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IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1029)

IRC: 2013 INTERIM RESULTS

(Wednesday 21 August 2013 — Hong Kong) IRC Limited (“IRC” or the “Company”, stock code 1029) today announced its Interim Results for 2013. The Company’s Interim Report is also now available.

Key Highlights

- Production at the Kuranakh Mine steadily increased, generating a 168% increase in segmental profit to US\$8.1 million
- Cash costs per unit down 3.7% and corporate costs down 14.3%
- Annual production targets at half year on track; full year production targets reaffirmed
- Construction of the K&S Mine progressing to plan for commissioning within 12 months
- Loss attributable to shareholders reduced to US\$10.7 million (30 June 2012: US\$20.4 million)
- Cash balance increased to US\$112.6 million (31 December 2012: US\$24.0 million), following the first stage share subscription by General Nice
- Stage 1 of General Nice and Minmetals subscription for US\$103.1 million completed; Stage 2 subscription for US\$134.7 million by end of September 2013.

Commenting on the results, Jay Hambro, Executive Chairman of IRC, said: “I am pleased to report that, for the first six months of 2013, IRC has again delivered on both its production targets and its growth plans. As we enter the second half of the year, we are marginally ahead of our iron ore target at the Kuranakh Mine and our K&S Project is on track to be commissioned within less than 12 months. IRC has established a reputation for delivering on its targets, and this is something we are proud of and will endeavor to continue.”

Increases in production helped offset a downward trend in iron ore prices, with iron ore revenue up 31% and ilmenite revenue up 28%. Total revenues surged US\$35.3 million to a record US\$92.2 million for the first six months of 2013. The Company achieved notable gains with cash cost optimisation, in particular those related to mining and site transportation. For the first six months of 2013, unit cash costs fell 3.7% to US\$62.8 per tonne compared to US\$65.2 per tonne for the first six months of 2012. At a corporate level, cost savings initiatives implemented at the end of last year resulted in central administrative expense savings of US\$2.0 million, with a decrease of 14.3% to US\$11.8 million in the first half of 2013 compared to US\$13.8 million in first half of 2012.

With the increase in production and the on-mine cost savings programmes, Kuranakh generated a segmental profit of US\$8.1 million for the first six months of 2013, more than double the US\$3.0 million realised in the same period for 2012. This achievement combined with the savings in central administrative costs, contributed to a reduction in the Group's net loss in the first half of 2013 to US\$10.7 million, almost half of the US\$20.4 million loss realised in the same period last year.

Mr. Hambro continued, "Our operating loss, whilst disappointing, is in line with our guidance to the market that as we continue to develop the K&S Mine, which will quadruple Group production capacity within the year, we are carrying larger corporate costs associated with bringing on stream an operation of such sizeable scale. With this in mind, I believe that our narrowing loss and gains achieved at Kuranakh are encouraging, as is our ability to successfully reduce operating costs."

Following the conclusion of Stage 1 of the strategic alliance with IRC's Chinese partners General Nice and Minmetals Cheerglory in April, the Group's cash and bank balances were bolstered significantly to US\$112.6 million compared to US\$24.0 million as last reported at the end of December 2012. The Stage 2 transaction is on track for completion by the end of September 2013 and will provide a further capital injection of US\$134.7 million. The strengthened cash position, in addition to the undrawn US\$209.6 million of the US\$340 million ICBC loan facility, provide the capital required to complete the construction of K&S as well as to further advance the Garinskoye Project.

Mr. Hambro concluded, "In the interim report published today, I state that IRC is one of the fittest near term high growth companies, not only in the mining sector globally, but in the Hong Kong market as well. Historically, we have been uniquely advantaged in terms of our sizeable geological reserves, deep operating experience in Russia and our close proximity to China. Now, with a strategic alliance in place to support future growth and the opportunity to quadruple production capacity when the K&S Mine comes on stream, I am ever confident that these competitive advantages will be reflected in a re-rating for IRC. It's an exciting 12 months ahead."

Teleconference calls to discuss the results will be held today at 10h00 Hong Kong time, with a second call at 10h00 UK time (17h00 Hong Kong time). The number is +852 3027 5500 and the Participant Code 188923#. Copies of the interim report, and presentation slides may be downloaded at www.ircgroup.com.hk. Tomorrow (22 August 2013) a replay of the conference calls will be available at www.ircgroup.com.hk.

FINANCIAL HIGHLIGHTS

- Revenue from the sales of iron ore increased by 31% to US\$67.6 million (30 June 2012: US\$51.7 million)
- Production cash costs per unit reduced by 3.7% to US\$62.8 per tonne (30 June 2012: US\$65.2 per tonne)
- Segmental profit of Kuranakh Mine improved by 168% to US\$8.1 million (30 June 2012: US\$3.0 million)
- Loss attributable to shareholders reduced by 48% to US\$10.7 million (30 June 2012: US\$20.4 million)
- Cash balance increased to US\$112.6 million (31 December 2012: US\$24.0 million) following the first stage share subscription by General Nice

OPERATING HIGHLIGHTS

Kuranakh Mine

This year, Kuranakh celebrated its third commercial production anniversary. The operation is the first vertically-integrated titanomagnetite mining, processing and production facility in Russia, proudly designed, built and managed by IRC. Since it was officially opened by former Russian President Medvedev in July 2010, the mine has produced over 2.7 million tonnes of iron ore and 275,000 tonnes of ilmenite concentrates. Mining activities at Kuranakh continue to plan, with highlights as follows:

For the first six months of 2013, Kuranakh produced 518,899 tonnes of iron ore concentrate (Fe 62.5%) and 79,088 tonnes of ilmenite concentrate (TiO₂ 48%). The 2013 full year annual production targets are 900,000 tonnes of iron ore concentrate and 160,000 tonnes of ilmenite concentrate. Consequently, 58% of the annual iron ore target and 49% of the annual ilmenite target have been achieved. This provides the confidence required to re-affirm IRC's full year production targets.

Sales volumes for the first six months were above expectations with 548,850 tonnes of iron ore, a 29% increase compared to the first half of 2012 and 78,336 tonnes of ilmenite concentrate sold, a 48% increase compared to the first half of 2012. The iron ore ASP for IRC was US\$123.5 per tonne, marginally ahead of the US\$121.8 achieved in the first half of 2012. Prices for iron ore concentrate are secured under a long-term offtake agreement and are calculated on the INCOTERM "Delivered at Place" (DAP) basis. The ASP calculation is based on a formula which takes into account prices in preceding months, and therefore lags spot prices. The ASP for ilmenite fell to US\$250 for the first half of 2013, a 13% fall compared to US\$286 per tonne in the first half of 2012.

During the first half of 2013, Kuranakh generated total revenues of US\$87.0 million. This includes ilmenite revenue, which in the same period last year was treated as a by-product credit against costs. Excluding ilmenite, revenue would be recorded as an equivalent US\$67.6 million, a comparable

increase of 31% compared to the US\$51.7 million realised in the first half of 2012. Cash costs averaged US\$62.8 per tonne for the first half of 2013, compared to an average US\$65.2 per tonne in the first half of 2012. Transportation costs for iron ore averaged US\$37.0 per tonne, a decrease of 18% compared to the US\$45.3 per tonne achieved in the first half of 2012. Costs savings were achieved through enhanced production efficiencies and logistics savings, in particular wagon loading and leasing costs, which fell by US\$8 per tonne.

K&S Project

The K&S Project is under construction and is due to commence commercial production within 12 months. It is a large magnetite operation with a first phase production capacity of 3.2 million tonnes of iron ore concentrates per annum for 25 years. The project is mostly funded through a debt facility with ICBC. A further development stage has the potential to almost double production capacity to 6.3 million tonnes of iron ore concentrates per annum whilst lowering operating expenses due to economies of scale.

IRC's small mining fleet continues to work to plan, with stripping rates intensifying during the summer after planned winter slowdown. To date over 5 million cubic metres of overburden has been removed — this is in line with the plan of the total 14.5 million cubic metres required before for the start of operations. A mining contractor has been appointed to assist with completing the pre-production stripping works. The anticipated benefits of lower capital and operating costs combined with higher capacity rates typically experienced with a contractor will also be extended to normal commercial operations.

The Processing Plant is being constructed as a turnkey project for delivery in the first half of 2014. It is funded through a project finance facility provided by ICBC and equity. Major construction is being undertaken by CNEEC, with project management led by IRC. The plant has been designed for modular expansion so that it can process additional ore feed in the future from an expanded K&S operation and potentially also Garinskoye if required. Activities during the first half of 2013 progressed to plan, although some time was lost due to the unseasonably long winter snowfall and summer rains. Although the schedule is tight going forward, the target remains to complete the structural and external construction of the beneficiation plant by October, thereby allowing for internal fitting of the buildings during the winter period. Construction materials and processing equipment are being delivered to site to plan. The number of contractors on site has continued to increase, with commitments to further increase their numbers in the near term as site activity increases.

As highlighted in the recent Second Quarter Trading Update, the Russian Far East, in particular the Amur and EAO Regions, has experienced unseasonably high rainfall this summer. The high altitude and topographical positioning of the Kuranakh Mine mean that this site has not experienced material adverse impact. Rains in the EAO have resulted in some changes to construction works and transport delays for equipment delivery at the K&S project. IRC and K&S's main contractor, CNEEC, believe that at the current time, the rains will not materially impact construction timetable but should the situation continue or worsen for an extended period, the timetable could suffer.

Garinskoye

The Garinskoye Project continues to advance well. Following the announcement for a Direct Shipment Ore (DSO) style operation as an intermediate opportunity before proceeding with the original full-scale open-pit mining operation a Bankable Feasibility Study is underway. Preliminary findings suggest no material differences from the internal study, and with the work near completion, it is anticipated that this study will be released during the second half of 2013. The initial DSO operation is for production potential of 2.1 million tonnes of iron ore per annum (60% Fe iron ore fines). The project is attractive based on a range of measures due to its low capital costs and a short construction period. Furthermore, the use of simple technology and production facilities suggests low operating costs, and proximity to the Chinese border will result in lower transportation costs. IRC has commenced discussions with a range of potential financial providers for the construction of the Garinskoye DSO project. The project's position at the lowest point on both the operational and capital cost curves has generated a range of financing opportunities.

The board of directors of IRC Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2013, which have been reviewed by the Company’s Audit Committee, comprising of independent non-executive directors, and by the external auditors.

INTERIM FINANCIAL REPORT

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	<i>Notes</i>	US\$'000	US\$'000
		(unaudited)	(unaudited)
Revenue	4	92,233	56,948
Operating expenses	5	(97,793)	(69,542)
Impairment charges	6	<u>—</u>	<u>(6,061)</u>
		(5,560)	(18,655)
Share of results of a joint venture		(1,394)	(1,878)
Share of results of an associate		<u>—</u>	<u>(5)</u>
		(6,954)	(20,538)
Other gains and losses	7	(1,561)	959
Financial income	8	283	194
Financial expenses	9	<u>(1,873)</u>	<u>(843)</u>
Loss before taxation		(10,105)	(20,228)
Taxation expense	10	<u>(290)</u>	<u>(110)</u>
Loss for the period		<u>(10,395)</u>	<u>(20,338)</u>
Loss for the period attributable to:			
Owners of the Company		(10,653)	(20,405)
Non-controlling interests		<u>258</u>	<u>67</u>
Loss for the period		<u>(10,395)</u>	<u>(20,338)</u>
Loss per share (US cent)	12		
Basic		<u>(0.28)</u>	<u>(0.63)</u>
Diluted		<u>(0.28)</u>	<u>(0.63)</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Loss for the period	(10,395)	(20,338)
Other comprehensive expense for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>(1,267)</u>	<u>(223)</u>
Total comprehensive expenses for the period	<u><u>(11,662)</u></u>	<u><u>(20,561)</u></u>
Total comprehensive expenses attributable to:		
Owners of the Company	(11,534)	(20,531)
Non-controlling interests	<u>(128)</u>	<u>(30)</u>
	<u><u>(11,662)</u></u>	<u><u>(20,561)</u></u>

Condensed Consolidated Statement of Financial Position

At 30 June 2013

		As at 30 June 2013 US\$'000 (unaudited)	As at 31 December 2012 US\$'000 (audited) (restated)
	Notes		
NON-CURRENT ASSETS			
Exploration and evaluation assets	13	65,892	65,440
Property, plant and equipment	13	609,215	594,371
Interests in a joint venture		3,531	4,887
Other non-current assets	14	173,931	171,479
Restricted bank deposit	20	<u>6,000</u>	<u>6,000</u>
		<u>858,569</u>	<u>842,177</u>
CURRENT ASSETS			
Inventories	15	41,850	42,966
Trade and other receivables	16	46,844	54,525
Time deposits	17	2,500	2,500
Cash and cash equivalents		<u>104,136</u>	<u>15,536</u>
		<u>195,330</u>	<u>115,527</u>
TOTAL ASSETS		<u>1,053,899</u>	<u>957,704</u>
CURRENT LIABILITIES			
Trade and other payables	18	(27,049)	(23,913)
Current income tax payable		(267)	(353)
Loan from a related party	19	—	(10,260)
Bank borrowings — due within one year	20	<u>(15,000)</u>	<u>(15,000)</u>
		<u>(42,316)</u>	<u>(49,526)</u>
NET CURRENT ASSETS		<u>153,014</u>	<u>66,001</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,011,583</u>	<u>908,178</u>

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2013

		As at 30 June 2013 US\$'000 (unaudited)	As at 31 December 2012 US\$'000 (audited) (restated)
	Notes		
NON-CURRENT LIABILITIES			
Deferred tax liabilities		(1,834)	(1,868)
Provision for close down and restoration costs		(14,075)	(14,626)
Bank borrowings — due more than one year	20	<u>(120,364)</u>	<u>(108,491)</u>
		<u>(136,273)</u>	<u>(124,985)</u>
TOTAL LIABILITIES		<u>(178,589)</u>	<u>(174,511)</u>
NET ASSETS		<u><u>875,310</u></u>	<u><u>783,193</u></u>
CAPITAL AND RESERVES			
Share capital	21	5,553	4,500
Share premium		1,141,423	1,042,016
Treasury shares		(43,000)	(43,000)
Capital reserve		17,984	17,984
Reserves		45,208	42,770
Accumulated losses		<u>(303,342)</u>	<u>(292,689)</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		863,826	771,581
NON-CONTROLLING INTERESTS		<u>11,484</u>	<u>11,612</u>
TOTAL EQUITY		<u><u>875,310</u></u>	<u><u>783,193</u></u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
Notes		US\$'000	US\$'000
		(unaudited)	(unaudited)
OPERATING ACTIVITIES			
	Net cash from (used in) operations	18,632	(8,882)
	Interest expenses paid	(3,657)	(927)
	Income tax paid	<u>(333)</u>	<u>(309)</u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES		<u>14,642</u>	<u>(10,118)</u>
INVESTING ACTIVITIES			
	Purchases of property, plant and equipment and exploration and evaluation assets	(26,212)	(86,857)
	Interest received	283	194
	Proceeds on disposal of property, plant and equipment	<u>211</u>	<u>5,697</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(25,718)</u>	<u>(80,966)</u>
FINANCING ACTIVITIES			
	Proceeds on issuance of new shares	21 103,086	—
	Proceeds from new bank borrowings	18,235	77,519
	Repayment of loan from a related party	19 (10,000)	—
	Repayment of bank borrowings	(7,300)	—
	Transaction costs attributable to issue of new shares	(2,626)	—
	Loan arrangement and commitment fees paid	<u>(551)</u>	<u>(844)</u>
NET CASH FROM FINANCING ACTIVITIES		<u>100,844</u>	<u>76,675</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		89,768	(14,409)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		15,536	33,188
	Effect of foreign exchange rate changes	<u>(1,168)</u>	<u>(283)</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		<u><u>104,136</u></u>	<u><u>18,496</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

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

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

In preparing the condensed consolidated financial statements, the directors of the Company have given consideration to the future liquidity and going concern of the Company and its subsidiaries (collectively referred to as the “Group”) in light of the Group’s loss for the period, the Group’s capital and other commitments as at 30 June 2013 (details set out in note 13) against cash and cash equivalents and the credit facilities maintained by the Group as at that date, and the loan covenants requirements of the ICBC Facility Agreement (as defined in note 20).

Taking into account the expectation of the directors of the Company as to the completion by early October 2013 of the share subscriptions pursuant to the conditional share subscription agreements dated 17 January 2013, namely (i) further share subscription in the Company by General Nice Development Limited (“General Nice”) of HK\$811.8 million (equivalent to approximately US\$104.7 million); and (ii) share subscription in the Company by Minmetals Cheerglory Limited for HK\$232.4 million (equivalent to approximately US\$30.0 million), the directors consider that the Group has sufficient financial resources and available banking facilities to meet its financial obligations as they fall due for the foreseeable future and are satisfied that all covenant obligations will be met accordingly.

The initial share subscription by General Nice of HK\$800.5 million (equivalent to approximately US\$103.1 million) was completed in April 2013 (note 21).

2. Principal Accounting Policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2012.

2. Principal Accounting Policies (continued)

In the current interim period, the Group has applied the following new and revised standards, interpretation and amendments (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are mandatorily effective for the current interim period:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive income
HK (IFRIC) Int-20	Stripping costs in the Production Phase of a Surface Mine

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income; while an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively. The Group used the two statements method and the condensed consolidated statement of comprehensive income is renamed as condensed consolidated statement of profit or loss and other comprehensive income; while the condensed consolidated income statement is renamed as condensed consolidated statement of profit or loss. The presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HK (IFRIC) Int-20 Stripping costs in the Production Phase of a Surface Mine

HK (IFRIC) Int-20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). Under the interpretation, the costs from this waste removal activity (“stripping”) which provide improved access to ore is recognised as a non-current asset (“stripping activity asset”) when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

2. Principal Accounting Policies (continued)

The directors of the Company have assessed the impact of the application of HK(IFRIC)-Int 20 retrospectively. The effect on the financial position of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2012, is as follows:

	31 December 2012	Restatement	31 December 2012 and 1 January 2013
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(originally stated)		(as restated)
Property, plant and equipment, effect on net assets	<u>598,693</u>	<u>(4,322)</u>	<u>594,371</u>
Accumulated losses, effect on equity	<u>(288,367)</u>	<u>(4,322)</u>	<u>(292,689)</u>

Except as described above, the management of the Company considered the impacts of application of HK (IFRIC)-Int 20 on the Group's loss for both six months ended 30 June 2013 and 2012 are insignificant.

Except as described above, the application of the other 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 disclosure set out in these condensed consolidated financial statements.

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

3. Segment Information

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

Six months ended 30 June 2013 (unaudited)

	Mine in production US\$'000	Mines in development US\$'000	Engineering US\$'000	Other US\$'000	Total US\$'000
Revenue					
External sales	<u>87,041</u>	<u>—</u>	<u>5,192</u>	<u>—</u>	<u>92,233</u>
Segment revenue	87,041	—	5,192	—	92,233
Site operating expenses and service costs	<u>(78,908)</u>	<u>(1,045)</u>	<u>(4,595)</u>	<u>(1,440)</u>	<u>(85,988)</u>
<i>Site operating expenses and service costs include:</i>					
Depreciation	(5,424)	(4,179)	(234)	(36)	(9,873)
Share of results of a joint venture	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,394)</u>	<u>(1,394)</u>
Segment profit (loss)	<u>8,133</u>	<u>(1,045)</u>	<u>597</u>	<u>(2,834)</u>	<u>4,851</u>
Central administrative expenses					(11,699)
Central depreciation					(106)
Other gains and losses					(1,561)
Financial income					283
Financial expenses					<u>(1,873)</u>
Loss before taxation					<u>(10,105)</u>

3. Segment Information (continued)

Six months ended 30 June 2012 (unaudited)

	Mine in production US\$'000	Mine in development US\$'000	Engineering US\$'000	Other US\$'000	Total US\$'000
Revenue					
External sales	<u>51,657</u>	<u>—</u>	<u>5,291</u>	<u>—</u>	<u>56,948</u>
Segment revenue	51,657	—	5,291	—	56,948
Site operating expenses and service costs	<u>(48,626)</u>	<u>(17)</u>	<u>(5,145)</u>	<u>(1,981)</u>	<u>(55,769)</u>
<i>Site operating expenses and service costs include:</i>					
Depreciation	(4,823)	(2,278)	(251)	(45)	(7,397)
Impairment charges	—	—	—	(6,061)	(6,061)
Share of results of a joint venture	—	—	—	(1,878)	(1,878)
Share of results of an associate	<u>—</u>	<u>(5)</u>	<u>—</u>	<u>—</u>	<u>(5)</u>
Segment profit (loss)	<u>3,031</u>	<u>(22)</u>	<u>146</u>	<u>(9,920)</u>	(6,765)
Central administrative expenses					(13,589)
Central depreciation					(184)
Other gains and losses					959
Financial income					194
Financial expenses					<u>(843)</u>
Loss before taxation					<u>(20,228)</u>

4. Revenue

Starting from July 2012, the Group determined that ilmenite, which had previously been classified as a by-product, should be a major product due to the increasing importance of ilmenite to the Group's operations, due notably to increasing revenues derived from the product along with continuing investments in ilmenite production capacity and the significantly increased price per ton compared to prior years. The following is an analysis of the Group's revenue from its major products and services:

	Six months ended 30 June	
	2013 US\$'000 (unaudited)	2012 US\$'000 (unaudited)
Revenue		
Sale of iron ore concentrate	67,649	51,657
Sale of ilmenite	19,392	—
Engineering services	5,192	5,291
	<u>92,233</u>	<u>56,948</u>

5. Operating Expenses

	Six months ended 30 June	
	2013 US\$'000 (unaudited)	2012 US\$'000 (unaudited)
Site operating expenses and service costs	85,988	55,769
Central administrative expenses	11,805	13,773
	<u>97,793</u>	<u>69,542</u>

6. Impairment Charges

Heilongjiang Jiatai Titanium Co. Limited was a Chinese titanium sponge processing joint venture project established by the Group and a Chinese partner ("Jiatai Titanium project"). In 2011, the Group successfully acquired the remaining 35% interest in the Jiatai Titanium project from the joint venture partner and planned to proceed with the project while seeking a different joint venture partner. In June 2012, the Group was advised that the potential venture partner previously identified would not be proceeding with the investment in the Jiatai Titanium project. As a result, the directors of the Company decided to postpone the Jiatai Titanium project indefinitely. As the major long-lived assets relating to such project included land use right over a piece of land, and the usage of the parcel of land owned by Jiatai Titanium project is restricted and transfer of legal title is subject to approval by the municipal authorities, the Group's ability to recover the land use right was call into doubt. The directors of the Company concluded that the most appropriate course of action was to recognise a full impairment charge of US\$6,061,000 on the land use rights. This impairment charge was recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2012.

6. Impairment Charges (continued)

At 30 June 2013, the Group considered whether there were any indicators that further impairment or the need to reverse previously recognised impairment existed at Kuranakh project located in the Amur Region of the Russian Federation; and K&S project which is at the development stage and is located in the Evreyskaya Avtonomnaya Oblast of the Russian Federation (“EAO Region”). Management concluded that neither further impairment charge nor reversal of impairment charge is required for Kuranakh project and K&S project.

For the purposes of testing for impairment, recoverable amounts have been determined at value in use, being estimated future cash flows discounted to their present value, based on a number of assumptions. The key assumptions are presented in the table below:

	As at 30 June 2013
Real discount rate post-tax	11.4%
Real discount rate pre-tax	13.2%
Average Russian inflation rate from the period-end to 2023 and 2043	2.0%
Average Russian Rouble: US dollar exchange rate from the period-end to 2023 and 2043	33.0
Average iron ore concentrate prices from the period-end to 2023 and 2043	US\$/tonne 110.0
Average ilmenite prices from the period-end to 2023	US\$/tonne 250.0

Forecast inflation rates and sales prices for iron ore were based on external sources and adjustments to these were made for the expected quality of the forecast production. In addition, management has estimated the long term forecast sales prices for iron ore concentrate prices which take into account their views of the market, recent volatility and other external sources of information. Judgment has then been applied by management in determining a long-term price of iron ore concentrate for the purpose of assuming impairments. The impairment assessments are particularly sensitive to changes in commodity prices. To put the impairment assessment model into perspective, with all other variables keep constant; a 5% drop in input average iron ore concentrate prices would result in the need to consider an impairment provision of approximately US\$11,696,000; while a 10% drop in input average ilmenite prices would result in the need to consider an impairment provision of approximately US\$10,486,000. Based on recent market volatility in average iron ore concentrate prices and ilmenite prices, the percentage change analysed represented potential downside scenarios if market volatility persists.

7. Other Gains and Losses

	Six months ended 30 June	
	2013	2012
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Net foreign exchange loss	(1,772)	(7)
Gain on disposal of property, plant and equipment	<u>211</u>	<u>966</u>
	<u>(1,561)</u>	<u>959</u>

8. Financial Income

Six months ended 30 June

2013 2012

US\$'000 US\$'000

(unaudited) (unaudited)

Interest income on cash and cash equivalents	184	190
Interest income on time deposits	70	—
Others	29	4
	<u>283</u>	<u>194</u>

9. Financial Expenses

Six months ended 30 June

2013 2012

US\$'000 US\$'000

(unaudited) (unaudited)

Interest expenses on bank borrowings:		
— wholly repayable within five years	4,082	1,032
Interest expenses on loan from a related party		
wholly repayable within five years	406	—
Less: interest expenses capitalised to property, plant and equipment	(3,137)	(250)
	<u>1,351</u>	<u>782</u>
Unwinding of discount on environmental obligation	522	61
	<u>1,873</u>	<u>843</u>

10. Taxation Expense

Six months ended 30 June

2013 2012

US\$'000 US\$'000

(unaudited) (unaudited)

Cyprus current tax	(2)	—
Russia current tax	(181)	(162)
	<u>(183)</u>	<u>(162)</u>
Current tax expense	(183)	(162)
Deferred tax (expense) credit	(107)	52
	<u>(290)</u>	<u>(110)</u>

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2013 and 2012.

10. Taxation Expense (continued)

Cyprus corporation tax is calculated at a rate of 12.5% and 10% of the estimated assessable profit for each of the six months ended 30 June 2013 and 2012 respectively.

For the six months ended 30 June 2012, the Group had no assessable profit subject to Cyprus corporation tax. For the six months ended 30 June 2013 and 2012, no Hong Kong profits tax, UK Corporation tax and PRC enterprise income tax was provided for as the Group had no assessable profit arising in or derived from these tax jurisdictions during both periods.

11. Dividends

No dividends were paid, declared or proposed during both the six months ended 30 June 2013 and 2012.

12. Loss Per Share

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

Loss

Six months ended 30 June

2013	2012
US\$'000	US\$'000
(unaudited)	(unaudited)

Loss for the purposes of basic and diluted loss per ordinary share
being loss for the period attributable to owners of the Company

<u>10,653</u>	<u>20,405</u>
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Number of shares

Six months ended 30 June

2013	2012
Number	Number
'000	'000

Weighted average number of ordinary shares for the purposes
of basic and diluted loss per ordinary share

<u>3,768,535</u>	<u>3,246,000</u>
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The computation of weighted average number of ordinary shares for the purposes of basic loss per ordinary share for the six months ended 30 June 2013 and 2012 does not take into account the Company's 116,100,000 treasury shares.

The computation of diluted loss per share for the six months ended 30 June 2013 and 2012 does not take into account of the Company's outstanding shares awarded under the Group's Long-term Incentive Plan ("LTIP") and Deferred Subscription Share (as defined in note 21) since assuming their issuance would result in a decrease in loss per share.

13. Exploration and Evaluation Assets and Property, Plant and Equipment

During the period, the Group spent approximately US\$26.2 million (for the period ended 30 June 2012: US\$86.9 million) on the mine development and acquisition of property, plant and equipment, including prepayments for property, plant and equipment as disclosed in note 14.

At 30 June 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US\$237.0 million (31 December 2012: US\$247.4 million).

14. Other Non-current Assets

	As at 30 June 2013 US\$'000 (unaudited)	As at 31 December 2012 US\$'000 (audited)
Deferred insurance premium for bank facilities	13,884	14,608
Prepayments for property, plant and equipment	154,032	150,280
Deferred loan arrangement fee	5,735	6,059
Others	<u>280</u>	<u>532</u>
	<u>173,931</u>	<u>171,479</u>

15. Inventories

	As at 30 June 2013 US\$'000 (unaudited)	As at 31 December 2012 US\$'000 (audited)
Stores and spares	31,116	32,746
Work in progress	6,653	4,921
Finished goods	<u>4,081</u>	<u>5,299</u>
	<u>41,850</u>	<u>42,966</u>

16. Trade and Other Receivables

	As at 30 June 2013 <i>US\$'000</i> (unaudited)	As at 31 December 2012 <i>US\$'000</i> (audited)
VAT recoverable	18,561	24,848
Advances to suppliers	8,167	8,724
Amounts due from customers under engineering contracts	1,867	1,267
Trade receivables	14,313	14,496
Other debtors and prepayments	<u>3,936</u>	<u>5,190</u>
	<u>46,844</u>	<u>54,525</u>

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 2013 <i>US\$'000</i> (unaudited)	As at 31 December 2012 <i>US\$'000</i> (audited)
Less than one month	12,535	11,990
One month to three months	1,599	2,186
Over three months to six months	70	—
Over six months	<u>109</u>	<u>320</u>
Total	<u>14,313</u>	<u>14,496</u>

The Group allows credit periods ranging from 10 days to 45 days (2012: 10 days to 45 days) to individual third party customers.

17. Time Deposits

Time deposits of the Group comprised short-term bank deposits with an original maturity of six to nine months. The carrying amounts of the assets approximate their fair value. As at 30 June 2013, time deposits carrying interest at fixed rate of 5% per annum (31 December 2012: 3.2% to 5% per annum).

18. Trade and Other Payables

	As at 30 June 2013 <i>US\$'000</i> (unaudited)	As at 31 December 2012 <i>US\$'000</i> (audited)
Trade payables	7,400	10,214
Advances from customers	6,339	819
Accruals and other payables	<u>13,310</u>	<u>12,880</u>
	<u>27,049</u>	<u>23,913</u>

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

	As at 30 June 2013 <i>US\$'000</i> (unaudited)	As at 31 December 2012 <i>US\$'000</i> (audited)
Less than one month	4,001	5,476
One month to three months	685	192
Three months to six months	528	341
Over six months	<u>2,186</u>	<u>4,205</u>
Total	<u>7,400</u>	<u>10,214</u>

19. Loan from a Related Party

In July 2012, the Group obtained an US\$15,000,000 loan facility from Peter Hambro Mining Treasury UK Limited (“PHM”), a subsidiary of Petropavlovsk plc. The loan borne an annual interest of 10.30% and was repayable on 31 December 2012. The Group drew down in total US\$10,000,000 in the same month. In September 2012, the Group entered into a supplement agreement with PHM to extend the repayment date to 30 April 2013 and the loan was fully repaid during the six months ended 30 June 2013. As at 30 June 2013, the Group did not have any credit facilities from PHM (31 December 2012: US\$5,000,000 undrawn loan facility from PHM).

20. Bank Borrowings

	As at 30 June 2013 US\$'000 (unaudited)	As at 31 December 2012 US\$'000 (audited)
Bank loans		
Asian Pacific Bank	15,000	15,000
Industrial and Commercial Bank of China (“ICBC”)	<u>120,364</u>	<u>108,491</u>
Total	<u><u>135,364</u></u>	<u><u>123,491</u></u>
Unsecured	15,000	15,000
Secured	<u>120,364</u>	<u>108,491</u>
Total	<u><u>135,364</u></u>	<u><u>123,491</u></u>
Carrying amount repayable		
Within one year	15,000	15,000
More than one year, but not exceeding two years	26,748	—
More than two years, but not exceeding five years	<u>93,616</u>	<u>108,491</u>
Total	<u><u>135,364</u></u>	<u><u>123,491</u></u>

Bank loans from Asian Pacific Bank

In August 2012, the Group entered into an US\$15,000,000 term-loan facility with Asian Pacific Bank. The loan bears an annual interest of 11% which is repayable monthly. The principal of the loan is repayable on 21 August 2013.

In December 2012, the Group entered into another US\$10,000,000 term-loan facility with Asian Pacific Bank. The loan bears an annual interest rate of 11.22% which is repayable monthly. The principal of the loan is repayable on 25 December 2013. During the six months ended 30 June 2013, the Group drew down US\$7,300,000 from such facility in five tranches and such amount was repaid during the six months ended 30 June 2013.

As at 30 June 2013, the Group had US\$10,000,000 (31 December 2012: US\$10,000,000) undrawn loan facility with Asian Pacific Bank.

These facilities are primarily working capital financing the Group’s Kuranakh project. The loans are not secured against any assets of the Group or other related parties.

20. Bank Borrowings (continued)

Bank loan from Industrial and Commercial Bank of China (“ICBC”)

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

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

On 14 December 2011, the Group made the first drawdown amounting to US\$6,958,000. During the year ended 31 December 2012, the Group made further drawn downs amounting to US\$112,479,000. Additional drawn downs amounting to US\$10,935,000 were made by the Group during the six months ended 30 June 2013. The loan is carried at amortised cost with effective interest rate at 5.63% per annum. The outstanding loan principals were US\$130,372,000 as at 30 June 2013 (31 December 2012: US\$119,437,000), which is repayable semi-annually starting from December 2014 and is expected to be fully repaid by December 2017.

As at 30 June 2013 and 31 December 2012, US\$6,000,000 was deposited with ICBC under a security deposit agreement related to the ICBC Facility Agreement and is presented as restricted bank deposit under non-current assets. The deposit carries interest at prevailing market rate at around 1.0% per annum for the six months ended 30 June 2013 and the year ended 31 December 2012.

As at 30 June 2013, the Group had approximately US\$209,628,000 (31 December 2012: US\$220,563,000) undrawn financial facility in relation to the ICBC Facility Agreement.

21. Share Capital

As disclosed in note 47 to the Group’s 2012 consolidated financial statements, on 17 January 2013, the Company entered into a conditional subscription agreement with each of General Nice and Minmetals for an investment by General Nice and Minmetals in new shares of the Company up to approximately HK\$1,845,000,000 (approximately US\$238,000,000) in aggregate.

A total of 851,600,000 new shares of the Company at the price of HK\$0.94 (equivalent to approximately US\$0.12) per share was initially subscribed by General Nice, of which 817,536,000 new shares were allotted and issued to General Nice on 5 April 2013 following approval by the shareholders and the receipt of subscription monies of approximately HK\$800,504,000 (equivalent to approximately US\$103,086,000) from General Nice.

21. Share Capital (continued)

The allotment and issue of the remaining 34,064,000 new shares (“Deferred Subscription Share”) is conditional upon, among other things, the allotment and issue of shares in relation to the further subscription by General Nice within six months after the completion date of initial share subscription by General Nice. As at 30 June 2013, approximately HK\$32,020,000 (equivalent to approximately US\$4,128,000) received for the Deferred Subscription Share is forfeitable and shall be retained by the Company for its benefit if no further subscription by General Nice. Such amount is included in share premium in the condensed consolidated financial statements.

Transaction costs of approximately US\$2,626,000 directly attributable to the issuance of new shares to General Nice were credited against equity.

Details of the allotment and issuance of ordinary shares by the Company during the six months ended 30 June 2013 are as follows:

	<i>Number</i>	<i>US\$'000</i>
Authorised		
Ordinary shares of HK\$0.01 each at 30 June 2012 and 2013	<u>10,000,000,000</u>	<u>12,820</u>
Allotted, called up and fully paid		
At 1 January 2012 and 30 June 2012	<u>3,362,000,000</u>	<u>4,330</u>
At 1 January 2013	3,494,034,301	4,500
Issued to General Nice during the period	<u>817,536,000</u>	<u>1,053</u>
At 30 June 2013	<u>4,311,570,301</u>	<u>5,553</u>

No ordinary shares of the Company were issued during the six months ended 30 June 2012. These shares rank *pari passu* in all respects with other shares in issue.

FINANCIAL REVIEW

Revenue

Iron ore concentrate

Although the average selling price of iron ore only marginally improved from US\$121.8 per tonne in the first half of 2012 to US\$123.5 per tonne in the same period in 2013, revenue from the sales of iron ore increased by US\$16.0 million from US\$51.7 million to US\$67.6 million (an increase of 31%) due to a 29% increase in sales volumes from 424,021 tonnes in the first half of 2012 to 548,850 tonnes in 2013.

Ilmenite

Ilmenite was previously classified as a by-product. We have begun to consider it a more significant product since the second half of 2012 due to the increase in its sales volume after the ramping up of the ilmenite production circuit and the rise in the ilmenite price.

As such, we reported ilmenite sales of US\$19.4 million as a revenue item in 2013 while in the first half of 2012, it was treated as a by-product credit, netted off against the cost of iron ore production. Equivalent ilmenite sales for the first half of 2012 totalled US\$15.2 million, demonstrating a strong increase in ilmenite revenue, again due to higher sales volumes. In the first six months of 2013, the Group sold 78,336 tonnes of ilmenite, a 48% increase compared to the 52,966 tonnes sold in the same period last year. However, the price of ilmenite was weaker, falling 12.7% to US\$249.9 per tonne, for the first six months of 2013 compared to the same period in 2012.

Engineering services

Engineering services revenue from Giproruda, the Group's complementary mine design business, was marginally lower at US\$5.2 million for the first half of 2013 compared to US\$5.3 million in the same period in 2012.

Site operating expenses and service costs

In the first six months of 2013, production volumes of both iron ore and ilmenite ramped up at Kuranakh, notably ilmenite. Consequently site operating expenses, including the production and transportation costs of iron ore and ilmenite, also increased accordingly. Total site operating expenses and service costs for Kuranakh in the first six months of 2013 amounted to US\$78.9 million (30 June 2012: US\$48.6 million, which included the contribution from ilmenite sales), comprising US\$20.3 million and US\$7.9 million for iron ore and ilmenite railway tariffs and related transportation costs respectively.

During the first half of 2013, we produced 518,899 tonnes of iron ore concentrate for a cash cost of US\$32.6 million. For presentation and analysis purposes, the table below details ilmenite sales as a by-product credit by treating the sales revenue as an offsetting item in the production cash cost of iron ore (similar to the first half of 2012). The details of the key cash cost components are as follows:

	Total Cash Cost <i>US\$' million</i>	Cash cost per ton <i>US\$/t</i>
Mining	17.6	33.9
Processing	9.7	18.7
Transportation to plant	3.5	6.7
Production overheads	5.4	10.5
Site administration and related costs	7.8	15.0
Contribution from sales of ilmenite* and others	<u>(11.4)</u>	<u>(22.0)</u>
1H 2013 Production cash cost	<u>32.6</u>	<u>62.8</u>
1H 2012 Production cash cost	<u>28.2</u>	<u>65.2</u>

* net of tariff and other railway charges for ilmenite

Segmental information

Despite the relatively weak iron ore and ilmenite selling prices achieved during the first half of 2013 and the rising mining costs, the Group's two income generating segments, "Mine in production" and "Engineering" segments, contributed segmental profits of US\$8.1 million (30 June 2012: US\$3.0 million) and US\$0.6 million (30 June 2012: US\$0.1 million) respectively. Segmental results of the Group improved significantly, from a loss of US\$6.8 million in the first half of 2012 to a profit of US\$4.9 million in 2013.

Central administration expenses

In the first half of 2013, administrative expenses decreased by 14.3% from US\$13.8 million in first half of 2012 to US\$11.8 million in the same period of 2013, primarily due to the successful implementation of certain cost savings initiatives.

Impairment charges

No impairment provision is considered necessary for the first half of 2013. In the first half of 2012, an impairment charge of US\$6.1 million was provided to write off the carrying value of the land use right relating to the acquisition of additional equity interest in the Jiatai titanium joint venture.

Net operating loss

As a result of the above, the net operating loss in the first half of 2013 decreased by US\$13.6 million to US\$7.0 million, mainly as a result of the increase in production and sales volume of iron ore and the absence of an impairment charge.

Other gains and losses

During the first half of 2013, other losses of US\$1.6 million, primarily attributable to net foreign exchange loss of US\$1.8 million were recorded due to the depreciation of the Russian Rouble against the US Dollar. In 2012, gains of US\$1.0 million were booked, primarily due to a one-off gain on disposal of equipment.

Net financial expense

The Group reported a net financial expense of US\$1.6 million in the first six months of 2013, as compared to US\$0.6 million in the same period in 2012, due to the drawdown of short-term working capital facilities.

Loss for the period attributable to the owners of the Company

Consequently, the Group recorded a loss of US\$10.7 million attributable to the owners of the Company in the first six months of 2013, a fall of 47.8% compared to the loss of US\$20.4 million reported for the same period last year.

Liquidity, Financial and Capital Resources

Share capital

On 5 April 2013, General Nice subscribed a total of 851,600,000 new shares of the Company at a price of HK\$0.94 (US\$0.12) per share. Pursuant to the subscription agreement, the Company allotted and issued to General Nice 817,536,000 new shares and received subscription money of approximately HK\$800.5 million (US\$103.1 million). The allotment and issuance of the remaining 34,064,000 new shares is conditional upon, among other things, the allotment and issuance of the further subscription shares to General Nice.

It is expected that the further subscription of shares by General Nice and Minmetals Cheerglory would be completed in the second half of 2013, by which time cash proceeds of approximately HK\$1,044.2 million (US\$134.7 million) would be injected into the Group.

The share placements not only provided IRC with strong strategic Chinese investment partners, but have also solidified the Group's financial strength and expanded opportunities for raising capital for future development.

Cash position and capital expenditure

As at 30 June 2013, the carrying amount of the Group's cash and bank balances was approximately US\$112.6 million (31 December 2012: US\$24.0 million), of which US\$6.0 million is under restricted cash deposit. It represents an increase of US\$88.6 million, primarily due to the investment proceeds from General Nice, net of expenditure to fund K&S development and administrative costs. It is anticipated that most of the future capital expenditure for the development of the K&S project would be funded by the undrawn loan facility from ICBC of approximately US\$209.6 million.

The following table details the capital and operating expenditures in the first half of 2013:

			For the 6 months ended 30 June 2013	For the 6 months ended 30 June 2012
<i>US\$'m</i>	Operating expenses	Capital expenditure	Total	Total
Kuranakh, primarily sustaining capital expenditure	72.9	2.1	75.0	52.6
K&S development	—	23.6	23.6	79.1
Exploration projects and others	—	0.5	0.5	2.3
Total expenditure	72.9	26.2	99.1	134.0

Borrowings and Charges

As 30 June 2013, the Group had gross borrowings of US\$145.4 million (31 December 2012: US\$144.7 million). All of the Group's borrowings were denominated in US Dollars. Of the gross borrowings, US\$15.0 million is unsecured bank borrowing repayable within one year while the remaining US\$130.4 million represents long term borrowing drawn from the US\$340 million ICBC loan facility which is guaranteed by Petropavlovsk. The Group has kept its borrowing costs at market levels, with its weighted average interest rate at approximately 6.2% per annum. As of 30 June 2013, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, improved significantly to 2.5% (31 December 2012: 12.3%) following the share subscription by General Nice as mentioned above.

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, primarily through holding the relevant currencies. At present, the Group does not undertake any foreign currency transaction hedging.

Employees and Emolument Policies

As at 30 June 2013, the Group employed a total of 2,431 employees. The total staff costs excluding share based payments incurred were approximately US\$29.0 million for 2013 (30 June 2012: US\$30.2 million). Despite the fact that the headcounts increased in the first half of 2013, the Group managed to control staff costs at a comparable level to that of 2012. 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.

OTHER INFORMATION

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

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 30 June 2013, the Company had not been notified of any short positions being held by any substantial shareholder in shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Corporate Governance

The Management and Board of IRC are committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Detailed disclosure of the Company's corporate governance policies and practices is available in the 2012 Annual Report.

During the six months ended 30 June 2013, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited save that the Executive Director, Mr. Yury Makarov; the Non-Executive Director, Mr. Simon Murray; and Independent Non-Executive Directors, Mr. Jonathan Eric Martin Smith and Mr. Chuang-fei Li, were unable to attend the extraordinary general meeting of the Company held on 11 March 2013 as provided for in code provision A.6.7 as they had overseas engagements.

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

The 2013 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 2013 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on or around the date of this announcement.

By Order of the Board
G. JAY HAMBRO
Executive Chairman

Hong Kong, People's Republic of China

Wednesday, 21 August 2013

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

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