

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.*



**IRC Limited 鐵江現貨有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1029)**

## **IRC: 2012 INTERIM RESULTS**

(Wednesday 22 August 2012 — Hong Kong) IRC Limited (“IRC” or the “Company”, stock code 1029) is pleased to announce its Interim Results for 2012 and Interim Report are now available.

### **Key Highlights**

- Kuranakh Mine costs reduced, reporting a segmental profit of US\$4.5 million; full year production targets reaffirmed
- Construction activities at the K&S Project on track
- Exploration portfolio enhanced with the announcement of a low cost DSO style development at Garinskoye and completed ilmenite and molybdenum acquisitions
- Excluding one-off non-cash impairment provision led by market downturn, IRC reports financial earnings in line with internal company forecasts

Commenting on the announcement, Jay Hambro, Executive Chairman of IRC said: “I am pleased to report another period of progress for IRC. Despite challenging conditions our team has delivered on our production targets at Kuranakh, whilst with the collective efforts of our contractors the K&S project is developing to plan.

I am aware, however, that our achievements are set against a backdrop of deteriorating sentiment across the global economy and presently low iron ore prices. I recognise Chinese growth rates are slowing, however, it is important to understand that lower growth off an enlarged base is never a reduction in aggregate demand. Chinese steel production is substantial and growing, as demonstrated by the figures for July this year just released. As Chinese mining rates falling there is an increasing dependence on imports. In light of this, for those enjoying the geological and geographical advantages we have, the future is positive.

In the accounts we have taken the prudent decision to absorb a US\$6.1 million impairment for the Jitai Titanium Project, as previously guided our potential partner advised they would not proceed with the investment. It is important to point out that notwithstanding this one-off non-cash item, our earnings are in line with internal expectations and many analyst forecasts.

In July, we celebrated two years of commercial production at the Kuranakh Mine. The operation is now running at full iron ore production capacity, and in the second half of this year, following the installation of the new ilmenite circuits that recently arrived on site, this will be complemented by a doubling of ilmenite capacity. Additional by-product revenues from ilmenite, the benefits of a cost drive implemented in the first half, and our anticipated recovery of iron ore prices in the second half combined, should benefit margins at IRC for the remainder of the year. Our business as a whole is on track and we are continuing to deliver on our promises for 2012 and beyond.”

A **teleconference call** to discuss the results will be held to day at 10h30 (Hong Kong time). The Hong Kong number is 3005-2050. The international access number is +852 3005 2050. The call code is 728235#.

## **FINANCIAL HIGHLIGHTS**

- The impact of the softening in iron ore average selling price by 17% was partially offset by the increase in sales volume by 16%. Revenue from the sale of iron ore therefore only decreased by 4% to US\$51.7 million (30 June 2011: US\$53.9 million)
- Tight cost control and economies of scale resulted in a reduction in iron ore production cash cost to US\$65.2 per tonne (30 June 2011: US\$69.4 per tonne)
- Segmental profit of US\$4.5 million (30 June 2011: US\$9.8 million) for mine in production. Excluding the one-off, non cash impairment provision, total segmental profit was US\$0.8 million (30 June 2011: US\$7.1 million)
- Loss for the period attributable to owners of the Company amounted to US\$19.9 million (30 June 2011: profit of US\$3.6 million), mainly resulted from the softening of iron ore prices and the impairment charge

## **OPERATING HIGHLIGHTS**

### **Kuranakh Mine**

The Kuranakh Mine reported excellent production during the first six months of 2012. In July, the operation celebrated its second year in commercial production, having produced 1.4 million tonnes of iron ore and 110,000 tonnes of ilmenite concentrates.

Mining activities at Kuranakh continue to plan, highlights include:

### ***Iron Ore***

- Iron ore production running at full capacity levels since October 2011
- Production of 432,310 tonnes of iron ore concentrate, a 23% increase compared to the first six months of 2011 and an annualised 53% of annual production

- Consequently, the 2012 full year target of 820,000 tonnes of iron ore concentrate is reaffirmed

### ***Ilmenite***

- The arrival on site of new additional ilmenite separators in August 2012
- Post installation of new separators a doubling of production capacity to an annual 160,000 tonnes of concentrate
- Production of 55,445 tonnes of ilmenite concentrate, a 150% increase compared to the first six months of 2011 and in line with annual production rates considering the anticipated second half ramp-up in production capacity
- The customer base for ilmenite continues to grow by number of customers and demand

### **K&S Project**

At the K&S Project construction activities continue to plan, targeting production in 2014. Mining rates have intensified during the summer months and remain ahead of plan. The Processing Plant is on track, with notable progress during the first six months of 2012 made preparing foundations. Infrastructure progress has also been good, with the railway bridge connecting the Trans Siberian Railway to the Beneficiation Plant now connected and the electrical transformer site completed and ready for connection to the national power grid.

### **Exploration**

The Garinskoye Project advanced with the announcement for a Direct Shipment Ore (DSO) style operation as an intermediate opportunity to develop the project before proceeding with the original full-scale open-pit mining operations. The DSO opportunity suggests production potential for an annual 2.1 million tonnes of 60% iron ore fines at attractive capital and operating costs.

IRC also recently completed the acquisition of the remaining 51% ownership of the high-grade Bolshoi Seym ilmenite deposit near to the Kuranakh Mine and the acquisition of a farm-in style interest in a portfolio of early-stage molybdenum exploration properties. Both opportunities enhance the exploration optionality of the larger IRC exploration portfolio and long-term growth potential.

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 2012, 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 Income Statement

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 US\$'000 (unaudited)	2011 US\$'000 (unaudited)
Revenue	5	56,948	60,432
Operating expenses	6	(68,051)	(66,140)
Impairment charges	7	<u>(6,061)</u>	<u>—</u>
		(17,164)	(5,708)
Share of results of joint ventures		(1,878)	(80)
Share of results of an associate		<u>(5)</u>	<u>(617)</u>
Net operating loss		(19,047)	(6,405)
Other gains and losses and other expenses	8	(7)	10,135
Financial income	9	194	525
Financial expenses	10	<u>(843)</u>	<u>(325)</u>
(Loss) profit before taxation		(19,703)	3,930
Taxation expense	11	<u>(110)</u>	<u>(190)</u>
(Loss) profit for the period		<u><u>(19,813)</u></u>	<u><u>3,740</u></u>
(Loss) profit for the period attributable to:			
Owners of the Company		(19,880)	3,637
Non-controlling interests		<u>67</u>	<u>103</u>
(Loss) profit for the period		<u><u>(19,813)</u></u>	<u><u>3,740</u></u>
(Loss) earnings per share (US cent)	13		
Basic		<u><u>(0.61)</u></u>	<u><u>0.11</u></u>
Diluted		<u><u>(0.61)</u></u>	<u><u>0.11</u></u>

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	(19,813)	3,740
Other comprehensive (expenses) income for the period:		
Exchange differences on translation of foreign operations	(223)	1,710
Reclassification adjustment on translation difference upon acquisition of additional interest in Jiatai Titanium project	—	(882)
Total comprehensive (expenses) income for the period	<u>(20,036)</u>	<u>4,568</u>
Total comprehensive (expenses) income attributable to:		
Owners of the Company	(20,006)	4,084
Non-controlling interests	<u>(30)</u>	<u>484</u>
	<u>(20,036)</u>	<u>4,568</u>

## Condensed Consolidated Statement of Financial Position

At 30 June 2012

		As at <b>30 June</b> <b>2012</b> <i>US\$'000</i> <b>(unaudited)</b>	As at 31 December 2011 <i>US\$'000</i> (audited) (restated)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets	14	<b>45,196</b>	44,493
Property, plant and equipment	14	<b>584,338</b>	568,385
Land use right	7	—	6,061
Interest in an associate		<b>698</b>	703
Interests in joint ventures		<b>5,220</b>	7,086
Other non-current assets	15	<b>149,406</b>	98,360
Restricted bank deposit	19	<b>6,000</b>	6,000
		<u><b>790,858</b></u>	<u>731,088</u>
<b>CURRENT ASSETS</b>			
Inventories	16	<b>47,592</b>	41,301
Trade and other receivables	17	<b>64,523</b>	57,005
Cash and cash equivalents		<b>18,496</b>	33,188
		<u><b>130,611</b></u>	<u>131,494</u>
<b>TOTAL ASSETS</b>		<u><b>921,469</b></u>	<u>862,582</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	<b>(26,649)</b>	(21,616)
Current income tax payable		<b>(275)</b>	(293)
Bank borrowings — due within one year	19	<b>(17,000)</b>	(15,000)
		<u><b>(43,924)</b></u>	<u>(36,909)</u>
<b>NET CURRENT ASSETS</b>		<u><b>86,687</b></u>	<u>94,585</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>877,545</b></u>	<u>825,673</u>

		As at <b>30 June</b> <b>2012</b> <i>US\$'000</i> <b>(unaudited)</b>	As at 31 December 2011 <i>US\$'000</i> (audited) (restated)
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		(2,073)	(2,160)
Provision for close down and restoration costs		(4,059)	(4,092)
Bank borrowings — due more than one year	19	<u>(74,986)</u>	<u>(6,343)</u>
		<u>(81,118)</u>	<u>(12,595)</u>
<b>TOTAL LIABILITIES</b>		<u>(125,042)</u>	<u>(49,504)</u>
<b>NET ASSETS</b>		<u><u>796,427</u></u>	<u><u>813,078</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		4,330	4,330
Share premium		1,029,131	1,029,131
Treasury shares		(43,000)	(43,000)
Capital reserve		17,984	17,918
Reserves		38,402	35,209
Accumulated losses		<u>(255,015)</u>	<u>(235,135)</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>791,832</b>	808,453
<b>NON-CONTROLLING INTERESTS</b>		<u>4,595</u>	<u>4,625</u>
<b>TOTAL EQUITY</b>		<u><u>796,427</u></u>	<u><u>813,078</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

In preparing the condensed consolidated financial statements, the directors of the Company have given consideration to the future liquidity and going concern of the Company and its subsidiaries (collectively referred to as the “Group”) in light of the Group’s loss for the period and the Group’s capital and other commitments as at 30 June 2012. The directors of the Company are satisfied that the Group has sufficient financial resources and available funding to meet its financial obligations as they fall due for the foreseeable future.

### 2. Principal Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied for the first time, a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

The application of the 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.

### 3. Adjustments to Provisional Amounts

The fair value assessment in respect of the acquisition of Jiatai Titanium Project was completed in April 2012, and the comparative 31 December 2011 consolidated statement of financial position has been restated to reflect the adjustment set out below:

	<b>31 December 2011</b>	<b>Restatement</b>	<b>31 December 2011 and 1 January 2012</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(originally stated)		(as restated)
Goodwill	6,061	(6,061)	—
Land use right	—	6,061	6,061
	<u>6,061</u>	<u>—</u>	<u>6,061</u>

#### 4. 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 2012 (unaudited)

	Mine in production US\$'000	Mines in development US\$'000	Engineering US\$'000	Other US\$'000	Total US\$'000
Segment revenue					
External sales	<u>51,657</u>	<u>—</u>	<u>5,291</u>	<u>—</u>	<u>56,948</u>
Total revenue	51,657	—	5,291	—	56,948
Site operating expenses and service costs	(47,135)	(17)	(5,145)	(1,981)	(54,278)
<i>Site operating expenses and service costs include:</i>					
Depreciation and amortisation	(4,823)	(2,278)	(251)	(45)	(7,397)
Impairment charges	—	—	—	(6,061)	(6,061)
Share of results of joint ventures	—	—	—	(1,878)	(1,878)
Share of results of an associate	<u>—</u>	<u>(5)</u>	<u>—</u>	<u>—</u>	<u>(5)</u>
Segment profit (loss)	<u>4,522</u>	<u>(22)</u>	<u>146</u>	<u>(9,920)</u>	<u>(5,274)</u>
Central administrative expenses					(13,589)
Central depreciation and amortisation					(184)
Other gains and losses and other expenses					(7)
Financial income					194
Financial expenses					<u>(843)</u>
Loss before taxation					<u>(19,703)</u>

**Six months ended 30 June 2011 (unaudited)**

	Mine in production US\$'000	Mines in development US\$'000	Engineering US\$'000	Other US\$'000	Total US\$'000
Segment revenue					
External sales	<u>53,871</u>	<u>—</u>	<u>6,561</u>	<u>—</u>	<u>60,432</u>
Total revenue	53,871	—	6,561	—	60,432
Site operating expenses and service costs	<u>(44,030)</u>	<u>(1,646)</u>	<u>(5,861)</u>	<u>(1,124)</u>	<u>(52,661)</u>
<i>Site operating expenses and service costs include:</i>					
Depreciation and amortisation	(3,140)	(1,187)	(270)	(42)	(4,639)
Share of results of joint ventures	—	—	—	(80)	(80)
Share of results of an associate	<u>—</u>	<u>(617)</u>	<u>—</u>	<u>—</u>	<u>(617)</u>
Segment profit (loss)	<u>9,841</u>	<u>(2,263)</u>	<u>700</u>	<u>(1,204)</u>	7,074
Central administrative expenses					(13,273)
Central depreciation and amortisation					(206)
Other gains and losses and other expenses					10,135
Financial income					525
Financial expenses					<u>(325)</u>
Profit before taxation					<u>3,930</u>

**5. Revenue**

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>US\$'000</b>	<b>US\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue		
Sales of goods	<b>51,657</b>	53,871
Rendering of services	<u><b>5,291</b></u>	<u>6,561</u>
	<u><b>56,948</b></u>	<u>60,432</u>

## 6. Operating Expenses

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Site operating expenses and service costs	<b>54,278</b>	52,661
Central administrative expenses	<b>13,773</b>	13,479
	<b><u>68,051</u></b>	<u>66,140</u>

## 7. Land Use Right

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(unaudited)</b>	(audited)
		(restated)
At the beginning of the period	<b>6,061</b>	—
Acquired on acquisition of Heilongjiang Jiatai Titanium Co. Limited	—	6,061
Impairment recognised	<b>(6,061)</b>	—
	<b><u>—</u></b>	<u>6,061</u>
At the end of the period	<b><u>—</u></b>	<u>6,061</u>

As disclosed in note 3, the comparative 31 December 2011 consolidated statement of financial position has been restated to reflect the finalised fair value of assets acquired and liabilities assumed from acquisition of Jiatai Titanium Project.

Prior to the period end, the Group was advised that the potential venture partner previously identified would not be proceeding with the investment in the Jiatai Titanium project. As a result, the directors of the Company decided to postpone the Jiatai Titanium project indefinitely. As the usage of the parcel of land owned by Jiatai Titanium project is restricted and transfer of legal title is subject to approval by the municipal authorities, the Group's ability to recover the land use right was call into in doubt. The directors of the Company concluded that the most appropriate course of action was to recognise an impairment charge of approximately US\$6 million. This impairment charge was recognised in the condensed consolidated income statement for the six months ended 30 June 2012.

## 8. Other Gains and Losses and Other Expenses

	Six months ended 30 June	
	2012 US\$'000 (unaudited)	2011 US\$'000 (unaudited)
Gain on acquisition of an additional interest in Jiatai Titanium project		
— Gain on remeasurement of previously held equity interest	—	428
— Reclassification of foreign exchange translation gain of Jiatai Titanium project previously accumulated in translation reserve	—	882
Net foreign exchange (loss) gain	(7)	6,825
Reversal of listing expenses <sup>(a)</sup>	—	2,000
	<u>(7)</u>	<u>10,135</u>

(a) The amount for the six months ended 30 June 2011 represented the proportion of the costs refunded by the underwriter in relation to the listing of the Company on the Stock Exchange that relate to existing shares listed.

## 9. Financial Income

	Six months ended 30 June	
	2012 US\$'000 (unaudited)	2011 US\$'000 (unaudited)
Interest income on cash and cash equivalents	190	520
Interest income on other loans and receivables	<u>4</u>	<u>5</u>
	<u>194</u>	<u>525</u>

## 10. Financial Expenses

	Six months ended 30 June	
	2012 US\$'000 (unaudited)	2011 US\$'000 (unaudited)
Interest expenses on bank borrowings	1,032	—
Less: interest expenses capitalised	<u>(250)</u>	<u>—</u>
	782	—
Unwinding of discount on environmental obligation	<u>61</u>	<u>325</u>
	<u>843</u>	<u>325</u>

## 11. Taxation Expense

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Cyprus current tax	—	(1)
Russia current tax	<u>(162)</u>	<u>(176)</u>
Current tax expense	(162)	(177)
Deferred tax credit (expense)	<u>52</u>	<u>(13)</u>
	<u>(110)</u>	<u>(190)</u>

Russian corporation tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2011 and 2012.

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

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

## 12. Dividends

No dividends were paid, declared or proposed during both six months ended 30 June 2012 and 2011. The directors do not recommend the payment of an interim dividend.

## 13. Loss/Earnings Per Share

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

*Loss/earnings*

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(unaudited)	(unaudited)
(Loss) earnings for the purposes of basic and diluted (loss) earnings per ordinary share ((loss) profit for the period attributable to owners of the Company)	<u>(19,880)</u>	<u>3,637</u>

*Number of shares*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<i>Number</i>	<i>Number</i>
	<i>'000</i>	<i>'000</i>
Number of ordinary shares for the purposes of basic (loss) earnings per ordinary share	<b>3,246,000</b>	3,246,000
Effect of dilutive potential ordinary shares:		
Shares awarded under the Group's long-term incentive plan	<u>—</u>	<u>26,919</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per ordinary share	<u><b>3,246,000</b></u>	<u>3,272,919</u>

The computation of diluted loss per share for the six months ended 30 June 2012 does not include the outstanding shares issuable under the Group's long-term incentive plan since their issuance would result in a decrease in loss per share.

**14. Exploration and Evaluation Assets and Property, Plant and Equipment**

During the period, the Group spent approximately US\$86.9 million (for the period ended 30 June 2011: US\$69.7 million) on the mine development and acquisition of property, plant and equipment, including prepayments for property, plant and equipment as disclosed in note 15.

At 30 June 2012, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US\$279.4 million (31 December 2011: US\$332.7 million).

At 30 June 2012 and 31 December 2011, the Group had a commitment to contribute US\$80.6 million to capital of its subsidiary, Heilongjiang Jiatai Titanium Co. Limited.

**15. Other Non-Current Assets**

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(unaudited)</b>	(audited)
Deferred insurance premium for bank facilities	<b>17,056</b>	22,057
Prepayments for property, plant and equipment	<b>125,563</b>	68,580
Deferred loan arrangement fee	<b>6,416</b>	7,373
Cash advances to employees	<u><b>371</b></u>	<u>350</u>
	<u><b>149,406</b></u>	<u>98,360</u>

## 16. Inventories

	As at 30 June 2012 US\$'000 (unaudited)	As at 31 December 2011 US\$'000 (audited)
Stores and spares	29,366	29,110
Work in progress	8,833	3,958
Finished goods	<u>9,393</u>	<u>8,233</u>
	<u><u>47,592</u></u>	<u><u>41,301</u></u>

## 17. Trade and Other Receivables

	As at 30 June 2012 US\$'000 (unaudited)	As at 31 December 2011 US\$'000 (audited)
VAT recoverable	34,835	28,588
Advances to suppliers	12,118	13,401
Amounts due from customers under engineering contracts	2,623	2,514
Trade receivables	9,645	6,165
Other debtors	<u>5,302</u>	<u>6,337</u>
	<u><u>64,523</u></u>	<u><u>57,005</u></u>

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

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

	As at 30 June 2012 US\$'000 (unaudited)	As at 31 December 2011 US\$'000 (audited)
Less than one month	7,754	5,976
One month to three months	1,520	177
Over three months to six months	86	3
Over six months	<u>285</u>	<u>9</u>
Total	<u><u>9,645</u></u>	<u><u>6,165</u></u>

The Group allows credit periods ranging from 10 days to 45 days (2011: 10 days to 45 days) to individual third party customers.

## 18. Trade and Other Payables

	As at 30 June 2012 US\$'000 (unaudited)	As at 31 December 2011 US\$'000 (audited)
Trade payables	8,734	10,512
Advances from customers	4,125	2,992
Accruals and other payables	<u>13,790</u>	<u>8,112</u>
	<u><b>26,649</b></u>	<u><b>21,616</b></u>

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

	As at 30 June 2012 US\$'000 (unaudited)	As at 31 December 2011 US\$'000 (audited)
Less than one month	3,819	6,254
One month to three months	337	1,327
Three months to six months	475	380
Over six months	<u>4,103</u>	<u>763</u>
	<b>8,734</b>	8,724
Trade payables not yet billed	<u>—</u>	<u>1,788</u>
Total	<u><b>8,734</b></u>	<u><b>10,512</b></u>

## 19. Bank Borrowings

	As at 30 June 2012 US\$'000 (unaudited)	As at 31 December 2011 US\$'000 (audited)
Bank loans		
Asian Pacific Bank	17,000	15,000
Industrial and Commercial Bank of China (“ICBC”)	<u>74,986</u>	<u>6,343</u>
Total	<u><u>91,986</u></u>	<u><u>21,343</u></u>
Unsecured	17,000	15,000
Secured	<u>74,986</u>	<u>6,343</u>
Total	<u><u>91,986</u></u>	<u><u>21,343</u></u>
Carrying amount repayable		
Within one year	17,000	15,000
More than two years, but not exceeding five years	<u>74,986</u>	<u>6,343</u>
Total	<u><u>91,986</u></u>	<u><u>21,343</u></u>

### Bank loans from Asian Pacific Bank

On 10 October 2011, the Group entered into a US\$15,000,000 loan facility with Asian Pacific Bank. The facility bears an annual interest of 10.0% which is payable monthly. The principal of the drawdown is repayable by 9 October 2012. As at 30 June 2012 and 31 December 2011, the whole amount was utilised under the loan facility.

On 21 March 2012, the Group further entered into a US\$10,000,000 trade finance facility with Asian Pacific Bank. The facility bears an annual interest of 10.3% which is payable monthly. The principal of the drawdown is repayable by 31 December 2012. As at 30 June 2012, US\$2,000,000 was utilised under the trade finance facility.

As at 30 June 2012, the Group had US\$8,000,000 (31 December 2011: nil) undrawn financial facility granted by Asian Pacific Bank.

The loans are not secured against any assets of the Group or other related parties.

### Bank loan from Industrial and Commercial Bank of China

On 6 December 2010, LLC KS GOK, a wholly owned subsidiary of the Company, had entered into the HK\$3.11 billion (equivalent to US\$400 million) engineering, procurement and construction contract with China National Electric Engineering Corporation, contractor at the twin deposits of Kimkan and Sutara (“K&S”) project 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 would lend US\$340,000,000 (equivalent to HK\$2.64 billion) to LLC KS GOK to fund the construction of the Group’s mining operations at K&S. Interest under the facility was charged at 2.80% above London Interbank Offering rate (“LIBOR”) per annum. The facility is repayable over a period of 11 years.

On 14 December 2011, the Group made the first drawdown amounting to US\$6,958,000. During the six months ended 30 June 2012, the Group made further drawdowns amounting to US\$75,519,000. The loan is carried at amortised cost with effective interest rate at 5.63% per annum as at 30 June 2012 and 31 December 2011, respectively.

As at 30 June 2012 and 31 December 2011, US\$6,000,000 was deposited with ICBC under a security deposit agreement related to the ICBC Facility Agreement and is presented as restricted deposit under non-current assets.

As at 30 June 2012, the Group had approximately US\$257,523,000 (2011: US\$333,042,000) undrawn financial facility in relation to the ICBC Facility Agreement.

## **20. Contingent Liabilities**

There is no significant contingent liability as at 30 June 2012 apart from those disclosed in the Group’s annual financial statements for the year ended 31 December 2011.

## **21. Events after the Reporting Period**

### **(a) Acquisition of Bolshoi Seym Deposit**

On 9 April 2012, the Group, through its wholly-owned subsidiary, Brasenose Services Limited (“Brasenose”), concluded an agreement to acquire from LLC Intergeo Managing Company (“Intergeo”) the remaining 51% interests in LLC Uralmining (“Uralmining”) not previously owned by the Group. The agreement also provides for the assignment of indebtedness owing by Uralmining to the Company. Uralmining changed from an associate to a subsidiary of the Group thereof. Uralmining holds the exploration and mining licenses of Bolshoi Seym Deposit. The transaction was completed on 24 July 2012 and the consideration was satisfied through the issuance and allotment of 74,681,360 ordinary shares of the Company with a nominal value of HK\$0.01 each to Intergeo.

Further details of the transaction have been set out in the announcements of the Company made on 10 April 2012 and 25 July 2012. As at the date of these interim condensed consolidated financial statements authorised for issuance, the directors of the Company are still assessing the financial impact of the acquisition.

### **(b) Acquisition of Molybdenum Exploration Project**

On 6 April 2012, the Group concluded an agreement to acquire from Sangritta Limited (“Sangritta”) and Lania Consulting Limited (“Lania”), 50% equity interest plus one share stake in Caedmon Limited (“Caedmon”), hence, gaining control in Caedmon. In addition, the Group also acquired the related shareholder indebtedness and an option to acquire the remaining 50% equity interest minus one share stake in Caedmon (“Option”) from Sangritta. The Group may exercise the Option any time over a two-year period commencing on the date of completion of the transaction.

Caedmon holds the exploration and mining licenses of Molybdenum Exploration Project.

The transaction was completed on 11 July 2012 and the total consideration were satisfied through the issuance and allotment of 54,491,029 and 2,861,912 ordinary shares of the Company with a nominal value of HK\$0.01 each to Sangritta and Lania, respectively. US\$180,000 and US\$320,000 would be payable to Sangritta for the grant of Option, and the shareholder indebtedness, respectively within six months of the completion of the transaction.

Further details of the transaction have been set out in the announcement of the Company made on 10 April 2012 and 12 July 2012. As at the date of these interim condensed consolidated financial statements authorised for issuance, the directors of the Company are still assessing the financial impact of the acquisition.

**(c) Loan facility from Peter Hambro Mining Treasury UK Limited (“PHM”)**

In July 2012, the Group has obtained a US\$15,000,000 loan facility from PHM, a subsidiary of Petropavlovsk PLC. The loan facility bears interest at 10.30% per annum and is repayable by 31 December 2012. As at the date of these interim condensed consolidated financial statements authorised for issuance, the Group has drawdown US\$10,000,000 from the loan facility.

**(d) Asian Pacific Bank Loan**

In August 2012, the Group has obtained a US\$15,000,000 new loan facility from Asian Pacific Bank to replace the original US\$15,000,000 facility, which will expire on 9 October 2012. The loan facility bears interest at 11.00% per annum and is repayable in August 2013. As at the date of these interim condensed consolidated financial statements authorised for issuance, the Group has not yet drawdown any amount from the loan facility.

## FINANCIAL REVIEW

### Revenue

Although the volume of iron ore sold in the first half of 2012 increased by 16% from 367,000 tonnes in the first half of 2011 to 424,000 tonnes, the corresponding sales revenue decreased by US\$2.2 million to US\$51.7 million. This was primarily due to the softening of the iron ore market price in 2012, with our average selling price dropping an approximate 17% from US\$146.8 per tonne in the first six months of 2011 to US\$121.8 per tonne over the same period in 2012. Approximately 53,000 tonnes of ilmenite were sold in the first half of 2012 while we sold 12,000 tonnes over the same period last year, representing a 342% increase.

Engineering service revenues from Giproruda, our small complementary mine design business, decreased by 19% from US\$6.6 million to US\$5.3 million, reflecting decreased billing of our engineering consulting services.

### Operating Expenses

#### *Site operating expenses and service costs*

In the first half of 2012, the Group increased its production volumes as we fully ramped up our Kuranakh Processing Plant in the second half of 2011. As a result, our site operating expenses and service costs, including the staff costs of the plant, cost of fuel and consumables, associated costs of marketing and selling of iron ore and railway tariffs, increased accordingly. Total site operating expenses and service costs for Kuranakh in the first half of 2012 amounted to approximately US\$47.1 million (30 June 2011: US\$44.0 million), of which approximately US\$19.2 million was railway tariffs and related transportation costs (30 June 2011: US\$15.1 million). During the first six months of 2012, we produced approximately 432,000 tonnes of iron ore concentrate to which we incurred approximately US\$28.2 million of production cash cost. The table below details the key cash cost components:

	<i>US\$' million</i>	<i>US\$/t</i>
Mining	15.7	36.3
Processing and production overheads	11.8	27.3
Transportation to plant	3.9	9.0
Site administration and others	5.8	13.4
Contribution from ilmenite concentrate by-product* and others	<u>(9.0)</u>	<u>(20.8)</u>
Total	<u>28.2</u>	<u>65.2</u>

\* net of tariff and other railway charges for ilmenite

### ***Central administration expenses***

In the light of the challenging operating environment, additional attention was paid to maintaining and controlling costs. Despite the increase in production volume and developments in our mines and other projects, IRC's administrative expenses of US\$13.8 million incurred in the first half of 2012 remains comparable to that of 2011 of US\$13.5 million.

### **Impairment Charges**

The provisional goodwill of US\$6.1 million recognised last year in respect of the acquisition of additional equity interest in the Jiatai Titanium joint venture was reallocated to land use right in 2012. The amount represented the carrying value of the land use right which was arrived at with reference to the market value of the land. Prior to the period end, we were advised by the potential venture partner that they would not be able to proceed with the investment and we concluded that the most appropriate and prudent approach is to fully impair the land use right. In 2011, we did not have any impairment charges.

### **Segmental Information**

Despite the softening of the iron ore selling price and the rising operating costs, the Group's two income generating segments, "Mine in production" and "Engineering" segments, contributed segmental profits of US\$4.5 million (30 June 2011: US\$9.8 million) and US\$0.1 million (30 June 2011: US\$0.7 million) respectively. Excluding the one-off non-cash impairment provision of US\$6.1 million mentioned above, total segmental profit of the Group for the first half of 2012 was US\$0.8 million (30 June 2011: US\$7.1 million).

### **Net Operating Loss**

Our net operating loss in the first half of 2012 increased by US\$12.6 million, to US\$19.0 million, mainly resulted from the softening of iron ore prices and the impairment charge relating to the Jiatai project.

### **Other Gains and Losses and Other Expenses**

In the first six months of 2011, we recorded other gains of US\$10.1 million, primarily comprising an exchange gain of approximately US\$6.8 million and a reversal of provision of listing expenses of US\$2.0 million, while no such gain was recorded in 2012.

### **Net Financial (Expense)/Income**

In the first half of 2012, the Group reported a net financial expense of US\$0.6 million, as compared to a net financial income of US\$0.2 million over the same period last year, mainly due to the drawdown of short term working capital facilities in 2012.

## **(Loss)/Profit for the Period Attributable to Owners of the Company**

As a result of the above, we recorded a loss attributable to owners of the Company of US\$19.9 million in first half of 2012 (30 June 2011: profit of US\$3.6 million).

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

### ***Cash position and capital expenditure***

As at 30 June 2012, the carrying amount of the Group's cash and bank balances was approximately US\$24.5 million (31 December 2011: US\$39.2 million), of which US\$6.0 million is under restricted cash deposit. It represents a decrease of US\$14.7 million, of which the majority was spent on the mine development for K&S project. It is anticipated that most of the future capital expenditure for the development of the K&S project would be funded by the undrawn facility from ICBC loan amounted to approximately US\$257.5 million.

### ***Expenditure incurred on exploration, development and mining production activities***

In the first half of 2012, US\$134 million (30 June 2011: US\$115.4 million) was incurred on exploration, development and mining production activities, details of which are set out below:

<i>US\$m</i>	<b>For the 6 months ended</b>			<b>For the</b>
	<b>Operating</b>	<b>Capital</b>	<b>Total</b>	<b>6 months</b>
	<b>expenses</b>	<b>expenditure</b>		<b>ended</b>
				<b>30 June 2011</b>
Kuranakh	<b>47.1</b>	<b>5.5</b>	<b>52.6</b>	49.2
K&S	<b>—</b>	<b>79.1</b>	<b>79.1</b>	54.7
Other exploration projects	<b>—</b>	<b>2.3</b>	<b>2.3</b>	11.5
	<b>47.1</b>	<b>86.9</b>	<b>134.0</b>	<b>115.4</b>

## **Borrowings and Charges**

As of 30 June 2012, the Group had a gross borrowing of US\$92.0 million (31 December 2011: US\$21.3 million). All of the Group's borrowings are denominated in US dollars. Of the gross borrowings, US\$17.0 million is unsecured bank borrowing repayable within one year while the remaining US\$75.0 million represents long term borrowing drawn from the US\$340 million ICBC loan facility which is guaranteed by Petropavlovsk. The Group has kept its borrowing costs at market level, with its weighted average interest rate at approximately 6.44% per annum.

As of 30 June 2012, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, remained at a healthy level of 8%.

## **Risk of Exchange Rate Fluctuation**

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

## **Employees and Emolument Policies**

As at 30 June 2012, the Group employed a total of approximately 2,300 employees. With the increase in production volume in 2012, after the Kuranakh mine was fully ramped up in the second half of 2011, and the expanding scope of operation for our mines in development, the total staff costs excluding share based payments incurred were approximately US\$30.2 million for the first half of 2012 (30 June 2011: US\$24.0 million). The emolument policy of the employees of the Group is set up by the Executive Committee on the basis of their merit, qualifications and competence.

## **OTHER INFORMATION**

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

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 30 June 2012, 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 2011 Annual Report.

During the six months ended 30 June 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) 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 Director, Mr. Simon Murray and an Independent Non-Executive Director, Mr. Jonathan Martin Smith, were unable to attend the annual general meeting of the Company held on 16 April 2012 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 2012 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](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 2012 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on or around the date of this announcement.

By Order of the Board  
**G. JAY HAMBRO**  
*Executive Chairman*

Hong Kong, People's Republic of China  
Wednesday, 22 August 2012

*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 Director is Mr Simon Murray, CBE, Chevalier de la Légion d'Honneur. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Jonathan Martin Smith and Mr Chuang-Fei Li.*

For further information please visit [ircgroup.com.hk](http://ircgroup.com.hk) or contact:

Nicholas Bias  
Head of Communications, IRC Ltd  
Telephone: +852 2772 0007  
Mobile: +852 9088 1029  
Email: [nb@ircgroup.com.hk](mailto:nb@ircgroup.com.hk)

IRC Limited  
6H, 9 Queen's Road Central  
Hong Kong  
Tel: +852 2772 0007  
Fax: +852 2772 0329  
Email: [ir@ircgroup.com.hk](mailto:ir@ircgroup.com.hk)  
Website: [www.ircgroup.com.hk](http://www.ircgroup.com.hk)

Media: Racepoint Limited  
Tony Turner  
Tel: +852 3111 9928  
Email: [tturner@racepointgroup.com](mailto:tturner@racepointgroup.com)

Monika Yeung  
Tel: +852 3111 9964  
Email: [myeung@racepointgroup.com](mailto:myeung@racepointgroup.com)