,018**	29
	9,667	10,572
Trade payables not yet billed	**1,788**	1,788
Total	**11,455**	12,360

For individual third party trade creditors, the average credit period on purchases of goods and services for the period was 23 days (2010: 22 days).

16. Acquisition of a Subsidiary

In accordance with the terms of the joint venture agreement between the Company and a Chinese partner signed and approved by the Chinese Ministry of Commerce on 12 August 2008 for establishment of a jointly control Chinese titanium sponge processing joint venture project, Heilongjiang Jiatai Titanium Co. Limited ("Jiatai Titanium project") was incorporated in the PRC with 65% interest held by the Group and the remaining 35% held by a joint venture partner.

As discussed in note 6, the Company was advised in 2010 that the joint venture partner had decided to withdraw from some of its non-core ventures and consequently no longer wished to proceed with the Jiatai Titanium project. With a view to proceed with the project alone or with a different joint venture partner, the Group entered into an agreement with the joint venture partner on 25 August 2010 pursuant to which, and subject to certain conditions, the Group would bid, in the public listing and bidding process to be implemented in accordance with PRC laws, for the joint venture partner's stake in the Jiatai Titanium project.

On 11 April 2011, the Group successfully acquired the remaining 35% equity stake from the joint venture partner for US$11.5 million pursuant to which the Jiatai Titanium project becomes a wholly-owned subsidiary of the Group. Pursuant to the equity transfer agreement, the joint venture partner waived and released the Jiatai Titanium project from its obligations to pay to its subsidiary an amount of US$3.5 million relating to engineering design, management contracting and other services previously made to the project upon completion of the acquisition by the Company.

Consideration transferred

	US$'000 (unaudited)
Cash paid	11,535
Adjustment on part relating to waiver of debt of Jiatai Titanium project by the joint venture partner	(3,512)
	8,023

Acquisition-related costs were insignificant and recognised as an expense in the period, within the administrative expenses in the condensed consolidated income statement.

The provisional fair value of assets acquired and liabilities assumed at the date of acquisition

	US$'000 (unaudited)
Current assets	
Cash and cash equivalents	9,350
Other receivables	76
Non-current assets	
Property, plant and equipment	658
Current liabilities	
Other payables	(4,479)
	5,605

The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period. At the date of issue of these condensed consolidated financial statements, the necessary market valuation of the property, plant and equipment held by the Jiatai Titanium project and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely fair value. The directors expects that any additional identification, and the market valuation, of the assets acquired and the liabilities assumed at the date of acquisition would be completed before the end of this year and the Company will then adjust these provisional amounts retrospectively.

The provisional fair value of other receivables acquired approximated the gross contractual amounts. There are no contractual cash flows not expected to be collected.

Provisional goodwill arising on acquisition

	US$'000 (unaudited)
Consideration transferred	8,023
Plus: Provisional fair value of the previously held equity interest (65%)	3,643
Less: Recognised amount of provisional fair value of identifiable net assets acquired	(5,605)
	6,061

Net cash outflow arising on acquisition

	US$'000 (unaudited)
Consideration paid in cash	11,535
Less: Cash and cash equivalent balances acquired	(9,350)
	2,185

Impact of acquisition of the remaining 35% equity stake in Jiatai Titanium project on the results of the Group

- An aggregate gain of US$1,310,000 was recognised as a result of remeasurement of the previously held equity interest (65%) and the reclassification of foreign translation gain of the project previously recognised in translation reserve (note 7).

- Included in the profit for the period is a post-acquisition loss of US$507,000 attributed to Jiatai Titanium project which has not yet started to generate revenue since the date of the acquisition.

- Had the acquisition of the remaining 35% equity stake in Jiatai Titanium project been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have remained at US$60,432,000, and the profit for the period would have been US$3,643,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2011, nor is intended to be a projection of future results.

17. Contingent Liabilities

The Group has no significant contingent liabilities apart from those disclosed in the Group's annual financial statements for the year ended 31 December 2010.

Results of operations

It is important to note that IRC's first mine moved into normal production in the second half of 2010, and therefore results for the first six months in 2011 are not directly comparable to those in the same period of 2010.

Revenue

Compared to the first half of 2010, revenue increased by US$55.2 million to US$60.4 million in the first six months of 2011. This was primarily attributable to the commencement of normal operations and sales generated from Kuranakh, our first producing mine, in the second half of 2010. We have delivered approximately 367,000 tonnes of iron ore concentrate and approximately 11,000 tonnes of ilmenite in the first half of 2011, and recorded revenue of US$53.9 million. Engineering service revenues from our Giproruda business increased compared to first half of 2010 by 26.2% from US$5.2 million to US$6.5 million reflecting increased billing in our consulting services contributing also to revenue growth in the first six months of 2011.

Net operating expenses

Site operating expenses and service costs

Our site operating expenses and service costs increased by US$40.3 million from US$12.3 million in first half of 2010 to US$52.7 million for the same period in 2011. This increase was primarily attributable to the commencement of production at our Kuranakh Processing Plant and the continued ramp-up of production. Associated costs included staff costs at the plant, the cost of iron ore concentrate sold and railway tariffs incurred on sales of iron ore concentrate and ilmenite. Total operating expenses for Kuranakh in first half of 2011 amounted to approximately US$44.0 million (first half of 2010: Nil), of which approximately US$24.7 million was incurred in the production of iron ore concentrate as follows:

	Operating Expenses (US$ mn)	Operating Expenses per tonne (US$/t)
Mining	10.6	26.5
Processing	9.7	26.9
Transportation to plant	2.2	5.5
Site administration and others	5.4	15.5
Change in inventories	(1.5)	—
Ilmenite concentrate sales	(1.7)	(5.0)
Total	24.7	69.4

Further to the above production costs, we also incurred transportation cost of US$16.2 million to ship our products to the border or port, where applicable.

During the same period, we also incurred operating expenses of approximately US$1.6 million for projects under development, primarily relating to K&S, while in the first half of 2010 we incurred operating expenses for projects under development primarily relating to Kuranakh of US$8.6 million.

The increase in corresponding staff cost in our Giproruda business to generate additional engineering service revenue as mentioned above also contributed to the increase in our operating expenses.

Operating profit before central administrative expenses and Impairment charges

As a result of the above, the Group reported an operating profit before central administrative expenses and Impairment charges of US$7.8 million (30 June 2010: Loss of US$7.1 million). This encouraging operating performance is mainly attributable to the profits contributed from the mine in production segment (Kuranakh) and the engineering segment (Giproruda).

Central administrative expenses

IRC's administrative expenses increased by 38.3% to US$13.5 million (first half in 2010: US$9.7 million) and this was due to costs associated with the employee incentive plan and the company being listed on the Main Board of the Hong Kong Stock Exchange.

Impairment charges

There is no impairment charge in the first half of 2011, while we recognised impairment charges of US$34.5 million in the first six months of 2010 relating to the Jiatai Titanium joint venture.

In 2011, we successfully obtained full control of the project by acquiring the remaining 35% stake from our joint venture partner.

Net operating loss

As a result of the above, our net operating loss in 2011 decreased by US$45 million, or 87.5%, to US$6.4 million.

Other gains and losses and other expenses

The increase of US$8.6 million in the first half of 2011 (first half of 2010: US$1.5 million) arose primarily as a result of net foreign exchange gain from appreciation of certain cash and cash equivalents, trade and other receivables which are denominated in Russian roubles against US dollars.

Financial income

Financial income decreased by US$10.2 million, or 95.1% from US$10.7 million in first half of 2010 to US$0.5 million in first half of 2011, primarily due to the reduction of interest income received from loans to the Petropavlovsk Group. All related loans were fully settled in the second half of 2010.

Financial expenses

Financial expenses decreased by US$10.9 million, or 97.1%, from US$11.3 million for the first half in 2010 to US$0.3 million for the same period in 2011, primarily due to the settlement of amounts due to the Petropavlovsk Group in the second half of 2010.

Taxation

Our tax charge decreased by US$1.1 million to US$0.2 million for first half of 2011 as we had significantly lower taxable profits in the United Kingdom. Our Russian tax remained stable.

Profit/(Loss) for the period attributable to the owners of the Company

As a result of the above, we recorded a profit of US$3.6 million for the first half in 2011 (first half in 2010: Loss of US$51.9 million).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2011, the carrying amount of the Group's cash and bank balances was approximately US$122.1 million (31 December 2010: US$225.5 million), representing a decrease of US$103.4 million, of which majority was spent on the mine development for K&S project, as compared to that as at 31 December 2010.

Borrowings and Charges

The Group did not have any outstanding bank loan as at 30 June 2011 (31 December 2010: Nil).

Risk of Exchange Rate Fluctuation

The Group undertakes certain transactions denominated in foreign currencies, principally Russian Roubles and is therefore exposed to exchange rate risk associated with fluctuations in the relative values of US Dollars. Exchange rate risks are mitigated to the extent considered necessary by the Board of Directors, 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 2011, the Group employed a total of approximately 2,061 employees. The total staff costs incurred were approximately US$24.0 million during the six months ended 30 June 2011. The emolument policy of the employees of the Group is set up by the Executive Committee on the basis of their merit, qualifications and competence.

Project review

Kuranakh – 100% owned

Kuranakh is a facility that produces iron ore concentrate and ilmenite concentrate. It is located on the BAM Railway, which connects directly to China across the Trans-Siberian Railway.

Geology

Medium-sized titanomagnetite iron ore and ilmenite deposit.

Project stage

In continuous production since May 2010; sales ongoing.

Forecast Production

Annual average sales estimates of 900ktpa iron ore concentrate and 290ktpa ilmenite concentrate at full production.

2011 Production Targets

750,000 iron ore concentrate; 52,000 ilmenite concentrate.

1st Half 2011 Highlights

— More than a million cubic metres of overburden have been removed;

— A monthly average of approximately 1,000 railway wagons are now used for sales from Kuranakh;

— Ordinary recovery rates are usually above 90%;

— May 2011 marked a year of continuous production at Kuranakh, which was formally opened in a ceremony that was undertaken by the President of the Russian Federation, Dmitry Medvedev, demonstrating governmental support for the project;

— Production at Kuranakh in the first half of 2011 was 350,136 tonnes of iron ore concentrate and 22,171 tonnes of ilmenite concentrate; representing a half-on-half increase of 142% of total production, as compared to the second half of 2010;

— The consolidated average realised price achieved in the first half of 2011 was c.US$147/t. Pricing is attained at a formula related to spot, and is agreed on a monthly basis;

— Work to improve and upgrade the ilmenite circuit continues: greater yields have been achieved, and revenue-achieving trial shipments are ongoing to customers in Russia, Japan and China; and

— The project employs approximately 1,200 people.

With a full year of production now achieved, IRC has demonstrated its ability to mine and beneficiate despite a variety of adverse conditions. The open pit mine and processing plant are operating 24 hours a day.

As noted in the Trading Statement for the 6 months to 30 June 2011, following teething problems during the ramp-up at the Kuranakh Mine which have since been resolved and unseasonably high rainfall during the summer season, production was lower than expected at 350,136 tonnes of iron ore concentrate and 22,171 tonnes of ilmenite concentrate.

Looking to the second half of the year, as the ramp-up continues at Kuranakh and following normalised production for July and August so far, we are confident that we can achieve in full our Kuranakh production targets for the period of 400,000 tonnes of iron ore concentrate and 30,000 tonnes of ilmenite concentrate, equal to a full year target of approximately 750,000 tonnes of iron ore concentrate and 52,000 tonnes of ilmenite concentrate.

IRC is considering the implementation of a small expansion to the ilmenite circuit at Kuranakh for a small cost of approximately US$1m. If implemented, this work programme could result in a short term deferral of production of up to 6,000 tonnes of ilmenite concentrate, however, the Board believes the enhanced circuit will repay its initial capital quickly and create substantial longer term benefits by enhancing recoveries.

Sales of iron ore concentrate from Kuranakh to a steel producer in a neighbouring region are ongoing, on a Delivered At Frontier (DAF) basis, under a long-term off-take agreement. Prices are adjusted on a monthly basis according to a formula linked to the Northeastern China iron ore spot price.

The average price achieved during the first half of 2011 was c.US$147/t, representing an increase of 12% compared to the previously announced price of US$131 for December 2010. Pricing continues to move closer to the relevant spot price, the result of increased production volume but it should be noted that Kuranakh production is expected to trade at a small discount to spot due to the titanium content. IRC's other mines are expected to produce a cleaner concentrate, which will not incur this discount.

Kuranakh is Russia's first vertically-integrated hard rock ilmenite processing and production plant. It produces iron ore concentrate, which is principally used for the production of steel, and ilmenite concentrate. Ilmenite is a titanium pre-concentrate that is ultimately used in a variety of products, including paper, paint, metals and plastics. Kuranakh was commissioned in May 2010, and formally opened by the President of Russia, Dmitry Medvedev, in July 2010. It undertook its first regular commercial sales in September 2010.

Kuranakh actual production:
1st Half 2011

	Kuranakh Actual Production		
	1st Half 2011 **tonnes**	2nd Half 2010 tonnes	Percentage increase %
Iron ore concentrate	**350,136**	150,533	133%
Ilmenite concentrate	**22,171**	3,006	638%
Total	**372,307**	153,539	142%

K&S – 100% owned

K&S is a facility that is expected to produce iron ore concentrate from 2013. It is located approximately 40 kilometres from the Chinese border, with a direct route to market via the Trans-Siberian Railway.

Geology

Large magnetite deposit.

Project stage

Advanced construction. In the first half of 2011, new accommodation, office and canteen facilities were commissioned.

Forecast Production

Annual average sales estimates of 3.2 mtpa at full production

1st Half 2011 Highlights

— Mining and stockpiling continues;

— Construction works are ongoing with the implementation of our construction contract with a major, state-owned contractor, the China National Electric Engineering Company; and

— The project now employs approximately 500 people.

In the first half of 2011, a team of construction engineers from the China National Electric Engineering Company (CNEEC) has continued work at K&S in conjunction with IRC's in-house engineering, design and construction divisions. In January 2011, CNEEC inaugurated an office in the regional capital, near K&S. The opening ceremony was attended by Russian provincial authorities and senior officials from CNEEC and IRC.

Works on internal infrastructure at site have continued. Major roads have been completed, and work to connect the site to local main electricity supply is ongoing. Work on the link between the Trans-Siberian Railway and K&S's loading facilities is advancing well. All material design work has now been completed, and the IRC engineering team continues to work with the CNEEC team to ensure efficient implementation of the approved plans.

Construction continues apace, and the project is on track for commissioning in 2013.

Garinskoye – 99.58% owned

Garinskoye is a facility that is expected to produce iron ore concentrate from 2015. It is located between the Trans-Siberian Railway and the BAM Railway. It is expected to be vertically-integrated with K&S.

Geology

Large magnetite deposit.

Project stage

Advanced exploration. In the first half of 2011, confirmation drilling continued, with preliminary results showing the potential to increase in official resources.

Forecast Production

Annual average sales estimates of 4.6 mtpa at full production.

1st Half 2011 Highlights

— Exploration and confirmation drilling continues;

— Analysis of early-stage high-grade operation continues to yield good results; and

— Engineering and development studies ongoing.

Giproruda – 70% owned

IRC is the 70% shareholder in Giproruda. Giproruda is a mining design, research and engineering institute that specialises in mining projects in adverse climatic conditions. As well as providing revenue and experience from work with third-party customers, Giproruda complements IRC's in-house research and development work. Giproruda operates from international and regional offices, and the institute celebrated its 80th anniversary in May 2011. A new management organisational structure for Giproruda was implemented on 1 January 2011: resulting progress has been positive.

Software upgrades for mining design have continued, particularly with the integration of AutoCAD 2011, and ongoing training for and integration of modern integrated geological software packages such as Micromine, Datamine, NPV Scheduler and Whittle. In addition to regular ongoing provision of services to customers, internal review and re-certification of quality control procedures as well as monitoring of client satisfaction took place. During the first half of 2011, all obligations to clients were fulfilled on time and in full. Works began on behalf of a number of different customers, with particular focus in the diamond and apatite-nepheline ore industries, as well as a new pit design project for a major mine in the Arctic Circle. The Institute, which employs 177 specialists, has implemented a new recruitment procedure to attract and retain international talent in mining design, research and engineering.

Other information

Purchase, sale or redemption of the company's listed securities

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2010 Annual Report.

Throughout the six months ended 30 June 2011, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2011 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

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 6 months ended 30 June 2011 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, 23 August 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 Interim Report 2011 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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