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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: 2014 INTERIM RESULTS ANNOUNCEMENT**

Thursday 21 August 2014 — Hong Kong. IRC Limited (“IRC” or the “Company”, stock code 1029) is pleased to announce its interim results for 2014.

Shareholders are encouraged to read the Company’s full Interim Report, which is also now available at [ircgroup.com.hk](http://ircgroup.com.hk). Hard copies are also available on request.

### **Key Highlights**

- Kuranakh celebrates four years of commercial production
- First half production exceeds annualised target
  - o 503,871 tonnes of iron ore, equal to 56% of 900,000 tonne annual target
  - o 86,693 tonnes of ilmenite, equal to 54% of 160,000 tonne annual target
- K&S project 78% complete; commissioning targeted December 2014
- Loss attributable to shareholders of US\$88.2 million (30 June 2013: US\$10.7 million). Excluding non-cash impairment charges, loss reduces to US\$21.5 million.
- Cash balances increased to US\$105.6 million (31 December 2013: US\$98.4 million), following further US\$40 million subscriptions by General Nice
- US\$98.2 million available in undrawn funds from ICBC project facility for K&S

Commenting on the results, Jay Hambro, Executive Chairman of IRC, said: “2014 is proving to be a challenging and exciting year for IRC. We had always expected challenges with the commissioning of K&S though we had not fully anticipated the volatility in iron ore and Chinese credit markets, and the consequent impact on IRC.

Whilst Kuranakh is performing well operationally, the decline in the iron ore price has resulted in a negative EBITDA contribution. Consequently, we are considering slowdown and mothballing options for Kuranakh, as well as seeking support from the authorities.

Our new partners, General Nice and Minmetals, report that they are fully supportive of IRC and remain committed to provide planned funding.

We recognise that stakeholders have been eagerly waiting the commissioning of the new K&S Mine, and so, it is pleasing that soon your patience will be rewarded. We are confident that as we turn the corner and commission K&S, with the benefits of the project’s healthy margins, our share price will re-rate upwards, and shareholders will reap the rewards for their patience.”

A teleconference call to discuss the results will be held today at 09h00 Hong Kong time. The number is +852 2112 1700, the passcode is 1145021#. A replay of the conference call will be available at [ircgroup.com.hk](http://ircgroup.com.hk) tomorrow (22 August 2014). Copies of the interim report and presentation slides are available [ircgroup.com.hk](http://ircgroup.com.hk).

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 2014 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 2014

|                                      |       | Six months ended 30 June        |                                 |
|--------------------------------------|-------|---------------------------------|---------------------------------|
|                                      | NOTES | 2014<br>US\$'000<br>(unaudited) | 2013<br>US\$'000<br>(unaudited) |
| Revenue                              | 4     | 67,475                          | 92,233                          |
| Operating expenses                   | 5     | (92,883)                        | (97,793)                        |
| Impairment charges                   | 6     | (62,879)                        | —                               |
|                                      |       | (88,287)                        | (5,560)                         |
| Share of results of a joint venture  |       | 2,278                           | (1,394)                         |
|                                      |       | (86,009)                        | (6,954)                         |
| Other gains and losses               | 7     | (1,725)                         | (1,561)                         |
| Financial income                     | 8     | 548                             | 283                             |
| Financial expenses                   | 9     | (1,380)                         | (1,873)                         |
| Loss before taxation                 |       | (88,566)                        | (10,105)                        |
| Income tax credit (expense)          | 10    | 172                             | (290)                           |
| Loss for the period                  |       | (88,394)                        | (10,395)                        |
| Loss for the period attributable to: |       |                                 |                                 |
| Owners of the Company                |       | (88,206)                        | (10,653)                        |
| Non-controlling interests            |       | (188)                           | 258                             |
| Loss for the period                  |       | (88,394)                        | (10,395)                        |
| Loss per share (US cent)             | 12    |                                 |                                 |
| Basic                                |       | (1.89)                          | (0.28)                          |
| Diluted                              |       | (1.89)                          | (0.28)                          |

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

|                                                                      | Six months ended 30 June |                         |
|----------------------------------------------------------------------|--------------------------|-------------------------|
|                                                                      | 2014                     | 2013                    |
|                                                                      | US\$'000<br>(unaudited)  | US\$'000<br>(unaudited) |
| Loss for the period                                                  | (88,394)                 | (10,395)                |
| Other comprehensive expense for the period                           |                          |                         |
| <i>Item that may be reclassified subsequently to profit or loss:</i> |                          |                         |
| Exchange differences on translation of foreign operations            | (508)                    | (1,267)                 |
| Total comprehensive expenses for the period                          | (88,902)                 | (11,662)                |
| Total comprehensive expenses attributable to:                        |                          |                         |
| Owners of the Company                                                | (88,563)                 | (11,534)                |
| Non-controlling interests                                            | (339)                    | (128)                   |
|                                                                      | (88,902)                 | (11,662)                |

## Condensed Consolidated Statement of Financial Position

At 30 June 2014

|                                                | NOTES | As at<br>30 June<br>2014<br>US\$'000<br>(unaudited) | As at<br>31 December<br>2013<br>US\$'000<br>(audited) |
|------------------------------------------------|-------|-----------------------------------------------------|-------------------------------------------------------|
| NON-CURRENT ASSETS                             |       |                                                     |                                                       |
| Exploration and evaluation assets              | 13    | 54,147                                              | 53,303                                                |
| Property, plant and equipment                  | 13    | 580,681                                             | 613,057                                               |
| Interests in a joint venture                   |       | 7,069                                               | 4,893                                                 |
| Other non-current assets                       | 14    | 237,426                                             | 224,269                                               |
| Restricted bank deposit                        | 19    | 27,250                                              | 6,000                                                 |
|                                                |       | 906,573                                             | 901,522                                               |
| CURRENT ASSETS                                 |       |                                                     |                                                       |
| Inventories                                    | 15    | 56,666                                              | 55,230                                                |
| Trade and other receivables                    | 16    | 52,742                                              | 46,544                                                |
| Time deposits                                  | 17    | 4,463                                               | 2,740                                                 |
| Cash and cash equivalents                      |       | 73,845                                              | 89,642                                                |
|                                                |       | 187,716                                             | 194,156                                               |
| TOTAL ASSETS                                   |       | 1,094,289                                           | 1,095,678                                             |
| CURRENT LIABILITIES                            |       |                                                     |                                                       |
| Trade and other payables                       | 18    | (21,425)                                            | (22,042)                                              |
| Current income tax payable                     |       | (274)                                               | (274)                                                 |
| Bank borrowings — due within one year          | 19    | (57,500)                                            | (41,250)                                              |
|                                                |       | (79,199)                                            | (63,566)                                              |
| NET CURRENT ASSETS                             |       | 108,517                                             | 130,590                                               |
| TOTAL ASSETS LESS CURRENT LIABILITIES          |       | 1,015,090                                           | 1,032,112                                             |
| NON-CURRENT LIABILITIES                        |       |                                                     |                                                       |
| Deferred tax liabilities                       |       | (1,641)                                             | (1,986)                                               |
| Provision for close down and restoration costs |       | (8,735)                                             | (8,616)                                               |
| Bank borrowings — due more than one year       | 19    | (188,433)                                           | (158,672)                                             |
|                                                |       | (198,809)                                           | (169,274)                                             |
| TOTAL LIABILITIES                              |       | (278,008)                                           | (232,840)                                             |
| NET ASSETS                                     |       | 816,281                                             | 862,838                                               |
| CAPITAL AND RESERVES                           |       |                                                     |                                                       |
| Share capital                                  | 20    | 1,211,231                                           | 5,834                                                 |
| Share premium                                  |       | —                                                   | 1,166,006                                             |
| Treasury shares                                |       | (12,846)                                            | (12,846)                                              |
| Capital reserve                                |       | 17,984                                              | 17,984                                                |
| Reserves                                       |       | 18,043                                              | 15,100                                                |
| Accumulated losses                             |       | (422,508)                                           | (334,302)                                             |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY   |       | 811,904                                             | 857,776                                               |
| NON-CONTROLLING INTERESTS                      |       | 4,377                                               | 5,062                                                 |
| TOTAL EQUITY                                   |       | 816,281                                             | 862,838                                               |

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

|                                                                                  | Total attributable to owners of the Company |               |                                |                 |                    |             |                     |                               |           |        | Non-controlling interests | Total equity |
|----------------------------------------------------------------------------------|---------------------------------------------|---------------|--------------------------------|-----------------|--------------------|-------------|---------------------|-------------------------------|-----------|--------|---------------------------|--------------|
|                                                                                  | Share capital                               | Share premium | Capital reserve <sup>(b)</sup> | Treasury shares | Accumulated losses | Share-based | Translation reserve | Other reserves <sup>(a)</sup> | Sub-total |        |                           |              |
|                                                                                  |                                             |               |                                |                 |                    | payments    |                     |                               |           |        |                           |              |
|                                                                                  |                                             |               |                                |                 |                    | reserve     |                     |                               |           |        |                           |              |
| US\$'000                                                                         | US\$'000                                    | US\$'000      | US\$'000                       | US\$'000        | US\$'000           | US\$'000    | US\$'000            | US\$'000                      | US\$'000  |        |                           |              |
| Balance at 1 January 2013 (audited)                                              | 4,500                                       | 1,042,016     | 17,984                         | (43,000)        | (292,689)          | 25,686      | (14,973)            | 32,057                        | 771,581   | 11,612 | 783,193                   |              |
| Loss for the period                                                              | —                                           | —             | —                              | —               | (10,653)           | —           | —                   | —                             | (10,653)  | 258    | (10,395)                  |              |
| Other comprehensive expenses for the period                                      |                                             |               |                                |                 |                    |             |                     |                               |           |        |                           |              |
| Exchange differences on translation of foreign operations                        | —                                           | —             | —                              | —               | —                  | —           | (881)               | —                             | (881)     | (386)  | (1,267)                   |              |
| Total comprehensive expenses for the period                                      | —                                           | —             | —                              | —               | (10,653)           | —           | (881)               | —                             | (11,534)  | (128)  | (11,662)                  |              |
| Share-based payments                                                             | —                                           | —             | —                              | —               | —                  | 3,319       | —                   | —                             | 3,319     | —      | 3,319                     |              |
| Issue of new shares (Note 20)                                                    | 1,053                                       | 102,033       | —                              | —               | —                  | —           | —                   | —                             | 103,086   | —      | 103,086                   |              |
| Transaction costs attributable to issue of new shares                            | —                                           | (2,626)       | —                              | —               | —                  | —           | —                   | —                             | (2,626)   | —      | (2,626)                   |              |
| Balance at 30 June 2013 (unaudited)                                              | 5,553                                       | 1,141,423     | 17,984                         | (43,000)        | (303,342)          | 29,005      | (15,854)            | 32,057                        | 863,826   | 11,484 | 875,310                   |              |
| Balance at 1 January 2014 (audited)                                              | 5,834                                       | 1,166,006     | 17,984                         | (12,846)        | (334,302)          | 11,905      | (15,825)            | 19,020                        | 857,776   | 5,062  | 862,838                   |              |
| Loss for the period                                                              | —                                           | —             | —                              | —               | (88,206)           | —           | —                   | —                             | (88,206)  | (188)  | (88,394)                  |              |
| Other comprehensive expenses for the period                                      |                                             |               |                                |                 |                    |             |                     |                               |           |        |                           |              |
| Exchange differences on translation of foreign operations                        | —                                           | —             | —                              | —               | —                  | —           | (357)               | —                             | (357)     | (151)  | (508)                     |              |
| Total comprehensive expenses for the period                                      | —                                           | —             | —                              | —               | (88,206)           | —           | (357)               | —                             | (88,563)  | (339)  | (88,902)                  |              |
| Share-based payments                                                             | —                                           | —             | —                              | —               | —                  | 3,300       | —                   | —                             | 3,300     | —      | 3,300                     |              |
| Issue of new shares (Note 20)                                                    | 20,209                                      | 19,782        | —                              | —               | —                  | —           | —                   | —                             | 39,991    | —      | 39,991                    |              |
| Transaction costs attributable to issue of new shares                            | (300)                                       | (300)         | —                              | —               | —                  | —           | —                   | —                             | (600)     | —      | (600)                     |              |
| Transfer upon abolition of par value under the new Hong Kong Companies Ordinance | 1,185,488                                   | (1,185,488)   | —                              | —               | —                  | —           | —                   | —                             | —         | —      | —                         |              |
| Dividends paid to non-controlling interests                                      | —                                           | —             | —                              | —               | —                  | —           | —                   | —                             | —         | (346)  | (346)                     |              |
| Balance at 30 June 2014 (unaudited)                                              | 1,211,231                                   | —             | 17,984                         | (12,846)        | (422,508)          | 15,205      | (16,182)            | 19,020                        | 811,904   | 4,377  | 816,281                   |              |

- (a) The amount arose from acquisition of non-controlling interests and deemed contribution arising from the group restructuring for the Company's listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
- (b) The amounts represent deemed contribution from ultimate holding company for (1) certain administrative expenses and tax expenses of the Group paid by the ultimate holding company in prior years and (2) share-based payment expenses in relation to certain employees of the Group participated in the long term incentive plan of ultimate holding company.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

| Six months ended 30 June                                                         |      |                                 |                                 |
|----------------------------------------------------------------------------------|------|---------------------------------|---------------------------------|
|                                                                                  | NOTE | 2014<br>US\$'000<br>(unaudited) | 2013<br>US\$'000<br>(unaudited) |
| OPERATING ACTIVITIES                                                             |      |                                 |                                 |
| Net cash (used in) from operations                                               |      | (21,309)                        | 18,632                          |
| Interest expenses paid                                                           |      | (4,699)                         | (3,657)                         |
| Income tax paid                                                                  |      | (310)                           | (333)                           |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES                                     |      | (26,318)                        | 14,642                          |
| INVESTING ACTIVITIES                                                             |      |                                 |                                 |
| Purchases of property, plant and equipment and exploration and evaluation assets |      | (53,952)                        | (26,212)                        |
| Restricted bank deposit placed                                                   |      | (21,250)                        | —                               |
| Time deposits placed                                                             |      | (1,723)                         | —                               |
| Interest received                                                                |      | 548                             | 283                             |
| Proceeds on disposal of property, plant and equipment                            |      | 340                             | 211                             |
| NET CASH USED IN INVESTING ACTIVITIES                                            |      | (76,037)                        | (25,718)                        |
| FINANCING ACTIVITIES                                                             |      |                                 |                                 |
| Proceeds on issuance of new shares                                               | 20   | 39,991                          | 103,086                         |
| Proceeds from bank borrowings                                                    |      | 91,081                          | 18,235                          |
| Repayment of bank borrowings                                                     |      | (42,700)                        | (7,300)                         |
| Transaction costs attributable to issuance of new shares                         |      | (600)                           | (2,626)                         |
| Loan commitment fees paid                                                        |      | (278)                           | (551)                           |
| Dividends paid to non-controlling interests                                      |      | (346)                           | —                               |
| Repayment of loan from a related party                                           |      | —                               | (10,000)                        |
| NET CASH FROM FINANCING ACTIVITIES                                               |      | 87,148                          | 100,844                         |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD              |      | (15,207)                        | 89,768                          |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD                             |      | 89,642                          | 15,536                          |
| Effect of foreign exchange rate changes                                          |      | (590)                           | (1,168)                         |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD                                   |      | 73,845                          | 104,136                         |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

### 1. Basis of Preparation

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

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

In preparing these condensed consolidated financial statements, the directors of the Company have given consideration to the going concern status of the Company and its subsidiaries (collectively referred to as the “Group”) in light of the Group’s loss for the current interim period, the Group’s capital and other commitments as at 30 June 2014 (see note 13), against the cash and cash equivalents and the credit facilities maintained by the Group, and its ultimate holding company’s loan covenant requirements under the ICBC Facility Agreement (as defined in note 19).

In order to ensure sufficient financial resources and maintain the Group’s banking facilities, to provide liquidity and cash flows to sustain the Group as a going concern, the directors of the Company have taken account of the following:

- (i) Under the ICBC Facility Agreement, the Company’s ultimate parent, Petropavlovsk plc, is required to respect certain financial covenants (see note 21). Petropavlovsk plc announced in a press release dated 23 January 2014 that it was reviewing refinancing options in relation to convertible bonds it has issued. As part of this refinancing exercise, it will need to obtain agreement to temporarily relax its obligation to respect the ICBC Facility Agreement covenants. Petropavlovsk plc expects to complete this process by September 2014;
- (ii) The expected cash proceeds from the issuance of the remaining General Nice Further Subscription Shares (as defined in note 20) of HK\$296.4 million (equivalent to approximately US\$38.2 million) and share subscription by Minmetals Cheerglory Limited (“Minmetals”) for HK\$232.5 million (equivalent to approximately US\$30.0 million) by the end of 2014 (see note 20 for details);
- (iii) The Group is expecting to renew the existing loan facilities of US\$15 million as detailed in note 19, with Asian Pacific Bank, upon its expiry in April 2015 for another twelve months;
- (iv) The Group is entitled to contractual damages from one of its contractors and is currently in discussion with that contractor to finalise details of the settlement which expects to occur by the end of 2014; and
- (v) The Group is also implementing active cost-saving measures to improve its operating cash flows and financial position.

The directors of the Company consider that after taking into account the above, the Group will have 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. Accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

## 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 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

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

|                                              |                                                              |
|----------------------------------------------|--------------------------------------------------------------|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities                                          |
| Amendments to HKAS 32                        | Offsetting Financial Assets and Financial Liabilities        |
| Amendments to HKAS 36                        | Recoverable Amount Disclosures for Non-Financial Assets      |
| Amendments to HKAS 39                        | Novation of Derivatives and Continuation of Hedge Accounting |
| HK(IFRIC)-Int 21                             | Levies                                                       |

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

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

### 3. Segment Information

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

#### Six months ended 30 June 2014 (unaudited)

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

### 3. Segment Information (Continued)

#### Six months ended 30 June 2013 (unaudited)

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

#### 4. Revenue

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

| Six months ended 30 June     |             |             |
|------------------------------|-------------|-------------|
|                              | 2014        | 2013        |
|                              | US\$'000    | US\$'000    |
|                              | (unaudited) | (unaudited) |
| Revenue                      |             |             |
| Sale of iron ore concentrate | 54,426      | 67,649      |
| Sale of ilmenite             | 10,996      | 19,392      |
| Engineering services         | 2,053       | 5,192       |
|                              | 67,475      | 92,233      |

#### 5. Operating Expenses

| Six months ended 30 June                                 |             |             |
|----------------------------------------------------------|-------------|-------------|
|                                                          | 2014        | 2013        |
|                                                          | US\$'000    | US\$'000    |
|                                                          | (unaudited) | (unaudited) |
| Site operating expenses and service costs <sup>(a)</sup> | 82,641      | 85,988      |
| Central administrative expenses <sup>(b)</sup>           | 10,242      | 11,805      |
|                                                          | 92,883      | 97,793      |

## 5. Operating Expenses (Continued)

### (a) Site operating expenses and service costs

|                                                                     | Six months ended 30 June |                         |
|---------------------------------------------------------------------|--------------------------|-------------------------|
|                                                                     | 2014                     | 2013                    |
|                                                                     | US\$'000<br>(unaudited)  | US\$'000<br>(unaudited) |
| Staff costs                                                         | 21,239                   | 22,632                  |
| Fuel                                                                | 7,105                    | 8,626                   |
| Materials                                                           | 14,750                   | 12,099                  |
| Depreciation                                                        | 11,397                   | 9,873                   |
| Electricity                                                         | 1,404                    | 1,447                   |
| Royalties                                                           | 1,768                    | 1,420                   |
| Railway tariff                                                      | 21,788                   | 26,449                  |
| Movement in finished goods and work in progress                     | (7,107)                  | (1,469)                 |
| Inventory written down                                              | 3,821                    | —                       |
| Subcontracted mining costs and engineering services                 | 19,812                   | 6,343                   |
| Professional fees                                                   | 191                      | 141                     |
| Bank charges                                                        | 209                      | 235                     |
| Insurance                                                           | 232                      | 103                     |
| Office rent                                                         | 486                      | 570                     |
| Business travel expenses                                            | 74                       | 166                     |
| Office costs                                                        | 400                      | 647                     |
| Mine development costs capitalised in property, plant and equipment | (18,062)                 | (10,478)                |
| Allowance for bad debts                                             | 38                       | 6                       |
| Property tax                                                        | 2,061                    | 2,585                   |
| Other expenses                                                      | 1,035                    | 4,593                   |
|                                                                     | <b>82,641</b>            | 85,988                  |

## 5. Operating Expenses (Continued)

### (b) Central Administrative Expenses

|                                     | Six months ended 30 June |                         |
|-------------------------------------|--------------------------|-------------------------|
|                                     | 2014                     | 2013                    |
|                                     | US\$'000<br>(unaudited)  | US\$'000<br>(unaudited) |
| Staff costs                         | <b>4,584</b>             | 6,385                   |
| Depreciation                        | <b>107</b>               | 106                     |
| Professional fees*                  | <b>726</b>               | (86)                    |
| Bank charges                        | <b>22</b>                | 26                      |
| Insurance                           | <b>69</b>                | 332                     |
| Office rent                         | <b>742</b>               | 909                     |
| Business travel expenses            | <b>378</b>               | 485                     |
| Share-based payments                | <b>3,300</b>             | 3,319                   |
| Office costs                        | <b>243</b>               | 189                     |
| Reversal of allowance for bad debts | —                        | (57)                    |
| Property tax                        | <b>8</b>                 | 10                      |
| Other expenses                      | <b>63</b>                | 187                     |
|                                     | <b>10,242</b>            | 11,805                  |

\* Professional fees comprise audit fees, legal fees, consulting fees, management services fees and engineering consultancy fees. A reversal of professional fees amounting to approximately US\$831,000 were recognised in profit or loss for the period ended 30 June 2013 as a result of overprovision of professional fees in relation to share placement of the Company as detailed in note 20.

## 6. Impairment Charges

At 30 June 2014, the Group considered whether there were any indicators that further impairment or the need to reverse previously recognised impairment existed at Kuranakh project located in the Amur Region of the Russian Federation; and K&S project which is at the developing stage and is located in the EAO Region. The related property, plant and equipment of the Kuranakh project has been fully impaired by approximately US\$62,879,000 (for the six month ended 30 June 2013: nil), due to its higher cash costs of production, lower purity of the ore concentrates and the weaker forecast iron ore and ilmenite prices mainly affected by the falling commodity prices across the globe. These impairment charges are charged against to mine development costs within property, plant and equipment.

## 6. Impairment Charges (Continued)

In addition, management concluded that no impairment charge was necessary for the K&S project as at 30 June 2014 as its recoverable value is higher than its carrying value. The management also considered factors like the slight rebound in iron ore price at the spot market subsequent to the reporting date and the fact that the project is still under development and will not be put into commercial run till 2015. The directors of the Group will continue to monitor the latest market developments and assess impairment on an on-going basis based on the then facts and circumstances.

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 2014               | As at 30 June 2013         |
|-----------------------------------------------------------------------------------------|----------------------------------|----------------------------|
| Real discount rate post-tax                                                             | <b>11.5% and 11.5%</b>           | 11.4% and 13.5%            |
| Real discount rate pre-tax                                                              | <b>14.3% and 14.4%</b>           | 13.2% and 16.9%            |
| Average Russian inflation rate from the period-end to 2023 and 2043                     | <b>2.2%</b>                      | 2.0%                       |
| Average Russian Rouble: US dollar exchange rate<br>from the period-end to 2023 and 2043 | <b>36.5</b>                      | 33.5                       |
| Average titanomagnetite concentrate prices<br>from the period-end to 2023 and 2043      | <b>US\$/tonne 88.5 and 106.7</b> | US\$/tonne 110.0 and 130.8 |
| Average ilmenite prices from the period-end to 2023                                     | <b>US\$/tonne 155.0</b>          | 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 assessing impairments. The impairment assessments are particularly sensitive to changes in commodity prices. To put the impairment assessment model into perspective, with all other variables kept constant; a further 5% drop in input average iron ore concentrate prices might result in the need to consider an impairment provision of approximately US\$53,309,000 on K&S project. Based on recent market volatility in average iron ore concentrate prices, the percentage change analysed represented potential downside scenarios if market volatility persists.

## 7. Other Gains and Losses

| Six months ended 30 June                          |             |             |
|---------------------------------------------------|-------------|-------------|
|                                                   | 2014        | 2013        |
|                                                   | US\$'000    | US\$'000    |
|                                                   | (unaudited) | (unaudited) |
| Net foreign exchange loss                         | (1,842)     | (1,772)     |
| Gain on disposal of property, plant and equipment | 117         | 211         |
|                                                   | (1,725)     | (1,561)     |

## 8. Financial Income

| Six months ended 30 June                     |             |             |
|----------------------------------------------|-------------|-------------|
|                                              | 2014        | 2013        |
|                                              | US\$'000    | US\$'000    |
|                                              | (unaudited) | (unaudited) |
| Interest income on cash and cash equivalents | 433         | 184         |
| Interest income on time deposits             | 85          | 70          |
| Others                                       | 30          | 29          |
|                                              | 548         | 283         |

## 9. Financial Expenses

| Six months ended 30 June                                                          |             |             |
|-----------------------------------------------------------------------------------|-------------|-------------|
|                                                                                   | 2014        | 2013        |
|                                                                                   | US\$'000    | US\$'000    |
|                                                                                   | (unaudited) | (unaudited) |
| Interest expenses on bank borrowings:                                             |             |             |
| — wholly repayable within five years                                              | 7,027       | 4,082       |
| Interest expenses on loan from a related party wholly repayable within five years | —           | 406         |
| Less: interest expenses capitalised to property, plant and equipment              | (5,983)     | (3,137)     |
|                                                                                   | 1,044       | 1,351       |
| Unwinding of discount on environmental obligation                                 | 336         | 522         |
|                                                                                   | 1,380       | 1,873       |

## 10. Income Tax Credit (Expense)

|                               | Six months ended 30 June |                         |
|-------------------------------|--------------------------|-------------------------|
|                               | 2014                     | 2013                    |
|                               | US\$'000<br>(unaudited)  | US\$'000<br>(unaudited) |
| Cyprus current tax            | —                        | (2)                     |
| Russia current tax            | (109)                    | (181)                   |
| Current tax expense           | (109)                    | (183)                   |
| Deferred tax (expense) credit | 281                      | (107)                   |
|                               | 172                      | (290)                   |

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2014 and 2013.

Cypriot corporation tax is calculated at a rate of 12.5% of the estimated assessable profit for the six months ended 30 June 2013.

For the six months ended 30 June 2014, the Group had no assessable profit subject to Cypriot corporation tax. For the six months ended 30 June 2014 and 2013, no Hong Kong profits tax, UK Corporation tax and PRC Enterprise Income tax was provided for as the Group had no assessable profit arising in or derived from these jurisdictions during both periods.

## 11. Dividends

No dividends were paid, declared or proposed to the owners of the Company during both the six months ended 30 June 2014 and 2013.

## 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        |                                 |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
|                                                                                                                                    | 2014<br>US\$'000<br>(unaudited) | 2013<br>US\$'000<br>(unaudited) |
| Loss for the purposes of basic and diluted loss per ordinary share being loss for the period attributable to owners of the Company | 88,206                          | 10,653                          |

### Number of shares

|                                                                                                          | Six months ended 30 June |                        |
|----------------------------------------------------------------------------------------------------------|--------------------------|------------------------|
|                                                                                                          | 2014<br>Number<br>'000   | 2013<br>Number<br>'000 |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per ordinary share | 4,663,872                | 3,768,535              |

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 2014 does not take into account the Company's 34,684,875 (for the six months ended 30 June 2013: 116,100,000) treasury shares.

The computation of diluted loss per share for the six months ended 30 June 2014 and 2013 does not take into account of the Company's outstanding shares awarded under the Group's Long-term Incentive Plan ("LTIP") and Deferred Subscription Share (as defined in note 20) since assuming their issuance would result in a decrease in loss per share.

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

During the period, the Group spent approximately US\$54.0 million (for the period ended 30 June 2013: US\$26.2 million) on the mine development and acquisition of property, plant and equipment, including prepayments for property, plant and equipment as disclosed in note 14.

At 30 June 2014, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US\$150.5 million (31 December 2013: US\$179.1 million).

### 14. Other Non-Current Assets

|                                                | As at<br>30 June<br>2014<br>US\$'000<br>(unaudited) | As at<br>31 December<br>2013<br>US\$'000<br>(audited) |
|------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Deferred insurance premium for bank facilities | 6,501                                               | 9,619                                                 |
| Prepayments for property, plant and equipment  | 227,555                                             | 209,642                                               |
| Deferred loan arrangement fee                  | 3,162                                               | 4,726                                                 |
| Cash advances to employees                     | 208                                                 | 282                                                   |
|                                                | <b>237,426</b>                                      | 224,269                                               |

### 15. Inventories

|                   | As at<br>30 June<br>2014<br>US\$'000<br>(unaudited) | As at<br>31 December<br>2013<br>US\$'000<br>(audited) |
|-------------------|-----------------------------------------------------|-------------------------------------------------------|
| Stores and spares | 32,080                                              | 33,925                                                |
| Work in progress  | 18,056                                              | 12,777                                                |
| Finished goods    | 6,530                                               | 8,528                                                 |
|                   | <b>56,666</b>                                       | 55,230                                                |

Finished goods have been written down by US\$3,821,000 during the six months ended 30 June 2014 (31 December 2013: Nil). No inventories had been pledged as security in both periods.

## 16. Trade and Other Receivables

|                                                        | As at<br>30 June<br>2014<br>US\$'000<br>(unaudited) | As at<br>31 December<br>2013<br>US\$'000<br>(audited) |
|--------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| VAT recoverable                                        | 28,928                                              | 29,910                                                |
| Advances to suppliers                                  | 7,119                                               | 6,647                                                 |
| Amounts due from customers under engineering contracts | 958                                                 | 2,524                                                 |
| Trade receivables                                      | 12,511                                              | 4,372                                                 |
| Other debtors                                          | 3,226                                               | 3,091                                                 |
|                                                        | 52,742                                              | 46,544                                                |

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<br>30 June<br>2014<br>US\$'000<br>(unaudited) | As at<br>31 December<br>2013<br>US\$'000<br>(audited) |
|---------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Less than one month             | 9,878                                               | 4,267                                                 |
| One month to three months       | 2,491                                               | 1                                                     |
| Over three months to six months | 132                                                 | 53                                                    |
| Over six months                 | 10                                                  | 51                                                    |
| Total                           | 12,511                                              | 4,372                                                 |

## 16. Trade and Other Receivables (Continued)

The Group allows credit periods ranging from 10 days to 90 days (31 December 2013: 5 days to 45 days) to individual third party customers. The directors of the Company considered that the carrying value of trade and other receivables is approximately equal to their fair value.

## 17. Time Deposits

Time deposits of the Group comprised short-term bank deposits with an original maturity of six to nine months. The carrying amounts of the assets approximate their fair value. As at 30 June 2014, time deposits carrying interest at fixed rate of 2.0% to 8.2% per annum (31 December 2013: 3.0% to 5.0% per annum).

## 18. Trade And Other Payables

|                             | As at<br>30 June<br>2014<br>US\$'000<br>(unaudited) | As at<br>31 December<br>2013<br>US\$'000<br>(audited) |
|-----------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Trade payables              | 6,394                                               | 9,349                                                 |
| Advances from customers     | 1,754                                               | 986                                                   |
| Accruals and other payables | 13,277                                              | 11,707                                                |
|                             | <b>21,425</b>                                       | 22,042                                                |

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

|                            | As at<br>30 June<br>2014<br>US\$'000<br>(unaudited) | As at<br>31 December<br>2013<br>US\$'000<br>(audited) |
|----------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Less than one month        | 3,843                                               | 6,384                                                 |
| One month to three months  | 124                                                 | 275                                                   |
| Three months to six months | 221                                                 | 271                                                   |
| Over six months            | 2,206                                               | 2,419                                                 |
| Total                      | <b>6,394</b>                                        | 9,349                                                 |

## 19. Bank Borrowings

|                                                   | As at<br>30 June<br>2014<br>US\$'000<br>(unaudited) | As at<br>31 December<br>2013<br>US\$'000<br>(audited) |
|---------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Bank loans                                        |                                                     |                                                       |
| Asian Pacific Bank                                | 21,300                                              | 20,000                                                |
| Industrial and Commercial Bank of China ("ICBC")  | 224,633                                             | 179,922                                               |
| Total                                             | 245,933                                             | 199,922                                               |
| Unsecured                                         | 21,300                                              | 20,000                                                |
| Secured                                           | 224,633                                             | 179,922                                               |
| Total                                             | 245,933                                             | 199,922                                               |
| Carrying amount repayable                         |                                                     |                                                       |
| Within one year                                   | 57,500                                              | 41,250                                                |
| More than one year, but not exceeding two years   | 45,129                                              | 38,864                                                |
| More than two years, but not exceeding five years | 143,304                                             | 119,808                                               |
| Total                                             | 245,933                                             | 199,922                                               |

### Bank loans from Asian Pacific Bank

In July 2013, the Group renewed the US\$15,000,000 term loan facility with Asian Pacific Bank. The loan bears an annual interest of 10.60% which is repayable monthly. In April 2014, the US\$15,000,000 term loan facility had been renewed for another 12-month period and with an annual interest of 9% repayable monthly and the loan principal is repayable by 23 April 2015. As at 30 June 2014, the whole loan amount was drawn down under the loan facility (2013: US\$15,000,000).

In November 2013, the Group renewed another US\$10,000,000 term-loan facility with Asian Pacific Bank for a 12-month period with an annual interest of 10.60% repayable monthly and the loan principal is repayable by 20 November 2014. In February 2014, the Group further renewed this term-loan facility with Asian Pacific Bank with annual interest of 10.60% repayable monthly and the loan principal is repayable by 31 December 2015. As at 30 June 2014, US\$6,300,000 was drawn down from such facility (2013: US\$5,000,000).

For the six months ended 30 June 2014, the Group drew down US\$44,000,000 from these facilities from Asian Pacific Bank in several tranches on a rolling basis and US\$42,700,000 were repaid in aggregate during the period.

As at 30 June 2014, the Group had US\$3,700,000 (31 December 2013: US\$5,000,000) undrawn loan facility with Asian Pacific Bank.

## 19. Bank Borrowings (Continued)

### Bank loans from Asian Pacific Bank (Continued)

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.

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

On 6 December 2010, LLC KS GOK ("K&S"), a wholly owned subsidiary of the Company, had entered into an US\$400 million Engineering Procurement and Construction Contract with 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 instalments of US\$21,250,000 each, starting from December 2014 when the whole facility amount is expected to be drawn down and is fully repayable by June 2022.

Additional drawn downs amounting to US\$47,081,000 were made by the Group during the six months ended 30 June 2014. The loan is carried at amortised cost with effective interest rate at 5.63% per annum. The outstanding loan principals were US\$241,850,000 as at 30 June 2014 (31 December 2013: US\$194,769,000), which is repayable semi-annually starting from December 2014 and is expected to be fully repaid by June 2020.

As at 30 June 2014 and 31 December 2013, US\$27,250,000 and US\$6,000,000 were deposited with ICBC under a security deposit agreement related to the ICBC Facility Agreement and is presented as restricted bank deposit under non-current assets. The deposit carries interest at prevailing market rate at around 1.0% per annum for the six months ended 30 June 2014 and year ended 31 December 2013.

As at 30 June 2014, the Group had US\$98,150,000 (31 December 2013: US\$145,231,000) undrawn financing facility in relation to the ICBC Facility Agreement.

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

## 20. Share Capital

As disclosed in note 35 to the Group's 2013 consolidated financial statements, on 17 January 2013, the Company entered into a conditional subscription agreement with each of General Nice Development Limited ("General Nice") and Minmetals for an investment by General Nice and Minmetals in new shares of the Company up to approximately HK\$1,845,000,000 (equivalent to approximately US\$238,000,000) in aggregate.

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

## 20. Share Capital (Continued)

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

- (a) a payment of at least HK\$155.1 million (equivalent to approximately US\$20.0 million) on or before 24 February 2014; and
- (b) a payment of the balance, being HK\$606.6 million (equivalent to approximately US\$78.2 million) less the amount paid in (a) above, on or before 22 April 2014.

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

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

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

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

Further, in accordance with the original subscription agreements, Minmetals subscription shall complete upon full completion of General Nice Further Subscription Shares taking place.

The Company is in negotiation with General Nice on the timing of the General Nice Further Subscriptions Completion and expects it, together with the Minmetals subscription, to be completed by the end of 2014.

## 20. Share Capital (Continued)

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

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

Details of the allotment and issuance of ordinary shares by the Company during the six months ended 30 June 2014 are as follows:

|                                                                                          | Number of shares | US\$'000 |
|------------------------------------------------------------------------------------------|------------------|----------|
| Authorised                                                                               |                  |          |
| At 1 January 2013, 30 June 2013 and 1 January 2014<br>— Ordinary shares of HK\$0.01 each | 10,000,000,000   | 12,820   |
| At 30 June 2014                                                                          | Note             | Note     |

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

|                                                                                |               |           |
|--------------------------------------------------------------------------------|---------------|-----------|
| Issued and fully paid                                                          |               |           |
| At 1 January 2013<br>— Ordinary shares of HK\$0.01 each                        | 3,494,034,301 | 4,500     |
| Issue of new ordinary shares of HK\$0.01 each to General Nice in April 2013    | 817,536,000   | 1,053     |
| At 30 June 2013<br>— Ordinary shares of HK\$0.01 each                          | 4,311,570,301 | 5,553     |
| At 1 January 2014<br>— Ordinary shares of HK\$0.01 each                        | 4,529,910,301 | 5,834     |
| Issue of new ordinary shares of HK\$0.01 each to General Nice in February 2014 | 165,000,000   | 213       |
| Transfer from share premium upon abolition of par value                        | —             | 1,185,488 |
| Issue of new ordinary shares to General Nice in April 2014                     | 165,000,000   | 19,996    |
| Transaction costs attributable to issue of new ordinary shares in April 2014   | —             | (300)     |
| At 30 June 2014<br>— Ordinary shares with no par value                         | 4,859,910,301 | 1,211,231 |

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

## 21. Related Party Disclosures

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

During the six months ended 30 June 2014, the Group entered into the following transactions with related parties:

### Related parties

Petropavlovsk plc, which is the Group's ultimate holding company, and its subsidiaries are considered to be related parties. Mr. Peter Hambro, Chairman and shareholder of Petropavlovsk plc, is a close family member of the director of the Company, Jay Hambro, whereas Dr. Maslovskiy, Honorary President of Petropavlovsk plc is a close family member of the director of the Company, Mr. Yuri Makarov.

Asian Pacific Bank is considered to be a related party as Mr. Peter Hambro and a deemed connected person of the Company have indirect ownership interests and has practical ability to exercise significant influence over Asian Pacific Bank.

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

Related party transactions the Group entered into that related to the day-to-day operation of the business are set out below except for the interest expenses incurred, which have been disclosed in note 9.

|                                               | Services provided <sup>(a)</sup> |                                 | Services received <sup>(b)</sup> |                                 |
|-----------------------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|                                               | Six months ended 30 June         |                                 | Six months ended 30 June         |                                 |
|                                               | 2014<br>US\$'000<br>(unaudited)  | 2013<br>US\$'000<br>(unaudited) | 2014<br>US\$'000<br>(unaudited)  | 2013<br>US\$'000<br>(unaudited) |
| <b>Petropavlovsk plc and its subsidiaries</b> |                                  |                                 |                                  |                                 |
| Petropavlovsk plc                             | 1                                | 21                              | 10                               | 96                              |
| OJSC Irgiredmet                               | —                                | —                               | 4                                | 10                              |
| LLC NPGF Regis                                | 19                               | 24                              | —                                | 1                               |
| CJSC Peter Hambro Mining Engineering          | —                                | —                               | 2                                | 380                             |
| CJSC Pokrovsky Rudnik                         | 1                                | 2                               | —                                | —                               |
| MC Petropavlovsk                              | 376                              | 450                             | 143                              | 173                             |
| OJSC ZDP Koboldo                              | —                                | 5                               | —                                | —                               |
| LLC Karagay                                   | 1                                | 5                               | —                                | —                               |
| LLC Gidrometallurgia                          | 84                               | 90                              | —                                | —                               |
| LLC Kapstroy                                  | 50                               | —                               | —                                | —                               |
| LLC Helios                                    | —                                | —                               | 8                                | —                               |
| <b>Transaction with other related party</b>   |                                  |                                 |                                  |                                 |
| Asian Pacific Bank                            | 38                               | 43                              | —                                | —                               |

## 21. Related Party Disclosures (Continued)

### Related parties (Continued)

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

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

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

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

|                                                            | Amounts owed by<br>related parties <sup>(a)</sup> |                       | Amounts owed to<br>related parties <sup>(b)</sup> |                       |
|------------------------------------------------------------|---------------------------------------------------|-----------------------|---------------------------------------------------|-----------------------|
|                                                            | As at                                             | As at                 | As at                                             | As at                 |
|                                                            | 30 June                                           | 31 December           | 30 June                                           | 31 December           |
|                                                            | 2014                                              | 2013                  | 2014                                              | 2013                  |
|                                                            | US\$'000<br>(unaudited)                           | US\$'000<br>(audited) | US\$'000<br>(unaudited)                           | US\$'000<br>(audited) |
| <b>Petropavlovsk plc and its subsidiaries</b>              |                                                   |                       |                                                   |                       |
| Petropavlovsk plc                                          | 980                                               | 985                   | 767                                               | 814                   |
| OJSC Irgiredmet                                            | —                                                 | —                     | 4                                                 | —                     |
| LLC NPGF Regis                                             | 15                                                | 2                     | 187                                               | 192                   |
| CJSC Peter Hambro Mining Engineering                       | —                                                 | —                     | —                                                 | 4                     |
| CJSC Pokrovsky Rudnik                                      | 1                                                 | —                     | —                                                 | 1                     |
| CJSC Dalgeologia                                           | —                                                 | —                     | —                                                 | 43                    |
| MC Petropavlovsk                                           | 152                                               | 232                   | 1,972                                             | 2,096                 |
| LLC Gidrometallurgia                                       | 2                                                 | 2                     | —                                                 | —                     |
| LLC Karagay                                                | 4                                                 | —                     | —                                                 | —                     |
| LLC Helios                                                 | 7                                                 | 6                     | 3                                                 | —                     |
| LLC Kapstroy                                               | 6                                                 | —                     | —                                                 | —                     |
| <b>Outstanding balances with other<br/>related parties</b> |                                                   |                       |                                                   |                       |
| Asian Pacific Bank                                         | 7                                                 | 8                     | —                                                 | —                     |
|                                                            | <b>1,174</b>                                      | 1,235                 | <b>2,933</b>                                      | 3,150                 |

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

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

## 21. Related Party Disclosure (Continued)

### Banking arrangements

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

|                    | As at<br>30 June<br>2014<br>US\$'000<br>(unaudited) | As at<br>31 December<br>2013<br>US\$'000<br>(audited) |
|--------------------|-----------------------------------------------------|-------------------------------------------------------|
| Asian Pacific Bank | 24,015                                              | 24,417                                                |

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

|                                                | Six months ended 30 June        |                                 |
|------------------------------------------------|---------------------------------|---------------------------------|
|                                                | 2014<br>US\$'000<br>(unaudited) | 2013<br>US\$'000<br>(unaudited) |
| Interest income from cash and cash equivalents | 163                             | 165                             |

### Guarantee arrangements

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

## 21. Related Party Disclosure (Continued)

### Guarantee arrangements (Continued)

As at 30 June 2014, Petropavlovsk plc beneficially owns approximately 45.39% (31 December 2013: 48.70%) of the issued share capital of the Company. Though Petropavlovsk plc has less than a majority of the voting rights of the Company, its voting rights are sufficient to give it the practical ability to direct the relevant activities of the Company unilaterally and retains control over the Company. Accordingly, the Company is still considered as a subsidiary of Petropavlovsk plc. Under the ICBC Facility Agreement, each of the following will constitute a covenant; and noncompliance with any covenant will constitute an event of default upon which the ICBC Facility Agreement will become immediately due and payable: (i) Petropavlovsk plc must retain a not less than 30% direct or indirect interest in the Company; (ii) Petropavlovsk plc has an obligation to maintain a minimum tangible net worth of not less than US\$750,000,000, a minimum interest cover ratio of 3.5:1 and a maximum leverage ratio of 4:1; and (iii) there are also certain limited restrictions on the ability of the Petropavlovsk plc to grant security over its assets, make disposals of its assets or enter into merger transactions. As at 30 June 2014 and 31 December 2013, the Group and Petropavlovsk plc do not have any non-compliance on the above covenants.

### Key Management Compensation

During the six months ended 30 June 2014 and 2013, George Jay Hambro, Yury Makarov, Raymond Woo, Daniel Bradshaw, Jonathan Martin Smith, Chuang-fei Li, Simon Murray, Cai Sui Xin and Liu Qingchun were considered the key management of the Group. The remuneration of key management personnel is set out below in aggregate.

|                          | Six months ended 30 June |                         |
|--------------------------|--------------------------|-------------------------|
|                          | 2014                     | 2013                    |
|                          | US\$'000<br>(unaudited)  | US\$'000<br>(unaudited) |
| Short-term benefits      | 1,412                    | 2,875                   |
| Post-employment benefits | 143                      | 135                     |
| Share-based payments     | 1,489                    | 2,046                   |
|                          | 3,044                    | 5,056                   |

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

## RESULTS OF OPERATIONS

### Revenue

#### Iron ore concentrate

The significant increase in iron ore supply, and commensurate fall in iron ore prices, particularly in the second quarter of 2014, has affected the Group's revenue. Although IRC sold all of the iron ore it produced to its customers in Heilongjiang, suggesting good demand for IRC's iron ore concentrate product, the sales volume and average price fell by 5.8% and 14.6% respectively, resulting in a reduction in revenue by US\$13.2 million to US\$54.4 million for the first six months of 2014.

#### Ilmenite

The market demand for ilmenite in the first half of 2014 continued weakened, leading to 36.4% fall in prices. With lower sales, in part to a build of inventories as part of the new sales strategy, revenue from ilmenite sales dropped by US\$8.4 million to US\$11.0 million.

Despite the market adversity, IRC has been proactive in seeking ways to improve profit margins. During 2014, IRC started a programme of Chinese domestic ilmenite sales from Chinese ports under which the Group could offer customers a range of delivery options and prices for material from the Kuranakh Mine, Russian port or Chinese ports. It is expected that this new marketing strategy and delivery channel could give IRC a competitive advantage in the long run under this challenging market.

#### Engineering Services

Revenue from Giproruda, the engineering services division of the Group, reduced by US\$3.1 million to US\$2.1 million, due to decreased billing for its consulting services.

### Site Operating Expenses and Service Costs

Site Operating Expenses and Service Costs mainly represent the mining and operating expenses incurred by the Group's sole mine in production, the Kuranakh mine. The expenses decreased by 3.9% from US\$86.0 million to US\$82.6 million and a breakdown of the expenses is set out in note 5 to the condensed consolidated financial statements.

Included in the expenses was a non-cash impairment provision for inventory at Kuranakh of US\$3.8 million, due to the falling iron ore price. Excluding this one-off provision, the underlying Site Operating Expenses and Service Costs decreased by 8.3% year-on-year. Considering that the iron ore sales volume only reduced by 5.8%, and also taking into account the relatively high inflation in Russia, the 8.3% cut in cost is a good achievement and demonstrates the Group's continuous efforts to control costs.

During the first half of 2014, 503,871 tonnes of iron ore concentrate and 86,693 tonnes of ilmenite were produced, representing 56.0% and 54.2% of their respective 2014 annual production targets. In accordance with the general market practice and for presentation and analysis purposes, the table below classifies ilmenite sales as a by-product credit by treating the sales revenue as an offsetting item in the production cash cost of iron ore. The details of the key cash cost components are as follows:

|                                                             | 1H 2014                         |                               | 1H 2013                       |
|-------------------------------------------------------------|---------------------------------|-------------------------------|-------------------------------|
|                                                             | Total cash cost<br>US\$ million | Cash cost per tonne<br>US\$/t | Cash cost per tonne<br>US\$/t |
| Mining                                                      | 17.2                            | 34.1                          | 33.9                          |
| Processing                                                  | 8.9                             | 17.7                          | 18.7                          |
| Transportation to plant                                     | 4.8                             | 9.6                           | 6.7                           |
| Production overheads, site administration and related costs | 15.5                            | 30.7                          | 25.5                          |
| Transportation to customers                                 | 16.1                            | 31.0                          | 37.0                          |
| Movements in inventories and finished goods                 | 1.0                             | 1.9                           | 3.2                           |
| Contribution from sales of ilmenite* and others             | (4.6)                           | (9.1)                         | (22.0)                        |
| Net cash cost                                               | 58.9                            | 115.9                         | 103.0                         |

\* net of tariff and other railway charges for ilmenite

## Segment Information

Despite the Group's effort to reduce operating costs, the decrease in selling prices of iron ore and ilmenite in the first half of 2014 had resulted in the "Mine in production" segment reporting a segmental loss before impairment of US\$13.5 million (30 June 2013: profit of US\$8.1 million). The "Engineering" segment also recorded a loss of US\$0.3 million (30 June 2013: profit of US\$0.6 million) due to the decrease in consultancy billings.

## Central administration expenses

In light of the challenging market and operating environments, special attention continues to be given to controlling administrative costs. The successful implementation of the cost savings initiatives continued to provide benefits, with the Group's central administration costs reducing 13.2% to US\$10.2 million.

## Impairment charges

As operating costs and efficiencies of the Kuranakh mine are at near optimal levels, the business model for this project is therefore particularly sensitive to iron ore and ilmenite prices. Given the significant reductions in iron ore and ilmenite prices, especially in the second quarter of 2014, it is considered appropriate to record a one-off non-cash impairment provision of US\$62.9 million (30 June 2013: Nil) against the full carrying value of the project.

## Share of results of joint venture

The vanadium joint venture, 46% owned by IRC, continued to report good operating results following significant decrease of purchase price for vanadium slack and improved recovery rates of vanadium. During the first half of 2014, the Group recorded a share of profit of the joint venture of US\$2.3 million (30 June 2013: share of loss of US\$1.4 million).

## Net Operating Loss

The net operating loss, before taking into account the impairments of Kuranakh's carrying value (US\$62.9 million) and inventory (US\$3.8 million), increased from US\$7.0 million to US\$19.3 million, primarily due to the reduction in prices of iron ore and ilmenite. The non-cash impairments increased the net operating loss by US\$66.7 million to US\$86.0 million.

## Other Gains and Losses and Other Expenses

The Other Gains and Losses and Other Expenses of US\$1.7 million (30 June 2013: US\$1.6 million) mainly represent exchange losses recorded during the period.

## Net Financial Expenses

Net financial expenses decreased from US\$1.6 million in the first half of 2013 to US\$0.8 million in the same period in 2014, mainly due to the partial repayment of short term working capital facilities and the increase in interest income following the equity injections from General Nice.

## Loss attributable to the owners of the Company

As a result of the above, the Loss attributable to the Owners of the Company in the first half of 2014 increased to US\$88.2 million (30 June 2013: US\$10.7 million). The increase is mainly due to the non-cash impairments of US\$66.7 million and the reduction in revenue of US\$24.8 million, being partially offset by the Group's continuous effort to control costs.

Excluding the non-cash impairments, the underlying loss for the six months ended 30 June 2014 of US\$21.5 million is more comparable to the loss of the same period in 2013 of US\$10.7 million.

## Cash Flow Statement

The following table summaries the key cash flow items of the Group for the six months ended 30 June 2014 and 30 June 2013:

| US\$'000                                                               | For the six months ended |          |
|------------------------------------------------------------------------|--------------------------|----------|
|                                                                        | 30 June                  |          |
|                                                                        | 2014                     | 2013     |
| <b>Net cash (used in) generated from operations</b>                    | <b>(21,309)</b>          | 18,632   |
| Interest paid                                                          | (4,699)                  | (3,657)  |
| Capital expenditure                                                    | (53,952)                 | (26,212) |
| Proceeds on issuance of shares, net of transaction costs               | 39,391                   | 100,460  |
| Proceeds from bank borrowings, net of repayment                        | 48,381                   | 10,935   |
| Repayment of loan from Petropavlovsk                                   | —                        | (10,000) |
| Other payments and adjustments, net                                    | (636)                    | (1,558)  |
| <b>Net movement during the period</b>                                  | <b>7,176</b>             | 88,600   |
| <b>Cash and bank balances (including time and restricted deposits)</b> |                          |          |
| — At 1 January                                                         | 98,382                   | 24,036   |
| — At 30 June                                                           | 105,558                  | 112,636  |

The net cash used in operations amounted to US\$21.3 million, mainly due to the reduction in revenue and other working capital movements. Capital expenditure increased significantly to US\$54.0 million following additional CAPEX incurred on the K&S mine, as the construction progress of the project stepped up for completion by the end of 2014.

For financing, the Group had allotted and issued 330.0 million shares (30 June 2013: 817.5 million shares) to General Nice, thereby receiving net cash injections of US\$39.4 million (30 June 2013: US\$100.5 million). A net bank borrowing of US\$48.4 million had been drawn during the first half of 2014 mainly to finance the construction of the K&S project under the ICBC project financing facility.

## **Liquidity, Financial and Capital Resources**

### **Share capital**

On 17 January 2013, the Company entered into a conditional subscription agreement with each of General Nice Development Limited ("General Nice") and Minmetals for an investment by General Nice and Minmetals in new shares of the Company up to approximately HK\$1,845 million (equivalent to approximately US\$238 million) in aggregate. The share placements not only provided the Group with strong strategic Chinese investment partners, but also solidified the Group's financial strength by unlocking the value in IRC's extensive portfolio of development projects. The transaction also includes off-take and marketing arrangements, providing IRC with both sales volume and cash-flow security.

During 2013, a total of 1,035,876,000 shares were allotted and issued to General Nice for cash considerations of HK\$1,006 million (approximately US\$130 million). During the first half of 2014, a total of 330,000,000 shares were allotted and issued to General Nice for cash considerations of HK\$310 million (approximately US\$40 million). The Company is working with General Nice and Minmetals to agree a timely funding plan for the completion of the remaining share subscriptions of HK\$529 million (approximately US\$68 million).

In accordance with the intended use of proceeds of the transaction as disclosed in the shareholders' circular dated 21 February, 2013, out of the total net proceeds of US\$233.5 million, it was envisaged that 90% will be used for the development of K&S Project and Garinskoye Project, and the remaining 10% will be used as general working capital. As of 30 June 2014, the Group has received approximately US\$170 million, and we confirm that we have used the proceeds in accordance with the intention above-mentioned. Approximately US\$70 million had been spent on financing the construction of the K&S project and funding the general expenses of the Group respectively, with the remaining US\$100 million deposited in banks.

### **Cash Position and Capital Expenditure**

As at 30 June 2014, the carrying amount of the Group's cash and bank balances was approximately US\$105.6 million (31 December 2013: US\$98.4 million) of which US\$27.3 million (31 December 2013: US\$6 million) was under restricted cash deposit. The balance represents an increase of US\$7.2 million, primarily due to the US\$40 million investment proceeds from General Nice, net of expenditure to fund the 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\$98.2 million (31 December 2013: US\$145.2 million). It is expected that capital expenditures of approximately US\$122.4 million and US\$23.6 million will be spent on the K&S project in the second half of 2014 and in 2015 respectively, with approximately US\$6 million of sustaining capital expenditure to be spent in 2015. Annual sustaining capital expenditure for the Kuranakh project will be approximately US\$6 million while capital expenditure for the other projects in the remainder of 2014 and in 2015 is not expected to be material.

## Exploration, Development and Mining Production Activities

For the six months ended 30 June 2014, US\$127.5 million (30 June 2013: US\$99.1 million) was incurred on development and mining production activities. No exploration activity was carried out during the first half of 2014 and 2013. The following table details the capital and operating expenditures in the first half of 2014 and 2013:

| US\$m                                              | For the six months ended 30 June 2014 |                     |       | For the six months ended 30 June 2013 |                     |       |
|----------------------------------------------------|---------------------------------------|---------------------|-------|---------------------------------------|---------------------|-------|
|                                                    | Operating expenses                    | Capital expenditure | Total | Operating expenses                    | Capital expenditure | Total |
| Kuranakh, primarily sustaining capital expenditure | 73.3                                  | 0.9                 | 74.2  | 72.9                                  | 2.1                 | 75.0  |
| K&S development                                    | 0.3                                   | 52.2                | 52.5  | 0.0                                   | 23.6                | 23.6  |
| Exploration projects and others                    | 0.1                                   | 0.7                 | 0.8   | 0.0                                   | 0.5                 | 0.5   |
|                                                    | 73.7                                  | 53.8                | 127.5 | 72.9                                  | 26.2                | 99.1  |

While CNEEC remains as the main contractor for the construction and purchase of major equipment for K&S project under the US\$400 million EPC contract, the table below sets out the details of material new contracts and commitments entered into during the first half of 2014 on a by-project basis.

| US\$m    | Projects                                       | Nature | For the six months ended 30 June |      |
|----------|------------------------------------------------|--------|----------------------------------|------|
|          |                                                |        | 2014                             | 2013 |
| Kuranakh | Purchase of property, plant and equipment      |        | 0.1                              | 0.9  |
| K&S      | Sub-contracting for railways and related works |        | —                                | 1.3  |
|          | Sub-contracting for excavation related works   |        | 0.1                              | 3.5  |
|          | Purchase of property, plant and equipment      |        | —                                | 0.2  |
| Others   | Other contracts and commitments                |        | 0.1                              | —    |
|          |                                                |        | 0.3                              | 5.9  |

## Borrowings and Charges

As 30 June 2014, the Group had gross borrowings of US\$263.1 million (31 December 2013: US\$214.8 million). All of the Group's borrowings were denominated in US dollars. Of the gross borrowings, US\$21.3 million (31 December 2013: US\$20.0 million) was unsecured bank borrowing for funding the working capital of the Group while the remaining US\$241.8 million (31 December 2013: US\$194.8 million) represents long term borrowing drawn from the US\$340 million ICBC loan facility which is guaranteed by Petropavlovsk. The Group has been keeping its borrowing costs at market level, with its weighted average interest rate at approximately 6.0% (30 June 2013: 6.2%) per annum. As of 30 June 2014, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, increased to 14.7% (31 December 2013: 10.5%) mainly due to the drawing of the ICBC loan facility to finance the construction of the K&S project.

## **Risk of Exchange Rate Fluctuation**

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

## **Employees and Emolument Policies**

As at 30 June 2014, the Group employed approximately 2,282 employees (30 June 2013: 2,431 employees). The total staff costs excluding share based payments incurred were approximately US\$25.8 million for the first half of 2014 (30 June 2013: US\$29.0 million). Overall headcounts decreased in 2014 as part of the measures to reduce costs. 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.

## **EXTRACT FROM THE INDEPENDENT AUDITORS' REPORT**

The following is an extract of the independent auditors' Report on Review of Condensed Consolidated Financial Statements for the six months ended 30 June 2014 which has included an emphasis of matter, but without qualifying the review conclusion:

### **“CONCLUSION**

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

### **EMPHASIS OF MATTER**

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements which indicates that, as at 30 June 2014, the Group incurred loss for the six-month ended 30 June 2014 and as at 30 June 2014, the Group had significant capital and other commitments against the cash and cash equivalents and the credit facilities maintained by the Group. As a consequence, a series of measures are being taken which are disclosed in note 1 to the condensed consolidated financial statements to secure the Group's financing needs. Further, the Group's ability to continue as a going concern is also dependent on the ongoing availability of the financing under the existing ICBC Facility Agreement (as defined in note 19 to the condensed consolidated financial statements) under which the Group's ultimate holding company is the guarantor and required to respect the relevant covenant obligations. The directors of the Company consider that, provided that (i) the Group's ultimate holding company is able to successfully obtain a temporary relaxation of the relevant covenant obligations under the ICBC Facility Agreement; and (ii) the additional financing and cost saving measures of the Group are effective, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. The sufficiency of working capital is dependent on the Group's and its ultimate holding company's ability to successfully implement the measures as set out in note 1 to the condensed consolidated financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.”

## OPERATIONS REPORT

IRC is a vertically integrated producer of industrial commodities. Our operations are located in Far Eastern Russia where we enjoy the benefits of good geology, the availability of labour, power and water, and importantly in bulk commodities, established rail access to both China, the world's largest commodity consumer, and also to the Pacific seaports from where we can ship our products to East Asia and beyond.



Upstream we explore, develop and operate mines in the Russian Far East and North-Eastern China. Downstream we beneficiate, transport and market intermediary and finished products for sale to the local and international markets.

Currently, the main iron-ore projects are Kuranakh, K&S (Kimkan and Sutara) and Garinskoye with complementary businesses including exploration projects and the SRP. This year, Kuranakh is celebrating its fourth year since commercial operations began and since then has produced over 3.5 million tonnes of iron ore and 400,000 tonnes of ilmenite concentrates. K&S is currently completing construction and preparing to begin operations, targeting annual production of 3.2 million tonnes of iron ore, with the potential to almost double to 6.3 million tonnes if expanded. Garinskoye is an advanced exploration project. Whilst Garinskoye holds enough reserves to be developed as a large scale open-pit operation, a lower-cost and fast-build DSO-style operation is under consideration as an intermediate development solution. The three projects combined provide a good pipeline from exploration to production and the potential to produce almost 10 million tonnes of iron ore, plus 160,000 tonnes of by-product ilmenite.

## Kuranakh

Kuranakh is located in the north-east Tynda District of the Amur Region of the Russian Far East and comprises both the original Saikta open pit and the more recently established Kuranakh open pit processing facilities and an onsite railway spur connecting to the BAM and Trans-Siberian Railways. Since officially opened by former Russian President Medvedev in July 2010, the mine has produced over 3.5 million tonnes of iron ore and 428,000 tonnes of ilmenite concentrates. The operation is the first vertically-integrated titanomagnetite mining, processing and production facility in Russia, proudly designed, built and managed by IRC. The Kuranakh Mine is the largest regional employer, bringing a much needed boost to the local economy through fiscal contributions and stakeholder and biodiversity conservation programmes. Currently 1,700 people are employed at Kuranakh, of which 400 are contractors.

## Safety

Our safety vision is for a culture of zero harm. We are committed to the safety of our employees and contractors by adhering to the strictest safety policies and standards. The LTIFR per 1,000,000 hours worked was 3.0 for the first six months, a 42% improvement compared to an LTIFR of 5.19 in the first half of 2013. No fatalities occurred during the first half of 2014 within the Company, however a fatality was regrettably recorded by an independent contractor. Whilst the contractor was operating outside of prescribed safety standards, safety-training and operating procedures have been revised to reduce the likelihood of this re-occurring.

## Production

During the first half of 2014, mining production and development activities progressed well. Mining works were conducted in accordance with the revised mining plan, keeping the grades and production yields on a stable level.

Ore tonnages for the first six months totalled 1,642,159 tonnes of ore removed, a small increase compared to the same period last year.

The Crushing and Screening Plant managed the additional RoM tonnes and stockpile material well, processing a total 1,927,739 tonnes. Encouragingly, grade improvements were achieved during the first six months, with an average grade of 26.6% Fe and 8.2% TiO<sub>2</sub>, resulting in production of 1,009,052 tonnes of pre-concentrate. Stockpiles at the end of June 2014 totalled 218,428 tonnes, equivalent to 20 days feed for the processing plant.

At the Olekma Processing Plant a total 944,960 tonnes of pre-concentrate was processed, resulting in production of 503,871 tonnes of iron ore with a 62.5% grade and 86,693 tonnes of ilmenite concentrate with a 48% grade. This is equal to 56% of the 900,000 tonnes annual iron ore target and 54% of the 160,000 tonnes annual ilmenite target.

## Financial Performance

Sales volumes for the first six months decreased slightly to 517,056 tonnes of iron ore and 69,200 tonnes of ilmenite concentrate. This small decrease compared to the same period last year is due to lower production and establishing warehouse stocks of ilmenite in Chinese and Russian ports as part of the new ilmenite sales strategy.

The iron ore ASP for IRC was US\$105 per tonne, 15% lower than the US\$123.5 per tonne achieved in the first half of 2013. Sales volume for iron ore concentrate are secured under a long-term offtake agreement and prices are calculated on the INCOTERM "Delivered at Place" (DAP) basis. The ASP calculation is based on a formula which takes into account prices in preceding months, and therefore lags spot prices. The ilmenite ASP fell to US\$159 per tonne for the first six months of 2014, a 36% decrease compared to the US\$250 per tonne achieved in the same period last year.

During the first half of 2014, Kuranakh generated total revenues of US\$65.4 million, a 25% decrease compared to the US\$87.0 million realised in the first half of 2013 due to lower sales volumes and prices.

Cash costs averaged US\$84.9 per tonne. This compares to an average US\$66 per tonne in the first half of 2013 and US\$59.1 per tonne for the 2013 year as a whole. In addition, transportation costs for iron ore to customers averaged US\$31.0 per tonne, a decrease of 16% compared to the US\$37.0 per tonne achieved in the first half of 2013.

|                                                        | 1H 2013      | FY2013      | 1H2014       |
|--------------------------------------------------------|--------------|-------------|--------------|
| Mining                                                 | 33.9         | 37.5        | <b>34.1</b>  |
| Processing                                             | 18.7         | 18.4        | <b>17.7</b>  |
| Transportation to Plant                                | 6.7          | 7.0         | <b>9.6</b>   |
| Production Overheads,<br>Site Admin & Related<br>Costs | 25.5         | 22.4        | <b>30.7</b>  |
| Movements in Inventories<br>& Finished Goods           | 3.2          | (8.0)       | <b>1.9</b>   |
| Ilmenite Contribution                                  | (22.0)       | (18.2)      | <b>(9.1)</b> |
| Transportation to customers                            | 37.0         | 36.6        | <b>31.0</b>  |
| <b>Total CFR China</b>                                 | <b>103.0</b> | <b>95.7</b> | <b>115.9</b> |

Russian inflation continues to rise, reaching 7.8% in June 2014. Despite ongoing efforts to improve operating efficiencies and cut costs, this continues to weigh on the financial performance at Kuranakh.

Kuranakh reported a segmental EBITDA of US\$8.1 million for the first half of 2013, however, due to lower revenue and cost pressures, this fell to a loss of US\$13.5 million before the impairment provision for the first six months of 2014.

## Kuranakh Mine Strategic Review

During the second quarter of 2014, a strategic review was commenced at Kuranakh to assess the economic viability of the operation going forward. IRC is working closely with staff, local and national authorities and various departments to find all opportunities for further cost savings. We are also working with third-party consultants to look for internal savings.

The internal review has identified that whilst operating efficiencies are at near optimal levels, unless further cost savings can be achieved and iron ore and ilmenite prices improve, the Kuranakh Mine will not achieve the financial returns necessary to justify continuing operations.

Externally we expect that a number of new Russian Government initiatives currently under discussion could prove advantageous. We believe Far East Russia is set for development support from the Russian State and following approval, IRC will seek participation in a number of schemes. Specifically IRC will seek support from the fiscal regime and assistance with transportation costs.

Consultations are ongoing and IRC has been encouraged by the will and interest of all parties to engage and discuss opportunities for further enhancing productivity and explore cost saving opportunities. However, this process will take time, and the opportunity for improving margins must be balanced against the social and economic costs of closing down the operation, or indeed placing it on care and maintenance if production is to be restarted at a later date.

## **K&S**

The K&S Mine is located in the Jewish Autonomous Region (EAO) of the Russian Far East. The operation is 4 kilometres west of the town of Izvestkovaya, through which the Trans-Siberian Railway passes. It is also 130 kilometres west by federal highway from the regional capital of Birobidzhan and 300 kilometres west of Khabarovsk, the principal city of the Russian Far East.

Construction activities at K&S continue to progress well through the first half of 2014. At the end of June 2014, the project was estimated to be 78% complete.

IRC informed shareholders that CNEEC, the main contractor for the development of K&S advised that there will be a delay to the original planned commissioning date for the project. IRC and CNEEC are in discussions in regard to the latest proposed commissioning date and CNEEC is taking accelerated steps to mitigate CNEEC's exposure to potential delay penalties. In light of this delay, a revised completion schedule and ramp-up is set out on the next page.

## **Safety**

The K&S Project continued to report an excellent safety performance during the first half of 2014. The reported LTIFR rate per 1,000,000 hours worked was 0.00, an excellent performance and a return to the same performance in the first half of 2013 after a slight deterioration in the second half of 2013.

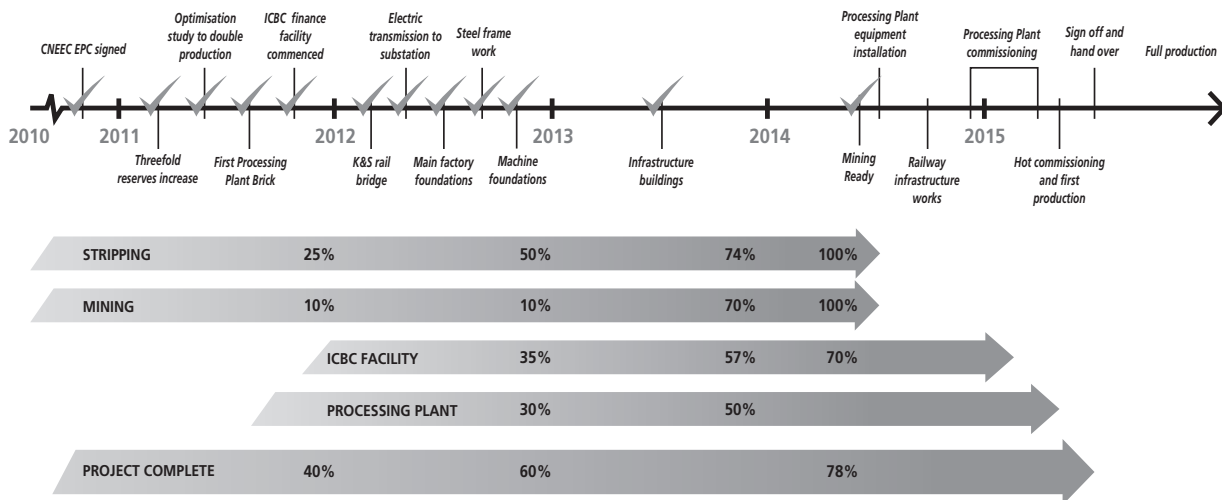
At the end of June 2014, 1,020 people were employed at the project (compared to 657 at the end of June 2013) in addition to varying contractor numbers depending upon the activities. Into late summer, CNEEC have said that the number will increase to almost 1,500 people working on a 24-hour work schedule, resulting in an acceleration of construction activities as the operation nears completion.

## **Mining**

Stripping and mining rates intensified through the first half, in particular the second quarter, due to good weather and employment of mining contractors. The addition of the contractor to complement IRC's small mining fleet has worked well with a total of 12.9 million m<sup>3</sup> of material moved to date of the required 14.5 million m<sup>3</sup> of overburden required and ore stockpiles ready to feed the processing plant totaling 4,366,010 tonnes. This is more than is necessary for start up, however, additional tonnes will be mined to further improve the stockpile grade. This is a solid achievement and provides comfort that the mine will be ready for the start-up of plant operations and demonstrates IRC's ability to manage a large-scale open-pit mining operation.

## IRC Project Timeline

### K&S Milestones



*Estimated simplified project construction schedule*

## Processing Plant

The Processing Plant is being constructed as a turnkey project. It is funded through a project finance facility provided by ICBC and equity. Major construction is being undertaken by CNEEC with an EPC contract that includes pre-defined penalties if completion is delayed, 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.

Installation of the ball mills is in progress. This is the bulkiest processing equipment. Installation is expected to be completed in the third quarter, along with piping and internal networks. Construction and equipment installation of the deslimers, primary crushing, ore sorting, dry magnetic separation secondary and fine crushing facilities are near completion and internal works are on track for completion during the third quarter, with testing to start immediately after.

## Infrastructure

The K&S Project is well situated. The operation is adjacent to the Trans-Siberian Railway and Federal Highways, with good access to labour in nearby cities, and access to power and water. All the requisites needed to build and operate this large-scale mining and processing operation are in place.

IRC with the assistance of specialist contractors is constructing the infrastructure needed to support mining and processing activities. Much of the site infrastructure is complete, with the final efforts focussing on the last section of rail that will connect the processing plant to the already established railway connection to the Trans-Siberian Railway, in addition to completing the required infrastructure to support the plant.

## Exploration

### Garinskoye

The Garinskoye Project is an advanced large-scale exploration project. Located in the Amur Region of the Russian Far East, located midway between the BAM and Trans Siberian Railways and near to the Zeya River which flows directly to the Chinese border, approximately 190 kilometres away.

Following updated exploration work completed over the last 4 years, a JORC-compliant mineral resource of 177 mt at 33.4% Fe on an indicated basis and a further 86 mt at 32.5% on an inferred basis were established. The original intention was to build a large-scale open-pit mining 10 mt and yielding 4.6 mt of concentrate for 20 plus years. Whilst IRC still intends to develop a large mining operation, due to capital constraints, an intermediate plan to exploit value in the near-term with a smaller scale DSO-style operation has been developed.

The full Bankable Feasibility Study for the revised DSO-style operation has been undertaken. It will be announced once third-party verification and a fatal flaws analysis are completed. In the meantime, potential funding opportunities are ongoing. Several potential project partners have been identified and a full expression of interest for project financing received from a multi-lateral banking institution. The Company intends to announce funding options during 2014.

During the first half of the year, work was focused on preparing design documentation for the construction of industrial facilities at the Garinskoye site and obtaining the necessary local construction permits. The design documentation is being developed by Giproruda and covers Stage 1 of Garinskoye development and DSO operations. Industrial site and facility location studies were commenced, with a general layout of the industrial site now advanced to a detailed design. Finally, the outstanding environmental issues were reviewed and the Environmental Social Impact Assessment analysis updated accordingly.

## MARKET REVIEW

### Iron Ore Market

Chinese demand for iron ore continued to grow during the first half of 2014 as domestic steel production expanded. A marked increase in steel demand for autos and manufactured goods was reported, more than offsetting lower demand for construction. With improvements anticipated in new construction starts during the second half of 2014, the demand outlook for the remainder of 2014 is positive.

The supply chain dynamics in the iron ore and steel markets changed significantly during the first half of the year. Tighter credit markets in China and a renewed emphasis on environmental regulation in the steel industry weighed on the sector as the wider Chinese economy manages the transition to slower growth than in the past. At the same time, an Australian-led iron ore supply surge arrived sooner than anticipated due to the absence of seasonal weather supply disruptions, providing plentiful iron ore. This resulted in a shift in inventories from the steel mills and traders up the supply chain to the ports where record tonnages are being now stored due to confidence in supply and absence of credit.

Towards the end of the first half of the year, a small reduction in Australian imports was recorded and as margins recovered at steel mills, notably in Hebei, the world's largest steel producing base, utilisation rates at blast furnaces also ramped up. The long-awaited Chinese government policy on housing investment and a possible lightening of credit availability have resulted in new optimism that the second half of 2014 could see further growth in steel demand, absorbing much of the new supply and tightening the supply chain once again.

The benchmark iron ore price for delivery to China averaged just US\$111 per tonne during the first half of 2014, 19% lower than the first half of 2013 and 17% lower than the second half of 2013. The price hit a low of US\$89 per tonne in mid-June, recovering 5% to US\$95 per tonne at the end of June.

### Iron Ore Sales

Sales for IRC iron ore concentrate from the Kuranakh Mine are secured under a long-term offtake agreement and prices are calculated on the INCOTERM "DAP" (Delivered at Place) basis. During the first half of the year, the average achieved selling price for iron ore was US\$105 per tonne, a 15% decrease compared to US\$123 per tonne in the first half of 2013 and a 8% decrease compared to the US\$114 per tonne in the second half of 2013. The price formula is based on averages for preceding periods and therefore lags the spot price.

However, due to its unique location on the Sino-Russian border and the supply advantages this provides, IRC sold all of the iron ore that it produced to its customers in Heilongjiang, suggesting good demand for IRC's iron ore concentrate product. Over the quarter discussions with potential customers for K&S and Garinskoye products continued, with a wide variety of interest by end-user type and geography.

### Ilmenite Market

Chinese demand for ilmenite concentrate was weak during the first half of 2014, though some early signs of recovery were evident towards the end of the second quarter with an increasing number of titanium dioxide producers and trading companies expressing interest in IRC ilmenite.

The price for ilmenite concentrate (a titanium dioxide product) remained relatively low compared to the strong prices seen in 2012 and 2013, though it has held above 2011 prices.

## Ilmenite Sales

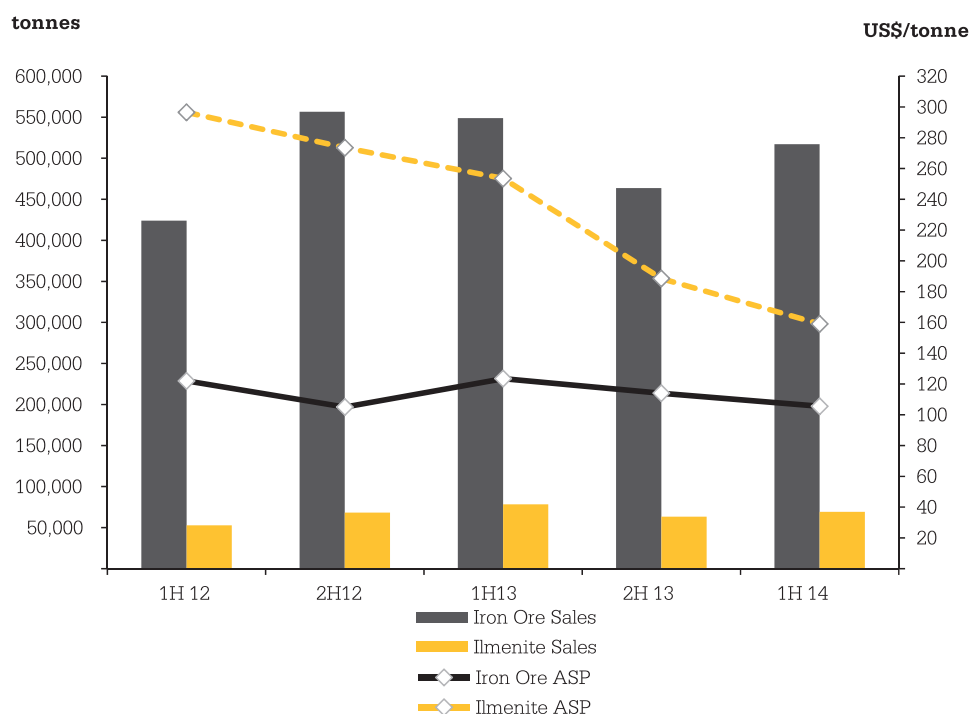
IRC is increasingly a supplier of choice to the industry due to our high-quality product and its availability to purchase from the Kuranakh Mine, and Chinese and Russian ports. In the first half of 2014, ilmenite concentrate was also sold to Japan, and negotiations with potential customers from different countries are ongoing, hopefully resulting in an ever wider customer base.

At the beginning of 2014, IRC started a programme of Chinese domestic ilmenite sales from Chinese ports aiming to increase profit margin. Material is now being shipped on a frequent basis to Qingdao, Zhenjiang and Ningbo ports, and selling direct from these warehouses considerably reduces the delivery time for IRC's customers. In the second quarter, the new sales strategy developed further as IRC also started selling ilmenite from warehouse space at Nakhodka Port on the Russia Pacific coast. This new option has lower warehouse costs for IRC than the Chinese ports and provides customers in North East Asia, for example Japan, shorter delivery times than from the Kuranakh Mine. Consequently, IRC can now offer customers a range of delivery options (and prices) for material from the Kuranakh Mine, Russian port or Chinese ports.

Ilmenite sales totalled 69,200 tonnes in the first half of 2014. This is 12% less than in the first half of 2013, although this excludes the material that has been allocated to Russian and Chinese warehouses as part of the new sales strategy.

The market for ilmenite is relatively small and whilst IRC has disclosed its quarterly achieved selling price in the past, IRC's customers have requested that such frequent disclosure be reduced. Consequently, IRC now only discloses the average achieved selling price every six months. For the first half of 2014 it was US\$159 per tonne, compared to US\$250 per tonne for the first half 2013 and US\$189 per tonne for the second half of 2013.

**SALES VOLUMES AND PRICE, 1H 2012 TO 1H 2014**



## OTHER INFORMATION

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 30 June 2014, 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 2013 Annual Report.

During the six months ended 30 June 2014, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited save that the Non-Executive Directors, Mr Simon Murray, Mr Cai Sui Xin and Mr Liu Qingchun; and Independent Non- Executive Director, Mr Daniel Bradshaw, were unable to attend the extraordinary general meeting of the Company held on 14 May 2014 as provided for in code provision A.6.7 as they had overseas engagements.

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

### Publication of Interim Results and Interim Report

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.ircgroup.com.hk](http://www.ircgroup.com.hk)). The interim report of the Company for the 6 months ended 30 June 2014 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on or around the date of this announcement.

By Order of the Board

**G. JAY HAMBRO**

*Executive Chairman*

Hong Kong, People's Republic of China

Thursday, 21 August 2014

*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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## RISK FACTORS

The Group is exposed to a variety of risks and uncertainties which could significantly affect its business and financial results. From the Board, to executive and operational management and every employee, the Group seeks to undertake a pro-active approach that anticipates risk, seeking to identify them, measure their impact and thereby avoid, reduce, transfer or control such risks. The Group's view of the principal risks that could affect it for the remainder of the current financial year is substantially unchanged from those of the previous years. A summary of these key risks is set out below:

- Operational and construction risks such as delay in supply or failure of equipment, services, contractors and adverse weather conditions.
- Financial risks such as commodity prices, exchange rate fluctuations, funding and liquidity and capital programme controls.
- Health, safety and environmental risks such as health and safety issues, legal and regulatory risks, licences and permits, restatement of reserves and resources, and non-compliance with applicable legislation.
- Legal and Regulatory risks such as country-specific risks.
- Human Resources risks such as the ability to attract key senior management and potential lack of skilled labour.

This should not be regarded as a complete or comprehensive list of all potential risks that the Group may experience. In addition, there may be additional risks currently unknown to the Group and other risks, currently believed to be immaterial, which could turn out to be material and significantly affect the Group's business and financial results.

A full glossary of terms is financial technical and company terms is available at [ircgroup.com.hk](http://ircgroup.com.hk).

## ISSUED CAPITAL

At 30 June 2014, the Company total issued share capital was 4,859,910,301 shares, including the 34,684,875 Long Term Incentive Plan (LTIP) shares.

## CORPORATE CALENDAR

|             |                                           |
|-------------|-------------------------------------------|
| 16 Oct 2014 | Q3 2014 Trading Update                    |
| 21 Jan 2015 | Q4 2014 Trading Update                    |
| 5 Mar 2015  | Financial Results & Annual Report FY 2014 |

## CORPORATE INFORMATION

### IRC Limited — 鐵江現貨有限公司

Stock Exchange of Hong Kong: 1029

#### Corporate Information

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Hong Kong Special Administrative Region of the People's Republic of China

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Facsimile: +852 2772 0329  
Website: [ircgroup.com.hk](http://ircgroup.com.hk)

Hong Kong Business Registration number: 52399423  
Hong Kong Company Registration number: 1464973

#### Share Registrar

Tricor Investor Services Ltd  
Telephone: +852 2980 1333  
Website: [tricoris.com](http://tricoris.com)  
Email: [info@hk.tricorglobal.com](mailto:info@hk.tricorglobal.com)

#### Principal Place of Business in Russia

21/3, Building 1  
Stanislavskogo  
Business Center "Fabrika Stanislavskogo"  
109004 Moscow  
Russia  
(LLC Petropavlovsk-Iron Ore)

#### Executive Directors:

Chairman: G.J. Hambro  
Chief Executive Officer: Y.V. Makarov  
Chief Financial Officer and Company Secretary: R.K.T. Woo

#### Non-Executive Directors:

S. Murray, *CBE, Chevalier de la Légion d'Honneur*  
S.X. Cai  
Q.C. Liu

#### Independent Non-Executive Directors:

D.R. Bradshaw, *Senior Independent Non-Executive Director*  
C.F. Li  
J.E. Martin Smith

#### Emeritus Director:

Senator Dr P.A. Maslovskiy

#### Committees of the Board:

##### Audit Committee

C.F. Li (Chairman)  
J.E. Martin Smith  
D.R. Bradshaw

##### Remuneration Committee

J.E. Martin Smith (Chairman)  
D.R. Bradshaw  
C.F. Li

##### Health, Safety and Environmental Committee

D.R. Bradshaw (Chairman)  
C.F. Li  
J.E. Martin Smith

##### Nomination Committee

G.J. Hambro (Chairman)  
D.R. Bradshaw  
J.E. Martin Smith

#### Company Secretary

R.K.T. Woo

#### Authorised Representatives for the Purposes of the Stock Exchange of Hong Kong Limited

G.J. Hambro  
R.K.T. Woo

#### Executive Management

G.J. Hambro, Executive Chairman  
Y.V. Makarov, Chief Executive Officer  
R.K.T. Woo, Chief Financial Officer  
D. Kotlyarov, Deputy Chief Executive Officer  
N.J. Bias, Head of Communication

For further information, please contact:

**Nicholas Bias**

Head of Communications

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**Shirly Chan (中文查詢)**

Investor Relations Co-Ordinator

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🐦 Twitter (@IRCLimited)



Best Annual Report Financials  
(Honors)



Gold Award



Top 20 Chinese Annual Report



Top 80 Annual Reports  
Asia-Pacific Region



Investor Relations Professional  
Asia Survey (Third Place)



The Asset Corporate Awards  
(Titanium)



Deal of the Year



Galaxy Awards  
(Gold)