铁货 IRC

IRC Limited

HONG KONG STOCK CODE: 1029

2022

ANNUAL REPORT

* The Amur River Bridge, which shortens the transportation distance, became operational in December 2022 and is gradually ramping up its capacity in 2023.

ABOUT US

IRC is the largest iron ore mining operator in the Russian Far East. Our long-term relationships with customers in China and Russia, as well as our world-class operations, enable us to focus on producing high-quality iron ore concentrates.

WHY IRC

IRC stands out in the iron ore market due to its competitive advantages, namely superior geology and direct access to China, the world's largest iron ore market, through established world-class infrastructure.

2023 AND BEYOND

K&S mine, our flagship 3.2 million tonnes per annum project, produces high quality 65% iron ore concentrate and is operating at a high capacity. In the long term, we have the options to boost the Group's production capacity by adding processing equipment to K&S ("Phase II"), and also by developing other exploration projects of IRC.

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KEY HIGHLIGHTS FOR FY2022

PROFITABILITY, COST AND CASHFLOW

US$278.8 million
Revenue
↓ 24.9%

US$56.5 million
EBITDA – excluding NRI and FX
↓ 66.9%

US$32.7 million
Net cash generated from operations
↓ 80.4%

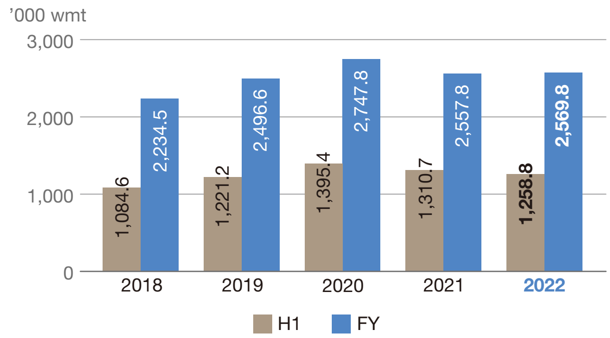
US$53.2 per tonne
Total cash cost (excl. transportation)
↑ 11.1%

US$25.0 million
Underlying Profits

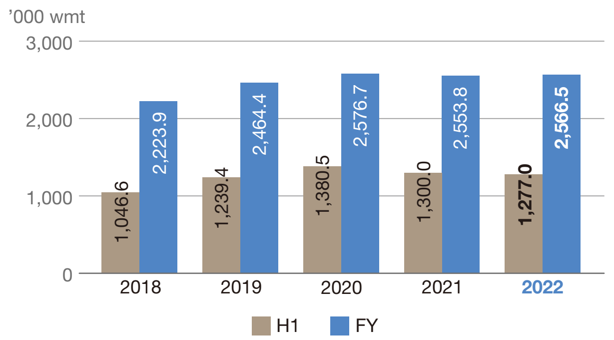
US$103.2 million
Non-cash impairment provision

US$87.9 million
Loss for the year

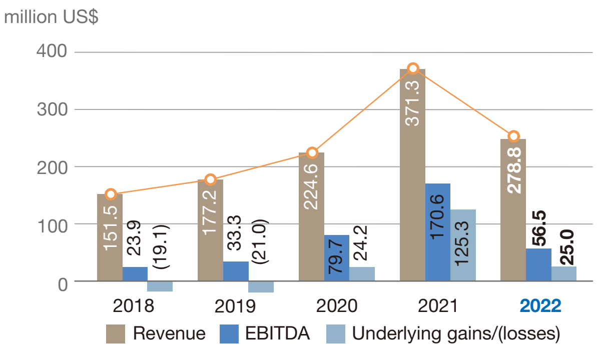
STABLE PRODUCTION VOLUME



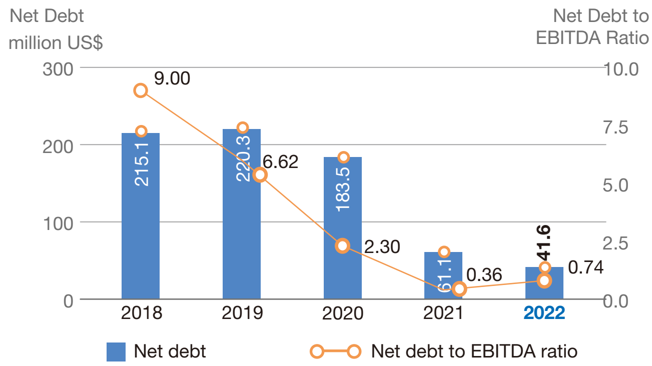
STABLE SALES VOLUME



STRONG FINANCIAL PERFORMANCE



REDUCING NET DEBT, NET DEBT TO EBITDA RATIO



BALANCE SHEET

US$36.9 million
Cash and deposit:
↓ 29.2%

US$41.6 million
Net debt:
↓ 31.9%

0.74
Net debt to EBITDA ratio:
↑ 105.6%

HK$0.41
Net asset value per share:
↓ 28.1%

17.4%
Gearing:
↓ 20.2%

ENVIRONMENTAL & SOCIAL RESPONSIBILITIES

0.66
LTIFR
↑ 88.6%

57.9 thousand tonnes
Greenhouse gas emissions:
↑ 0.2%

* All production volume, sales volume and cash cost figures on this page refer to wet metric tonnes unless specified.

CHAIRMAN STATEMENT

Dear valued Shareholders,

Welcome to our Annual Report 2022.

On behalf of the Board of Directors (the "Board"), it is my pleasure to present the 2022 annual report of IRC Limited (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 December 2022. This year, in the face of continuing challenging headwinds, I am pleased to report another year of good performance with stable sales and production volumes while we continue to invest for the future.

2022 has been a challenging year for IRC. The effects of the COVID-19 pandemic continued to impact the global economy for the third year in a row. In addition, we were also faced with the implications of the conflict between Russia and Ukraine. The combination of COVID-19 and the geopolitical tension not only led to falling commodity prices but also rising energy prices, higher inflation and interest rates, as well as Russian Rouble appreciation.

During the year, the mining issues and the railway congestion continued to hamper the operation of K&S. In addition, the challenging operating environment in the fourth quarter of 2022 adversely affected K&S's profit margins to the extent that we had to temporarily scale down our operation.

Amid the difficult and competitive business environment, IRC registered satisfactory financial performance and its underlying results in 2022, without taking into account the non-cash assets impairment provision, remained profitable. IRC registered an underlying profit of US$25.0 million in 2022 and such financial performance, achieved under the turbulent business environment, is a result that we are proud of. The Group's financial results are further detailed in the Results of Operation section of this Annual Report.

Outlook and prospect of 2023

In the coming year, we will not have to look far to see continuing uncertainties. The geopolitical risks associated with the Ukraine crisis continue to weigh adversely on global economic condition. Besides, although China has lifted the zero-COVID policy, the country's pace of recovery is yet to be clear. We believe that slowing growth, high inflation and interest rates will be lingering the macro-economy.

Nevertheless, it appears that the market is slowly turning the corner and we are seeing glimpse of positivity. The International Monetary Fund has recently raised its 2023 global growth outlook following strength in the United States and Europe and the reopening of China's economy. Against this backdrop, we note that our main operating parameters are improving. At the time of writing this letter, the Platts 65% iron ore price has rebounded from US$131 per tonne at the end of 2022 to about US$135 per tonne, and Russian Rouble has depreciated by about 6% in 2023 to RUB77 to the US Dollar.

At IRC, we are gearing up for our future. To support the sustainable growth of the Group, we are devoting much effort to continuing the development of the Sutara pit which is crucial in the long-term operation of K&S. K&S comprises of two separate pit sites: "Kimkan" and "Sutara" and so far, mining has been solely carried out at Kimkan and its resources are gradually being depleted. As Kimkan slowly comes to the end of its mine life, we aim to start mining the ore at Sutara in the second half of 2023. The Sutara deposit is expected to have higher iron magnetic properties to support higher levels of production.

Another encouraging news is the opening of the Amur River Bridge which commenced operation in December 2022. This is the first cross-border railway bridge between Russia and China, connecting Nizhneleninskoye in Russia and Tongjiang in China, and is expected to enhance the region's economic development by providing a more efficient transportation route. K&S and its customers are located near the Amur River Bridge and both parties could benefit from it with reduced transportation distance and shipment time. K&S is planning to gradually increase the usage of the Amur River Bridge in 2023 and will hopefully alleviate the railway congestion issues that K&S has been experiencing.

With the Sutara pit coming online soon and the opening of the Amur River Bridge, coupled with improving market conditions, we hope that 2023 will be a good year for IRC.

As a major ingredient in the production of steel, iron ore is one of the world's most important commodities. While we have a strong faith in the prospect of the long-term iron ore industry and are confident that IRC will continue to flourish, we are essentially a single project and a single product company and this is not particularly appealing from the risk-management perspective. We therefore have been actively seeking and pursuing a more diverse range of investment opportunities to expand our business portfolio, such as the trading of a vessel in the first quarter of 2023. Going forward, while we continue to unleash the potential of K&S, we will also evaluate and commit to other business opportunities to diversify risk and create new income streams.

Good corporate governance and environment, social and governance environment

IRC is committed to a high standard of governance, ethics and integrity in doing its business. One of my key responsibilities is to lead the Board and foster a good corporate governance environment. I am grateful of IRC having a well-diversified Board which possesses the requisite collective skills, experience and knowledge to achieve the Group's objectives and enhance the shareholders' value over the long term.

The Board maintains a close and effective communication with the management team. Central to IRC's continued success is the dedication and commitment of our employees. As the challenges associated with COVID-19 continued, the health, safety and well-being of our members in the IRC family are of paramount importance. I am impressed by our measures that have been taken against the pandemic and am pleased to note that our operations are largely unaffected by the virus.

One of our top priorities is to provide a working environment which is safe and sound for every of our employees and we strive to reduce work-related injuries to the minimum. I am pleased to report that we maintained our LTIFR at a low level of 0.66 in 2022. But we are not resting on our laurels and will endeavour to maintaining and improving the safety standards with no sparing in effort.

I encourage you to read the Environmental, Social and Governance section of this annual report which sets out our achievements and commitments in this area.

At the forefront of the Sino-Russian economic cooperation

For many years, IRC has been a prime example of successful private Sino-Russian economic cooperation. Our flagship project in Russia, the K&S mine, was initially funded by the Industrial and Commercial Bank of China and built by a Chinese EPC contractor. The signing ceremony for the relevant contracts was blessed by the current President of China, Mr. Xi Jinping.

Through visionary initiative of IRC management, we set up a project company more than a decade ago with the idea of constructing a China-Russia railway bridge over the Amur River. Understanding the importance of this bridge project and the resources required for its implementation, IRC transferred this project to the Sino-Russian Investment Fund in 2014. In 2022, this railway bridge, representing a symbol of the two countries' connection and friendship, was finally commissioned. During the recent visit of President Xi to Russia, the presidents of both countries praised the importance of this bridge project.

Today, IRC remains at the forefront of the friendship and cooperation between Russia and China. We are a stable and trustworthy business partner who have been supplying iron ore to the Chinese steel plants for the second decade in a row. While the external environment remains volatile and unpredictable, I believe that IRC's close friendship and mutually beneficial cooperation with its Chinese partners is our source of strength, and it gives me confidence in our Company's future.

Conclusion

We are grateful of the supports from our financier, shareholders and fellow employees as they give us motivation and confidence to deal with the rising external headwinds and challenging economic environment. We remain confident that the Group's business model and strategies will continue to enhance shareholder value and benefit our stakeholders.

I would like to sincerely thank Denis Cherednichenko and the management team for their exceptional leadership. I would also like to add my personal thanks, from the heart, to all our employees for their hard work, dedications and understanding. Together, we look forward to developing IRC for a bright future.

Nikolai Levitskii
Chairman

CEO AND CFO REPORT

Dear Shareholders,

I am Denis Cherednichenko and it is an honor to address you for the first time as the Chief Executive Officer of IRC. I am very glad to lead the exceptional team of our specialists and continue to build on the legacy of success of this unique company.

Together with Danila Kotlyarov, our Chief Financial Officer, we are pleased to present you with the CEO and CFO Report of IRC for the year ended 31 December 2022.

Over the past year, we have faced a number of unprecedented challenges. In addition to continue tackling the operating issues of K&S, inherited from our EPC contractor, we also had to deal with the difficulties brought about by the macro-environment such as the ongoing COVID-19 pandemic and the Russian-Ukraine conflict which affected logistics, finance flows, cost inflation, etc. Despite these obstacles, we are glad to report that our team has adapted to the adversities and the Company was able to achieve stable results and performance.

Among the factors that impacted IRC's operations in 2022 we should note the following:

Firstly, in the first half of 2022, IRC experienced some production challenges due to underperformance of our third-party mining contractors. In the second half of the year, situation had significantly improved and K&S was able to catch up with some of the outstanding overburden volumes. However, this has not yet allowed K&S to fully carry out its originally anticipated plan, and additional efforts will be required to increase production capacity to the design level of approximately 3 million tonnes per annum. Owing to the geographical location of our mine site and the uniqueness of our business, appointing more contractors on site to increase the mining volume or replacing them with our own mining fleet will take some time. With that in mind, we are pleased to report that we have substantially resolved the mining issues after some difficult yet constructive dialogues with the contractors and this has resulted in improved production efficiency. We will continue to monitor the performance of the contractors to ensure that we maintain high standards of quality and efficiency in our operation.

Secondly, the railway congestions continued to prevent us from operating as effectively as possible. Most of our products are shipped to our Chinese customers by railway. During the year, railway shipments to the Chinese customers were hampered by adverse weather, temporary closure of the railway border crossings due to additional pandemic-control measures implemented by China, and increasing transportation demand from the Russian exporters in light of the geopolitical issues of Russia. To mitigate the impacts, we diversified and shipped more products to the Chinese customers by sea. This had been a good marketing strategy until the second half of 2022 when we had to suspend the seaborne sales, as the weak iron ore price and high freight charges meant that selling via the sea route was no longer economical. The opening of the Amur River Bridge at the end of 2022 came as a "godsend" to K&S. The railway bridge could not only alleviate the railway

CEO AND CFO REPORT

Danila Kotlyarov, Chief Financial Officer of IRC

congestion of the region but could also reduce K&S's shipping time to its customers in China from 3-5 days to 1-3 days as its infrastructure is fully in place. We are planning to ship more of our products using the Amur River Bridge as it gradually ramps up its transportation capacity in 2023.

Last but not least, the operating environment in the latter part of 2022 deteriorated significantly to the extent that we had to slow down our production in the last quarter of 2022 to conserve our cash and ore resources. Fortunately, we were able to resume normal operation towards the end of the year as prices improved following the scrapping of the zero-COVID policy in China.

Despite the aforesaid difficulties, we believe the K&S operating team performed relatively well as IRC managed to make small but encouraging increases in sales and production volumes, for which both improved by 0.5% over the previous year.

In terms of our financial results in 2022, we are pleased to report that we remained in the black and made an underlying profit of US$25.0 million, without taking into account the non-cash asset impairment.

It is perhaps worth pointing out that our financial performance was highly dependent on two major variables: – iron ore price and Russian Rouble exchange rate.

Iron ore prices experienced significant fluctuations during 2022. While the average Platts 65% iron ore price level increased substantially to the US$170 per tonne level during the first quarter of 2022, the strengthening was short-lived as the price level tumbled thereafter, reaching as low as US$91 per tonne in the fourth quarter before recovering to close the year at US$131 per tonne. On average, the Platts 65% iron ore price in 2022 of US$139 per tonne was US$47 per tonne lower than that in 2021. This falling iron ore price is reflected in our reduction in revenue, which decreased by 24.9% from US$371.3 million in 2021 to US$278.8 million in 2022.

Russian Roubles had been exceptionally volatile in 2022. The currency weakened to the RUB120 per US Dollar level in March 2022, due to geopolitical concerns. But then starting from the second quarter of 2022, the currency appreciated drastically to reach its strongest point of the year of RUB51 to the US dollar before leveling off at the level of RUB72 at the year end. On average, the Russian Rouble was RUB68 per US Dollar in 2022, 8% stronger than last year. The strengthening of the Russian Rouble has a negative impact on the Group's operating margin, as the operating costs of the Group are mainly denominated in Russian Roubles and revenue is mainly denominated in US Dollars. To provide protection against the appreciation of the currency, IRC has partially hedged its currency exposure using zero-cost collars and this had given us a hedging gain of US$4.6 million in 2022. The appreciation in Russian Rouble and high Russian inflation, coupled with the increased sea sales, which had higher transportation costs than shipment via the railway route, resulted in an increase in cash cost from US$71.7 per tonne to US$78.8 per tonne in 2022. However this 9.9% increase is a good result considering the combined negative effects of Rouble appreciation and the inflation in Russia.

With a falling revenue and an increase in cash cost, our EBITDA eroded by 66.9% to US$56.5 million in 2022.

The accounting standards require us to assess impairments of the mining assets based on, among other things, the relevant commodity price as at the last day of the financial year. It should be noted that on 31 December 2022, the price of Platts 65% iron ore concentrate was US$131 per tonne, US$9 per tonne lower than that on the same date the year before. The difference in iron ore price on these two particular dates, together with changes in discount rate, inflation rate and forecast foreign exchange rates, as well as adjustments to the K&S's long-term mining and production plans, are the main reasons that IRC needed to record an asset impairment of US$103.2 million in order to comply with the accounting requirements. The volatility of the commodity price can result in significant impairments and reversals from year-to-year. These impairments, being non-cash in nature, inevitably distort IRC's true operating results. And it is of this reason that we believe impairments should not be considered in the context of assessing IRC's operating performance. Our 2022 underlying profit, which excludes impairment provision and other non-operating items, amounted to US$25.0 million. We believe that this is a respectable performance, considering the various difficulties and challenges that IRC faced in 2022.

The good operating performance and strong potential of IRC were appreciated by our major lender, MIC. During the year, we undertook a debt-equity swap with MIC which strengthened our balance sheet and improved our liquidity position. This is best illustrated by our net debt balance which decreased from US$61.1 million at the end of 2021 to US$41.6 million when we closed our book in 2022.

Extremely volatile macroeconomic environment characterised by pricing and currency risks materialised in the 'ideal storm' situation in the middle of the fourth quarter 2022. Iron prices declined sharply by about 30% from the average of approximately US$131.5 per tonne in January 2022 to US$93 per tonne in November 2022. At the same time, the Russian Rouble unexpectedly appreciated from the average of approximately 76 to the US Dollar in January 2022 to 61 in November 2022, and this translated to a 25% increase in US Dollar costs. The Company needed some safety liquidity cushion in order to be able to continue with its development programme and resources to go through the market downsides. In light of this, and also considering the sharp increase in interest rates, the Board's decision to decrease IRC's debt and alleviate the principal repayment burden during 2022-2023, a period of intensive capital spending, proved to be the right one.

Looking ahead, we do recognise that the mining and steel industry in general and IRC's business in particular face a number of global and country specific uncertainties in the near future.

The ongoing conflict between Russia and Ukraine has had significant adverse effect on international trade and supply chains between Russia, principal area of IRC business, and the rest of the world, leading to increased costs for spare parts and equipment, impacting our operation efficiency.

Inflationary environment global-wide and in Russia not only exerts high pressure on costs but also results in higher interest rates and heavier borrowing costs in IRC's income statement. In light of this, lowering IRC leverage, a task that IRC has been addressing constantly, remains a priority.

While we are currently witnessing increasing pricing trend following China's reopening, the recovery of the global economy after the COVID-19 pandemic is uncertain. And it remains to be seen for how long demand for commodities like iron ore driven by China's stimulus measures will sustain. As of today, Chinese steel industry remains in the low-profitability mode with steel mills operating at their break-even levels. Any changes in demand from the world's largest consumer, China, or shifts in global trade policies or geopolitical tensions could affect the demand and price of iron ore.

Global geopolitical tensions and Ukraine related sanctions have a significant impact on Russian economy, driving government decisions that might impact K&S costs and liquidity. There are notions suggesting that the Russian authorities in 2023 would implement the so called 'windfall' tax, a one-off tax payment for the profit related to the years ended 31 December 2021 and 2022. Provided such a legislation is implemented, K&S might be required to pay significant additional profits tax that was not anticipated before.

2023 will be a milestone year for K&S. The project, mining Kimkan and Sutara iron ore deposits, is approaching the moment when Kimkan ore feed will start decreasing. We aim to start mining ore in Sutara in the second half of 2023 and gradually Sutara will become the only source of the ore. Capital investment program of about US$35 million in 2023 is expected to be incurred and the completion of the Sutara development, which is on schedule to complete on time, is critical for keeping the ongoing production at K&S, despite all the external threats and difficulties.

As a company, we remain vigilant and agile in response to all these uncertainties. As we move forward, while we continue to unlock the potential of K&S and develop the Sutara pit, there are several key areas that we intend to focus on.

Firstly, we will monitor the risks and address them in advance to ensure ongoing, efficient operations in the interest of all stakeholders of the Company.

Secondly, as a relatively small mining company comparing to the main international peers, and hence being a price taker, we consider that our main task is to control costs to ensure competitiveness of our operations. We understand that, under the current inflationary environment, that is a challenging task. That said, we are aware of our strength and will work towards further optimising our mining and production operations and logistics.

And lastly, the Group's capital allocation should be carefully considered in light of the volatile economic and geopolitical environment. While the completion of K&S's investment program remains the most important priority, the continuing deleveraging and safeguarding of balance sheet are tasks that are high on our "To-do list".

We would like to take this opportunity to thank our shareholders, customers, and employees for their continued support and dedication. The future is challenging, but we are cautiously optimistic that with our talented team and proven track record, we can overcome any obstacles and emerge even stronger.

Denis Cherednichenko	**Danila Kotlyarov**
Chief Executive Officer	*Chief Financial Officer*

RESULTS OF OPERATIONS

The table below shows the results of the Group for the years ended 31 December 2022 and 2021:

	For the year ended 31 December		
	2022	2021	Variance
Key Operating Data			
Iron Ore Concentrate			
— Production volume (tonnes)	**2,569,845**	2,557,794	0.5%
— Sales volume (tonnes)	**2,566,480**	2,553,804	0.5%
Achieved Selling Price (US$/tonne)			
— based on wet metric tonne	**109**	145	(24.8%)
— based on dry metric tonne	**118**	159	(25.8%)
— based on dry metric tonne before hedging	**118**	163	(27.6%)
Platts 65% iron ore average price (US$/tonne)	**139**	186	(25.3%)
Cash Cost (US$/tonne)*			
— excl. transportation to customers	**53.2**	47.9	11.1%
— incl. transportation to customers	**78.8**	71.7	9.9%
Consolidated Income Statement (US$'000)			
Revenue before hedging losses	**278,757**	382,072	(27.0%)
Hedging losses	**–**	(10,793)	(100.0%)
Revenue	**278,757**	371,279	(24.9%)
Site operating expenses and service costs before depreciation	**(213,040)**	(192,513)	10.7%
General administration expenses before depreciation	**(14,660)**	(10,273)	42.7%
Other income, gains and losses, and other allowances	**5,457**	2,121	157.3%
EBITDA excluding non-recurring items and foreign exchange	**56,514**	170,614	(66.9%)
Depreciation	**(23,674)**	(27,021)	(12.4%)
Finance costs	**(8,530)**	(18,238)	(53.2%)
Income tax credit/(expense) & non-controlling interests	**644**	(34)	(1,994.1%)
Underlying gains – excluding non-recurring items and foreign exchange	**24,954**	125,321	(80.1%)
Provision for asset impairment losses	**(103,169)**	–	N/A
Net foreign exchange (loss)/gain	**(5,539)**	704	(886.8%)
Other provision	**(4,142)**	(4,142)	0.0%
Gain on liquidation of Kuranakh project	**–**	12,186	(100.0%)
(Loss)/profit attributable to the owners of the Company	**(87,896)**	134,069	(165.6%)

* Wet metric tonne.

THE UNDERLYING RESULTS OF THE GROUP

IRC's operating results are mainly derived from the operation of K&S. The Group manages its operations with principal reference to the underlying operating cash flows and recurring earnings. The "EBITDA" and "Underlying results", both of which exclude non-recurring items and foreign exchange, are the key performance indicators for IRC.

EBITDA – excluding non-recurring items and foreign exchange

The Group's EBITDA, excluding non-recurring items and foreign exchange, reduced by 66.9% to US$56.5 million (31 December 2021: US$170.6 million) for the year ended 31 December 2022. The significant decrease was mainly driven by a combination of lower achieved selling price and higher cash cost.

During 2022, the issues with ore quality, mining contractors' performance, and railway logistics issues continued to hamper the operation of K&S. Moreover, K&S had to scale down its operation in the fourth quarter of 2022 due to adverse operating environment. Despite these difficulties, limiting the production and shipping volumes, the Group was still able to sell 2,566,480 tonnes of iron ore concentrate, a 0.5% increase over the previous year (31 December 2021: 2,553,804 tonnes).

Despite improvement in sales volume, the significant softening of the iron ore price in 2022 had a determent impact on IRC. IRC's 2022 achieved selling price was US$118 per dry metric tonne, down 25.8% when comparing with that in 2021. This is in line with the decrease in the average Platts 65% iron ore price which decreased by 25.3% in 2022.

In addition, the significant pressure on the Chinese steel production, following China's zero-COVID policy and decline in property industry, has turned most of the steel mills into the negative margin zone, forcing them to operate at an "economy mode" with preferences being given to cheaper, lower grade iron ore as feedstocks. That resulted in the steel mills demanding for greater discounts which put additional pressure on K&S's pricing terms in 2022. With the recovery of the Chinese economy in 2023, it is hoped that the demand for higher grade premium product, like the product that K&S produces, would increase which would in turn improve K&S's pricing terms.

K&S endeavours to keep operating and administrative costs under strict control. During the reporting period, the Group's site operating expenses and service costs before depreciation increased by 10.7% and cash cost per tonne increased to US$78.8, mainly driven by:

– higher transport costs, due to the increased share of sales via the seaborne route, which resulted in higher handling and sea freight costs;

– higher mining costs due to increase in third-party mining contractors' fees;

– higher mineral extraction tax following the expiry of partial tax subsidy; and

– strengthening of Russian Rouble and the high Russian inflation, as the Group's main activities are conducted in Russia and most of the Group's operating costs are denominated in Russian Rouble.

It is worth noting that the achieved selling prices of seaborne sales are generally higher than those via the railway route, offsetting part of the higher transportation costs. Venturing into the seaborne market not only allows K&S to mitigate the impact of the railway congestion but also broadens its customer base. However, sales to the seaborne customers had to be scaled down towards the latter part of 2022, due to the weak iron ore price resulting in the sales being not economical.

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The falling iron ore price environment coupled with rising mining expenses, transportation charges and the strengthening of Russia Rouble and Russian inflation resulted in a substantial decrease in EBITDA by 66.9%.

	For the year ended 31 December		
US$'000	**2022**	2021	Variance
EBITDA excluding non-recurring items and foreign exchange	**56,514**	170,614	(66.9%)

Underlying gains – excluding non-recurring items and foreign exchange

The Group's income statement sometimes includes certain material non-recurring and non-operating items which should be considered separately. In 2022, these items are:

– impairment losses related to the K&S mine and other assets of US$103.2 million following the weaker Platts price of 65% iron ore concentrate as at 31 December 2022 (as compared to that as at 31 December 2021), changes in discount rate, inflation rate and forecast foreign exchange rates, as well as adjustments to the K&S's long-term mining and production plans. No such impairment provision or reversal was made in 2021;

– a non-cash net foreign exchange loss of US$5.5 million (31 December 2021: gain of US$0.7 million), primarily due to Russian Rouble exchange rate movements;

– a non-cash provision of US$4.1 million (31 December 2021: US$4.1 million) being made for expenses related to deferred contract payments. The Group has initiated legal proceedings against the said contract counter-party, and IRC believes that these expenses will not be payable. However, to be prudent and to comply with the accounting requirements, this provision has been made; and

– In 2021, IRC recognised a non-cash gain from the close down of the Kuranakh project amounted to US$12.2 million arising from the deconsolidation of a subsidiary on liquidation. No such gain was recorded in 2022.

While the Group reports a loss of US$87.9 million in 2022, this figure is distorted due to the aforesaid non-recurring items and foreign exchange. By excluding these items, the Group reports an underlying gain of US$25.0 million which is a better reflection of IRC's underlying performance.

	For the year ended 31 December		
US$'000	**2022**	2021	Variance
Underlying gains – excluding non-recurring items and foreign exchange	**24,954**	125,321	(80.1%)

REVENUE

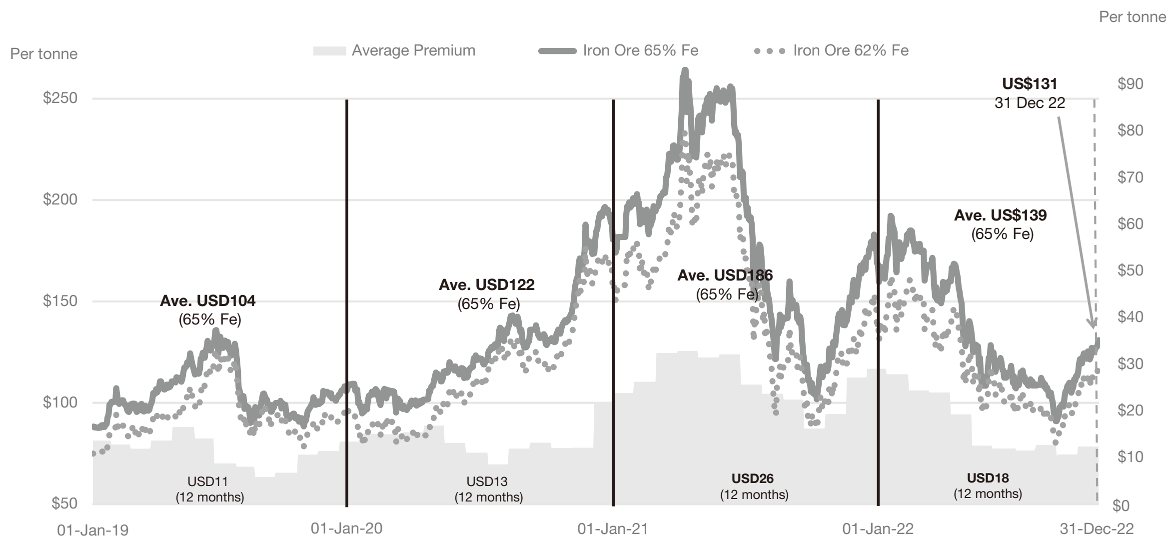
Iron ore concentrate

IRC's main revenue source comes from the sales of 65% iron ore concentrate produced at the K&S mine. Owing to the temporary scaling down of operation in the fourth quarter of 2022, the underperformance of third-party mining contractors, poorer ore quality at Kimkan West deposit, and accumulation of substantial inventories of finished goods due to temporary shipment constraints, K&S was unable to operate in the most efficient manner. Its iron ore production in 2022 amounted to 2,569,845 tonnes, representing about 81% of its designed capacity. Despite these operating difficulties, the production volume in 2022 was 0.5% higher than that of last year. Sales volume recorded the same increase of 0.5% over the previous year to 2,566,480 tonnes in 2022.

The selling price of K&S's iron ore concentrate is determined with reference to the international spot price of Platts iron ore benchmark index. Iron ore prices were exceptionally volatile in 2022. In the first quarter of the year, iron ore prices increased substantially with the average price of Platts 65% iron ore climbing to the US$170 per tonne level, a 31.8% increase quarter over quarter. The higher iron ore demand was triggered by the easing of Chinese winter steel production curb policy which aided the Chinese steel mills to progressively improve output. The rebound was, however, short-lived with the iron ore price level falling in the second quarter of 2022 as global inflation worsened due to geopolitical issues and rising energy prices. The market sentiment was also affected by the slowing economic growth and weak domestic demand in China as a result of COVID-19. The third quarter of 2022 saw a further decrease in the market demand for iron ore due to a slowdown in steel production. The COVID-19 lockdowns and a slowing Chinese real estate market caused the Chinese iron ore market to weaken. Due to a depressed forecast for economic growth and high energy prices, demand for iron ore also declined in the other parts of the world. The Platts 65% iron ore price continued its downward spiral in the earlier part of the fourth quarter to reach its lowest point of the year at US$91 per tonne before recovering to close the year at US$131 per tonne. On average, the Platts 65% iron ore price in 2022 of US$139 per tonne was US$47 per tonne lower than that in 2021.

The chart below illustrates the volatility of the Platts 65% Fe index from 2019 to 2022:

Platts 65% Fe vs 62% Fe



Source: Platts (as of 31 December 2022)

The falling iron ore price in 2022 is reflected in IRC's reduction in revenue. Revenue before hedging decreased by 27.0% from US$382.1 million in 2021 to US$278.8 million in 2022. The achieved selling price of K&S's iron ore concentrate before hedging in 2022 was US$118 per dry metric tonne (31 December 2021: US$163), representing a decrease of 27.6% over the previous year.

Iron ore hedging is used to manage the downside risks associated with iron ore price movements and is not speculative in nature. In the first quarter of 2022, about 20% of K&S's expected production was hedged with put options of 62% iron ore index at about US$110 per tonne. The hedging did not result in any gains or losses. In 2021, however, as market iron ore price had been growing, hedging results were negative and reduced IRC's revenue by US$10.8 million.

Although K&S is strategically located at the doorstep of its Chinese market, most of the major Chinese steel mills nearby are owned or controlled by the same corporate organisation. This means that in the north-eastern part of China, IRC is operating in a semi-captive market, where low transportation costs play an important positive role on the delivery cost of its product but its bargaining power in price negotiations is negatively affected. As such, IRC's Chinese customers expect a discount to the benchmark Platts price and IRC has relatively little power to resist these monopolistic requests. This trend continued in 2022, especially with the steel mills opting to operate at lower profitability and capacity mode due to the downturn of the market. As a result, the steel mills preferred lower grade and cheaper iron ore. IRC understands that this has been the case for other Russian producers as well, with discounts being commonly offered to customers in the region. Sales have also been made by K&S to customers in Russia in the past, but this market is not without its challenges in light of the market competition from other local producers. As the purchase prices offered by the Russian customers of K&S were not attractive, minimal shipments were made to Russia in 2022 in favour of diverting more sales to Chinese seaborne market, which offered better sales terms. But with the decrease in iron ore price in 2022, seaborne sales were reduced towards the end of the year. K&S will continue monitoring the situation and adjusting its sales and marketing strategy accordingly.

Engineering Services

Revenue from Giproruda, the Group's small-scale engineering services division, was not material but diversified the Group's revenue. Revenue from this segment was US$0.2 million in the year (31 December 2021: US$0.2 million).

SITE OPERATING EXPENSES AND SERVICE COSTS BEFORE DEPRECIATION

The mining and operating expenses incurred by the Group's sole operating mine, the K&S project, in relation to sales of iron ore concentrate are primarily reflected in site operating expenses and service costs.

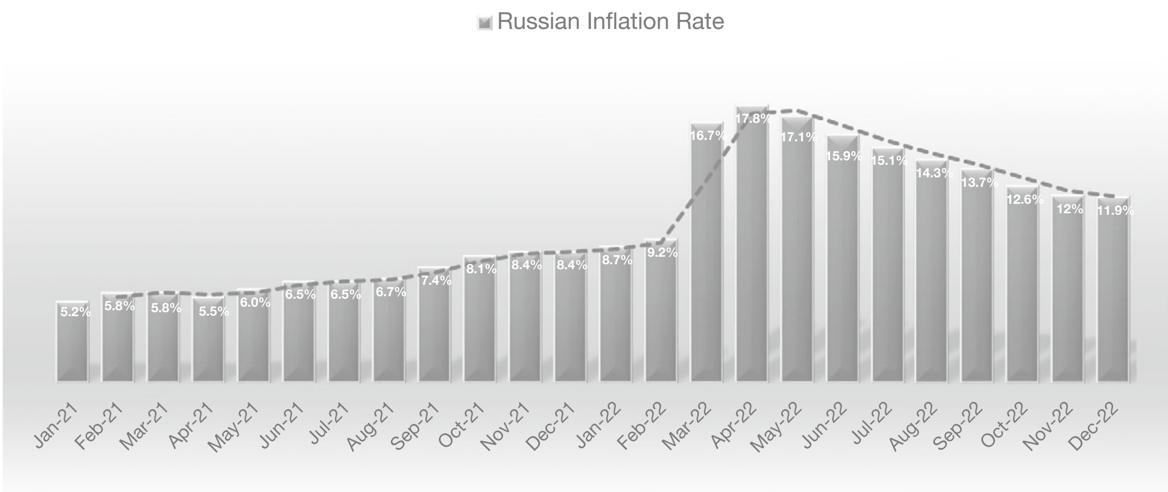
The table below illustrates the details of the key cash cost components per wet metric tonne of iron ore concentrate sold:

	For the year ended 31 December	
	2022 Cash cost per tonne US$/t	2021 Cash cost per tonne US$/t
Mining	**28.2**	21.5
Processing and drying	**13.3**	12.1
Production overheads, site administration and related costs	**10.7**	11.4
Mineral Extraction Tax	**3.3**	2.1
Movements in inventories and finished goods	**(0.5)**	0.9
Currency hedge results	**(1.8)**	(0.1)
Net cash cost before transportation to customers	**53.2**	47.9
Transportation to customers	**25.6**	23.8
Net cash cost	**78.8**	71.7

The unit cash cost per wet metric tonne of concentrate sold in 2022 was US$78.8, up 9.9% from the previous year. Transportation costs increased as a result of the increased share of sales in the seaborne market and higher railway tariffs and wagons usage fees. Despite higher transportation cost of the sales via the seaborne route, realised price is also higher when compared to sales by rail to the customers in the North-Eastern China. Another component of the increase in unit cash cost was the cost of mining, which was driven up by the higher costs for third-party mining contractors. Once the mining works at Sutara has ramped up and the pit becomes fully operational, it is expected that better ore quality will result in a higher production capacity of the processing plant. Increase in Mineral Extraction Tax is mainly due to the expiry of the partial tax subsidy.

Given that the Group's operation is mainly conducted in Russia, the strong Russian inflation of 13.8% in 2022 also contributed to the cost increase. The chart below shows the movement of the Russian inflation rate from January 2021 to the end of 2022.

The Movement of Russian Inflation Rate



Source: Tradingeconomics.com (as of 27 March 2023)

In addition to the Russian inflation, Russian Roubles also plays a significant part in the cost structure of IRC. The currency had been exceptionally volatile in 2022 and it weakened to the RUB120 per US Dollar level in March 2022, due to geopolitical concerns. But owing largely to Russia's aggressive measures to stem the flow of money out of the country, combined with a dramatic rise in the price of fossil-fuels, huge demand for the Rouble was created which pushed up its value. The Rouble closed at RUB51 to the US Dollar at end of the second quarter of 2022. The currency remained strong in the third quarter and only showed a small depreciation in the fourth quarter to close the year at RUB72 to the US Dollar. On average, the Russian Rouble was RUB68 per US Dollar in 2022, 8% stronger than last year. The strengthening of the Russian Rouble has a negative impact on the Group's operating margin, as the operating costs of the Group are mainly denominated in Russian Rouble and revenue is mainly denominated in US Dollars. To provide protection against the appreciation of the currency, IRC hedged the currency using zero-cost collars and this had given rise to a hedging gain of US$4.6 million in 2022.

The chart below illustrates the movements in Russian Rouble exchange rate from since January 2021 to the end of 2022:

The Movement of Russian Rouble

Source: Bank of Russia (as of 31 December 2022)

The increase in transportation cost as a result of more seaborne sales, higher mining expenses and Mineral Extraction Tax, strengthening of Russian Rouble, together with Russia's high inflation rate and higher energy costs all contributed to overall cash cost increase from US$71.7 per tonne in 2021 to US$78.8 per tonne in 2022.

GENERAL ADMINISTRATION EXPENSES BEFORE DEPRECIATION

General administration expenses before depreciation increased by 42.7% when compared to the same period last year. The significant increase is mostly due to the one-off discretionary bonuses for the executives and management staffs, additional payments to directors in light of additional time commitments and workload, and payment in lieu of notice for departing directors.

OTHER INCOME, GAINS AND LOSSES, AND OTHER ALLOWANCES

Other income, gains and losses, and other allowance mainly consist of rental income from sub-letting part of the floor space of buildings owned by the Group and sub-leasing machineries and wagons, net of the cost of acquiring put options for iron ore hedging purposes. As no new hedging transaction had been entered into in 2022 which saved the acquisition costs of put options, net other income was higher than that in 2021.

DEPRECIATION

Depreciation charges of US$23.7 million in 2022 was 12.4% lower than last year (31 December 2021: US$27.0 million), mainly due to changes in accounting estimates and some of the assets having been fully depreciated.

FINANCE COSTS

Finance costs reflect primarily the interest expenses incurred on loan from Gazprombank (the "GPB Facilities"), which was assigned to MIC in the first quarter of 2022. Finance costs reduced by 53.2% to US$8.5 million in 2022, primarily due to the voluntary early repayment of US$70 million during 2021 and the scheduled principal repayments in 2022, as well as the debt-equity swap of US$19 million with MIC in October 2022. The significant reduction in loan principal balance more than offset the impact of the raising market interest rate.

INCOME TAX CREDIT/(EXPENSE) AND NON-CONTROLLING INTERESTS

The income tax credit and non-controlling interests of US$0.6 million (31 December 2021: expense of US$0.03 million) mainly reflects the deferred tax movements.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Despite the Group recording an underlying profit of US$25.0 million, the significant non-cash asset impairment of US$103.2 million, the foreign exchange loss, and other provision resulted in the Group reporting a loss of US$87.9 million in 2022 (31 December 2021: profit of US$134.1 million).

SEGMENT INFORMATION

The mines in production segment represents the K&S mine's production and sales. This segment made a profit of US$42.8 million for the year (31 December 2021: US$152.8 million), after taking into account depreciation but before impairment provision. Mines in development, engineering and other segments were not material to the total revenue, and the reporting period saw a total loss of US$0.6 million (31 December 2021: US$0.9 million), before considering the impairment provision.

CASH FLOW STATEMENT

The following table summarises key cash flow items of the Group for the years ended 31 December 2022 and 31 December 2021:

	For the year ended 31 December	
US$'000	**2022**	2021
Net cash generated from operations	**32,676**	166,327
Repayments of borrowings	**(34,732)**	(90,681)
Loan guarantee fees paid	**(2,883)**	(14,311)
Capital expenditure	**(14,448)**	(13,204)
Interest expenses paid	**(7,602)**	(11,245)
Repayment of lease liabilities	**(4,308)**	(3,887)
Income tax paid, interest received and other adjustments, net	**(2,916)**	(1,467)
Proceeds from issuance of shares	**18,985**	226
Net movement during the year	**(15,228)**	31,758
Cash and bank balances (including time deposits)		
– At 1 January	**52,129**	20,371
– At 31 December	**36,901**	52,129

For the year ended 31 December 2022, net cash generated from operations was US$32.7 million, down from US$166.3 million in the prior year. The significant reduction in revenue from the K&S mine gave rise to a weaker cash flow generated from operating activities. US$34.7 million of loan principal had been repaid, of which US$19.0 million came from the debt-equity swap with IRC's principal lender, MIC. The decrease in loan guarantee fee payment is due to the fact that the loan from MIC was no longer guaranteed. The capital expenditure of US$14.4 million was incurred mainly by the K&S mine for the development of the Sutara project and maintenance of the K&S mine. The decrease in interest payment was primarily due to the decrease in loan principal following voluntary early repayment of US$70 million in 2021 and the scheduled principal repayments in 2022, as well as the debt-equity swap with MIC.

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LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Share capital

In contemplation of the complex external operating environment which continues to get worse in the second half of 2022 and the market challenges that the Group faces, including the weakening of iron ore prices, appreciation of Russian Rouble, heightening of inflation rate, and the increase in market interest rate, the Group was in need of cash to deal with these external factors which are largely out of the Group's control. In light of the funding need, on 14 September 2022, the Company entered into a subscription agreement (the "Subscription Agreement") with MIC invest Limited Liability Company ("MIC") pursuant to which MIC agreed to subscribe for and the Company agreed to allot and issue 1,419,942,876 new IRC ordinary shares (the "Subscription Shares") at a subscription price (and net price) of HK$0.10641 per Subscription Share at an aggregate consideration (and net proceed) of approximately HK$151.1 million (the "Subscription"). The Subscription Agreement was entered into for the purpose of raising funds for partial repayment of the facilities assigned to MIC. The closing price of IRC shares on 14 September 2022, being the date of the Subscription Agreement, was HK$0.133 per share.. The Subscription Shares represented 20.0% of the then existing issued share capital of the Company and approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The net proceeds from the subscription amounted to an equivalent of approximately US$19 million and the subscription was completed on 12 October 2022. The net proceeds has been applied to prepay (i) the entire principal amount of instalment of the GPB Facilities which had fallen due and payable in the fourth quarter of 2022; and (ii) part of the principals of each of the 12 quarterly instalments of the GPB Facilities that has fallen due or will fall due and become payable in each of the years ended 31 December 2023, 2024 and 2025.

Cash Position

As at 31 December 2022, the carrying amount of the Group's cash, deposits and bank balances amounted to approximately US$36.9 million (31 December 2021: US$52.1 million). The cash balance decreased in 2022 mainly as a result of working capital movements and the Group's lower profitability for the year.

As at 31 December 2022, cash and cash equivalents of US$18.9 million was denominated in US Dollars, an amount equivalent to US$12.9 million was denominated in Russian Roubles, an amount equivalent to US$0.1 million was denominated in Hong Kong Dollars, and an amount equivalent to US$5.0 million was denominated in Renminbi (31 December 2021: US$46.5 million in US Dollars; US$5.5 million in Russian Roubles, and US$0.1 million in Hong Kong Dollars).

Exploration, Development and Mining Production Activities

For the year ended 31 December 2022, US$227.5 million (31 December 2021: US$205.7 million) was incurred on development and mining production activities. No material exploration activity was carried out in 2022 and 2021. The following table details the operating and capital expenditures in 2022 and 2021:

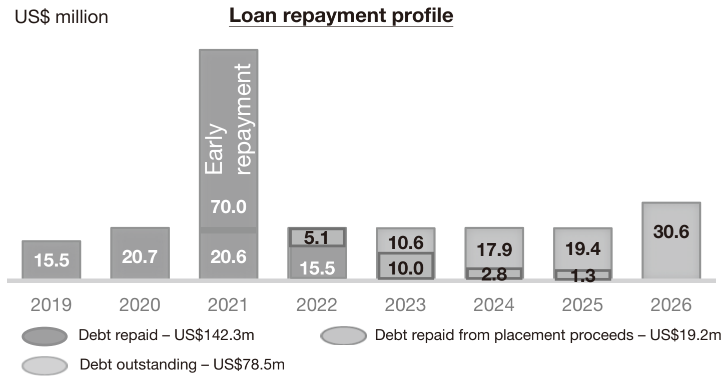
	For the year ended 31 December					
	2022			2021		
US$'m	**Operating expenses**	**Capital expenditure**	**Total**	Operating expenses	Capital expenditure	Total
K&S development	**213.1**	**14.3**	**227.4**	191.5	13.0	204.5
Exploration projects and others	**–**	**0.1**	**0.1**	1.0	0.2	1.2
	213.1	**14.4**	**227.5**	192.5	13.2	205.7

The table below sets out the details of material new contracts and commitments entered into throughout 2022 on a by-project basis. The amount increased to US$13.6 million, mainly attributable to the development of the Sutara project.

		For the year ended 31 December	
US$'m	**Nature**	**2022**	2021
K&S	Purchase of property, plant and equipment	**–**	0.9
	Sub-contracting for mining works	**6.1**	7.2
	Sub-contracting for railway and related works	**6.8**	–
Others	Other contracts and commitments	**0.7**	–
		13.6	8.1

Borrowings and Charges

As at 31 December 2022, the Group had gross borrowings of US$78.5 million (31 December 2021: US$113.2 million), representing the long-term borrowing drawn from the Gazprombank which was assigned to MIC in the first quarter of 2022. The repayment profile is as follows:



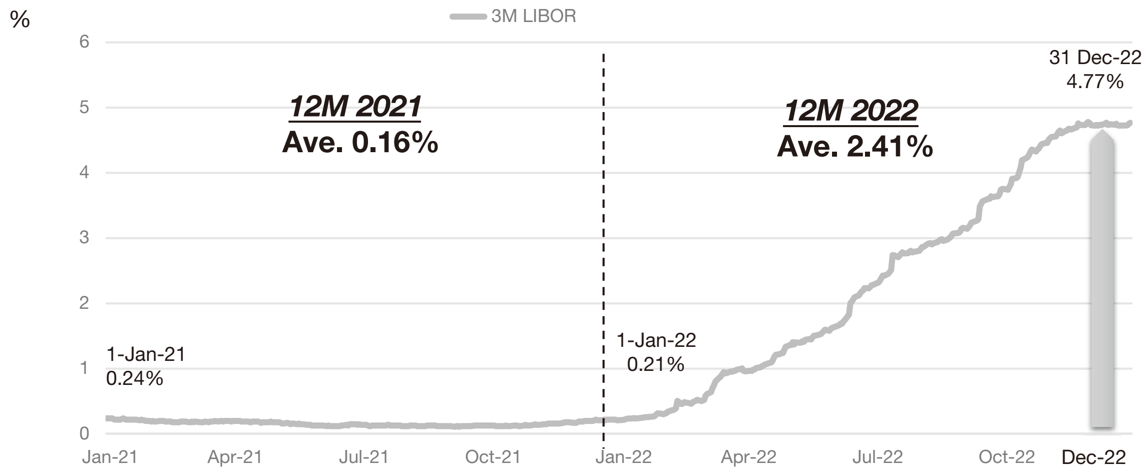
Source: IRC Limited (as of 27 March 2023)

The loan is secured by (i) a charge over the property, plant and equipment with net book value of US$49.4 million as at 31 December 2022, (ii) 100% equity share of Kapucius Services Limited in LLC KS GOK, a wholly owned subsidiary of the Group, and (iii) the pledge of 2,120,000,000 ordinary shares of the Company held by Axiomi Consolidated Ltd, the current substantial shareholder of the Company. The pledge was subsequently released on 28 February 2023.

Save as disclosed, as at 31 December 2022, no other property, plant and equipment or right-of-use assets were pledged for the Group's borrowings or banking facilities.

The interest of the facility is determined with reference to LIBOR. The rising global inflation is pushing interest rate into a more aggressive position. The three-month LIBOR has been steadily rising with an average interest rate of 2.41% in 2022 (2021: 0.16%). The graph below illustrates the movements in LIBOR interest rate:

The Movement of 3 Months LIBOR

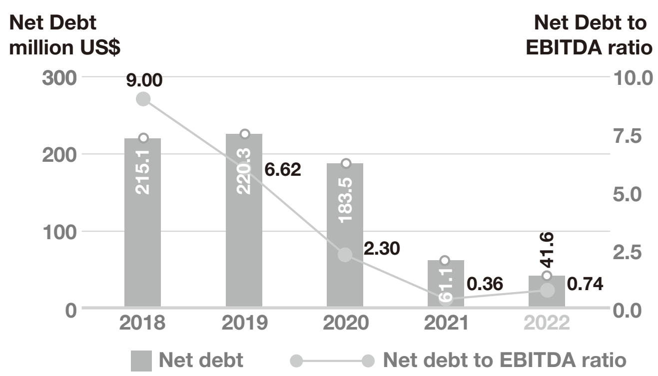


Source: Bloomberg (as of 27 March 2023)

In line with the raising interest rate, the Group's weighted average interest rate in 2022 increased to 8.48% (31 December 2021: 7.0%).

During the year, in addition to the scheduled loan repayments, MIC performed a debt-equity swap amounting to US$19 million which was fully applied to prepay (i) the entire principal amount of the instalment of the Group's loan due to MIC that fell due and became payable in the fourth quarter of 2022; and (ii) part of the principals of each of the 12 quarterly instalments of the loan facility that will fall due and become payable by the Group to MIC in each of the year ending 31 December 2023, 2024 and 2025, subject to adjustment. Net debt of the Group had reduced to US$41.6 million by the end of 2022. Net debt to EBITDA increased marginally from 0.36 in 2021 to 0.74 in 2022 due to lower EBITDA in 2022:

Net debt/Net debt to EBITDA ratio



Source: IRC Limited (as of 27 March 2023)

As at 31 December 2022, all of the Group's borrowings were denominated in US Dollars. The Group's gearing ratio, calculated based on total borrowing divided by total equity, decreased to 17.4% (31 December 2021: 21.8%), mainly due to the decrease in borrowing following the loan repayments in 2022.

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 relative values of US Dollars. Exchange rate risks are mitigated to the extent considered necessary by the Board, primarily by holding the relevant currencies.

To provide protection against the appreciation of currency, in the first half of 2022, the Group hedged about 10% of the Group's expected Rouble expenditure using zero-cost collars with puts' strike varying in the low-70s and calls' strike in the high-70s. Additionally, another 10% of the Group's expected Rouble expenditure for the period from February 2022 to January 2023 inclusive were hedged using zero-cost collars with puts' strike in the mid-70s and calls' strike in the mid-90s. If deemed appropriate, the Group may consider entering into further foreign exchange hedging contracts. The hedging is not of a speculative nature and is for purposes of risk management.

Significant Investments, Acquisitions and Disposals

Apart from the development of the Sutara Pit, during the year ended 31 December 2022, the Group had no significant investments, or acquisitions and disposal of subsidiaries, associates and joint ventures.

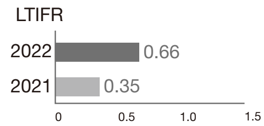
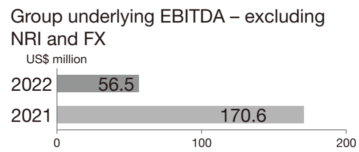
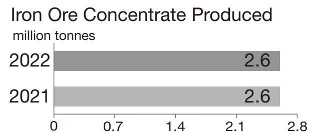
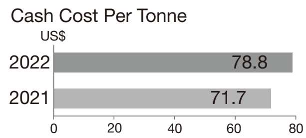
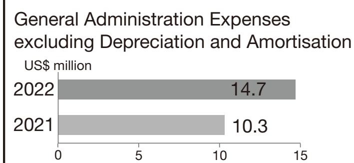
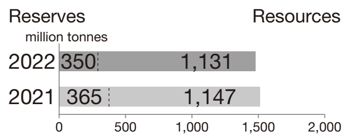
The Group does not have any specific future plans for material investment or capital assets as at the date of this annual report apart from the development of the Sutara Pit as disclosed.

Employees and Emolument Policies

As of 31 December 2022, the Group employed 1,804 employees (31 December 2021: 1,696 employees). Total staff costs amounted to US$35.7 million during the reporting period (31 December 2021: US$28.3 million). The increase is mostly due to the one-off discretionary bonuses for the executives and management staffs, additional payments to directors in light of additional time commitments and workload, and payment in lieu of notice for departing directors. The emolument policy of the Group is set up by the Remuneration Committee and the remuneration is determined on the basis of the merits, qualifications and competence of the employees with regard to market conditions and trends.

KEY PERFORMANCE INDICATORS

A Key Performance Indicator ("KPI") is a measurable value that demonstrates how effective a company is achieving its key business objectives. IRC uses KPIs at multiple levels to evaluate its success at reaching targets. The following indicators enable management to evaluate IRC's performance against its strategic and operating plans.

KPI	CONTEXT	2022 DEVELOPMENT	2022 PERFORMANCE
Safety	Our aim is to create a culture of zero-harm and to adhere to strict safety policies and standards for the safety and well-being of the employees.	In 2022, the lost time due to injuries recorded on site was 0.66 per 1,000,000 man-hours.	**Safety – Good level** 
Profitability	Profitability focuses on financial performance over medium to long term; EBITDA is a primary and accurate measure of IRC's success.	With the average iron ore price in 2022 being 25% lower, and Russian Rouble exchange rate 8% stronger than in 2021, the Group's EBITDA also decreased.	**Profitability – Decreased in line with Fe price and FX movement** 
Production	IRC primarily produces high-quality iron ore concentrate, and K&S's production capacity is critical to the Group's success.	In 2022, K&S production was 0.5% higher than that in 2021.	**Production – Maintained at a high level** 
Efficiencies & Cash Cost	"Cash Cost" shows the cost of running a mine to produce a given amount of product. It is a benchmark for operating performance. Cash cost disregards general administration expenses, depreciation and amortisation.	In spite of the stronger Russian Rouble, increased mineral extraction tax and inflation, K&S was able to limit the costs increase at 9.9% in 2022.	**Cash Cost – Stringent cost management** 
Administrative Overheads	Administrative overheads measure the costs of supporting units for the business to carry out profit making activities.	General administration expenses in 2022 were 43% higher than in 2021 due to the one-off discretionary bonuses for the executives and management staff, additional payments to directors in light of additional time commitments and workload, and payment in lieu of notice to departing directors.	**Administrative Overheads – one-off expenditure in 2022** 
Exploration & Development	Our exploration programmes aim to add value through the discovery of new resources, and to increase and confirm the mineable reserves.	The Group has been focusing on ramping up of K&S and developing Sutara project. No significant exploration activity was carried out during 2022.	**Exploration & Development – Abundant resources and reserves base** 
ESG & Community	ESG is measured by adhering to the legislation and best practices in the jurisdictions and the community in which IRC operates.	The integrated Environmental Management System ("EMS") allows IRC to reduce its environmental impact.	**Extensive ESG statistics are given in the Environmental, Social and Governance section.**

KEY PERFORMANCE INDICATORS (CONTINUED...)

	2021 PERFORMANCE	FUTURE OPPORTUNITIES
Compared to 2021, the Group's lost time injury frequency rate (LTIFR) was higher in 2022, but still lower than iron ore industry average LTIFR of 1.1	K&S has developed and implemented various systems and standards which lay foundation for the Group's compliance with labour protection, and industrial and fire safety regulations.	IRC will endeavour to maintain high safety standards and adopt a zero-harm policy throughout its operations. Educational programmes for employees and contractors will continue to be conducted in order to provide them with the relevant safety knowledge.
The Group's underlying EBITDA, excluding non-recurring items and foreign exchange, decreased to US$56.5 million. Underlying profit of US$25.0 million (2021: US$125.3 million).	K&S took advantage of the robust iron ore price, weak Russian Rouble, and stable production rate to generate substantial EBITDA.	Iron ore prices recovered in the beginning of 2023, and Russian rouble depreciated, which create more favourable operating environment for K&S. There are options for the expansion of K&S to increase production volume for economies of scale.
For the full year of 2022, despite various operating challenges and difficulties, production and sales volumes both increased by 0.5% respectively over the previous year.	Production volume in 2021 was 7% lower than in 2020.	K&S will continue to work on increasing the operating efficiency.
Despite K&S's stringent cost management, the cash cost increased to US$78.8 in 2022 due to strong rouble, increased mineral extraction tax and inflation.	In 2021, cash cost increased to US$71.7.	The weakness of Rouble can benefit IRC's production cash cost, as its operating costs are mainly denominated in Rouble. The Amur River Bridge, which became operational in late, will further improve transportation efficiency for both IRC and its Chinese customers.
General administration expenses before depreciation and amortisation in 2022 totalled US$14.7 million, which is US$4.4 million higher than in 2021.	General administration expenses before depreciation and amortisation increased by US$1.1 million compared to 2020 mainly attributable to certain administrative activities and expenditures were deferred last year due to COVID-19 and the payment of discretionary remunerations.	The Group will continue to carry out tight cost saving measures to minimise the administrative overheads.
Commercial production activities and Kimkan geological information update with actual ore grades and processing plant performance level achieved have resulted in a reduction of the Group's total resources and reserves.	In 2021, reserves and resources declined in line with the normal mining activities.	Currently there are no exploration and development activities planned for the nearest future. Exploration works may resume after strategic evaluation.
In 2022, IRC continued to operate adhering to high ESG standards.	Greenhouse gas emissions continued to decline. Total coal used reduced by 13%. Both water intake and disposal reduced by 6% and 37%, respectively, while water recycled increased by 12%. Stringent measures to control the spread of COVID-19.	The Group will continue its efforts to reduce energy consumption and water usage, control air pollution and apply waste management measures.

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PROJECT REVIEW

K&S

100% owned

Key facts:

65%
Fe grade (concentrate)

3.2Mtpa
Production capacity

10Mtpa
Ore process capacity

240km
To Chinese border

578Mt
Total resources

324Mt
Total reserves

30 years +
Mine life

OVERVIEW

K&S, 100% owned by IRC, is located in the Jewish Autonomous Region (EAO) of the Russian Far East. It is the second full-scale mining and processing operation that the Group has developed. The project consists of two principal deposits, Kimkan and Sutara. The K&S Phase I is to produce 3.2 million tonnes of iron ore concentrate per annum with a grade of 65% Fe. According to the development timeline for K&S Phase I project, Sutara deposit will begin to be mined in parallel with Kimkan deposit in 2023, and Sutara's mine life will be more than 30 years. There is an option for a Phase II expansion to produce a total of 6.3 million tonnes of 65% iron ore concentrate per annum. As an interim development between the two phases, IRC is assessing an option to upgrade the Phase I production facility to increase the production capacity to approximately 4.6 million tonnes per annum.

The Phase I Processing Plant was built by CNEEC and funded through a project finance facility provided by ICBC. In 2018, IRC successfully entered into a refinancing facility agreement with the leading Russian bank, Gazprombank, to fully replace the ICBC's finance facility, and the refinancing was completed in 2019. The principal repayment of the Gazprombank facility was weighted towards the latter part of the loan term, so that the repayment pattern better aligned with the ramp-up programme of K&S. In 2021, due to the outstanding profitability and improved cash flow of IRC, the Group not only repaid the principal and interest on time but also voluntarily early repaid the principal of US$70 million in 2021. In February 2022, Gazprombank assigned its rights under the Gazprombank facility to MIC Invest Limited Liability Company. The assignment had not resulted in any changes to the terms and conditions of the documentation for the Gazprombank facility that the Group previously entered into.

K&S enjoys tremendous geographical advantage. The Trans-Siberian Railway is directly linked to the mine site, making it easy to deliver its product to customers. With the use of the Amur River Bridge, which opened to traffic in 2022, the products shipping distance for IRC and its customers can be further reduced. K&S's operation is situated 4 kilometres from the Izvestkovaya town and railway station, through which the Trans-Siberian Railway passes. It is also on a federal highway 130 kilometres away from the regional capital Birobidzhan and 300 kilometres from Khabarovsk, the principal city of the Russian Far East.

SUSTAINED PRODUCTION PERFORMANCE IN 2022

The year 2022 was another successful year for K&S, with the project team maintaining a sustained production performance that was on par with the previous year. Despite market challenges, the K&S team's unwavering focus on operational excellence has ensured that the mine remained efficient and productive, generating strong operating results.

In 2022, K&S achieved its production and sales targets, delivering consistent volumes of high-quality iron ore concentrate to customers. K&S team thorough systematic planning, effective execution and operational improvements allowed the mine to maintain its steady production levels despite iron ore market volatility and stronger Russian Rouble, ensuring its customers' ongoing satisfaction and loyalty.

In the earlier part of the fourth quarter, K&S was facing a difficult operating environment with weak market iron ore price, heightened operating costs resulted from strong Russian Rouble and inflation, as well as rising interest rate. K&S was recording negative profit margins and it was not economical to operate at the normal production rate, being 80% to 90% of the designed production capacity of K&S. To mitigate the impact, in mid-November 2022, the mine scaled down its operation in the production of iron ore concentrate by up to 50% of its normal production rate. The Board considered that scaling down the operation of K&S was in the best interest of IRC and its shareholders as a whole as it could minimise operating cash outflow and conserve the ore resources of K&S for future production, when the operating environment becomes more favourable. Towards the end of the year, following the recovery in market iron ore price, K&S gradually resumed its operation in the production of iron ore concentrate to its normal production rate.

During the first three quarters of 2022, the shipment of iron ore concentrate to China was constrained due to the ongoing cross-border railway congestion issue between Russia and China. The railway congestion slightly alleviated during the fourth quarter. Besides, K&S also managed to make trial shipments to customers via the newly opened Amur River Bridge.

For the full year of 2022, despite various operating challenges and difficulties, K&S produced and sold 2,569,845 tonnes and 2,566,480 tonnes of iron ore concentrate respectively, both marginally increasing over the previous year. These volumes represent about 81% of K&S's designed capacity.

SALES AND MARKETING

In the first half of 2022, to mitigate the impact of the logistics difficulties at the railway border crossings, K&S was diversifying and shipping more products to the Chinese customers via sea and to the local markets, as well as exploring alternate shipping routes.

In the second half of the year, as a result of the lower iron ore prices, higher sea freight charges, and stronger currency, shipments to Russian and seaborne customers became uneconomical and sales to these customers have been scaled down.

AMUR RIVER BRIDGE/TONGJIANG BRIDGE

The project to build a railway bridge across the Amur River border between Russia and China was first launched by IRC in 2006. The project was sold to Russian and Chinese development funds in November 2014. In early June 2016, the regional government of the Jewish Autonomous Region announced that the Russian part of the Amur River Bridge would commence construction. The construction of the Amur River bridge and its connection with China's Northeast railway network was completed in 2022. The railway bridge is expected to enhance the region's economic development by providing a more efficient transportation alternative on top of the existing ferries and railway routes.

K&S Mine is situated approximately 240 kilometres from the bridge site and IRC's nearest customer within China is approximately 180 kilometres away from the bridge. Thus, IRC as well as its customers will benefit from the project with the reduced transportation distance and shipment time. The railway bridge can also alleviate the railway congestion in the region. Shipping time to customers in China will be reduced from 5-7 days to 1-3 days.

In December 2022, the bridge started operation, and K&S commenced trial shipments via the bridge. With the bridge capacity ramping up in 2023, K&S will be increasing the share of the iron ore concentrate shipped via the bridge.

Contents
Chairman Statement
CEO and CFO Report
Results of Operations
Key Performance Indicators
Project Review

SUTARA PIT

K&S comprises of two main pits, Kimkan and Sutara. The Kimkan operation comprises two key ore zones – Central and West. Open pit mining at the Kimkan deposit is currently carried out at both zones. Mining works were originally performed only at the Kimkan Central pit. As the development of the Kimkan Central pit advances, K&S has started to mine at the Kimkan West pit, which has lower grades of iron ore magnetic properties than Kimkan Central. As a result, beneficiation properties of the ore blend fed to the processing plant have resulted in a lower yield of commercial concentrate from the ore than designed. This is currently affecting K&S's ability to increase production capacity. The production capacity issues are expected to improve when the Sutara pit becomes operational. The Company expects that the Sutara pit will be the long-term solution as the geological information confirms that the ore at Sutara has higher grades of iron magnetic properties.

In 2022, K&S team has actively continued construction and preparation works at Sutara. The major milestone reached was the completion of the Sutara River diversion; the river is now flowing through the bypass channel. The works on site continue, with the aim of starting to mine ore from Sutara in the second half of 2023. As Kimkan deposit will be depleted, mining volumes at Sutara will be increasing, and eventually in several years all feedstock to the processing plant will be coming from the Sutara deposit.

It is estimated that the total initial capital expenditure required to bring the Sutara pit into operation would amount to approximately US$51.1 million. Up to 31 December 2022, approximately US$19.8 million had been incurred. The remaining sum of US$31.3 million is expected to be self-funded by cashflow generated by K&S.

MINING

Currently, K&S does not have own mining fleet, and the mining works on site are carried by the third-party mining contractors. During the reporting period, the mining contractors moved 17,829,500 cubic metres of rock mass, including 8,921,800 tonnes of ore, which is 8% less than in 2021.

PRODUCTION

During the year, 8,741,800 tonnes of ore were fed to primary processing, in line with 2021. However, due to the higher grade of ore processed and higher recovery rate, 5,981,815 tonnes of pre-concentrate were produced, which is 1.5% higher than in 2021 (5,891,460 tonnes). Commercial iron ore concentrate production volume in 2022 was 2,569,845 tonnes, which is 0.5% higher than in 2021 (2,557,794 tonnes).

UNIT CASH COST

In 2022, the unit cash cost per wet tonne of concentrate sold increased to US$78.8 (2021: US$71.7), mostly driven by the stronger Russian Rouble exchange rate, higher mining contractors' rates, higher mineral extraction tax, and higher transportation costs, partly due to the increased share of sea shipments. In view of the fact that K&S has not yet reached full production capacity and that the Rouble has started to depreciate towards the end of the year 2022, there is room for K&S to keep costs under control.

SAFETY

LTIFR is a calculation of the number of lost-time injuries per one million hours man-worked. During the reporting period, K&S maintained a high level of safety with 2 injuries (2021 injuries: 1), 0 fatalities (2021 fatalities: 0), and a LTIFR of just 0.66 (2021 LTIFR: 0.35).

COVID-19

To date, there has been no material impact on IRC's operations due to COVID-19. The Group has taken the necessary measures to support the prevention of COVID-19 at its operations and will continue to monitor closely the situation.

PARTIAL MILITARY MOBILISATION

In September 2022, the Russian government announced a partial mobilisation of military reservists in Russia, and some K&S's workers have been called to the service. As of now, and so far as the Board is aware, based on its current assessment and the information currently available, there is no material impact on the operation of K&S. The Company will closely monitor the development of the situation.

IMPACT OF SANCTIONS AGAINST RUSSIA

IRC is listed on the Hong Kong Stock Exchange with operational mines in Russian Far East. Most of the Group's suppliers and customers are based in China and Russia. The Company continues to review and consider the impact, if any, of the UK, EU and US sanctions. As of now, and so far as the Board is aware, based on its current assessment and the information currently available, the sanctions have no material direct impact on the Group or its operations. Although the Group's operations and activities in Russia and elsewhere are currently continuing as usual, as the geopolitical situation continues to develop, there is a risk of supply chain disruptions affecting K&S's operation, the purchase of mining fleet and the development of the Sutara pit. IRC will continue to closely monitor sanctions developments and will, if necessary, make further announcement(s).

ADMINISTRATIVE OFFENCE PROCEEDING AGAINST K&S

Construction of K&S was carried out based on the original project design, which received the necessary approvals of the Russian authorities before the construction works began. However, for various reasons, including improvement of technology, production efficiency, cost saving considerations and correction of the construction deficiencies of the main contractor, some equipment and machinery were replaced and/or added. As a result, some of the actual production facilities deviated from the approved project design. The Company believes that this is not an uncommon occurrence when a relatively complex production facility is put into operation. Thus, the design documentation should have been updated and submitted to the Russian State authorities for approval.

While K&S was in the process of updating the design documents and preparing the application for approvals, Russian Federal Service for Environmental, Technological, and Nuclear Supervision ("RTN") made an inspection of K&S during which it determined the deviations from the approved design as non-compliant. An administrative offence proceeding (the "First Proceeding") was brought against K&S by RTN in the Obluchensky District Court of the Jewish Autonomous Region, the Republic of Russia (the "Court") for not registering the K&S facility as hazardous (the "Non-Registration"). The registration is not possible without completion of the above-mentioned design documents update and application for approvals. The Court deemed the case to be outside its jurisdiction and the matter was returned to RTN. RTN therefore made a ruling to impose an administrative penalty on K&S of RUB200,000 (equivalent to approximately US$3,000) in respect of the Non-Registration. K&S had paid the administrative penalty and continued to operate as usual.

RTN requested K&S to resolve the Non-Registration by 31 December 2021. While the Group has tried to resolve the matter as quickly as practicable, due to the COVID-19 pandemic and the fact that it is an extensive process, the required works were not completed by the due date. In early December 2021, K&S requested RTN to extend the deadline but the request was not accepted.

Given that the Non-Registration was not resolved by the deadline, in February 2022, RTN conducted an unscheduled inspection of K&S. Two administrative offence proceedings were issued to K&S in late March 2022, being:

– the K&S project is operating without the proper operating permit. Similar to the Non-Registration, the operating permit cannot be obtained without completion of the above-mentioned design documents update, which K&S is working on. RTN imposed an administrative penalty on K&S of RUB500,000 (equivalent to approximately US$6,000). K&S had paid the penalty.

– K&S failed to comply with the legal orders issued by RTN on time. As with the First Proceeding, RTN has brought this offence at the local court (the "Second Proceeding"). On 23 May 2022, the court dismissed the proceeding on the basis that the proceeding was commenced after the prescribed limitation period for bringing the proceeding at the court had expired.

K&S has been working closely with the local and federal authorities to resolve the Non-Registration as soon as practicable and, in the intervening period, K&S will continue to operate to the highest possible standard as usual.

Garinskoye

99.6% owned

Key facts:

68%
Fe grade

>3,500km²
Total iron ore licence area

4.6Mtpa
Fe production capacity

260Mt
Total resources

26Mt
Total reserves

20 years +
Mine life

OVERVIEW

Garinskoye, 99.6% owned by IRC, is an advanced exploration project. The project provides an opportunity for a low-cost DSO-style operation that can be transformed into a large-scale and long-life open pit mining operation.

The project is located in the Amur Region of the Russian Far East, midway between the BAM and Trans-Siberian Railways. With exploration licences for ground covering an area of over 3,500 km^2, the project is the largest in the IRC portfolio in terms of area.

CURRENT DEVELOPMENT

There are two possibilities to develop Garinskoye. The first option is to develop a large-scale 4.6 million tonnes per annum open-pit operation with a life-of-mine of 20 plus years, which requires the construction of a rail connection. The second option is an intermediate DSO-style operation that does not require a rail connection and can be started in advance of a larger conventional operation. The DSO-style plan comprises a pit with a reserve of 26.2 million tonnes, a grade of 47% Fe, and a stripping ratio of 1.7:1 m^3 per tonne. The DSO-style plan would then be able to produce 1.9 million tonnes per annum, with 55% grade iron ore fines and a life of operation of 8 years. There is an option to further increase the project value at very little additional capital expenditure by adding a further wet magnetic separation stage to produce a high-grade "super-concentrate" with a 68% iron ore content.

In 2013, IRC conducted an internal Bankable Feasibility Study. A third-party verification and a fatal flaws analysis for the DSO-style operation was carried out in 2014.

The Company is currently reviewing the options on how to move the project forward.

Other Projects

EXPLORATION PROJECTS & OTHERS

IRC's other exploration projects comprise an extensive portfolio that is diversified by geography, commodity and development stages. This seeks to add value through the discovery of new resources and the increase and confirmation of mineable reserves. Currently, IRC retains these valuable licenses for later development. Apart from exploration projects, IRC is also active in the complementary business of the Steel Slag Reprocessing Plant (SRP) and a mining consultancy services agency (Giproruda). SRP project, a joint venture with Jianlong Steel, originally sourced the feedstock from Kuranakh, and as Kuranakh was moved to care and maintenance in 2016, and then liquidated in 2021, the plant successfully switched to the local Chinese and imported feedstock. Due to the relatively small scale of the project, SRP's contribution to the Group results is not material. Below is a summary of the current portfolio of exploration projects for the Group:

Project	Products/Service	Location
Bolshoi Seym (100% owned)	Ilmenite	Amur Region, Russian Far East
SRP (46% owned)	Vanadium Pentoxide	Heilongjiang, China
Giproruda (70% owned)	Technical mining research and consultancy services	St. Peterburg, Russia

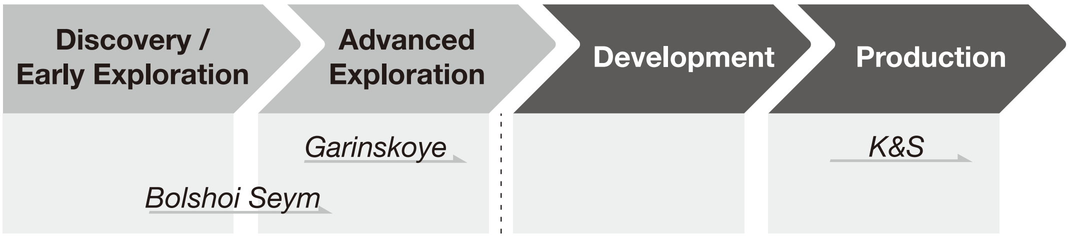
MINERAL RESOURCES AND ORE RESERVES STATEMENT

EXPLORATION OVERVIEW

IRC geologists explore prospective areas, confirming historical exploration results and existing mineable reserves. This mitigates risks during mining operations and reduces mining and processing costs. Data collected during exploration helps to develop strategies, business concepts and optimise mine models.

IRC has established one of the largest geological portfolios of high-quality ferrous ores in the Russian Far East.

The portfolio is divided into production and exploration projects.



OPERATIONS

Over 2022, no material exploration activities were carried out. Changes in resources and reserves were mainly due to the commercial production activities and Kimkan geology information being updated with actual ore grades and processing plant performance level achieved. In the light of these changes, the Group's resources and reserves as at 31 December 2022 are as follows:

31 December 2022		
IRON ORE	RESOURCES	1,130.6 million tonnes
		28.7% Fe
	RESERVES	349.8 million tonnes
		30.7% Fe

What is a Mineral Resource?

"Mineral Resource" is a concentration or occurrence of solid material of economic interest in or on the earth's crust in such a form, grade (or quality) and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted on the basis of specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order to increase geological confidence, into Inferred, Indicated and Measured categories.

What is an Ore Reserve?

Ore Reserves are those portions of Mineral Resources which, following the application of all Modifying Factors, result in an estimated tonnage and grade which, in the opinion of the Competent Person making the estimates, can be the basis of a technically and economically viable project, after taking into account of material relevant Modifying Factors. Ore Reserves are reported as inclusive of marginally economic material and diluting material delivered for treatment or shipped from the mine without treatment.

The table below details the Group's Mineral Resources and Ore Reserves as at 31 December 2022 (after application of geological losses). All figures are prepared in accordance with the guidelines of the JORC Code (2012) for a consistent basis of presentation. On the following pages, a further breakdown by project is available detailing cut-off grades and changes during 2022. Rounding-off of numbers may result in minor computational discrepancies. Where this occurs, such discrepancies are deemed to be insignificant.

Resources Summary

Project	Category	Tonnage Mt	Fe Grade %	Fe Mt	TiO_2 Grade %	TiO_2 Mt
RESOURCES						
K&S	Measured	18.2	31.1%	5.7	–	–
	Indicated	310.0	31.4%	97.2	–	–
	Inferred	250.1	31.9%	79.9	–	–
	Total	578.3	31.6%	182.7	–	–
Garinskoye	Measured	–	–	–	–	–
	Indicated	210.9	35.5%	74.9	–	–
	Inferred	48.6	30.9%	15.0	–	–
	Total	259.5	34.6%	89.9	–	–
Bolshoi Seym	Measured	–	–	–	–	–
	Indicated	270.8	17.8%	48.2	7.7%	20.8
	Inferred	22.0	16.8%	3.7	7.7%	1.7
	Total	292.8	17.7%	51.9	7.7%	22.5
Group	**Total Measured**	**18.2**	**31.1%**	**5.7**		**–**
	Total Indicated	**791.7**	**27.8%**	**220.3**		**20.8**
	Total Inferred	**320.7**	**30.7%**	**98.6**		**1.7**
	Total	**1,130.6**	**28.7%**	**324.5**		**22.5**

Reserves Summary

Project	Category	Tonnage Mt	Fe Grade %	Fe Mt
RESERVES				
K&S	Proven	18.8	29.4%	5.5
	Probable	304.8	29.3%	89.4
	Total	323.6	29.3%	95.0
Garinskoye	Proven	–	–	–
	Probable	26.2	46.9%	12.3
	Total	26.2	46.9%	12.3
Group	**Total Proven**	**18.8**	**29.4%**	**5.5**
	Total Probable	**331.0**	**30.7%**	**101.7**
	Total	**349.8**	**30.7%**	**107.3**

Kimkan and Sutara

Kimkan and Sutara (K&S) is a large magnetite project located in the Obluchenskoye District of the EAO in the Russian Far East. The project consists of two principal deposits – Kimkan and Sutara. To date, all of the necessary exploration activities as well as confirmation drilling have been completed in all areas.

Mining plan of K&S is based on the technical design documents approved by the State authorities. Mining activities began on the Kimkan deposit, and it is planned that mining of the Sutara deposit will start in 2023. K&S's total resources and reserves decreased in 2022 due to the production activities and changes to Kimkan geological information, which has been updated with actual ore grades and achieved levels of processing plant performance.

The breakdown of mineral resources and ore reserves for K&S is described in the table below:

K&S Mineral Resources & Ore Reserves

	Tonnage Mt	Fe Grade %	Fe Mt
Resources			
Measured	18.2	31.1%	5.7
Indicated	310.0	31.4%	97.2
Inferred	250.1	31.9%	79.9
Total	**578.3**	**31.6%**	**182.7**
Reserves			
Proven	18.8	29.4%	5.5
Probable	304.8	29.3%	89.4
Total	**323.6**	**29.3%**	**95.0**

Assumed Kimkan & Sutara Fe magnetite average cut-off grade: 15%.

Garinskoye

Garinskoye Deposit is one of the few large iron ore deposits in the Russian Far East that was explored and studied extensively during the Soviet era. It is located in the Mazanovsky Administrative District, in the Amur Region and situated approximately 300 km from the regional capital of Blagoveschensk.

The deposit was first discovered in 1949 through an aeromagnetic anomaly. Detailed exploration, including pits, trenches, shafts and underground development, together with drill holes were carried out between 1950 and 1958. The dominant form of mineralisation is magnetite, which sees a shift to martite within the oxidation zone. Magnetite ores can be classified into three types of iron grade:

1. High grade at above >50% Fe – sub-divided into low and high phosphorus
2. Average grade from 20% to 50% Fe
3. Low grade from 15% to 20% Fe

Current geological exploration works has been conducted at Garinskoye since 2007. No new exploration was carried out in 2022. The resources and reserves of Garinskoye have been prepared on the basis of a new set of estimates based on revised geological surveys and a feasibility study in 2015. As no exploration has been carried out and based on last year's iron ore prices as assumptions, the resources and reserves of Garinskoye remained the same in 2022 compared to 2021.

The following table details the resources and reserves of Garinskoye:

Garinskoye Mineral Resources & Ore Reserves

	Tonnage Mt	Fe Grade %	Fe Mt
Resources			
Measured	–	–	–
Indicated	210.9	35.5%	74.9
Inferred	48.6	30.9%	15.0
Total	**259.5**	**34.6%**	**89.9**
Reserves			
Proven	–	–	–
Probable	26.2	46.9%	12.3
Total	**26.2**	**46.9%**	**12.3**

Assumed Garinskoye Fe magnetite average cut-off grade: 9%.

Bolshoi Seym

Bolshoi Seym is located in the Tynda district of Amur region. At Bolshoi Seym, the license covers an area of 26 km^2. Potentially economic mineralisation at Bolshoi Seym comprises massive ilmenite and magnetite. Massive mineralisation comprises between 90% to 99% (by volume) of ilmenomagnetite, magnetite and ilmenite. The Bolshoi Seym mineralisation was initially discovered during the apatite-ilmenite ore exploration programme conducted in 1979–1982 by Kalarskaya GRP, a subsidiary of the state-owned company Dalgeologiya.

Systematic exploration of the Bolshoi Seym Deposit was conducted by Vostokgeologia between 2007 and 2009. A total of 170 diamond drill holes were drilled in all zones totaling 39,277 metres, of which 158 were exploration holes, 3 were grade control holes, 5 were technological holes, and 4 were hydrogeological holes. In addition to the drilling, 17 trenches were excavated over a linear distance of 7,893 metres.

A mineral resource estimate of the Bolshoi Seym Deposit was prepared by Micon in compliance with the CIM (Canadian Institute of Mining, Metallurgy and Petroleum) valuation standards. The estimate utilised geological and assay data from diamond drilling and trenching completed by Vostokgeologia in 2007–2009. In 2015, resources were assessed using a 5% TiO_2 cut-off grade and prepared in compliance with the JORC Code (2012).

In 2012, IRC increased its ownership of the Bolshoi Seym Deposit from 49% to 100%.

The following table details the resources of Bolshoi Seym.

Bolshoi Seym Ore Resources

	Tonnage Mt	Fe Grade %	Fe Mt	TiO_2 Grade %	TiO_2 Mt
Resources					
Measured	–	–	–	–	–
Indicated	270.8	17.8%	48.2	7.7%	20.8
Inferred	22.0	16.8%	3.7	7.7%	1.7
Total	**292.8**	**17.7%**	**51.9**	**7.7%**	**22.5**

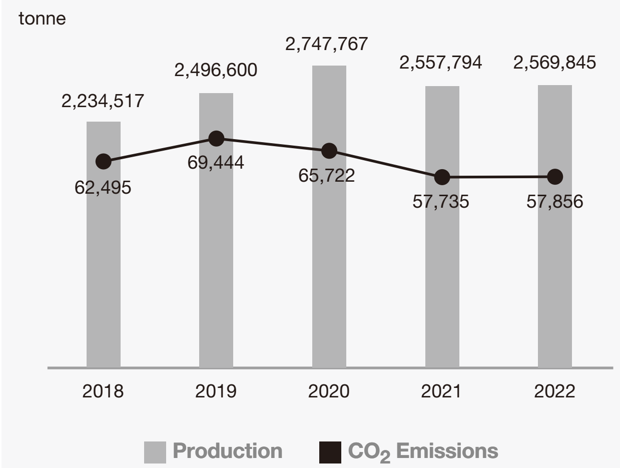
Assumed Bolshoi Seym TiO_2 average cut-off grade: 8%

ACT RESPONSIBLE, THINK SUSTAINABLE

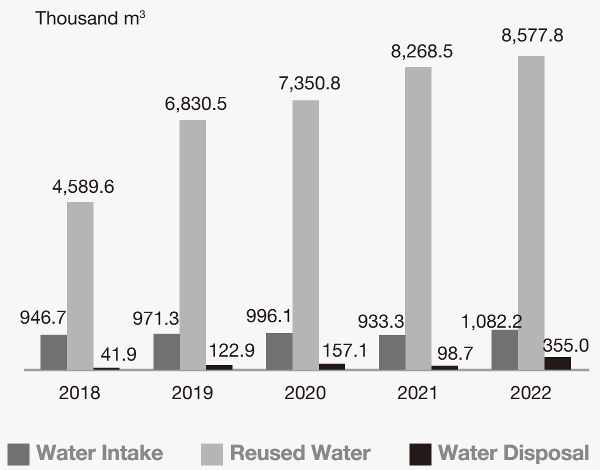
FY2022 HIGHLIGHTS

Environment

CO_2 Emissions vs Production

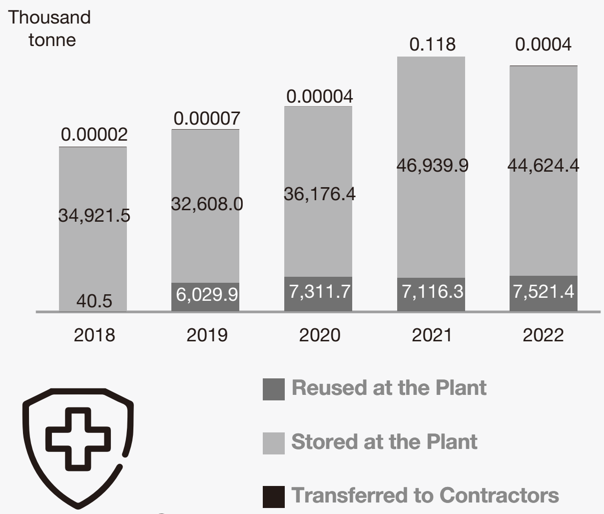


Water Management

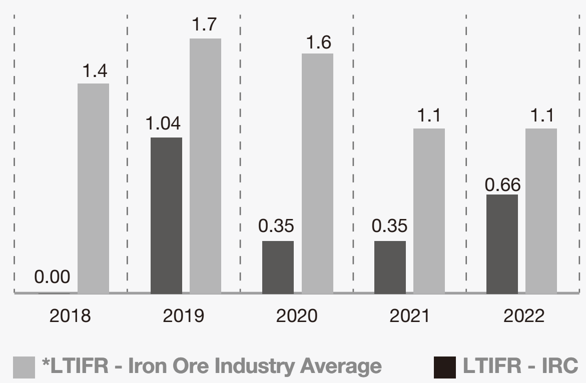


Health and Safety

Waste Management



Lost Time Injury Frequency Rate



* Sources: Department of Mines, Industry Regulation and Safety - Government of Western Australia

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

INTRODUCTION

IRC is conscious of its Environmental, Social and Governance ("ESG") responsibilities. They are a core consideration at every stage of our business, not just in the day-to-day mining and processing operations, but also through all our functions from exploration to logistics and administration. This also includes the communities where we operate, as well as the wider communities of the Amur and Jewish Autonomous regions of the Russian Far East. ESG matters that the IRC's stakeholders rate as priorities are tracked through the annual stakeholder engagement activities. The outcomes of the activities are incorporated into the company's ESG strategies and programmes.

The Board reviews progress made against ESG-related goals and targets on a regular basis. The goals and targets set out in this ESG report are reviewed, and re-assessed, at least annually by the Board.

IRC is the first and the only pure-play iron ore operator in the Russian Far East, as well as the first iron ore mining company in the Amur and Jewish Autonomous regions to be certified for compliance with international standard ISO 14001:2004. Since 2011, policies and strategies have been derived from the HSE Committee of the Board. The Executive Committee designated HSE teams to Moscow, Birobidzhan and the operating site to oversee the implementation. The HSE teams report to the HSE Committee and the HSE Committee reports to the Board. The HSE Committee, the Executive Committee and the local HSE teams are the Group's initial line of defence in evaluating, prioritising and managing environmental and social related issues. The Audit Committee, the Executive Committee, together with the Group's internal audit function, are the Group's initial line of defence in evaluating, prioritising and managing governance related issues. All material matters are escalated to the Board for the Board to evaluate, prioritise and manage such matters.

Disclosure of the Company's ESG activities is a priority for management. ESG matters are included in the agenda of the Board meetings on an annual basis. Each year the Company sets specific objectives and deadlines for their implementation. In order to assess the performance, the Company monitors its progress against these targets and deadlines, involving all stakeholders in the process. As a result of quantitative and qualitative evaluation, the Board makes overall assessment of the effectiveness of the implementation of the set goals and objectives in the area of ESG during the reporting period.

The Board is accountable for the overall responsibility for the Group's ESG policies and strategies and overseeing and managing the Group's ESG related issues. IRC's ESG management approach and strategy is to run its business in an ethically, socially and environmentally responsible manner, supporting the communities the Group serves.

IRC is one of the largest financial contributors to the local economy in the Jewish Autonomous Region.

REPORTING SCOPE AND BOUNDARY

This ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This ESG report covers all principal business activities of the Group as all of them are of financial and operational significance to the Group for the period from 1 January 2022 to 31 December 2022, unless otherwise specified. The information disclosed in this report covers the principal business of the Group, being the production and development of industrial commodities products.

The four reporting principles of the ESG Guide, namely the “Materiality”, “Quantitative”, “Balance” and “Consistency” principles have been applied in the preparation of this ESG report:

1. Materiality: The ESG Report is prepared taking into account the stakeholders’ opinions, sustainable development context and the need to provide complete, accurate data comparable to the results of the previous years. Significant topics are identified in accordance with the methodologies and procedures set out in the Company’s Corporate Stakeholder Engagement Framework and the Communications in Environmental Management System standard. This ESG report reflects material ESG issues identified through annual materiality assessments conducted by the Executive Committee. The materiality of ESG issues have been reviewed by the Board.

2. Quantitative: This ESG report presents quantitative information and key performance indicators. Information on the standards, methodologies, assumptions and calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption has disclosed on the page 53.

3. Balance: This ESG report discloses an unbiased picture of the Group’s performance.

4. Consistency: There is no change in the methodologies and key performance indicators used in which relevant data were collected and compiled between this ESG Report and the ESG report prepared for the year ended 31 December 2021.

SUSTAINABLE DEVELOPMENT POLICY

IRC’s operations provide thousands of people with jobs and business opportunities. The Company’s operations stimulate the Russian Far East’s economic growth and have thus become an important part of the local economic fabric.

The core constituents of IRC’s sustainable development policy are:

1. The provision of safe and healthy working condition;

2. The rational use of natural resources; and

3. The preservation of a favourable environment for future generations.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

As at 31 December 2022, the HSE Committee consists of three Independent Non-Executive Directors – Natalia Klimentievna Ozhegina (Chairman), Vitaly Georgievich Sheremet and Alexey Mihailovich Romanenko, and is responsible for evaluating the effectiveness of the Group's policies and systems in identifying and managing HSE risks within the Group's operations and ensuring compliance with HSE regulatory requirements. The Committee also assesses the performance of the Group with regards to the impact of health, safety, environmental and community relations, decisions and actions. For details of the committee, please refer to page 104 of this report.

Natalia Klimentievna Ozhegina
Chairman of HSE committee

Vitaly Georgievich Sheremet
Member of HSE committee

Alexey Mihailovich Romanenko
Member of HSE committee

EMPLOYEES – HEALTH & SAFETY

IRC projects include mines and processing plants in some harsh climatic conditions in the Russian Far East. Our K&S mine is open-pit and highly mechanised.

In 2022, the Group employed a total of 1,804 employees, with a male to female ratio of 70.3% to 29.7%. Aside from these 1,804 employees, the Group also engaged an average of 578 people from external contractors.

The Group employs people not only from the Russian Far East, but also from other regions of Russia and the Commonwealth of Independent States ("CIS") and participates in the state programme of compatriots resettlement. The programme provides preferential conditions for gaining citizenship as well as the reimbursement of relocation costs. During the reporting period, 67 employees of the processing plant came from the neighbouring countries.

	2022	2021	2020	2019	2018
Total employees,	**1,804**	1,767	1,700	1,711	1,850
of which:					
– Part-Time	**27**	25	12	21	15
– Temporary Contractors	**37**	23	24	58	61
Female Ratio%	**29.7**	30	29	28	28

Most employees have permanent employment contracts and work full-time. Discrimination on gender is not tolerated in the Group. When it comes to hiring, equal opportunities for men and women are prioritised.

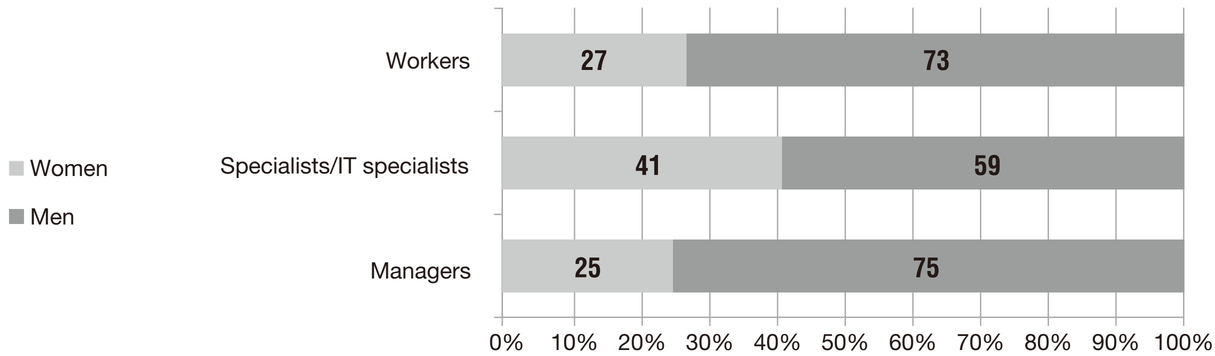
Personnel characteristics

The total number of employees in the Group was 1,804 in 2022, up 2% from the previous year, including 1,320 workers (73.2%), 350 specialists (19.4%), and 134 management staff (7.4%).

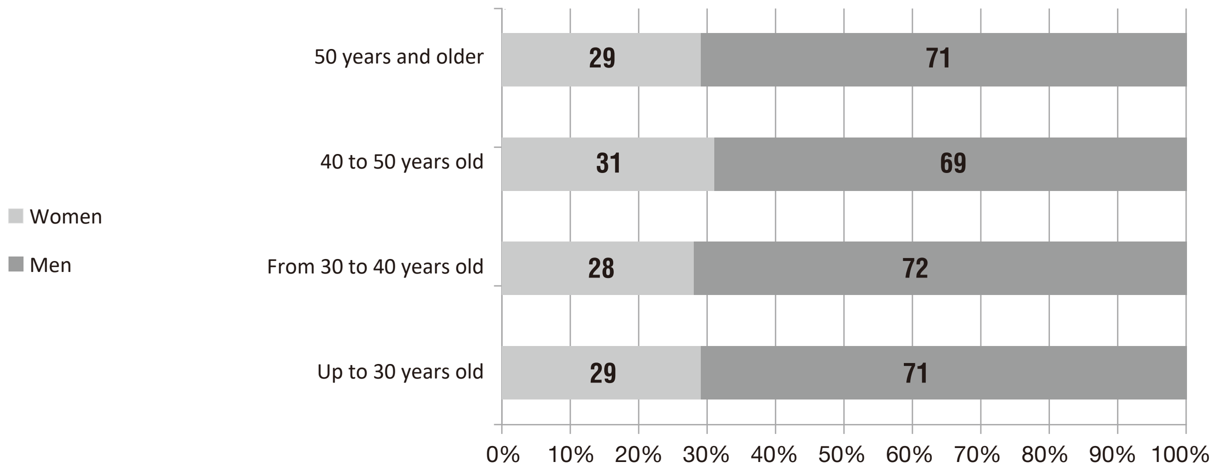
The following table shows the gender distribution of IRC employees by job type and age in 2022:

Indicator	Unit	2022	2021
Men			
		1,268	1,242
Managers	person	**100**	190
Specialists/IT specialists	person	**205**	125
Workers	person	**963**	927
– Up to 30 years old	person	**183**	205
– 30 to 40 years old	person	**301**	332
– 40 to 50 years old	person	**410**	349
– 50 years and older	person	**374**	356
Women			
		536	525
Managers	person	**34**	40
Specialists/IT specialists	person	**145**	153
Workers	person	**357**	332
– Up to 30 years old	person	**76**	82
– 30 to 40 years old	person	**118**	142
– 40 to 50 years old	person	**187**	164
– 50 years and older	person	**155**	137

Distribution of IRC employees by gender and category in 2022:

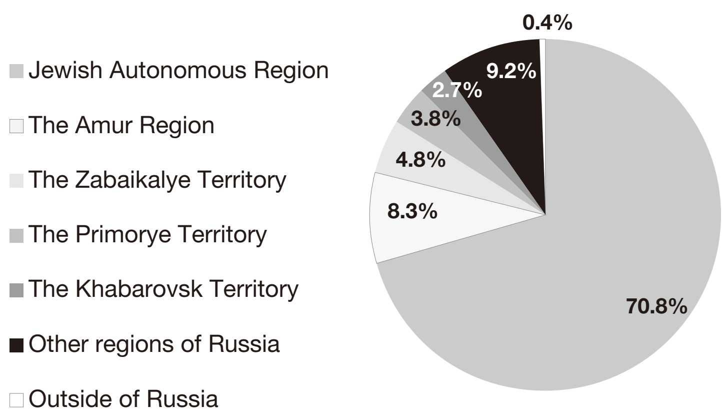


Distribution of IRC employees by gender and age in 2022:



Distribution of IRC employees by region in 2022:

Region	Number of employees
Jewish Autonomous Region (EAO)	1,278
– *Birobidzhan*	*469*
– *Obluchensky district*	*747*
– *Other districts of EAO*	*62*
The Amur Region	149
The Zabaikalye Territory	86
The Primorye Territory	68
The Khabarovsk Territory	49
Other regions of Russia	166
Outside of Russia	8
Total	1,804



In 2022, IRC had a relatively high employee turnover rate. The number of employees who left the Group reached 371 (21% of the total employees) by the end of 2022, which is higher than the mining industry's average. Competition with other enterprises engaged in mineral mining and processing in the Obluchensky district has contributed to an increase in labour turnover.

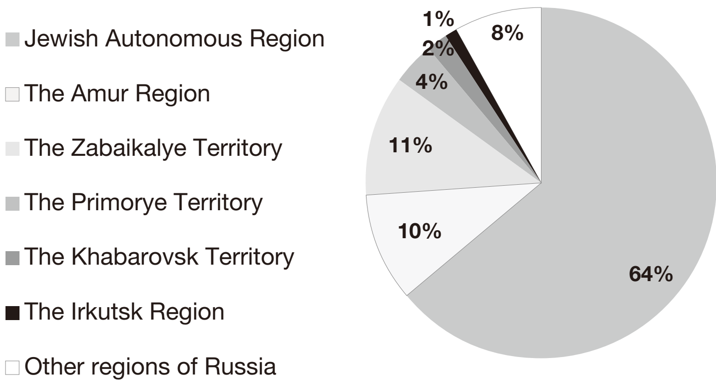
Staff turnover is calculated as the ratio of the number of employees dismissed under Article 77.3, 6, 7, 9 of the Labour Code of the Russian Federation to the average headcount.

The following table shows the distribution of IRC employee turnover by gender, age and region in 2022:

Indicator	Unit	2022	2021
Men		**283**	215
– Up to 30 years old	person	**90**	85
– 30 to 40 years old	person	**60**	44
– 40 to 50 years old	person	**64**	41
– 50 years and older	person	**69**	45
Women		**88**	86
– Up to 30 years old	person	**33**	35
– 30 to 40 years old	person	**24**	21
– 40 to 50 years old	person	**12**	15
– 50 years and older	person	**19**	15

Distribution of IRC employee turnover by region in 2022:

Region	Number of employees
Jewish Autonomous Region (EAO)	238
– Birobidzhan	*80*
– Obluchensky district	*158*
– Other districts of EAO	*0*
The Amur Region	37
The Zabaikalye Territory	41
The Primorye Territory	15
The Khabarovsk Territory	9
The Irkutsk Region	3
Other regions of Russia	28
Total	371



Analysis of the labour productivity

Production volume in the year of 2022 increased by 0.5% compared to the year of 2021 and amounted to 2,569,845 tonnes of iron ore concentrate.

Indicator	Unit	2022	2021	Efficiency % in 2022, YoY
Production volume	t	**2,569,845**	2,557,794	0.5
Number of workers	person	**1,804**	1,767	2.0
Labour productivity	t/person	**1,425**	1,447	(1.5)

According to the results of the analysis, despite the increase of the number of employees, the labour productivity per tonne of iron ore concentrate decreased by almost 1.5% in 2022 compared to 2021. The decrease in labour efficiency is attributable to the fact that some personnel positions which had not been filled in 2021, were filled in 2022, and the number of personnel increased year on year.

Employment Mission and Vision

People are the decisive factor for the Group's success. Attracting and developing talented and motivated employees who share the corporate values of the Group is the most important factor for the Group's success. IRC creates jobs in the region in which it operates, provides competitive wages and a safe working environment, and pursues a balanced social policy. The principle of equality and non-discrimination is applied to recruitment and remuneration of employees.

Our Group's main principles in the field of labour relations are:

- Creation of opportunities for the professional and personal growth of employees;
- Encourage all employees to reach their full potential;
- High productivity of labour with full compliance with safety requirements;
- Substantive reward system to encourage high-productivity work;
- Relations between employer and employees are based on the principles of social partnership and mutual responsibility;
- Creating a culture in the workplace that stimulates a high level of achievement.

Training & Development

Efficiency in production largely depends on the qualifications of workers, most importantly their professional and personal skills. The corporate training system focuses on the Group's strategic plans and needs for staff with certain qualifications and necessary competencies. Training programmes are a tool for improving productivity, quality and safety, as well as minimising the risks associated with the activities of unskilled employees.

The Group uses a variety of methods to train specialists and workers, including full-time training in state educational institutions and private centres, corporate training programmes, internships and on-site training.

The Group has established a training centre to provide professional training to its employees. The Centre holds a vocational training license issued by the Education Committee of the EAO.

Training and development of the Group's personnel in 2022 was conducted by external consultants in the following areas:

– Upgrade of professional qualifications in the following areas and specialities:

  o Driver transporting dangerous goods and materials;

  o Chemical laboratory assistant;

  o Slinger;

  o Construction safety;

  o Crane operator;

  o Safety of work at height;

  o Electrician-Lineman for installation of overhead high voltage lines and overhead lines;

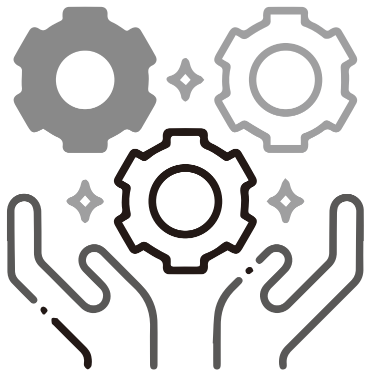
  o Adjuster of pointers, arresting devices and recorders of lifting devices;

  o Operational support specialist for pointers, arresting devices and recorders of lifting devices;

  o Weigher;

  o Beneficiation product controller;

  o The boiler room operator (stoker);



– Learning new vocational skills;

– Operational and crisis safety training, including labour safety, industrial and fire safety.

In 2022, 619 employees received training, including:

– 405 employees were sent to study in educational institutions of the Khabarovsk Territory, Birobidzhan, and Moscow;

– 214 employees received training at the training centre of the Group.

Upon completion of training, the employee is issued a certificate or a certificate equivalent. There are two classrooms and visual training material in the centre. Industrial training takes place in the workplace under the guidance of teaching staff. The teaching staff includes K&S's certified engineers and technicians, who have professional teaching diplomas.

Employees received training in 2022 by gender and qualifications:

	Number of employees	% of employees	Average number of training hours per employee	Average number of training hours for all employees
Women	**61**	**10**		
Technical and engineering	9	1	90 hours	810 hours
Specialists	36	6	20 hours	720 hours
Workers	16	3	85 hours	1,360 hours
Men	**558**	**90**		
Technical and engineering	246	40	8 hours	1,968 hours
Specialists	59	9	16 hours	944 hours
Workers	253	41	20 hours	5,060 hours

For details on the training received by the IRC Board, please refer to page 90 of this Annual Report.

In addition, a new "Mineral Processing" specialty was opened in 2017 on the initiative of K&S, based on the Faculty of Information Technologies of the Sholom – Aleichem Priamursky State University, Birobidzhan ("Priamursky State University"). Graduates are guaranteed to be employed at the K&S processing plant after graduation. The educational programme is carried out at the university campus and directly at the Group's educational and production facilities.

In 2020-2022, 19 young specialists successfully obtained their diplomas and were employed by IRC. As of the end of 2022, 53 students were studying at the university, with their expenses reimbursed by the Group.

Number of employees received training in “Mineral Processing” specialty at the expenses of IRC since 2019:

Location	2022	2021	2020	2019
K&S Training Centre	**619**	518	377	521
Priamursky State University (full-time education)	**26**	10	10	10
Priamursky State University (correspondence course)	**27**	–	5	12

To support the programme, a strong team of teachers was created, composed of the Company’s leading experts, who give lectures and conduct training sessions for full-time and part-time first to third year students of the “Mineral Processing” specialty within the Priamursky State University.

Labour Standards

Employment and organisation of labour in IRC complies with the Constitution of the Russian Federation, the Labour Code of the Russian Federation and other regulatory acts of the Russian Federation containing labour law norms, the Company Charter, and internal documents of the Group. The employment contracts of staff who are employed in other jurisdictions comply with the laws of the relevant jurisdiction. The Group has a policy of zero tolerance to child and forced labour.

The following corporate documents are designed to improve human resources management in the Group:

- Employee’s Code of Professional Ethics;
- Internal Labour Regulations;
- Regulations on Personal Data of the Employees;
- Remuneration and Bonus Scheme for the Employees;
- Regulations on Disciplinary Sanctions;
- Dormitory Rules;
- Regulations on the Training Centre which provides professional training of the Group’s employees and other persons;
- Regulations on Structural Divisions.

The employment contracts are normally permanent in accordance with general regulations. However, in some cases, because of the nature of the duties or requirements to perform those duties, it may not be possible to establish a working relationship permanently. In those cases, a fixed-term employment contract of up to five years may therefore be signed. Russian Labour legislation imposes clear restrictions on the implementation of fixed-term employment contracts.

An employer may terminate an employment contract only on the basis of the specific grounds set out in the Labour Code. An employee made redundant or dismissed from the Company on account of its liquidation shall have the right to receive, for a period of time, compensation, including severance and salary payments, depending on the circumstances.

The Labour Code also provides for additional protection or favourable treatment for certain categories of employees, such as pregnant women, workers under the age of 18, workers engaged in hazardous working conditions or those working in hostile climatic conditions. According to the Labour Code, it is prohibited to employ, engage in, or use any forced or juvenile labour. The Federal Authorities regularly carry out field inspections to ensure compliance with the law. To prevent the use of child or forced labour, the Group exercises rigorous candidate screening. The recruitment process includes age-checks to ensure no children are hired or contracted by the Group. All job applicants are required to provide valid identity documents prior to the confirmation of employment, ensuring that the applicants are lawfully employable.

The Labour Code also sets the standard working time per week at 40 hours. Working beyond 40 hours a week, as well as working on public holidays and weekends, shall be compensated by double payment of labour remuneration, or be paid as an extra day off. Working hours are stipulated in contracts with staff and we ensure these requirements are in compliance with applicable labour laws.

The Group does not discriminate on the basis of gender, nationality, religion or other grounds not related to the level of competence in the field of labour relations. The selection of candidates for vacant positions depends on the availability of the necessary skills and excludes the preferences of gender, nationality, religion and age. Human Resource's decisions are based solely on the assessment of the applicant's professional qualities.

The Group complies with all federal legislation regarding working hours and conditions, worker protection, remuneration and dismissal, recruitment and promotion, social security, paid leave, rest periods, equal opportunity, diversity and anti-discrimination. Social benefits are provided to all employees of the Company and certain categories in accordance with the legislation of the Russian Federation.

To protect the interests of employees of the Group, employees may contact the Human Resources department if they suspect discriminatory behaviour.

During the reporting period, the Group complied with all applicable employment laws and regulations, including the Labour Code. There were no cases of discrimination, child labour, or other forms of forced labour within the scope of the Group. However, if there were any such cases, the staff responsible for the violations would be subject to internal disciplinary actions (including, potentially, having their employment terminated) and/or referred to relevant authorities, and the Group would review relevant policies and procedures.

HEALTH AND SAFETY

The Group is responsible for maintaining a safe working environment that complies with the applicable law and industrial safety requirements and protects employees from occupational hazards. Health and safety measures are managed at the operational level, with support from the Group to ensure compliance with Russian regulations. All projects are required to have health and safety management systems in place and to reflect good international practice. The principal law regulating industrial safety is the Russian Health and Safety Law, which applies, in particular, to industrial facilities and sites where certain activities are carried out, including sites where mineral processing is carried out and certain hazardous substances are used. The Health and Safety Law also contains a comprehensive list of hazardous substances and their permitted concentrations and extends to the facilities and sites where these substances are used. Regulations adopted under the Health and Safety Law further address the safety rules for mining and production operations carried out by the Group. The Group complies with these laws.

Any construction, reconstruction, liquidation or other activities relating to regulated industrial sites shall be subject to a state industrial safety review. Any deviation from the project documentation in the process of construction, reconstruction or liquidation of regulated industrial sites shall be prohibited unless it is reviewed by a licensed expert and approved by the Federal Service for Environmental, Technological and Nuclear Supervision or other relevant regulatory authority. Legal entities operating such regulated industrial facilities and sites have a wide range of obligations under Russian law, in particular under the Health and Safety Law and the Labour Code.

In order to comply with Federal Law No. 426–F, the Health and Safety Department of the Group shall, each year, identify harmful and/or hazardous factors in the production environment and working process, and assess the level of impact it has on employees, taking into account deviations in their actual value. Based on of the results of the assessment of working conditions, reports on the classification of working conditions and lists of measures to improve working conditions are drawn up.

In addition to the legal obligation to protect the health of all employees, the Group recognises that its employees have the right to work in a safe working environment. Health and safety training is provided to all employees during the initial on-boarding process. The Group organises annual conferences to bring key members of staff to share their experience and discuss good practice. In addition, all employees receive annual health and safety "refresher" training courses to introduce them to the latest health and safety techniques and procedures put in place by the Group. Health and safety monitoring and internal inspections of working environments are undertaken to ensure compliance with Russian regulatory requirements as well as with international best practice.

Our goal is to ensure the health and safety of our employees, contractors, and visitors of the Group. The Group's health and safety policy includes:

- Adherence to all labour legislation-mandated procedures and requirements;
- The need to enforce standards that embody best practices, and to ensure that working conditions are still favourable;
- Conducting required briefings, training, and employee monitoring;
- Advising and educating employees about developments in labour protection;
- Conducting routine risk assessments and operational safety audits to track and enhance the Group's operations.

As mentioned, all of the Group's operating entities must have health and safety management systems, as recorded in comprehensive health and safety manuals. The Group employs health and safety experts and provides rigorous training programmes. The Group investigates every accident and prepares accident reports in accordance with existing procedures. The Group also prioritises new employees' safety induction and conducts bi-monthly health and safety training for all employees. As part of the Group's fire prevention programme, firefighting exercises are held on a regular basis, and employees are provided with necessary safety equipment.

The Group has developed and is implementing "Industrial safety and labour protection management system", "Permit-to-work system" and "Procedure for training (pre-certification) and verification (certification) of the knowledge of industrial safety, labour protection and fire safety requirements" standards. These standards lay foundation for the Group's compliance with labour protection, and industrial and fire safety regulations.

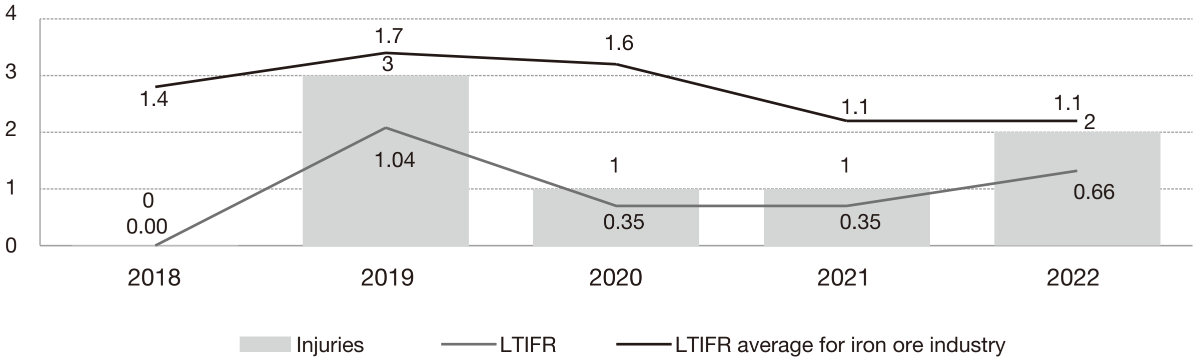
The Federal authorities inspect explosives storage, industrial facilities, labour and environmental aspects, as well as health and safety procedures and documents at each of the Group's operations on a regular basis, ranging from once a year to once every three years.

In 2022, the lost time due to injuries recorded on site was only 0.66 per 1,000,000 man-hours. The Group will continue to make efforts in this area in order to achieve a zero injuries rate and safe working conditions.

Safety Statistics 2018–2022 (Russian Standard Scale)

	2022		2021		2020		2019		2018	
	Injuries	**LTIFR**	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR
K&S	**2**	**0.70**	1	0.35	1	0.36	3	1.07	–	0.00
Other projects	**–**	**0.00**	–	0.00	–	0.00	–	0.00	–	0.00
Group	**2**	**0.66**	1	0.35	1	0.35	3	1.04	–	0.00

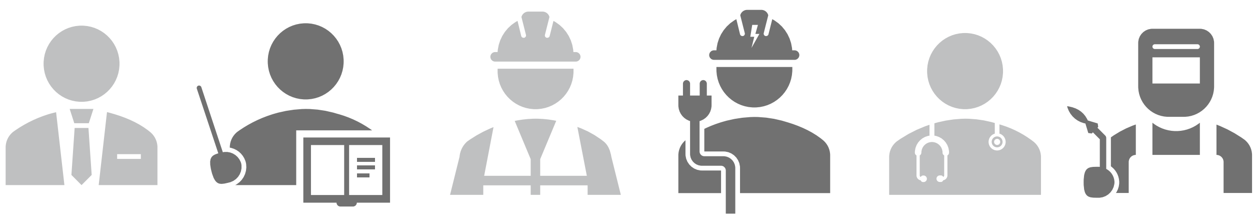
Note: LTIFR means Lost Time Injury Frequency Rate.



According to the requirements of the Russian Federation's Labour Code, each industrial accident must be reported in the prescribed manner and logged in the prescribed form in the industrial accident register.

Health and safety performance is a key indicator that reflect how IRC fulfils its responsibility to provide a good working condition to its employees. Low rates of occupational injuries and diseases and lost working days are related to the high morale and productivity of employees. The Group also regularly conducts annual medical examinations for workers in hazardous working conditions to detect signs of occupational diseases and prevent them before they occur.

The safety and well-being of our employees and the communities near the K&S mine are of paramount importance to IRC. The Group has had no fatal accidents in the past three years. IRC is committed to further improve safety standards in the coming years.



ENVIRONMENTAL MANAGEMENT SYSTEM & ENVIRONMENTAL POLICY

Environmental Management System (EMS) is an instrument for implementing environmental policies. It aims to set and achieve environmental goals, manage environmental matters, and fulfil its obligations.

One of the key aspects of IRC's sustainability policy is to minimise the impact of our operations on the environment and natural resources. This task is seen as critical by our management team.

Since 2011, the Group has implemented an integral Environmental Management System ("EMS"), which is used for the development, implementation and review of the Group's environmental policy. It has been certified by the French certification body AFNOR. Currently, the EMS used by IRC is able to meet all the requirements of ISO 14001, although it has not been formally certified due to cost-saving reasons. In order to further confirm the effectiveness of the environmental management system, and in accordance with the latest requirements of the international standard ISO 14001, the Group conducts a self-assessment of the system every year.

Atmospheric, groundwater and surface water, soil and plant, geological topography, animal life in the water ecosystem and the surrounding areas of the Group's projects will be affected during its operations. In order to minimise the environmental impact, the Group has taken a number of important measures, including compliance with the following environmental policies:

1. Compliance with the environmental laws of the Russian Federation and international agreements;

2. Minimisation of the impact on the environment and biodiversity through measures to improve and optimise the environmental management system;

3. Minimisation of the impact of operations on indigenous populations, in addition to providing support to indigenous communities to preserve their lifestyle and contribute to sustainable development;

4. Utilisation of scientific research and developments to eliminate or reduce the impact of operations on the environment and to reduce the consumption of materials and energy;

5. Preparation of contingency plans in the event of a health and safety, environmental or natural disaster or emergency;

6. Promotion of environmental awareness to employees and stakeholders where the Group operates;

7. Encouraging vendors and contractors to comply with the environmental and safety policies of the Group;

8. Disclosure of the Group's environmental strategy, research and data to the public, as well as to conduct public consultations and hearings;

9. Commitment of the Board and senior management to comply with the safety and environmental policies, and environmental management system in all decisions; and

10. Involvement of all employees in the environmental management system through training and incentive programmes.

The main objectives of the Group's environmental policy are achieved through the implementation of the following activities:

1. Compliance with the requirements of local environmental law and international standards of best practice;

2. Environmental monitoring of:

   – air pollutants and emissions (including greenhouse gasses);

   – land use and rehabilitation;

   – waste management (including hazardous substances);

   – water management; and

   – energy consumption and conservation.

3. Biodiversity conservation;

4. Community engagement through:

   – stakeholders engagement;

   – public hearings and discussions; and

   – environmental education.

In accordance with the requirements of the international standard ISO 14001, all employees of the Group receive training to understand the importance of environmental protection activities at their workplaces. EMS also applies to all contractors that works on our sites. The proper functioning of the environmental management system reduces the impact of our operations on the environment and promotes a healthy and ecological culture among our employees.

CORPORATE ENVIRONMENTAL GOALS, OBJECTIVES, AND MEASURES FOR THE ACHIEVEMENT

In order to implement measures aimed at achieving the environmental goals and objectives set by the Group in 2022 (the environmental goals and objectives are set once a year), the Environmental Protection Action Plan was designed and approved. The Plan is a document that sets out a list of all measures aimed at improving environmental management efficiency, ensuring environmental safety, rational use of natural resources, and saving energy.

At the end of each period, the company reports the results of the implementation of environmental protection measures and the achievement of key environmental indicators to the supervising authorities.

REQUIREMENTS OF ENVIRONMENTAL LEGISLATION

In its environmental policies, IRC meets and often exceeds the standards of Russian legislation and international best practice. The main Russian Federation Environmental Legislation and Standards applicable to the Group's activities include:

– No. 7, 2002 "On Environmental Protection";

– No. 2395-1, 1992 "On Subsoil Law";

– No. 136, 2001 "Land Code";

– No. 33, 1995 "On Specially Protected Natural Territories";

– No. 52, 1995 "On Wild Animals";

– No. 116, 1997 "On Industrial Safety of the Dangerous Industrial Objects";

– No. 89, 1998 "On Production and Consumption of Waste";

– No. 52, 1999 "On Sanitary – Epidemiological Welfare of the Population";

– No. 96, 1999 "On Ain Protection";

– No. 190, 2004 "Urban Development Code of the Russian Federation";

– No. 166, 2004 "On Fisheries and Conservation of Aquatic Biological Resources";

– No. 74, 2006 "On Water Code";

– No. 416, 2011 "On Water Supply and Water Disposal";

– No. 174, 1995 "On Ecological Expertise";

– No. 99, 2011 "On Licensing Certain Types of Activities";

– No. 442, 2003 "On the Transboundary Movement of Waste";

– No. 200, 2006 "Forest Code of the Russian Federation";

– No. 1458, 2014 “On the Procedure for Determining Technology as the Best Available Technique, as well as the Development, Updating and Publishing of Informational Technical Guides on the Best Available Technique”;

– No. 219, 2014 “On Amendments to the Federal Law ‘On Environment Protection’ and Certain Acts of the Russian Federation”;

– Sanitary and Epidemiological Rules and Norms (“SanPiN”) 1.2.3685-21 “Hygienic standards and requirements for ensuring safety and (or) harmlessness to humans from environmental factors”;

– Resolution of the Government of Russia No. 800, 2018 “On carrying out rehabilitation and conservation of land”;

– GOST R 56062-2014 “Industrial Ecology Control. General Principles”;

– GOST R 56061-2014 “Industrial Ecology Control. Requirements for Programme Industrial Ecology Control”;

– GOST R 56059-2014 “Industrial Environmental Monitoring. General Principles”;

– GOST R 56060-2014 “Industrial Environmental Monitoring. Monitoring of the State and Pollution of the Environment on the Territories of Wastes Disposal facilities”;

– GOST R 56063-2014 “Industrial Environmental Monitoring. Requirements to Programmes of Industrial Environmental Monitoring”;

– GOST R 56828.24-2017 “Best Available Techniques. Energy Saving. Guidance on the Application of the Best Available Techniques for Increasing the Energy Efficiency Energy Saving”;

– GOST R 56828.27-2017 “Best Available Techniques. Resources Saving. The Methodology for the Treatment of Waste to Produce Material Resources”;

– GOST R 55100-2012 “Resources Saving. Best Available Techniques for the Management of Tailings and Waste – rock in Mining Activities. Aspects of Good Practice”;

– GOST R 54298-2010 “Environmental Management System. Certification of Environmental Management System for Compliance GOST P 14001-2007”;

– RD 52.08.18-84 “Conservation of Nature. Hydrosphere. Methodical Instructions. Rules for Keeping Records of Surface Waters. General Provisions”.

ENVIRONMENTAL MONITORING, CONTROL AND MEASURING

A comprehensive assessment of the environmental impact of K&S activities is carried out in accordance with Russian legislation and international regulations during the process of industrial environmental control and monitoring. To this end, we cooperate with accredited laboratories and research organisations with appropriate licenses and permits.

IRC has a comprehensive environmental monitoring system, including monitoring environmental conditions, evaluating and predicting changes in environmental conditions under the influence of natural and anthropogenic factors. Monitoring covers the following areas:

– Atmospheric air;

– Natural waters (surface and underground);

– Bottom sediments and top soil in stream flow;

– Flora and fauna;

– Aquatic ecosystems; and

– Radiation.

IRC regularly monitors air emissions, sources of solid waste, process control parameters, fuel and energy resources, and uses these data to better manage its operations.

The objectives of industrial environmental control are:

– Check the conformity of the technological process to the design;

– Control of hazardous waste management;

– Control of environmental protection measures of atmospheric air, land and water bodies; and

– Control of physical environmental factors (noise and vibration).


Industrial emissions control


Water sampling


Analysis of water samples

Since 2016, more than 28,000 analyses of various environmental components have been carried out as part of the monitoring programmes and more than 2,200 wastewater and industrial discharge tests have been made.

To ensure compliance with the requirements of environmental legislation, annual reports on the results of industrial environmental control are prepared separately for the K&S industrial site and accommodation camp.

As part of the preparation of design documentation for development of the Sutara iron ore deposit, in 2022, engineering and environmental surveys for the construction of a protective dam, the Sutara open pit were carried out. During the surveys more than 800 measurements of radiation level were carried out in 2022.

According to the results of industrial environmental control and environmental monitoring conducted by IRC, all data did not exceed the limits and met the standards.

STATE ENVIRONMENTAL SUPERVISION (CONTROL)

In 2022, two unscheduled inspections were carried out at K&S to check the compliance with legislation in the field of production and consumption waste management, water legislation and legislation in the field of atmospheric air protection. No violations have been noted as a result of the inspections.

CLIMATE CHANGE

The corporate objectives in the area of climate change

The management of greenhouse gas emissions is part of IRC's ongoing corporate strategy for environmental protection and climate conservation. Reducing specific greenhouse gas emissions is a key factor to improving the environmental friendliness of production processes.

When implementing the projects of IRC, environmental protection measures must be enforced to reduce emissions of pollutants into the air (use of gas treatment plants with a cleaning efficiency of up to 99%), using a recycled water supply system, reducing the area of land affected by the project, using industrial waste as raw materials and other materials of construction sources.

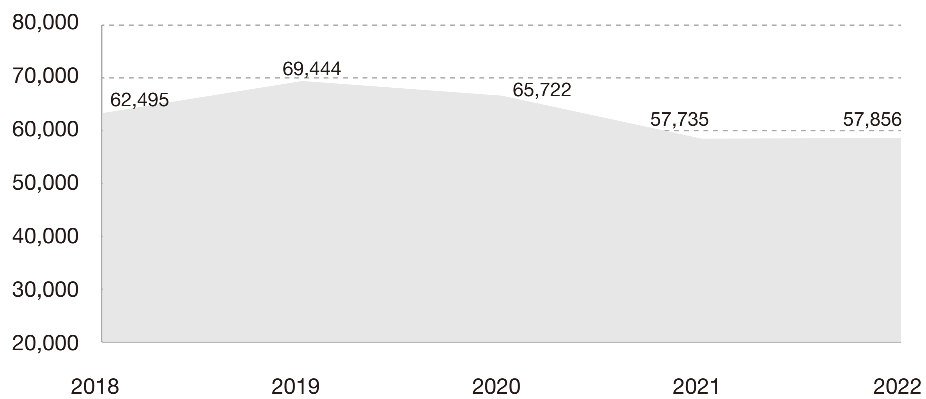
Management of greenhouse gas emissions

In order to comply with the requirements of the environmental legislation of the Russian Federation with regard to the disclosure of greenhouse gas emission, monitoring and calculation of greenhouse gas emissions has been carried out since 2016, using the procedure as stated in the Methodology Guidelines on the quantification of greenhouse gas emissions (order of the Ministry of Russia dated June 30, 2015, No. 300).

Total greenhouse gas emissions are calculated in terms of its global warming potential and are expressed in CO_2 equivalent. The calculation is made on the basis of all types of products used: gasoline, diesel, and coal.

Based on the 2022 results, the actual carbon footprint of the IRC's production activity was 0.2% higher than in 2021 and amounted to 57,856 tonnes of CO_2 equivalent.

Dynamics of greenhouse gas emissions by the Group in 2018-2022, tonnes of CO_2 equivalent.



The greenhouse gas emissions intensity rate per tonne of dried iron ore concentrate produced was:

Indicator	Unit	2022	2021	2020	2019	2018
The volume of production	t	**2,569,845**	2,557,794	2,747,767	2,576,325	2,234,517
Total direct greenhouse gas emissions	t	**57,856**	57,735	65,722	69,444	62,495
– Intensity rate	t/t	**0.0225**	0.023	0.024	0.027	0.028

In 2022 the following measures were implemented:

– In the drying unit, brown coal was replaced with D300 grade hard coal (long-flame), which made it possible to:

- reduce coal consumption per tonne of concentrate (from 13 to 11 kg/t of concentrate);
- improve the drying unit efficiency (concentrate dried) by increasing the kcal/kg specific heat of combustion (6400 kcal/kg – hard coal vs. 3100 kcal/kg – brown coal);
- decrease emission of CO_2 into the atmosphere from coal combustion by reducing the specific consumption of coal;
- decrease emission of C (carbon) and S (sulphur) into the atmosphere, as hard coal has half the sulphur content compared to brown coal and 20% less carbon content;

– New MA 301 filter cloth produced in China was installed on the bag filters in the drying unit of the processing plant. MA301 cloth has more dense structure and textile fabric texture, and a combustion temperature of more than 280 degrees Celsius. This has minimised wear and tear of the filters during drying, thus decreasing the emission of solid particles (0-20 μm) into the atmosphere by several times;

– At the K&S site, SilaSolar 180W/200W 5BB, Delta BST 440 monocrystalline solar panels were installed at four guard posts located far from the power supply facilities thus reducing emissions of greenhouse gases.

Guard posts with solar panels installed.

Indicator	Unit	Actual consumption 2022	2021
Coal used	t	**29,240**	29,391
– drying unit	t	**10,317**	9,867
– heating plant	t	**18,923**	19,524

In 2022, coal consumption per Gcal was 409 kg (2021: 407 kg).

Summary of Air Pollutant & Emission Statistics 2018–2022

Performance Indices	Unit	2022	2021	2020	2019	2018
Air Pollutants & Emissions						
Greenhouse gas emissions (CO_2):						
Total	t	**57,856**	57,735	65,722	69,444	62,495
Coal combustion	t	**52,758**	53,031	60,752	64,360	58,280
Diesel fuel combustion	t	**4,477**	4,112	4,304	4,467	3,634
Gasoline combustion	t	**621**	591	664	616	580
Kerosene combustion	t	**0**	1.03	1.55	0.60	0.60

IRC purchases electricity generated at Zeya and/or Bureyskaya hydroelectric power plants (part of PJSC RusHydro). According to public information, in 2022 RusHydro continued to work on determining the carbon balance of HPP reservoirs, so that the results will be recognised by both the international expert community and the authorities responsible for preparing national greenhouse gas emissions registers. Nine large reservoirs of RusHydro HPPs located in different natural and climatic zones of Russia have been selected for measurements: Kolyma, Bureysk, Zeya, Sayano-Shushenskoye, Boguchanskoye, Rybinskoye, Kuibyshev, Volgogradskoye and Chirkeiskoye. The results of the research work will be of great importance to Russia and further, the international community.

Currently, the role of hydropower in the global climate change process and the methodology for estimating emissions and absorption capacity of hydropower reservoirs has not been determined in the Russian Federation. The calculation of indirect greenhouse gas emissions from water reservoirs is not performed, as there is no calculation methodology. However, it is important to note that the compensatory reforestation carried out by the company in 2022 on the area of 82.4 ha can be considered as a measure aimed at offsetting the carbon footprint of the company's production activities.

Energy saving and energy efficiency

To cope with the global climate change, the Company increases its energy efficiency in order to improve the energy content of its products. Reasonable energy use helps reduce greenhouse gas emissions.

The main objectives of the Group are to:

– Ensure the efficiency of the technological processes and operation of the Group's technological equipment;

– Ensure the efficient use of the Group's fuel and energy resources.

According to the analysis of energy consumption in 2022, the consumption of coal (per tonne of dried iron ore concentrate produced) was 11 kg/t.

Unit power consumption per tonne of concentrate produced was 97.748 kWh in 2022, slightly lower than the 98.315 kWh per tonne of concentrate in 2021.

The Group uses the following measures to lower its total consumption of energy:

– Exploitation of the "Termanik Boiler-250" induction heating complex at the 10 MW heating plant, which allows heating water for the hot water supply without the use of coal boilers in summer. That allows reducing the amount of coal use for heating and minimising greenhouse gas emissions;

– When incandescent and fluorescent lamps require replacement, they are replaced with LED lamps;

– Installation of automatic relays for street lightings;

– Replacement of broken unadjustable electrical heaters with heaters equipped with thermal sensors;

– Thermal insulation of premises in winter.

Summary of Energy Consumption & Conservation Statistics in 2018–2022

Performance Indices	Unit	2022	2021	2020	2019	2018
The volume of production	t	**2,569,845**	2,557,794	2,747,767	2,576,325	2,234,517
Energy Consumption & Conservation						
Electricity	kWh	**251,198,047**	251,468,468	266,639,776	250,411,252	260,200,769
– Intensity rate	kWh/t	**97.75**	98.32	97.04	97.20	116.45
Diesel fuel	l	**1,696,908**	1,558,572	1,640,915	1,686,477	1,376,983
– Intensity rate	l/t	**0.66**	0.61	0.60	0.65	0.62
Gasoline	l	**268,452**	255,476	287,406	263,567	250,818
– Intensity rate	l/t	**0.104**	0.099	0.105	0.102	0.112
Coal	t	**29,240**	29,391	33,670	35,670	32,300
– Intensity rate	t/t	**0.011**	0.011	0.012	0.014	0.014
Kerosene	l	**–**	407	610	240	234
– Intensity rate	l/t	**–**	0.00016	0.00022	0.00009	0.00011
Gas	m^3	**–**	–	–	–	–

Risks and opportunities related to climate change

No significant climate-related issues which had or may have impact on the company's operations have been identified, therefore climatic risks are not considered within the scope of this report.

IRC has taken a range of measures to minimise the negative impact of the company's production activities on climate change. These include: regular monitoring of the emissions sources at the processing plant, monitoring of machinery and equipment on a regular basis; identifying emission sources and developing Maximum Allowable Emission Targets; and drawing up measures to reduce emissions into the atmosphere under severe weather conditions.

Since 2020, K&S engaged a specialised organisation to identity and compile a list of emission sources and to develop Maximum Allowable Emission Targets. Measures to reduce the emission of pollutants into the air under adverse weather conditions have also been formulated in accordance with the corresponding Russian Legislation.

In 2022, in line with the requirements of environmental legislation, the company contracted a specialised organisation to develop and obtain approval from the state authorities for a comprehensive environmental permit for business operations and other activities at facilities that have a negative impact on the environment.

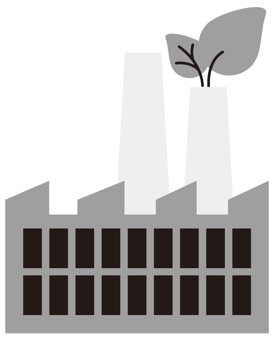
ENVIRONMENTAL PROTECTION

The main activities of IRC in the area of sustainable development are the protection of atmospheric air, land, water, forest resources, conservation of biodiversity in the regions of the Group and the optimisation of waste management.

AIR POLLUTANTS AND EMISSIONS

The following are the key air pollutants generated by the Group's operations, which are primarily produced by mining and processing operations.

Liquid and gaseous substances:	Solid substances:
Carbon monoxide	Inorganic dust (>70% SiO_2)
Nitrogen dioxide	Inorganic dust (20–70% SiO_2)
Sulfur dioxide	Inorganic dust (<20% SiO_2)
Nitrogen oxides	PM10
Saturates	PM2.5
Benzopyrene, ethanol and etc.	Dialuminium trioxide and etc.



The gross emissions of pollutants into the atmosphere from stationary sources increased by 8.6% to 3,923 tonnes in 2022. Development of new facilities (in particular, Kimkan West pit), as well as the start of preparation works for the development of the Sutara deposit (construction of external power supply lines, diversion of the Sutara riverbed from the open pit) caused an increase in emissions compared to the previous year.

To ensure access to the Sutara ore deposit, construction of essential facilities such as a road, a permanent bridge over the Sutara River, an overpass over the Chita-Khabarovsk federal highway, Sotnikovsky stream diversion channel and the industrial site of the Sutara pit is planned.

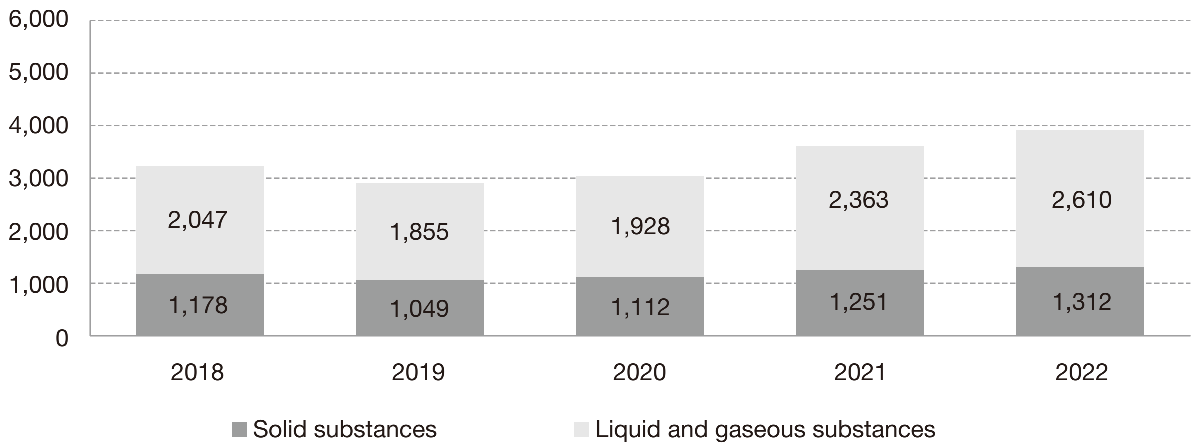
In 2021, K&S received a permit for emissions of pollutants into the atmospheric air, valid until the end of 2024. Under the new permit, gross emissions for 2022 did not exceed the established values and amounted to 99.9% of the permitted volume. For the period of construction works, the company obtained a sanitary and epidemiological certificate of compliance of pollutant emissions with the state sanitary and epidemiological rules and standards, and the emissions of pollutants into the atmospheric air have been approved.

Due to the successful implementation of the following measures, the values remain within the permitted limits:

– Implementation of measures to reduce the amount of fuel (coal) burned in the drying unit of the processing plant (upgrade of the drying unit, transition to the use of long flame hard coal);

– Energy-saving measures at the 10 MW heating plant at the accommodation camp (installation of the "Termanik Boiler-250" induction heating unit, which allows heating water for hot water supply without the use of coal boilers in summer, reducing the use of coal in summer and minimise greenhouse gas emissions).

Emissions of Air Pollutants from Stationary Sources, 2018–2022 (tonnes)



According to the new requirements of the environmental protection laws of the Russian Federation, the ecologists of the Group submitted an application to register the existing sites that have a negative impact on the environment, with the proposed assignment of categories and levels of ecological inspection. The following measures are being taken to improve air quality and take steps to avoid air pollution and reduce emissions:

– Establishing watering schedules for dust suppression. This schedule is being closely monitored in order to maximise performance;

– At the heating plants, the efficiency of dust and gas catchers is systematically controlled according to the approved manuals to prevent overflow of the bunker collecting dust and ash particles. Industrial emissions treatment efficiency at the heating plant was 94%;

- A certified laboratory was used to track the efficiency of the dust and gas catchers. The cleaning efficiency of industrial waste at the processing plant according to measurements was more than 97% in 2022;

- In order to secure obtaining of the required permit for emission of pollutants in a timely manner, work on identification and systematisation of sources of hazardous (polluting) substances finished at the 2021, in compliance with the new requirements of environmental legislation in the field of air protection;

- The Group actively tracks vehicle movement and fuel consumption. According to the established standards, no excessive fuel consumption was reported;

- The Group has implemented the AutoGRAPH system, which allows real-time monitoring of speed, movement/idle time, vehicle location, and deviation from the assigned route. Furthermore, by using the sensors mounted on the vehicles, this multifunctional system is able to track the vehicle's fuel level (refuelling, consumption, and possible drains), as well as control the efficiency of its use and any deviations from existing standards. If the consumption is excessive, necessary measures will be taken;

- Continuous testing of motor vehicles' exhaust emissions during the technical inspections – 115 vehicles passed technical inspection test in 2022 and the emissions were found to be within acceptable limits;

- Close monitoring of energy and fuel consumption to ensure they remain within acceptable limits.

The actual emissions volume did not exceed the limits set in the current permits, according to the results of environmental studies performed at the K&S project site and in the sanitary protection zone in 2022.

Given that no chemical reagents were used in the process cycle from mining operations to concentrate production, the degree of air pollution at the project site, as measured by the integrated index of air pollution in 2022, is "low".

Summary of Air Pollutant & Emission Statistics 2018–2022:

Performance Indices	Unit	2022	2021	2020	2019	2018
Air Pollutants & Emissions						
Mass of emitted hazardous pollutants:						
Total	t	**3,923**	3,614	3,040	2,904	3,225
Solid substances	t	**1,312**	1,251	1,112	1,049	1,178
Liquid and gaseous substances	t	**2,610**	2,363	1,928	1,855	2,047
Percentage of maximum permitted emission:						
Solids	%	**99.88**	99.6	94	89	100
Liquid and gases	%	**100**	100	94	91	100
Pollutants removed by gas treatment:						
Total removed, of which,	t	**4,850**	21,165	45,866	46,565	46,565
Solid substance	t	**4,850**	21,165	45,866	46,565	46,565
Liquid and gaseous substances	t	**0.003**	0.004	0.01	0.11	0.11

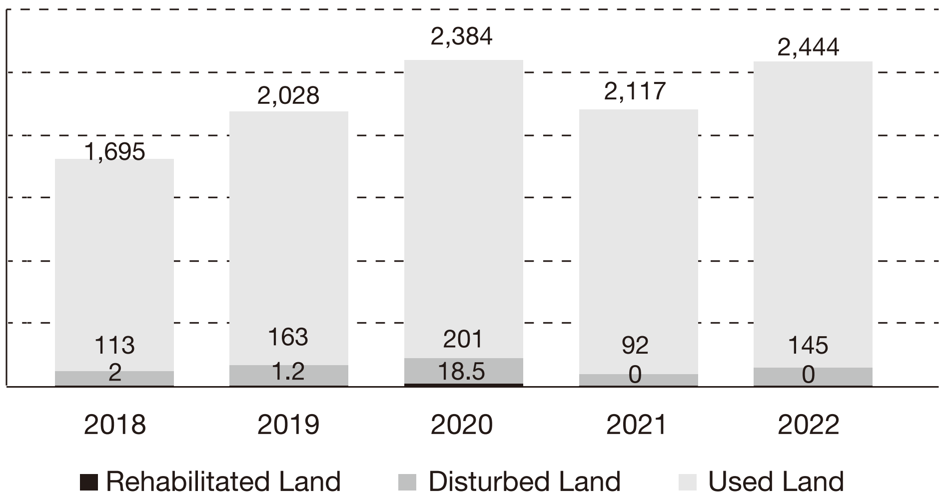
LAND USE AND REHABILITATION

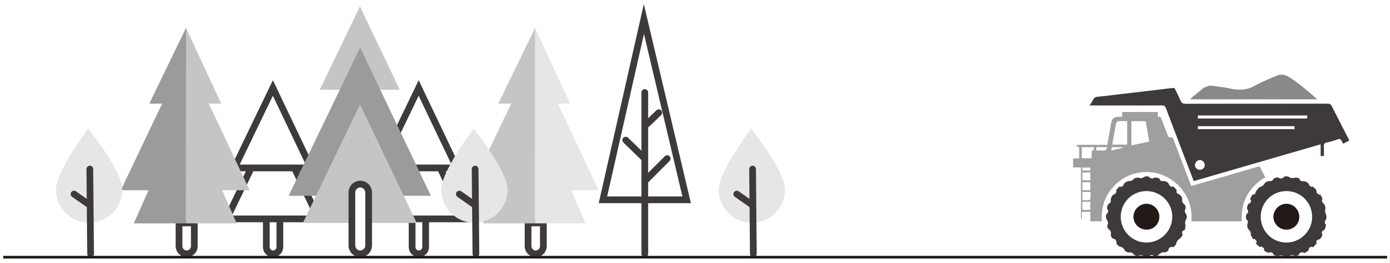
By the end of 2022, the total area of land used by the IRC group was 2,444 hectares, an increase of 327 hectares (15.4%) from the previous year. The increase in land used was attributable to the signing of new land lease agreements at Kimkan and Sutara for overburden dumps, development of Kimkan West pit and Sutara pit, construction of the power supply facilities and access road to the Sutara pit, construction of a South sediment settling pond.

Any disturbed land will be restored to its former state by means of various engineering and biological solutions. Land rehabilitation is carried out in accordance with the environmental regulations and shall respect the natural environment of the site. One of the main components of the rehabilitation work is removal and preservation of the fertile topsoil, which will eventually be restored at the site.

The summary of land used, disturbed and rehabilitated by IRC is shown in the chart below.

Land Use and Rehabilitation, 2018–2022 (hectares)





Land Use & Rehabilitation Statistics 2018–2022

Performance Indices	Unit	2022	2021	2020	2019	2018
Total area of Land in use	ha	**2,444**	2,117	2,384	2,028	1,695
New surfaces disturbed in the reporting period	ha	**144.92**	92.23	200.80	162.70	113.00
Rehabilitated land						
Area of rehabilitated land	ha	**–**	–	18.50	1.20	2.00
Topsoil used	m^3	**–**	–	–	–	13,876
Preservation of topsoil						
Moved to stockpiles	m^3	**–**	–	–	–	–
Total topsoil stored at 31 December	m^3	**1,287,700**	1,287,700	1,287,700	1,287,700	1,287,700
Forest plantation						
Total	ha	**82.40**	114.10	–	–	–

WASTE MANAGEMENT

IRC uses five internationally recognised categories to classify hazardous waste:

Class I (extremely hazardous wastes) – approximately **0.01%** of all wastes, e.g. mercury-filled lamps.
Class II (highly hazardous wastes) – **0.02%** of all waste. This includes used sulphuric battery acid and waste batteries. During the year, waste of this class was not generated.
Class III (moderately hazardous wastes) – approximately **1.24%** of all waste. This includes oil contaminated wastes.
Class IV (low-hazard wastes) – approximately **6.57%** of all waste. This class of waste includes both solid and liquid domestic waste.
Class V (practically non-hazardous wastes) – more than **92.17%** of all waste. This class of waste includes inert construction wastes, ferrous metal, scrap paper, plastic and other types of inert waste.

The total volume of industrial and consumer wastes of all classes of hazard generated in 2022 increased by 20% and amounted to 3,257 tonnes.

The increase in hazardous waste generation was due to:

– Class III – increased number of technical inspections of vehicles and equipment;

– Class IV-V – increased volume of solid and liquid domestic waste due to the increase in the number of employees at K&S.

Staff training in hazardous waste management and labelling is conducted on a regular basis. Efforts are made to ensure that the universal labelling of hazardous materials is carried out according with the international standards.

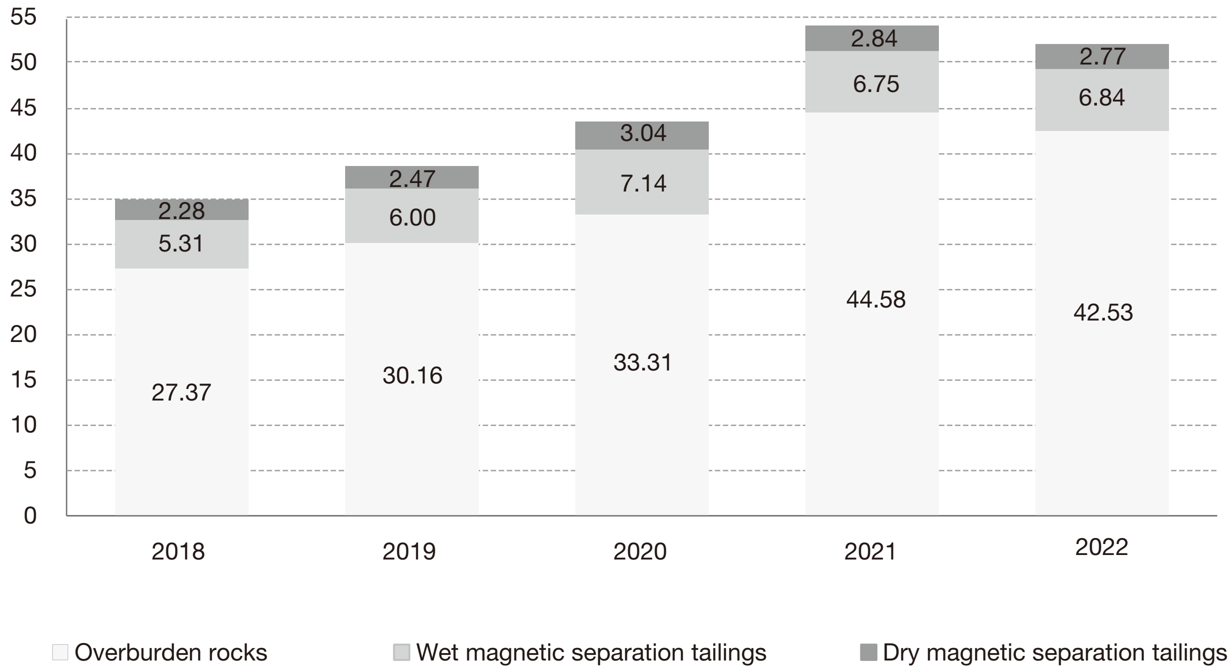
Pursuant to the State Standard (GOST) 30772-2001 "International Standard: Efficiency of resources (Resources saving), Waste Management", "Inert waste" is defined as waste that has no negative impact on humans and the environment. Overburden rock and processing waste (the tailings of dry and wet magnetic separation) belong to inert waste.

Overburden and dry magnetic separation tailings should be stored in the allocated area, in particular until the pits are depleted, and then may be used for rehabilitation of disturbed land and soil covering.

Wet magnetic separation tailings are used in the ways specified in the working documentation to develop the deposit.

The total amount of inert (non-hazardous) waste generated in 2022 decreased by 3.7% to 52,143,030 tonnes, including: overburden of 42,528,920 tonnes, dry tailings of 2,772,770 tonnes and wet tailings of 6,841,340 tonnes, accounting for approximately 81.6%, 5.3% and 13.1% of total inert waste respectively.

Inert Waste Volume, 2018–2022, million tonnes



In 2022, the volume of dry magnetic separation tailings and overburden generated decreased by 4%, while wet magnetic separation tailings generation increased by 1% compared to 2021. This is mainly due to the mining of higher-grade ore and further targeting towards processing of higher volumes of ore.

The waste generation intensity rate per tonne of dried iron ore concentrate produced was:

Indicator	Unit	2022	2021	2020	2019	2018
The volume of production	t	**2,569,845**	2,557,794	2,747,767	2,576,325	2,234,517
Total hazardous waste	t	**3,257**	2,711	2,650	3,371	3,140
– Intensity rate	t/t	**0.001**	0.001	0.001	0.001	0.001
Total non-hazardous waste (inert)	t	**52,143,030**	54,171,590	43,485,474	38,634,607	34,958,897
– Intensity rate	t/t	**19,751**	21,179	15,826	14,996	15,645

Treatment & Recycling of Waste

IRC continuously works on the optimisation of waste treatment and actively re-uses waste in the production process in order to minimise the amount of waste being disposed of, thereby reducing its environmental impact.

In 2022, the Group recycled 7,521,399 tonnes of waste, 91% of which was wet tailings waste. The wet magnetic separation waste generated in 2022 was completely used for the formation of tailings bed and the extension of tailings dam embankments. Dry magnetic separation waste and bottom ash waste were used for road maintenance and construction, namely for filling, and preparation of anti-slip mix. In addition, sawdust was used as an absorbent for oil products.

The amount of waste transported to licensed waste treatment facilities for further treatment was 436.081 tonnes.

The Group continues to adhere to the "Green Office" principle. The Group has developed and implemented the following measures:

– Reduction in the usage of plain paper in the office; used paper is collected and tallied centrally;

– Use of paper certified by the Forest Stewardship Council (FSC);

– Use of office and electronic equipment complying with the latest version of the Energy Star Standard (energy efficiency requirement);

– Cleaning products must meet the following conditions: the content of anionic and/or nonionic surfactants is restricted, the products have to be classified as class 4 (low-hazard substances), and contain no non-pathogenic microorganisms;

– Use of reusable containers for the storage of materials; use of recyclable materials for packaging; reduction of the amount of packaging;

– Providing drinking water in reusable containers or installing drinking water treatment systems to save the number of containers.

The Group placed collection boxes in specific locations to collect waste aluminium, glass, plastic, paper, used batteries, office equipment and other materials generated by our employees, and then transfer it to specialised organisations for disposal, recycling or re-use.

In 2022, the following amount of waste was collected and transferred for disposal/recycling:

– 10.5 tonnes of wastepaper and cardboard, which is equivalent to prevention of 105 trees from being felled, reduction of 17.8 tonnes of carbon dioxide emission, saving of 210,000 liters of water and 10,500 kilowatt-hours of electricity;

– 604 kg of used batteries, which prevented heavy metal contamination of about 539,435 m^2 of soil and 107,886,896 liters of water;

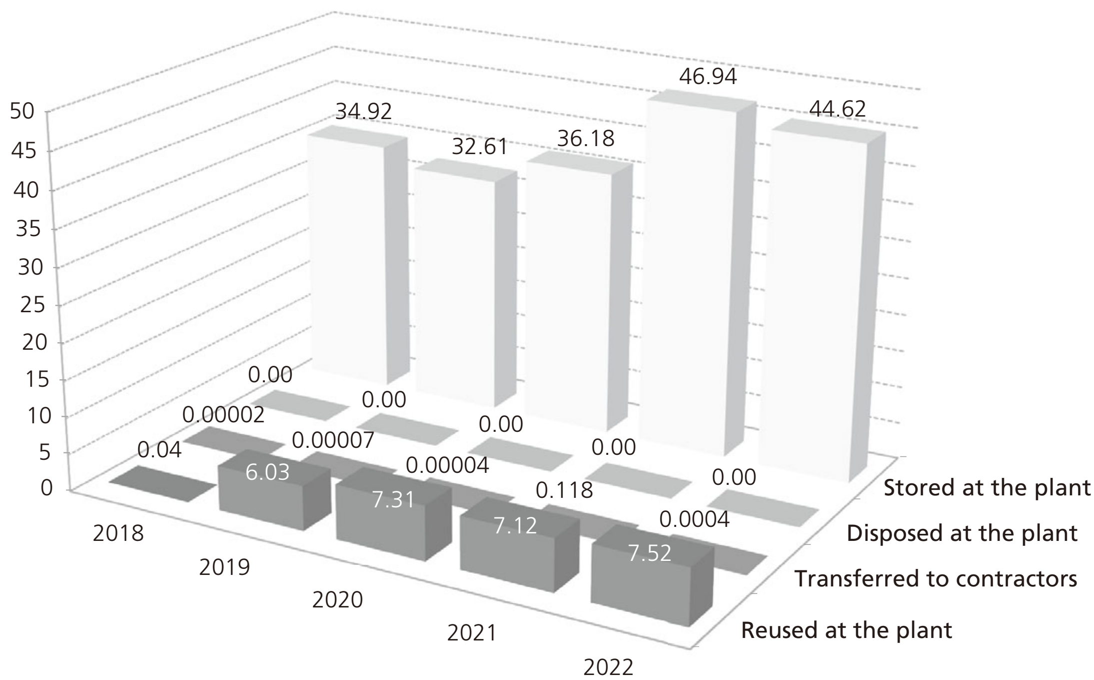
– Over 390.046 tonnes of ferrous metal chips were outsourced for further processing and sale.

Efficient waste management is an integral part of the Company's Environmental Policy, which promotes, amongst other things, better cohesion with local communities, the government and investors. IRC's main objective in the area of waste management, as stated, was to reduce the impact on the environment by reducing the share of waste sent to landfill and using it in construction as recycled material. The progress and achievement of the Environmental Goals and Targets is assessed annually. In 2022, for example, the amount of dry magnetic separation waste used/reused as recycled material increased by 43% compared to the previous year. According to the results of the reporting year, the target has been achieved.

In 2022, waste collection and recycling will continue.

Transferring of used automobile tires, plastic pipes for recycling

Waste Management, 2018–2022, million tonnes



Waste Management Statistics 2018–2022

Performance Indices	Unit	2022	2021	2020	2019	2018
Generated waste:						
Total	t	**52,146,287**	54,174,301	43,488,123	38,637,978	34,962,037
Wastes (excluding waste from operations):	t	**3,257**	2,711	2,650	3,371	3,140
Class I	t	**0.323**	0.56	0.65	0.75	0.39
Class II	t	**0.604**	–	–	0.24	0.04
Class III	t	**40.34**	35.48	24.01	47.66	18.48
Class IV	t	**213.84**	212.91	200.89	182.45	196.57
Class V	t	**3,002**	2,462	2,424	3,140	2,925
Waste from operations (inert waste):	t	**52,143,030**	54,171,590	43,485,474	38,634,607	34,958,897
Overburden rocks	t	**42,528,920**	44,581,320	33,310,440	30,162,780	27,370,170
Wet tailings	t	**6,841,340**	6,746,270	7,138,724	6,001,495	5,306,664
Dry tailings	t	**2,772,770**	2,844,000	3,036,310	2,470,332	2,282,063
Waste management:						
Stored at the plant	t	**44,624,452**	46,939,855	36,176,410	32,608,000	34,921,456
Reused at the plant	t	**7,521,399**	7,116,277	7,311,666	6,029,906	40,453
Transferred to contractors	t	**436.081**	118,169	47.88	73.96	26.77
Disposed at the plant	t	**–**	–	–	–	–

WATER MANAGEMENT

In 2022, the Group's water intake increased by 148,880 cubic meters compared to 2021, reaching 1,082,165 cubic meters, of which 1,080,378 cubic meters were drawn from natural water bodies and 1,787 cubic meters of water were drawn from the existing municipal water supply system. A total of 78,206 cubic meters of drinking water was used.

In 2022, potable water consumption increased by 14782 m^3 compared to 2021. The increase in potable water consumption is attributable to the improvement of the epidemiological situation, with coronavirus infection (COVID-19) subsiding and return of the personnel from working remotely to their work places.

A total of 1,080,378 cubic meters of clean water from the "Snarsky" water intake was supplied to the technical system of the processing plant in 2022. Fresh water consumption per tonne of iron ore concentrate produced amounted to 0.420 cubic metres, which was 0.064 cubic metres more than in 2021. The increase in water use is insignificant.

The water disposal volume in 2022 was 334,998 cubic meters, which is 236,293 cubic metres more than in 2021. Of this, 271,610 cubic meters were discharged into natural water bodies, and 63,388 cubic meters were discharged into the existing waste water treatment plant and other accumulation reservoirs.

The increased amount of treated water discharged into natural water courses is associated with an increase in the depth of the pits and consequently of water inflows. Incoming ground and surface water (rainwater and meltwater) is pumped from the pit edge and sent for treatment to the pit water settling ponds (#1 and #2), where it is treated to quality standards of fishery water courses and then discharged into the nearest water course.

Given that the permissible wastewater discharge volume into natural water bodies in 2022 was 682,020 cubic meters, the actual wastewater discharge volume of the Group was only 39.82% of the permissible discharge volume, which meant that the risk of exceeding the permissible discharge volume was very low.

The technical water consumption intensity rate per tonne of dried iron ore concentrate produced was:

Indicator	Unit	2022	2021	2020	2019	2018
The volume of production	t	**2,569,845**	2,557,794	2,747,767	2,576,325	2,234,517
Total water intake	m^3	**1,082,165**	933,285	996,114	971,335	946,734
– Intensity rate	m^3/t	**0.421**	0.365	0.363	0.377	0.424

Risks and opportunities associated with the water supply of the Group's facilities

In 2022, K&S's water supply was normal, and the mine's industrial and accommodation facilities were all supplied from the "Snarsky" water intake under license BIR 00331BR. The permitted annual water intake was 2.04 million cubic meters (5,600 cubic meters per day), whereas the actual water intake was 1,080,378 cubic meters (2,960 cubic meters per day), accounting for 52.96% of the permitted water intake.

As the processing and production volume of iron ore concentrate will continue to increase, the intake of water is also expected to further increase by 10–20% (1,100–1,200 thousand cubic meters per year). There will be no shortage of fresh water, and no need to find and build up backup sources of water. During 2022, the Group did not experience any issue in sourcing water that is fit for purpose.

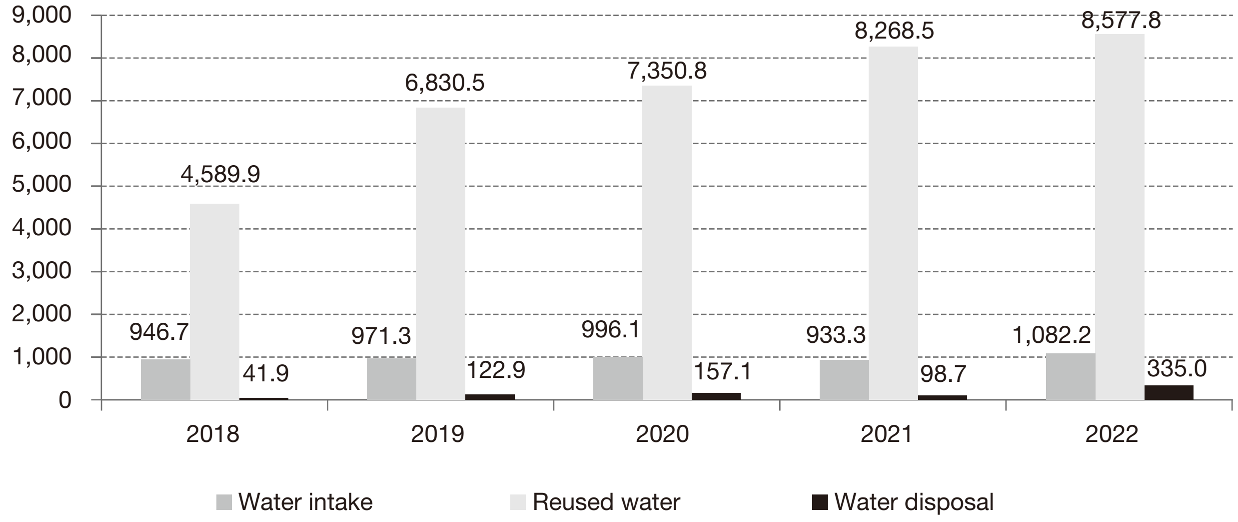
As a part of the environmental management system, the Company establishes annual Environmental Goals and Targets for efficient water resources management. The main IRC goal in this area is to prevent pollution of water bodies in the course of the Company's production activities. In 2022, the share of polluted and insufficiently treated wastewater in the total volume of discharge into surface water bodies was reduced through application of the best available technologies (KSkomplekt II-200 wastewater biological treatment plant, pit water settling tanks) and wastewater quality control. No significant changes in the composition of surface and ground water were detected in the reporting year. The impact of production activities on the condition of the water environment is assessed as "low".

The pit sump of Kimkan Central open pit can be used as an alternative source of technical water supply, as permitted by environmental laws. The use of this water source will reduce the amount of wastewater discharge into the natural water bodies and thus reduce the negative impact on the environment.

The needs of the processing plant in technical water are satisfied by the supply of recycled water from the tailings storage facility. The water volume in the tailings storage facility is maintained at 2.07-2.5 million cubic meters. No significant water level fluctuations were allowed in 2022 in order to complete the construction of water intake collector #3 (laying and concreting of metal pipes, backfill).

In 2022, the volume of recirculated water from the tailings storage facility to supply technical water to the processing plant was 8,577,800 thousand m^3/year, which is 3.74% more than in 2021.

Water Consumption and Disposal, 2018–2022 (thousand m^3)



Water discharge is carried out on the basis of permits to discharge treated water into water bodies or an agreement on water treatment signed with a specialised organisation. Water intake from existing water supply systems is carried out based on the water supply agreement or under office tenancy agreements.

Water Management Statistics 2018–2022

Performance Indices	Unit	2022	2021	2020	2019	2018
Water Management						
Water intake:						
total	m^3	**1,082,165**	933,285	996,114	971,335	946,734
from natural water bodies (surface and underground)	m^3	**1,080,378**	931,975	993,961	967,457	943,873
from existing municipal water supply systems of the settlements	m^3	**1,787**	1,310	2,153	3,878	2,861
Water disposal:						
total	m^3	**334,998**	98,705	157,144	122,914	41,916
into natural water bodies	m^3	**271,610**	34,540	94,190	50,814	13,856
into the existing municipal sewerage systems of the settlement	m^3	**10,048**	11,200	12,472	16,396	28,060
other accumulation reservoirs	m^3	**53,340**	52,965	50,482	55,704	–
The volume of recycled water:						
total	m^3	**8,577,800**	8,268,500	7,350,790	6,830,525	4,589,575

BIODIVERSITY CONSERVATION

As part of the implementation of measures aimed at preserving and maintaining the biodiversity of the regions in which the Group operates (including measures aimed at protecting key habitats and improving the natural habitats of animals and plants), the following measures for prevention of forest fire were taken in 2022:

– access to a water source for the fire truck to refill water has been arranged;

– 10 information boards installed;

– 57 warning notices updated;

– service of fire-fighting mineralized strips (20 km);

– concrete coating of the Processing Plant site roads from the Primary Crushing Unit to the Thickening Unit;

– repair works and cleaning of rainwater drainage channels at the Processing Plant site.

In order to improve the microclimate on site, reduce noise pollution and improve the ventilation and insulation of the premises, K&S conducts general improvement and landscaping works every year.

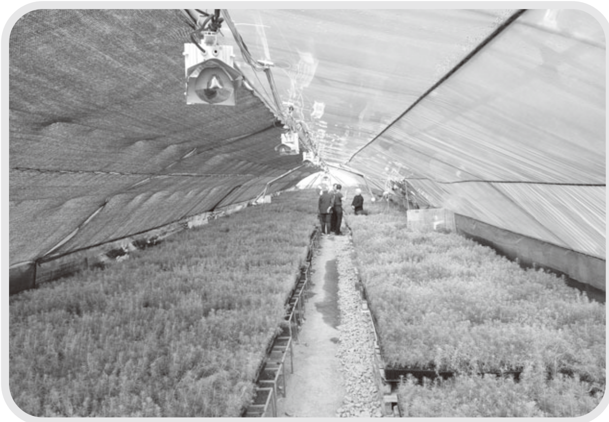
In 2022, landscaping works were carried near the office and accommodation buildings at K&S. 127 trees (birch, larch, spruce, lilac, sea-buckthorn, bird cherry, sour cherry) were planted and flower beds were set up.

Compensation for damages

In order to compensate damage to aquatic biological resources during the implementation of projects as part of the development of the Sutara field, more than 15,000 young Amur sturgeon and chum salmon were released into the Amur River basin in 2022 (at a total cost of over US$29,280) with the support Federal State Budgetary Institution ‘Main Basin Administration for Fisheries and Conservation of Aquatic Biological Resources’ (‘Glavrybvod’).

Compensation for damage to aquatic biological resources, K&S

For compensatory reforestation, as stipulated by the forest legislation of the Russian Federation, to compensate for the cuttings carried out in 2019-2022, K&S carried out reforestation work on an area of 196.5 ha. This includes planting of trees on the area of 82.4 ha, including 110.8 thousand seedlings of Korean pine with open root system on the area of 55.4 ha and 51.8 thousand seedlings of Dahurian larch with closed root system on the area of 27.0 ha in 2022.



Compensatory reforestation, K&S

Due to insufficient survival rate of the trees planted in 2021, in 2022, additional planting of 33.5 thousand seedlings of Dahurian larch with closed root system was carried out on the area of 29.8 ha.

In addition, in the autumn 2022, agrotechnical maintenance works were carried out on the area of 196.50 ha of previously planted forests and works on cleaning the perimeter of the mineralised firebreaks, the length of which is 26.662 km.

STAKEHOLDERS ENGAGEMENT

In the Russian Far East, IRC increased activities with stakeholders since 2020, mainly under the "Corporate Framework Programme of Stakeholders' Engagement and Corporate Standards" and the "Communication in the Environmental Management System" programmes. The Group's activities aim to engage constructively with all stakeholders in the region; to work closely with stakeholders, to ensure timely disclosure and communication of information at all stages of the project; and to provide a mechanism to file grievance, and report and monitor all procedures.

In 2022, there were no new complaints or suggestions on environmental issues.

PUBLIC HEARINGS AND DISCUSSIONS

Public hearings and other forms of public consultation are part of a direct dialogue with the Group, so that all stakeholders (community, technical specialists and representatives of state regulatory bodies) can ask their questions about the implementation of the project and get responses to their concerns. These public hearings and discussions are regularly attended by IRC managers and dedicated specialists. Public participation meetings are held on a regular basis.

In August 2022, as part of public engagement, public hearings were conducted related to changes in the design documentation for the first stage of construction of K&S. The hearings were attended by K&S management, representatives of the Obluchensky District Administration, Izvestkovsky urban settlement and 20 residents of the district. Members of the public were able to ask any questions about the project and discuss them with the Company's management.

ENVIRONMENTAL EDUCATION

One of the main principles of the Group's environmental policy is to educate IRC employees and those who live in and around the Group's operations. IRC regularly organises environmental education for employees of the Group, contractors and local residents.

Since 2009, IRC has provided financial support to STS, an educational television programme in the Jewish Autonomous Region (EAO). These programmes highlight the unique ecological and environmental nature of the region and the challenges it faces.

With the financial support of the Group, one episode of "Ecological Bulletin" were broadcast in 2022. Episode was devoted to compensatory reforestation.

In 2022, there were no complaints or suggestions on environmental issues from internal and external stakeholders.

CONTROL BY THE AUTHORITIES

In order to comply with the laws and regulations and the requirements of the state supervision and municipal control agencies, the Group conducted on-site and document inspections on a regular basis.

In the first half of 2022, 2 unscheduled inspections were carried out at K&S for compliance with legislation in the field of production and consumption waste management, legislation in the field of atmospheric air protection. As a result of the inspection, no concerns were identified.

OPERATING PRACTICES

Supply chain management

IRC's supply chain management system reflects the movement of materials and products in the Group's production process, including purchase of materials used in production, product development, sales and logistics.

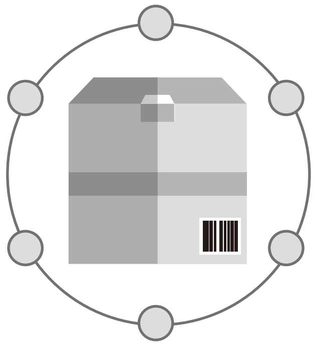
The supply chain management system was established in accordance with the Group's current policies, management systems, standards, procedures and processes for managing and controlling the flow of materials and technical resources.

The Group effectively manages business processes and environmental protection issues, social development and human rights, industrial safety and labour protection, and implements the principles of responsible business conduct in the system of relations with suppliers, contractors and product consumers.

Interaction with suppliers and contractors

Procurement is an important part of IRC's supply chain management system. The procurement activities of the company are managed by the procurement department and the materials and technical supply department of the Group.

IRC's procurement process is subject to internal regulations and current rules. According to the principles of competition, fairness and effective selection of suppliers of goods, works and services, the selection of suppliers of goods, works and services are carried out in accordance with the provisions of the public bidding procedures.



The notice of the public request for proposals, as well as the information on the conditions and procedures required by the applicant, the requirements of the applicant and the list of documents to be submitted are published on the "Suppliers" section of the Group's Russian website.

Upon receipt of the proposals, comparisons are made in terms of cost, product or service delivery time, payment terms, availability of environmental documentation licenses, and etc. On the basis of these factors, the best proposal and supplier are selected accordingly. The winning supplier shall comply with the requirements specified for the goods, works and services to the best of their ability in accordance with the criteria set out in the public notice of tender. An agreement with the bid-winning supplier will be concluded to further regulate the relationship between the two parties. When all of the conditions are the same, priority should be given to domestic suppliers upon selection. An exception is made if the supplier (or its distributor) manufactures exclusive products which cannot be replaced.

Our Group is dedicated to the health, safety and environmental issues, including but not limited to, the identification of environmental and social risks along the supply chain, and promotion of environmentally preferable products and services when selecting suppliers, and expects our contractors and suppliers of materials and technical resources to adopt similar approaches.

In accordance with the terms of the goods/works/services' supply contracts, all suppliers and contractors are committed to complying with the requirements of the current legislation and regulations, as well as the policies of the Group in the field of labour protection, industrial safety or environmental protection.

The following mandatory requirements are part of the contracts:

For product suppliers:

- IRC has the right to require suppliers to provide information about the potential negative impact of their products on the environment, as well as to assess the legality of the documents (licenses, conclusions, and certificates) provided by suppliers;

- Set additional conditions, such as ensuring that the products meet sanitary and environmental standards, as shown by a certificate or declaration of compliance, a sanitary epidemiology conclusion, or the opinion of environmental experts; and

- Materials and semi-finished products supplied must have storage and operating manuals, as well as instructions for proper disposal, to ensure environmental protection.

For service providers:

- When a contractor starts to work/provide services in the Group's facilities, it shall put information notice at the workplace before the contractor begins working in the Group's facilities, provide personal protective equipment suitable to the nature of the job, and confirm first aid skills;

- Notify the Group of all incidents that happened during the execution of work; and

- Collection and disposal of waste without permission, discharge of wastewater (liquid waste) and chemical substances, discharge of pollutants into the air, and pollution of soil during work at the Group facilities are prohibited.

The Group shall continue to monitor the activities of the contractors to ensure their compliance with these requirements.

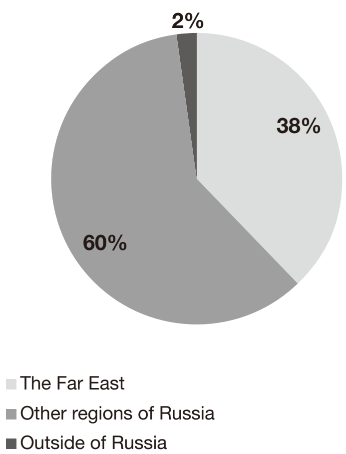
Local Supplier Support

The Group increased revenue of more than 420 suppliers of goods and services in the Far Eastern area. The number of EAO counterparties in 2022 was 134 organisations and individual entities.

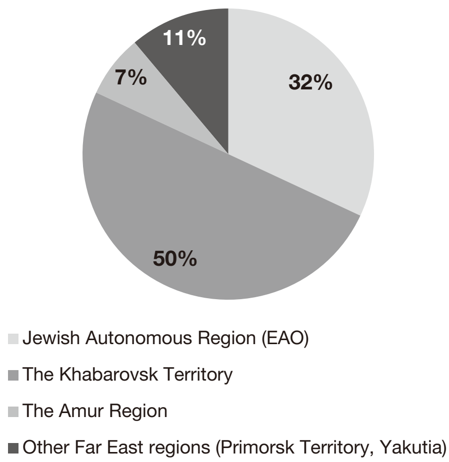
Information about product and service providers in 2022

Suppliers (by geographical region)	Quantity
The Far East including:	437
Jewish Autonomous Region (EAO)	141
The Khabarovsk Territory	216
Amur Region	31
Other Far East regions (Primorsk Territory, Yakutia)	49
Other regions of Russia	702
Outside of Russia	20

Distribution of suppliers by regions of Russia in 2022:



Distribution of suppliers in the Far East in 2022:



On the initiative of our Group, the Birobidzhan shoe factory "Rostok" had developed and certified industrial footwear models with built-in personal protective function in 2019. Over the last four years, IRC has purchased shoes costing more than US$237,000 from the factory for its employees.

PRODUCT RESPONSIBILITY

Product quality management is one of the most important factors for improving the competitiveness of the Group's products on the market. The quality control of IRC's product is carried out at all stages of production: from ore mining to product transport.

In order to ensure and maintain the high quality of the finished product, the Technical Control Department conducts on-site product sample tests. Employees regularly monitor the quality of raw materials and finished products according to the process test card of the processing plant. They will check whether the quality of the product meets the technical requirements.

The plant's central laboratory performs quality control of the finished product. During its operations, the central laboratory must adhere to the related regulations. The scope of the central laboratory's activities, organisational structure, duties, roles, and other activities are all specified in this regulation.

Sampling, preparation of sample, testing, issuance of results, and quality control are all done in accordance with the Technical Specification, the Process Testing Card of the Process Plant, the Quality Manual of the Central Laboratory, the Production Instructions, GOSTs, Federal State Unitary Enterprise VIMS, and other regulatory technical documentation.

If deviations from the product quality parameters specified in the technical conditions are identified, the plant's technicians will take immediate action to find and remove all weaknesses in the process chain.

In order to provide customers with additional product information on the Al_2O_3 content in the concentrate, the Company's Central Laboratory has developed and is using methods to determine additional components of seaborne iron ore concentrate.

In order to provide customers with accurate information about the safety of industrial use, storage, transportation and disposal of chemicals, the Group has issued and registered a safety passport for chemical products used in the production of concentrate, which make indispensable part of the technical documents. Any hazardous products must include warning labels.

According to the current "Safety Passport", since iron ore concentrate are non-radioactive, non-toxic, non-combustible, and fire and explosion resistant, finished products are transported in bulk by rail on open-top wagons, without the use of special labels or packaging materials.

Iron ore concentrate must comply with the technical specification TU 07.10.10-001-73844898-2018. In the laboratory control process, any concentrate that does not meet the technical conditions will be stored separately, and then blended with other concentrate until it meets the declared conditions.

The contract specifies all procedures for interacting with the buyer.

The relevant provisions of the supply contract shall ensure that trade secrets relating to prices and consumer data are maintained. This provision stipulates that the parties are obliged to observe the confidentiality laid down in the contract.

Generally, a separate confidentiality agreement should be signed before reaching a final agreement with the buyer, which is the procedure and conditions for protecting the information transmitted between the two parties during the product supply negotiation process.

Striving to protect customer data and privacy, the Group ensures that the information collected from customers will only be used for the purposes agreed mutually. All sensitive information is secured and reserved safely with limited access granted to authorised staff only.

Given the nature of the Group's business, and that the commodity supply of the Group normally posses little or no safety and health issues, the Group does not generally adopt a product recall procedure. There were no product recalls or products and service related complaints during the reporting year. The Group was not aware of any incidents of non-compliance with relevant laws and regulations regarding health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress that have significant impact on the Group.

Observing and protecting intellectual property rights

IRC has introduced the Automatic Process Control System (APCS) to meet the requirements for productivity, product features and energy consumption through effective management to ensure reliable and safe operation of the Group.

In order to avoid any leakage or distortion of information, the requirements for the protection of confidential data must be strictly followed when establishing an automated process control system. When managing the access keys of the automated process control system during the production process, the Group introduced access restriction. The employment contracts provided for the relevant provisions on the disclosure obligation. The Group also provides licensed software to its employees. Any contract for the development of design documentation should contain requirements for the transfer of intellectual property rights from the designer to the customer.

ETHICS AND INTEGRITY

IRC is committed to complying with all applicable laws, regulations and Group policies for the conduct of business and operations with high ethical, honest and integrity standards. This requires that all Group members must comply with a uniform standard of conduct which exceeds statutory mandates. These policies apply to our directors, officers and any employees in order to ensure responsible behaviour and protect the rights of stakeholders in the event of a conflict of interest.

Areas covered include but are not limited to:

- bribes, gifts and entertainment;
- conflict of interest;
- fair competition;
- insider information;
- discrimination, harassment and misconduct;
- equal opportunities;
- privacy and information protection;
- health and safety at the workplace;
- considerateness and civic responsibility; and
- reporting improper conduct.

COMMUNITY INVESTMENT

Giving back to the society is one of the most important principles of the Group. IRC is committed to communicate with the communities to understand their needs, and is open to communications with our stakeholders, employees, government authorities, the communities and other industry players, and encourages proactive community involvement. IRC has fully demonstrated its role as a socially responsible company. The Group sponsored sports and cultural facilities in the regions in which it operates and promotes the development of sports, science and arts.

The Group carried out the following tasks in 2022:

- The Group provided financial support to children's educational institutions and orphanages – allocated funds for the purchase of furniture, equipment, clothing, purchase of office equipment;

- Gifts were given to children to celebrate the New Year;

- The Group provided financial support to Public organization "Society for the Protection of Animals of the Obluchenskiy District" with maintenance of homeless animals.

The total amount of funding for charitable activities was US$205,300 in 2022, which is 3% higher, than in 2021.

ANTI-CORRUPTION

In accordance with the requirements of Russian law (No. 273, 2008 "Anti-Corruption") ("Anti-Corruption Law"), IRC has actively pursued anti-corruption policies on a voluntary basis to prevent and combat corruption. These policies include not only activities within the Group, but also cover the government and business partners. The Group's anti-corruption policy is guided by the principle of transparency. Although the Group engages in charitable and sponsorship activities, it complies with relevant laws and regulations.

The Group's internal documents must comply with the anti-corruption policy and the Group is continually improving its system of public procurement procedures to reduce the risk of corruption, reviewing contractors' background to prevent undisclosed related parties and other potential conflicts of interest, and conducting internal investigations in the event of damage to the product or equipment. The Group has also set up "Corporate Whistle-blower Mailbox," which is an important part of the anti-corruption policy of the Group because it allows employees to provide information and feedback that can be used to investigate and resolve potential cases of corruption.

In accordance with the Article 13.3 of the Anti-Corruption Law, the Group is obliged to develop and adopt measures to prevent and combat corruption. To ensure this work, the Group approved the following corporate documents:

– Code of professional ethics for employees;

– Anti-corruption policy.

The Group strives to raise the awareness of its employees on anti-corruption. Employees of IRC are provided with and encouraged to study the online materials prepared by the relevant regulatory authorities or consultants. The Group will explore the opportunities of further arranging formal training relating to anti-corruption in the following year.

As part of compliance with the requirements of the anti-corruption legislation, each employee's employment contract has provisions to ensure that the employer is able to control the use of trade secrets and the protection of technology. The Group may use confidential information, anti-corruption and counter-terrorism measures, including the use of polygraphs, to obtain information from employees regarding violations of confidentiality.

In order to avoid the personal interests of employees affecting their works and businesses, the Labour Agreement also has provisions to ensure that employers take measures to identify, prevent and resolve conflicts of interest. In addition, the contract with a contractor must disclose the information on the final beneficiary in order to reduce the possibility of a conflict of interest with the contractor.

During the Year, the Group did not experience any case of violation of laws and regulations on bribery, corruption, extortion, fraud and money laundering. During the reporting period, there was no legal cases regarding corrupt practices brought against the Group and its employees.

WHISTLEBLOWING

IRC's misconduct notification policy encourages all internal and external stakeholders to confidentially report actual or suspected misconduct to the Group. Employees can make written reports by mail or e-mail. After receiving the report, an independent senior staff member will conduct the investigation on behalf of the audit committee, supplemented by relevant internal audit, human resources and legal functions. The results (including final disposition, impact, implications, and disciplinary or corrective actions) will be reported to the Chairman of the Executive Committee and the Board and/or regulatory agencies (if applicable).

MEASURES TAKEN DURING THE PANDEMIC

The Group has set up an Emergency Response Office to prevent the spread of coronavirus infection (COVID-19), has taken necessary organisational and administrative measures, and has issued an order on measures to prevent the spread of coronavirus infection.

A Contingency plan to prevent the spread of coronavirus (COVID-19) at the Group's facilities has been approved. To prevent infection on site, the following measures are being taken:

– daily disinfection of public facilities and areas (every 2 hours) in the accommodation area;

– regularly ventilation of the work and living areas (every 2 hours);

– installation of disinfecting lamps and air circulators;

– as part of the pre-shift physical examination, employees' body temperature is measured at least once per shift;

– minimising the number of face-to-face meetings, and prohibit group gatherings;

– distribute personal protective equipment to those responsible for cleaning offices and accommodations;

– provide employees with hand sanitisers, personal safety equipment (medical masks, respirators, and etc.);

– recommend employees to avoid unnecessary travel;

– disinfect vehicles used to transport employees.

The Group has set up quarantine rooms in the accommodation area for people with clinical symptoms of acute respiratory infection to stay temporarily. If acute respiratory infection (cough, runny nose, fever, chest pain, shortness of breath) occurs, the employee will be immediately sent to the Group's medical centre and all necessary measures will be taken.

The Group has passed an administrative order that imposes restrictions on movement of personnel, and encourages to work remotely when possible. Since May 2020, employees have been regularly tested for COVID-19. Medical service agreements have been signed with 5 medical diagnostic centres. Every employee who enters the Group's production premises and employees with symptoms of respiratory diseases are tested.

In addition to implementation of standard measures to prevent the spread of a new coronavirus infection, one of the most important forms of prevention of COVID-19 is the collective effort to vaccinate K&S employees. In this regard, additional managerial decisions were made on both incentives and specific timing of vaccination of the company's employees.

The table below summarises information on the number of tests done, and the number of people diagnosed with COVID-19 at K&S, as of the end of 2022:

	Total tests	Tested positive	With a fatal outcome	On medical leave	Recovered
2022	**1,147**	**140**	**0**	**115**	**115**
2021	4,800	120	3	46	117
2020	8,512	268	2	47	219

There were no inspections in 2022.

List of actual costs of sanitary and epidemiological measures in 2020-2022:

	Amount incl. VAT,		
Name of products	**2022 US$**	2021 US$	2020 US$
Tests for coronavirus infection and the presence of antibodies	**56,800**	117,500	121,700
Masks, gloves, safety glasses and respirators	**1,900**	5,600	14,500
Disinfectants and antiseptic solutions	**–**	1,100	1,800
Related products and services (sprayers, batteries for thermometers, unwoven stitched fabric)	**–**	200	2,000
Protective overalls and dressing robes	**–**	–	4,900
Laptops and modems for organising remote work of employees	**–**	–	3,000
Ultraviolet air purifiers, radiation sources	**–**	–	6,200
Infrared thermometers	**700**	–	246,100
Protective screens	**–**	–	6,200
TOTAL	**59,400**	124,400	406,400

The company spent a total of US$590,200 on preventive measures over three years.

Mineral Resources & Ore Reserves Statement
Environmental, Social and Governance
Corporate Governance Report
Directors' Report

Summary of IRC Environmental Statistics 2018–2022

Performance Indices	Unit	2022	2021	2020	2019	2018
1. AIR POLLUTANTS & EMISSIONS						
Greenhouse gas emissions (CO_2):						
Total	t	**57,856**	57,735	65,722	69,444	62,495
Coal combustion	t	**52,758**	53,031	60,752	64,360	58,280
Diesel fuel combustion	t	**4,477**	4,112	4,304	4,467	3,634
Gasoline combustion	t	**621**	591	664	616	580
Kerosene combustion	t	**0.00**	1.03	1.55	0.60	0.60
Mass of emitted hazardous pollutants:						
Total	t	**3,923**	3,614	3,040	2,904	3,225
Liquid and gaseous substances	t	**2,610**	2,363	1,928	1,855	2,047
Solid substances	t	**1,312**	1,251	1,112	1,049	1,178
Percentage of maximum permitted emission:						
Solids	%	**99.88**	99.6	94	89	100
Liquid and gaseous	%	**100**	100	94	91	100
Pollutants removed by gas treatment:						
Total removed, of which,	t	**4,850**	21,165	45,866	46,565	46,565
Solid substance	t	**4,850**	21,165	45,866	46,565	46,565
Liquid and gaseous substances	t	**0.003**	0.004	0.01	0.11	0.11
2. LAND USE & REHABILITATION						
Total area of land in use	ha	**2,444**	2,117	2,384	2,028	1,695
New surfaces disturbed in the reporting period	ha	**144.92**	92.23	200.80	162.70	113.00
Rehabilitated land						
Area of rehabilitated land	ha	**–**	–	18.50	1.20	2.00
Topsoil used	m^3	**–**	–	–	–	13,876
Preservation of topsoil						
Moved to stockpiles	m^3	**–**	–	–	–	–
Total topsoil stored at 31 December	m^3	**1,287,700**	1,287,700	1,287,700	1,287,700	1,287,700
Forest plantation						
Total	ha	**82.40**	114.10	–	–	–

Performance Indices	Unit	2022	2021	2020	2019	2018
3. WASTE MANAGEMENT						
Generated waste:						
Total	t	**52,146,287**	54,174,301	43,488,124	38,637,978	34,962,037
Wastes (excluding waste from operations):	t	**3,257**	2,711	2,650	3,371	3,140
Class I	t	**0.323**	0.56	0.65	0.75	0.39
Class II	t	**0.604**	–	–	0.24	0.04
Class III	t	**40.34**	35.48	24.01	47.66	18.48
Class IV	t	**213.84**	212.91	200.89	182.45	196.57
Class V	t	**3,002**	2,462	2,424	3,140	2,925
Waste from operations (inert waste):	t	**52,143,030**	54,171,590	43,485,474	38,634,607	34,958,897
Overburden rocks	t	**42,528,920**	44,581,320	33,310,440	30,162,780	27,370,170
Wet tailings	t	**6,841,340**	6,746,270	7,138,724	6,001,495	5,306,664
Tailings	t	**2,772,770**	2,844,000	3,036,310	2,470,332	2,282,063
Waste management:						
Disposed at the plant	t	**–**	–	–	–	–
Reused at the plant	t	**7,521,399**	7,116,277	7,311,666	6,029,906	40,453
Stored at the plant	t	**44,624,452**	46,939,855	36,176,410	32,608,000	34,921,456
Transferred to contractors	t	**436.081**	118,169	47.88	73.96	26.77
4. WATER MANAGEMENT						
Water intake:						
Total	m^3	**1,082,165**	933,285	996,114	971,335	946,734
from natural water bodies (surface and underground)	m^3	**1,080,378**	931,975	993,961	967,457	943,873
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Water disposal:						
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into the existing municipal sewerage systems of the settlement	m^3	**10,048**	11,200	12,472	16,396	28,060
Other accumulation reservoirs	m^3	**53,340**	52,965	50,482	55,704	–
The volume of recycled water:						
Total	m^3	**8,577,800**	8,268,500	7,350,790	6,830,525	4,589,575
5. ENERGY CONSUMPTION & CONSERVATION						
Electricity	kWh	**251,198,047**	251,468,468	266,639,776	250,411,252	260,200,769
Diesel fuel	l	**1,696,908**	1,558,572	1,640,915	1,686,477	1,376,983
Gasoline	l	**268,452**	255,476	287,406	263,567	250,818
Coal	t	**29,240**	29,391	33,670	35,670	32,300
Kerosene	l	**–**	407	610	240	234
Gas	m^3	**–**	–	–	–	–

** Based on the average exchange rate in 2022, the exchange rate for the Environmental, Social and Governance section is RUB68.30 per US Dollar.

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* Shipment of finished products – iron ore concentrate to consumers is made by rail in gondola cars without additional packaging.

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CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Board (the "Board") of Directors (the "Directors") of IRC is committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. The Group believes that conducting its businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders.

The Board as a whole is responsible for performing the corporate governance duties and ensuring compliance with the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has applied the principles of the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Listing Rules to its corporate governance structure and practices as described in this report. The Board reviews at least annually the corporate governance practices of the Company to ensure its continuous compliance with the CG Code and make appropriate changes if considered necessary. The Board oversaw the work of the Audit Committee, Remuneration Committee, Nomination Committee and Health, Safety and Environment Committee and reviewed the effectiveness of the Group's risk management and internal control systems.

As part of its responsibility for corporate governance, the Board reviewed the Company's corporate governance policies and procedures and the Company's compliance with the CG Code and the disclosure in this report, reviewed the training provided to Directors and senior management and training and development materials provided to employees, and reviewed the Group's policies and practices on compliance with legal and regulatory requirements.

CORPORATE CULTURE

The Group recognises that a good corporate culture is necessary to support and complement its corporate governance efforts and corporate image, and has gradually developed a corporate culture emphasising on lawful, ethical and responsible business conduct over the years, which has been reflected in the overall operations and management of the Group, in order to facilitate the long-term sustainability of the Group.

BOARD OF DIRECTORS

The Board provides leadership and supervises the overall direction of the Group's businesses. The Board plays a critical role in ensuring that the Company's corporate governance best serves the Company's interest in building a sustainable business. Under the leadership of the Chairman, the Board cultivates good governance as the cornerstone of the Company's corporate culture.

Board Size, Composition and Appointments

As at 31 December 2022, the Board comprised six Directors with one Executive Director and five Non-Executive Directors, of which four of them – representing more than half of the Board – are Independent Non-Executive Directors. The names of the Directors, by category, are set out in the Directors' Report. The number of Independent Non-Executive Directors meets the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. Three of the Independent Non-Executive Directors possess the appropriate professional qualifications or related financial management expertise, meeting the requirement under Rule 3.10(2) of the Listing Rules. Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Each member of the Board ensures that he can give sufficient time and attention to the affairs of the Company and contribute to the development of the Company's strategy and policies through independent, constructive and informed comments. Each member of the Board is required to confirm his other directorships, major appointments and interests to the Company. None of the members of the Board holds seven (or more) directorships in listed companies (including the Company) or holds any cross directorships or has significant links with other members of the Board through involvements in other companies or bodies.

The Board selects Independent Non-Executive Directors based on their qualification and experience and hence their ability to contribute to the affairs of the Group, and of overriding importance is their possession of a mindset that is independent and constructively challenges management's views. The Non-Executive Directors (including the Independent Non-Executive Directors) are appointed for a specific term not exceeding three years and are subject to retirement by rotation.

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-Executive Directors and the roles and functions of the Directors is maintained on the websites of the Company and the Stock Exchange. The roles of the chairman and the Chief Executive Officer are separated and are performed by Nikolai Valentinovich Levitskii and Denis Vitalievich Cherednichenko, respectively.

As at 31 December 2022, a total of four Independent Non-Executive Directors have been appointed. The Board will continue to periodically seek new Independent Non-Executive Directors to join the Board, so as to sustain its source of independent views.

There is no relationship (including financial, business, family or other material/relevant relationships) between the Board members and in particular, between the Chairman and the Chief Executive Officer.

Balance, Diversity and Skills

The Company recognises the importance of diversity among its Board members, which not only contributes to the effectiveness of the Board but also to the success of the Group's business. Our Non-Executive Directors (including the Independent Non-Executive Directors) have diverse backgrounds in areas such as economics, finance, business management, professional practices, and mining management. The Board remains committed to ensuring that the selection of candidates for Board appointments is based on a range of diverse perspectives, including nationality, age, professional background, skills, knowledge and experience.

The Board believes that the balance between Executive and Non-Executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Non-Executive Directors provide the Group with diverse expertise and experience. Their views and participation in Board and committee meetings bring independent judgement and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, ensuring that the interests of all shareholders are taken into account. The Board has three Independent Non-Executive Directors who possess the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules. For further details on the Company's Board diversity policy and independence of Independent Non-Executive Directors, please see the sections headed "Board Diversity Policy" and "Independence of Independent Non-Executive Directors" below.

In terms of gender diversity, while there has already been one female Director on the Board as at 31 December 2022, the Company and the Nomination Committee recognise the importance and benefits of gender diversity at the Board level and are committed to continue to identify female candidates and ensure at least one member of the Board shall be female.

As of 31 December 2022, the gender ratio in the workforce (including senior management) is approximately 70% male and 30% female, which is regarded by the Board as satisfactory and in line with the industry which the Group operates its businesses in. The Group provides equal opportunity to all employees regardless of gender, race, age, nationality, religion, sexual orientation, disability, and other aspects of diversity and are against any forms of discrimination.

The Company will continue to take gender diversity into consideration during recruitment, such that there is a pipeline of potential candidates in all working levels and successors to the Board in the future. The Board will periodically monitor the gender composition of the workforce and set targets if and as needed.

Training and Continuous Professional Development

The Group provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group, together with its legal counsel and external auditors, continuously update Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Company organised a formal training session for the Directors. The training session covered topics including updates on Listing Rules and the corporate governance environment.

A summary of training received by the Directors for the year ended 31 December 2022 is as follows:

Directors	Type of training
Executive Directors	
Denis Vitalievich Cherednichenko *(Chief Executive Officer, appointed on 1 July 2022)*	A,B
Yury Makarov *(Chief Executive Officer, resigned on 25 May 2022)*	A
Danila Kotlyarov *(re-designated from Non-Executive Director to Executive Director on 4 March 2022, and resigned on 25 May 2022)*	A,B
Non-Executive Directors	
Nikolai Valentinovich Levitskii *(appointed as Director on 25 March 2022 and as Chairman on 25 May 2022)*	A,B
Peter Hambro *(Chairman, resigned on 25 May 2022)*	A
Independent Non-Executive Directors	
Dmitry Vsevolodovich Dobryak *(appointed on 25 March 2022)*	A,B
Natalia Klimentievna Ozhegina *(appointed on 25 May 2022)*	A,B
Vitaly Georgievich Sheremet *(appointed on 25 May 2022)*	A,B
Alexey Mihailovich Romanenko *(appointed on 25 May 2022)*	A,B
Daniel Rochfort Bradshaw *(resigned on 25 May 2022)*	A
Jonathan Eric Martin Smith *(resigned on 25 May 2022)*	A
Martin Joseph Davison *(resigned on 25 May 2022)*	A
Raymond Kar Tung Woo *(resigned on 25 May 2022)*	A

Notes:

A: Attending briefing sessions and/or seminars

B: Reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

Regular Meetings

The Board meets regularly to review the Group's operational performance, financial statements, any material investments, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to Board papers and related materials, which are provided in a timely manner, and are able to include matters in the agenda for Board meetings. For the year ended 31 December 2022, the Chairman of the Company held a number of meetings with the Independent Non-Executive Directors without the presence of the Executive Director.

The Board held thirteen meetings in 2022. The attendance of individual Directors at board meetings (as well as committee meetings and the annual general meeting) is set out in the table on page 105.

Company Secretary

Mr. Johnny Siu Cheong Yuen, the Company Secretary, supports the Chairman, the Board and the Board Committees by ensuring good information flow and that the policies and procedures of the Board are followed. The Company Secretary advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. All Directors may call upon the Company Secretary for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules. The Company Secretary has taken no less than 15 hours of relevant professional training in the year ended 31 December 2022 in accordance with the requirement under Rule 3.29 of the Listing Rules. For the biographical details of Mr. Yuen, please refer to the section headed "Board of Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary" in this Annual Report.

BOARD COMMITTEES

The day-to-day management and operation of the Group is delegated to the Executive Committee ("EC"), which comprises the Executive Director, Chief Financial Officer, Company Secretary and other senior management members of the Group. The EC is the principal management decision making body on all day-to-day operations and business affairs of the Group. The EC operates under guidelines and delegated authorities from the Board and meets on a regular basis.

Audit Committee

The composition of the Audit Committee in the relevant period during 2022 is set out below:

From 1 January 2022 to 25 March 2022	From 25 March 2022 to 25 May 2022	From 25 May 2022 to 31 December 2022
Raymond Kar Tung Woo* (Chairman)	Raymond Kar Tung Woo* (Chairman)	Alexey Mihailovich Romanenko^^ (Chairman)
Daniel Rochfort Bradshaw**	Daniel Rochfort Bradshaw**	Dmitry Vsevolodovich Dobryak^
Jonathan Eric Martin Smith**	Jonathan Eric Martin Smith**	Vitaly Georgievich Sheremet^^^
	Dmitry Vsevolodovich Dobryak^	

* Resigned as Independent Non-Executive Director and chairman of the Audit Committee on 25 May 2022.

** Resigned as Independent Non-Executive Director and member of the Audit Committee on 25 May 2022.

^ Appointed as Independent Non-Executive Director and member of the Audit Committee of the Company on 25 March 2022.

^^ Appointed as Independent Non-Executive Director and chairman of the Audit Committee on 25 May 2022.

^^^ Appointed as Independent Non-Executive Director and member of the Audit Committee on 25 May 2022.

The principal duties of the Committee include the following:

– to review the accounting principles and practices adopted by the Group;

– to review and supervise the Group's financial reporting system, risk management and internal control procedures; and

– to review the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor.

The terms of reference for the Audit Committee are maintained on the websites of the Company and the Stock Exchange.

Summary of work in 2022

During 2022, the Audit Committee:

- reviewed the independence and objectivity of the external auditor and recommended to the Board the appointment of external auditor;
- reviewed the Group's interim and annual results;
- reviewed the Group's risk management and internal control systems;
- reviewed the effectiveness of the Group's internal audit function;
- held discussions with the external auditor regarding financial reporting, compliance, scope of audit and related audit fees;
- reviewed policies for maintaining independence; and
- reported findings to the Board.

Review of financial results

The Audit Committee reviewed the Company's 2022 Consolidated Financial Statements in conjunction with the external auditor. Based on its review and discussions with the senior management of the Company, the Audit Committee was satisfied that the Consolidated Financial Statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2022. The Audit Committee therefore recommended the Consolidated Financial Statements for the year ended 31 December 2022 be approved by the Board.

During 2022, the Audit Committee also reviewed the Company's 2022 interim results in conjunction with the external auditor. Based on its review and discussions with the senior management of the Company, the Audit Committee was satisfied that the Group's 2022 interim results were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2022.

Review of the risk management and internal control systems

The Audit Committee reviewed the effectiveness of the Group's risk management and internal controls system by reviewing the work of the internal audit function, and considering reports from management on risk management and internal controls. The Audit Committee is satisfied that the Group has proper risk management and internal control systems in place.

Review of the effectiveness of the Group's internal audit function

The Company has an internal audit function which reports directly to the Audit Committee. The Audit Committee also reviewed the effectiveness of the Group's internal audit function, in particular the adequacy of the resources, staff qualifications and experience, training and budget of the Group's accounting, financial reporting and internal audit functions. The Audit Committee is satisfied that the Group has proper internal audit function in place.

The Committee met three times in 2022 and the attendance of Committee members is set out in the table on page 105.

Remuneration Committee

The composition of the Remuneration Committee in the relevant period during 2022 is set out below:

From 1 January 2022 to 25 May 2022	From 25 May 2022 to 31 December 2022
Jonathan Eric Martin Smith* (Chairman)	Dmitry Vsevolodovich Dobryak^ (Chairman)
Daniel Rochfort Bradshaw**	Nikolai Valentinovich Levitskii^^
Martin Joseph Davison**	Natalia Klimentievna Ozhegina^^^

* Resigned as Independent Non-Executive Director and chairman of the Remuneration Committee on 25 May 2022.

** Resigned as Independent Non-Executive Director and member of the Remuneration Committee on 25 May 2022.

^ Appointed as Independent Non-Executive Director on 25 March 2022 and chairman of the Remuneration Committee on 25 May 2022.

^^ Appointed as Non-Executive Director on 25 March 2022 and member of the Remuneration Committee on 25 May 2022.

^^^ Appointed as Independent Non-Executive Director and member of the Remuneration Committee on 25 May 2022.

The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all Directors and senior management remuneration.

The Remuneration Committee reviews the structure of remuneration for the Board on an ongoing basis and has the responsibility for the determination, within agreed terms of reference, of specific remuneration packages for all Directors and other members of the Executive Committee, including salaries, retirement benefits, bonuses, long-term incentives, benefits in kind and other compensation payments. The Remuneration Committee is committed to bringing independent thought and scrutiny to the development and review process of the Group with regards to remuneration.

Summary of work in 2022

During 2022, the Remuneration Committee:

- reviewed the remuneration policy and practices for 2022;
- reviewed the structure of remuneration for the Board of Directors; and
- determined specific remuneration packages and performance bonuses of individual Directors and members of the Executive Committee.

The Company's remuneration policy is designed to attract, retain and motivate the highly talented individuals needed to deliver its business strategy and to maximise shareholder value. Consistent with previous years, the policy for 2022 and so far as practicable, for subsequent years, is framed around the following principles:

- remuneration arrangements will be designed to support the Company's business strategy and to align it with the interests of the Company's shareholders;
- total reward levels will be set at appropriate levels to reflect the competitive global market in which the Company operates, with the intention of positioning such levels within a peer group of global mining companies;
- a high proportion of the remuneration should be "at risk", with performance-related remuneration making up at least 50% of the total potential remuneration for Executive Committee members; and
- performance-related payments will be subject to the satisfaction of demanding and stretching performance targets over the short and long term, which are designed to promote the long-term success of the Group. These performance targets will be set in the context of the prospects of the Group, the prevailing economic environment in which it operates and the relative performance against that of competitor companies.

The Remuneration Committee considers that a successful remuneration policy needs to be sufficiently flexible to take into account future changes in the business environment and in remuneration practices. Consequently, the remuneration policy and the Remuneration Committee's terms of reference are reviewed annually to reflect matters such as changes to corporate governance best practice or changes to accounting standards or business practices among peer group mining companies. This will help ensure that the policy continues to provide the Company with a competitive rewards strategy. In doing so, the Remuneration Committee will take into account the relevant Listing Rules, the guidance of independent consultants and best-practice on the design of performance-related remuneration.

The terms of reference for the Remuneration Committee are maintained on the websites of the Company and the Stock Exchange. The Remuneration Committee adopts the model described in E.1.2(c)(i) of the CG Code, where it has delegated responsibility to determine the remuneration packages of individual executive Director and senior management. Further details of the Group's remuneration policy and practices in 2022 are set out in a letter from the Remuneration Committee Chairman below.

The Remuneration Committee held two meetings in 2022 and the attendance of Committee members is set out in the table on page 105.

A letter from the Chairman of the Remuneration Committee

Dear Shareholder,

On behalf of the Board and the Remuneration Committee, I present the IRC 2022 Remuneration Report.

We have maintained the format and content of the Remuneration Report to provide a clear explanation of our rationale for determining remuneration policy, annual awards and longer-term incentives, a format that we believe is:

– clear and transparent;

– conforms to Hong Kong requirements; and

– in line with best practice in the international markets.

Consistent with previous years, the Remuneration Committee has considered and determined all elements of remuneration solely in the context of assessing the Group's achievements and, where relevant, individual performance on a standalone basis during 2022.

Our remuneration policy continues to aim to attract, retain and motivate the high-performing individuals we rely on to deliver our business strategy and create long-term value. We believe that performance-related pay should incentivise exceptional performance and that rewards should be closely linked to and commensurate with performance. As a result, performance-related pay represents a significant portion of total pay for Directors and senior management.

For the Executive Director, "at risk" performance-related pay typically represents more than 50% of total available remuneration. We measure performance against a broad range of health and safety, sustainability, financial and operational criteria. We benchmark our remuneration against the global mining industry and our primary peer group, as well as global companies. Further details regarding our remuneration policy are set out in the following pages. It is the Remuneration Committee's intention to continue to apply this remuneration policy in the future for as long as IRC remains an independent, listed company.

Full details regarding the above activities are set out below.

Members

The Remuneration Committee is chaired by an Independent Non-Executive Director and its composition during 2022 and details of its role, meetings and activities can be found on page 92 under the heading "Remuneration Committee".

The Remuneration Committee receives advice on pay and conditions across the Group from the Chairman, Chief Executive Officer and Company Secretary of IRC although they do not attend all meetings of the Remuneration Committee. An independent certified public accountant firm provided independent advice to the Remuneration Committee on certain areas of executive remuneration, if required. Independent law firms provided legal advice on incentive plan rules (as well as provided legal advice to the Group).

Remuneration policy

Our remuneration policy and practices aim to attract, retain and motivate the high-performing individuals we rely on to deliver our business strategy and create long-term value. We believe that performance-related pay should incentivise exceptional performance and that rewards should be closely linked to and commensurate with performance. As a result, for 2022, the remuneration of individuals within the Group have been determined on the following basis:

1. Over 50% of the potential executive pay package is performance-related and therefore "at risk" (i.e. the contractual obligation to pay is dependent on satisfaction of performance criteria).

2. For exceptional performance, potential pay levels are positioned in the upper quartile in comparison to the global mining industry.

3. Performance is assessed on a holistic basis, taking into account a wide variety of factors that are aligned to the delivery of superior long-term returns to IRC's shareholders and continuous and sustainable improvements in the underlying operating and financial performance of IRC.

   – Individual performance criteria for annual bonus awards reflect health and safety, environment and sustainability performance; financial performance in both absolute and relative terms; and the effective delivery of strategic priorities including the project pipeline, and various lead performance indicators. The use of multiple factors ensures that bonuses cannot be earned on the basis of inappropriate or risky behaviour and avoids rewarding achievements against one or narrow objectives that come at the expense of performance in other areas.

   – The value of long-term incentives is dependent upon the performance of the Group and vesting is subject to the satisfaction of stretching performance conditions. In the event that performance is below the relevant threshold, participants will receive no benefit from long-term incentives.

4. Pay arrangements are intended to remain in place, so far as is practicable, throughout the business cycle. We have therefore avoided making frequent changes to incentive arrangements or performance metrics. In determining policy and practice, the key factors we take into account include:

   – the Listing Rules;

   – the CG Code;

   – the competitive environment for experienced personnel in the global extractive industries sector;

   – the guidance provided by a number of institutional investor representative bodies; and

   – feedback received from shareholders.

We also take into account pay and employment conditions across IRC when setting the remuneration of the Chairman and the Executive Director. We do not believe a ratio comparison between the Executive Director and non-Board employees is appropriate. A ratio comparison does not provide a useful measure of fairness or balance due to the vastly different costs of living in the countries where we have operations and fluctuations in exchange rates. However, we regularly assess the fairness and balance of our remuneration policies and practices internally and also benchmark them against our competitors in the various regions in which we operate.

Base salary

Purpose	– Attract and retain talented and experienced executives from an industry in which there is competition for talent; – Reflect the individual's capabilities and experience; – Reward leadership and direction of IRC on behalf of shareholders.
Policy	– Reviewed annually; – Set at a competitive level benchmarked against other global mining and major Hong Kong companies using independent external data; – Consider the individual's skills, experience and influence over, and responsibility for, the success of the business; – The impact of any salary increase awarded on the value of the total package is considered carefully prior to any change being made; – Ensure that our approach to pay is consistent across the levels of management.
Link to strategy	– Protect and generate shareholder value through the retention and attraction of high-calibre individuals.
Risk management	– Enhance retention of key personnel to ensure business continuity; – Structured and policy-driven approach to conducting salary reviews.

Salary review for 2022

The remuneration of the Non-Executive Directors of IRC was first determined in 2010, when the Company was listed in Hong Kong. The level of remuneration remained largely unchanged until 2015, when an aggressive cost saving approach was taken by reducing salaries and directors' fees (as applicable) for all Board members by 15%, which also applied to most members of senior management of the Group. A further 10% reduction in salaries and directors' fees (as applicable) for Board members and most members of senior management was implemented in January 2016. In September 2017, in light of K&S commencing commercial production and the recovery in the commodities market, the reduced salaries and directors' fees were partially restored. In 2021, considering the improved financial performance of the Group, the remuneration level of the Board members was restored to the original level of 2010 with effect from March 2021, but the reduced remuneration during 2015 to 2020 was not recovered.

To cater for the general inflation during the time from 2010 to 2021, directors' remuneration of Non-Executive Directors has been increased by about 37% to 46% with effect from early 2022. In addition, as there was material increase in the time commitments for the Non-Executive Directors in 2021 in light of various corporate issues, to provide equitable compensation, one-off payments equivalent to 6 months of the directors' monthly fees of the Non-Executive Directors were granted in 2022 to recognise the additional workload. The Remuneration Committee commissioned one of the leading firms of certified public accountants to conduct an independent review and it was considered that the aforesaid inflationary adjustments and one-off fee payments were reasonable.

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's last published annual report is set out as follows. In addition, the following Directors tendered their resignations as Directors of the Company on 25 May 2022. Except for Danila Kotlyarov, payments in lieu of the resigned directors serving their notice periods were made.

1. The monthly director's fee of Peter Hambro was increased from US$17,500 to US$25,550 with effect from 1 January 2022. He also received a one-off payment of US$153,300 in February 2022. Upon his resignation, he received a payment in lieu of him serving his notice period of US$306,600.

2. The monthly director's fee of Daniel Bradshaw was increased from US$14,000 to US$20,440 with effect from 1 January 2022. He also received a one-off payment of US$122,640 in February 2022. Upon his resignation, he received a payment in lieu of him serving his notice period of US$122,640.

3. The monthly director's fee of Jonathan Martin Smith was increased from US$12,000 to US$16,440 with effect from 1 January 2022. He also received a one-off payment of US$98,640 in February 2022. Upon his resignation, he received a payment in lieu of him serving his notice period of US$197,280.

4. The monthly director's fee of Raymond Woo was increased from US$11,167 to US$15,298 with effect from 1 January 2022. He also received a one-off payment of US$91,790 in February 2022. Upon his resignation, he received a payment in lieu of him serving his notice period of US$91,790.

5. The monthly director's fee of Martin Davison was increased from US$9,500 to US$13,015 with effect from 1 January 2022. He also received a one-off payment of US$78,090 in February 2022. Upon his resignation, he received a payment in lieu of him serving his notice period of US$156,180.

6. The monthly director's fee of Danila Kotlyarov was increased from US$8,667 to US$11,873 with effect from 1 January 2022. He also received a one-off payment of US$71,240 in February 2022. Mr Kotlyarov was redesignated as an Executive Director of the Company on 4 March 2022 and resigned as Director of the Company on 25 May 2022.

	Directors' fees US$'000	Salaries and other benefits US$'000	Discretionary bonus US$'000	One-off Additional Fees US$'000	Payment in lieu of notice US$'000	Total US$'000
Executive Directors:						
Denis Cherednichenko (a)	-	429	-	-	-	429
Yury Makarov (b)	-	338(h)	492(j)	-	843	1,673
Danila Kotlyarov (c)	-	127	-	-	-	127
Non-Executive Directors:						
Nikolai Levitskii (d)	126	-	-	-	-	126
Peter Charles Percival Hambro (e)(i)	123	-	-	153	306	582
Danila Kotlyarov (c)	25	-	-	71	-	96
Independent Non-Executive Directors:						
Dmitry Dobryak (f)	69	-	-	-	-	69
Natalia Ozhegina (m)	69	-	-	-	-	69
Alexey Romanenko (m)	69	-	-	-	-	69
Vitaly Sheremet (m)	69	-	-	-	-	69
Daniel Rochfort Bradshaw (g)	97	-	-	123	123	343
Jonathan Eric Martin Smith (g)(i)	79	-	-	99	197	375
Martin Joseph Davison (g)	63	-	-	78	156	297
Raymond Woo (g)	73	-	-	92	92	257
Total for 2022	862	894	492	616	1,717	4,581

	Directors' fees US$'000	Salaries and other benefits US$'000	Discretionary bonus US$'000	Total US$'000
Executive Director:				
Yury Makarov (b)	–	781(h)	354(j)	1,135
Non-Executive Directors:				
Peter Charles Percival Hambro (e)(i)	204	–	–	204
Danila Kotlyarov (c)	102	–	–	102
Denis Alexandrov (k)	–	–	–	–
Aleksei Kharitontsev (k)	–	–	–	–
Independent Non-Executive Directors:				
Daniel Rochfort Bradshaw (g)	163	–	–	163
Jonathan Eric Martin Smith (g)	141	–	–	141
Chuang-fei Li (l)	67	–	–	67
Martin Joseph Davison (g)	105	–	–	105
Raymond Woo (g)	112	–	–	112
Total for 2021	894	781	354	2,029

Notes:

(a) Appointed as Executive Director and Chief Executive Officer on 1 July 2022.

(b) Resigned as Executive Director on 25 May 2022.

(c) Re-designated from Non-Executive Director to Executive Director on 4 March 2022 and resigned as Executive Director on 25 May 2022.

(d) Appointed as Non-Executive Director on 25 March 2022.

(e) Resigned as Non-Executive Director on 25 May 2022.

(f) Appointed as Independent Non-Executive Director on 25 March 2022.

(g) Resigned as Independent Non-Executive Director on 25 May 2022.

(h) Included in salaries was US$19,000 (2021: US$94,000) paid by subsidiaries.

(i) Director's fee was paid to an independent service company which is classed as an affiliated company to the Director.

(j) Discretionary bonus is determined by the Remuneration Committee having regard to the performance of the individual and the Group's performance.

(k) Appointed as Non-Executive Director on 19 January 2021 and resigned on 8 December 2021.

(l) Resigned as Independent Non-Executive Director on 24 June 2021.

(m) Appointed as Independent Non-Executive Director on 25 May 2022.

Executive Committee Bonus Plan

Purpose	– Align executives' interests with the short-term goals of IRC and the drivers of the Group's long-term success; – Reward the delivery of shareholder value through the effective execution of strategy, the profits delivered to shareholders and lead indicators of future success including safety and environmental sustainability.
Policy	– Maximum bonus awarded for truly exceptional performance is 100% of salary; – The overall bonus pool is determined according to budgeting analysis; – Individual payments are determined with respect to a range of key financial and non-financial metrics. These metrics include health and safety, employee development, environment and sustainability, profit and cash generation, volume and project execution.
Link to strategy	– Provides alignment among the executives' interests, the short-term financial success of IRC and the creation of shareholder value; – The Remuneration Committee takes a comprehensive view of an appropriate level of award for each individual to ensure that bonus awards truly reflect IRC's performance and management's impact on this (rather than purely resultant from external market and cyclical factors).

Risk management	–	Bonus pool analysis alongside budgeting ensures affordability;
	–	Focus on a wide range of financial and non-financial metrics ensures that bonus rewards sustainable, holistic performance;
	–	Bonus analysis alongside entire remuneration package, with particular reference to the long-term incentive arrangements (further details below), ensures a focus on long-term sustainable performance and aligns management interest with shareholders;
	–	Determination process takes account of the extent to which performance has been driven by management activity and planning as opposed to external market and cyclical factors and response to events that were not anticipated at the start of the year.

Bonus review for 2022

Apart from a performance bonus paid to Yury Makarov, an Executive Director, no bonuses were paid to other Directors in 2022.

Long-term incentive arrangements

Purpose	–	Align the financial interests of executives with those of shareholders;
	–	Incentivise the creation of shareholder value through the absolute performance of the Company and its assets as well as the recognition of such value creation in the public markets;
	–	Provide a focus on long-term, sustainable performance.
Policy	–	Share options are granted to high-performing/high potential individuals;
	–	Vesting is dependent upon pre-determined targets that focus on “Operations”, “Development”, “Profitability” and “Health, Safety and Environment”, normally over a three-year period, as set out below.
Link to strategy	–	Vesting conditions are aligned with strategic direction of shareholder value creation.
Risk management	–	Share based incentives ensure a focus on long-term sustainable performance and align management interests with shareholders.

The Company adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on 20 November 2015 (the "Share Option Scheme") which is valid and effective for a period of 10 years from the date of adoption. Any employee, Director and any person or entity acting in their capacities as consultants of the Group ("Eligible Persons") may be granted share options under the Share Option Scheme.

The Company is aware that under the new rule 17.03A of the Listing Rules which came into effect on 1 January 2023, participants of share schemes shall only comprise of employee participants, related entity participants and service providers (as defined in the Listing Rules). The Company will only grant the share options under the Share Option Scheme to eligible participants in compliance with the new rule 17.03A and pursuant to the transitional arrangements for share schemes existing as at 1 January 2023 as specified by the Stock Exchange.

The Share Option Scheme is designed to incentivise, reward and retain key Eligible Persons in the Group by providing a reward for long term performance of the Eligible Persons and of the Group, and which aligns the interests of the Eligible Persons with those of the Company's long-term shareholders. The Eligible Persons will only benefit from the Share Option Scheme if they satisfy certain conditions, including remaining with the Group for a minimum number of years.

Under the Share Option Scheme, the Remuneration Committee will from time to time propose to the Board for approval the grant of share options and the number of share options to be granted to the relevant Eligible Persons. The subscription price shall be determined by the Board and notified to an Eligible Person. Performance targets, if any, will be determined by the Board and be stated in the offer. Whether such targets have been successfully achieved will be decided by the Board. The Board may also determine a minimum period of time for which an option must be held before it can be exercised (vesting period). Further details of the Share Option Scheme are set out in note 34 to the Consolidated Financial Statements.

When implementing the Share Option Scheme, the Remuneration Committee commissioned one of the leading firms of certified public accountants to conduct an independent review of the Share Option Scheme. It is considered that the Share Option Scheme motivates grantees to achieve challenging yet realistic targets, which are crucial in adding significant value to the Company and are in the best interest of IRC shareholders. The certified public accountants firm concluded that the Share Option Scheme is well designed to attract, retain and incentivise grantees.

The following share options (the "Options") were outstanding as of 31 December 2022:

	Number of Options									
Name or category of participant	At 1 January 2022	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2022	Date of grant	Vesting period	Exercise period	Exercise price per share
Former Directors of the Company										
George Jay Hambro	24,401,086	–	–	–	–	24,401,086	20 November 2015	Note 1	10 years from the date of grant	HK$0.296
	10,850,000	–	–	–	(10,850,000)	–	29 September 2017	Note 2	5 years from the date of grant	HK$0.2728
Yury Makarov	24,401,086	–	–	–	–	24,401,086	20 November 2015	Note 1	10 years from the date of grant	HK$0.296
	29,450,000	–	–	–	(29,450,000)	–	29 September 2017	Note 2	5 years from the date of grant	HK$0.2728
Danila Kotlyarov	24,401,086	–	–	–	–	24,401,086	20 November 2015	Note 1	10 years from the date of grant	HK$0.296
	26,450,000	–	–	–	(26,450,000)	–	29 September 2017	Note 2	5 years from the date of grant	HK$0.2728
Other employees of the Group	105,686,923	–	–	(553)	–	105,686,370	20 November 2015	Note 1	10 years from the date of grant	HK$0.296
Other employees of the Group	144,300,000	–	–	–	(144,300,000)	–	29 September 2017	Note 2	5 years from the date of grant	HK$0.2728
TOTAL	389,940,181	-	-	(553)	(211,050,000)	178,889,628				

Note 1: In respect of the Options granted on 20 November 2015, subject to certain vesting conditions, one-third of the Options granted to each grantee shall vest on 19 November 2016, one-third of the Options granted to each grantee shall vest on 19 November 2017 and one-third of the Options granted to each grantee shall vest on 19 November 2018. For further details in relation to the vesting conditions of the Options granted, please refer to note 34, Share-Based Payment, to the Consolidated Financial Statements.

Note 2: In respect of the Options granted on 29 September 2017, subject to certain vesting conditions, one-third of the Options granted to each grantee shall vest on 28 September 2018, one-third of the Options granted to each grantee shall vest on 28 September 2019 and one-third of the Options granted to each grantee shall vest on 28 September 2020. For further details in relation to the vesting conditions of the Options granted, please refer to note 34, Share-Based Payment, to the Consolidated Financial Statements.

Retirement benefits

The Executive Director participates in plans which provide retirement benefits. IRC makes contributions to the plans on behalf of the Executive Director which are assessed annually by the Remuneration Committee.

US$'000	For the year ended 31 December 2022	2021
Denis Cherednichenko *(appointed as Executive Director and Chief Executive Officer on 1 July 2022)*	**53**	–
Yury Makarov *(resigned as an Executive Director and Chief Executive Officer on 25 May 2022)*	**148**	98
Danila Kotlyarov *(as an Executive Director during 4 March 2022 to 25 May 2022)*	**16**	–
	217	98

Approved by the Board and issued on its behalf by

Dmitry Vsevolodovich Dobryak
Remuneration Committee Chairman

30 March 2023

NOMINATION COMMITTEE

The composition of the Nomination Committee in the relevant period during 2022 is set out below:

From 1 January 2022 to 25 March 2022	From 25 March 2022 to 25 May 2022	From 25 May 2022 to 31 December 2022
Peter Hambro* (Chairman)	Peter Hambro* (Chairman)	Nikolai Valentinovich Levitskii^ (Chairman)
Daniel Rochfort Bradshaw**	Daniel Rochfort Bradshaw**	Dmitry Vsevolodovich Dobryak^^
Jonathan Eric Martin Smith**	Jonathan Eric Martin Smith**	Natalia Klimentievna Ozhegina^^^
	Martin Joseph Davison***	
	Nikolai Valentinovich Levitskii^	

* Resigned as Non-Executive Director and chairman of the Nomination Committee on 25 May 2022.

** Resigned as Independent Non-Executive Director and member of the Nomination Committee on 25 May 2022.

*** Appointed as member of the Nomination Committee on 25 March 2022 and resigned as Independent Non-Executive Director and member of the Nomination Committee on 25 May 2022.

^ Appointed as Non-Executive Director and member of the Nomination Committee on 25 March 2022 and chairman of the Nomination Committee on 25 May 2022.

^^ Appointed as Independent Non-Executive Director on 25 March 2022 and member of the Nomination Committee on 25 May 2022.

^^^ Appointed as Independent Non-Executive Director and member of the Nomination Committee on 25 May 2022.

The Committee met four times in 2022 and the attendance of Committee members is set out in the table on page 105.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations and appointment of Directors as well as on the diversity and succession of the Board. The Committee develops a policy for the nomination of Directors, including the nomination procedures for candidates and criteria adopted by the Committee to select and recommend candidates for directorship. When assessing the suitability of a proposed candidate, the Nomination Committee will consider different criteria, including the individual's reputation for integrity, appropriate professional knowledge and industry experience, commitment in respect of available time and relevant interest and diversity. Suitable candidates will be recommended by the Nomination Committee to the Board for consideration. The Board, having considered the recommendation from the Nomination Committee, will decide whether to approve the proposed appointment. The Nomination Committee may consult external recruitment professionals when required.

The Board considers that its composition, size and structure are appropriate to the Group's business needs, reflecting a diversity of perspectives and a desirable combination of skills, gender and experience. Succession planning continues to receive close monitoring and the Board will undertake appropriate recruitments having regard to the retirement plan of individual Directors.

Board Diversity Policy

The Board, through the Nomination Committee, has also adopted a Board diversity policy which sets out the approach taken to diversify the members of the Board. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Ultimately, all Board appointments are based on merit and candidates are considered against objective criteria, but due regard is given for the benefits of a diverse Board. For the year ended 31 December 2022, the Company has achieved the following measurable objectives that the Board has set for implementing the Board Diversity Policy:

(i) To ensure at least one member of the Board shall have obtained accounting or other professional qualification;

(ii) To ensure the appropriate proportion of the Independent Non-Executive Directors to the Executive Director in order to maintain the independence of the Board. In particular, at least one-third of the members of the Board shall be Independent Non-Executive Directors; and

(iii) To ensure at least one member of the Board shall be female.

Independence of Independent Non-Executive Directors

The Committee also reviews the size, structure and composition of the Board and assesses the independence of the Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary. The terms of reference for the Nomination Committee are maintained on the websites of the Company and the Stock Exchange.

The Nomination Committee and the Board are committed to reviewing and assessing the Directors' independence annually in order to ensure that independent views and input of the Independent Non-Executive Directors are made available to the Board. Factors taken into account in such independence review include, and are not limited to, the following:

(i) required character, integrity, perspectives, skills, expertise and experience to fulfill their roles;

(ii) time commitment and attention to the Company's affairs;

(iii) firm commitment to their independent roles and to the Board;

(iv) declaration of conflicts of interest (if any) in their roles as Independent Non-Executive Directors;

(v) no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and

(vi) further reappointment of an Independent Non-Executive Director (including any long-serving independent Non-Executive Director, where applicable) is subject to a separate resolution to be approved by the shareholders.

Summary of work in 2022

During 2022, the Nomination Committee:

- reviewed the nomination policy;
- reviewed the Board diversity policy and considered measurable objectives;
- reviewed the size, structure and composition of the Board;
- considered candidates for directorship;
- reviewed the independence of Independent Non-Executive Directors; and
- reviewed succession planning of the Board and senior executives.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The composition of the Health, Safety and Environment Committee in the relevant period during 2022 is set out below:

From 1 January 2022 to 25 May 2022	From 25 May 2022 to 31 December 2022
Daniel Rochfort Bradshaw* (Chairman)	Natalia Klimentievna Ozhegina^ (Chairman)
Jonathan Eric Martin Smith**	Alexey Mihailovich Romanenko^^
Raymond Kar Tung Woo**	Vitaly Georgievich Sheremet^^

* Resigned as Independent Non-Executive Director and chairman of the Health, Safety and Environment Committee on 25 May 2022.

** Resigned as Independent Non-Executive Director and member of the Health, Safety and Environment Committee on 25 May 2022.

^ Appointed as Independent Non-Executive Director and chairman of the Health, Safety and Environment Committee on 25 May 2022.

^^ Appointed as Independent Non-Executive Director and member of the Health, Safety and Environment Committee on 25 May 2022.

The Health, Safety and Environment Committee is responsible for evaluating the effectiveness of the Group's policies and systems for identifying and managing health, safety and environmental risks within the Group's operations and for ensuring compliance with health, safety and environmental regulatory requirements. The Committee also assesses the performance of the Group with regards to the impact of health, safety, environmental and community relations, decisions and actions.

The Committee provides the Board with regular updates to assist in overseeing matters relating to enhancing the Company's global reputation of responsible corporate stewardship, conscientious corporate social responsibility and product sustainability. In doing so, professional advice may be sought if considered necessary. The Committee also has the authority to invite key members of operational management to meetings to discuss the performance of the Group.

Summary of work in 2022

During 2022, the Health, Safety and Environment Committee:

- reviewed the effectiveness of the Group's policies and systems for identifying and managing health, safety and environmental risks within the Group's operations;
- reviewed the Group's performance with regards to the impact of health, safety, and environment matters; and
- provided updates to the Board with respect to health, safety and environmental matters.

For the year ended 31 December 2022, the Committee met twice and the attendance of Committee members is set out in the table below.

BOARD, COMMITTEE AND SHAREHOLDER MEETINGS AND ATTENDANCE

The number of meetings the Board and other Board Committees held during 2022 is shown below together with attendance details. The table also shows the Directors' attendance at the general meeting of the Company held in 2022:

	Note	Board	Audit Committee	Remuneration Committee	Nomination Committee	Health, Safety and Environment Committee	2022 AGM
Chairman and Non-Executive Directors							
Nikolai Valentinovich Levitskii	(a)	7/7	–	1/1	3/3	–	1/1
Peter Charles Percival Hambro	(b)	8/8	–	–	2/2	–	0/0
Deputy Chairman and Senior Independent Non-Executive Director							
Daniel Rochfort Bradshaw	(c)	8/8	1/1	1/1	2/2	1/1	0/0
Executive Directors							
Denis Vitalievich Cherednichenko	(d)	4/4	–	–	–	–	0/0
Yury Makarov	(e)	8/8	–	–	–	–	0/0
Danila Kotlyarov	(f)	8/8	–	–	–	–	0/0
Independent Non-Executive Directors							
Dmitry Vsevolodovich Dobryak	(g)	7/7	2/2	1/1	2/2	–	1/1
Natalia Klimentievna Ozhegina	(h)	5/5	–	1/1	2/2	1/1	1/1
Vitaly Georgievich Sheremet	(i)	5/5	2/2	–	–	1/1	1/1
Alexey Mihailovich Romanenko	(j)	5/5	2/2	–	–	1/1	1/1
Jonathan Eric Martin Smith	(k)	8/8	1/1	1/1	2/2	1/1	0/0
Raymond Kar Tung Woo	(l)	8/8	1/1	–	–	1/1	0/0
Martin Joseph Davison	(m)	8/8	–	0/0	1/1	–	0/0

Notes:

(a) Appointed as Director of the Company and member of the Nomination Committee on 25 March 2022, and Chairman of the Nomination Committee and member of the Remuneration Committee on 25 May 2022.

(b) Resigned as Director of the Company and Chairman of the Nomination Committee on 25 May 2022.

(c) Resigned as Director of the Company, Chairman of the Health, Safety and Environment Committee, member of Audit Committee, Remuneration Committee and Nomination Committee on 25 May 2022.

(d) Appointed as Director of the Company on 1 July 2022.

(e) Resigned as Director of the Company on 25 May 2022.

(f) Redesignated from Non-Executive Director to Executive Director on 4 March 2022 and resigned as Executive Director of the Company on 25 May 2022.

(g) Appointed as Director of the Company and member of the Audit Committee on 25 March 2022, and appointed as Chairman of the Remuneration Committee and member of the Nomination Committee on 25 May 2022.

(h) Appointed as Director of the Company, Chairman of the Health, Safety and Environment Committee, and member of the Remuneration Committee and Nomination Committee on 25 May 2022.

(i) Appointed as Director of the Company, and member of the Audit Committee and Health, Safety and Environment Committee on 25 May 2022.

(j) Appointed as Director of the Company and Chairman of the Audit Committee and member of the Health, Safety and Environment Committee on 25 May 2022.

(k) Resigned as Director of the Company, Chairman of the Remuneration Committee, member of the Audit Committee, Nomination Committee and Health, Safety and Environment Committee on 25 May 2022.

(l) Resigned as Director of the Company, Chairman of the Audit Committee and member of the Health, Safety and Environment Committee on 25 May 2022.

(m) Resigned as Director of the Company, member of the Remuneration Committee and Nomination Committee on 25 May 2022.

DIVIDEND POLICY

When considering whether to pay any dividend, the Board looks at a range of factors, including the macro environment, the current balance sheet, future investment plans and capital requirements. The Company typically considers paying annual dividends on the basis of its results for the previous year. The dividend policy of the Company aims to provide for a regular and sizeable dividend flow to its shareholders whilst allowing the Company to maintain the financial flexibility to take advantage of attractive investment opportunities in the future.

AUDITORS' INDEPENDENCE AND REMUNERATION

Independence of the auditors is of critical importance to the Audit Committee, the Board and shareholders. The auditors write semi-annually to the members of the Audit Committee confirming that they are independent accountants within the meaning of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence and objectivity of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit work) at a meeting of the Committee.

The Auditors' Report to the shareholders states the auditors' reporting responsibilities.

Deloitte Touche Tohmatsu ("Deloitte") resigned as the auditor of the Company with effect from 10 November 2022. Deloitte decided to tender its resignation after considering its ability to execute its responsibilities as the group engagement team in accordance with the requirements of Hong Kong Standard on Auditing 600 "Special Considerations – Audits of Group Financial Statements (including the Work of Component Auditors)" issued by the Hong Kong Institute of Certified Public Accountants, in light of the significance of the foreign operations to the Group. Deloitte has confirmed in its letter of resignation that there are no matters in relation to its resignation that need to be brought to the attention of the members of the Company. The Board and the Audit Committee of the Company confirmed that there are no other disagreements or unresolved matters between the Company and Deloitte in respect of the change of auditor which should be brought to the attention of the members of the Company.

The Board, with the recommendation from the Audit Committee, has resolved to appoint RSM Hong Kong ("RSM") as the auditor of the Company and RSM has been formally appointed with effect from 30 December 2022 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the annual general meeting of the Company in 2023.

Fees for services rendered by the auditors to the Group for audit and non-audit service for the year ended 31 December 2022 and the comparative figures for the year ended 31 December 2021 are set out below:

	For the year ended 31 December	
US$'000	**2022**	2021
Audit	**672**	561
Non-audit*	**21**	62
Total	**693**	623

* Non-audit services represent the review of loan covenants calculation and mining plan.

SHAREHOLDER RELATIONS

The Board has established a shareholders' communication policy which sets out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communications with the shareholders and other investors are timely, transparent, accurate and open. Information is communicated to the shareholders and other investors are mainly through the Company's corporate communications (such as quarterly trading updates, interim and annual reports, announcements and circulars), at the annual general meetings ("AGM") and other general meetings, as well as disclosure on the website of the Company. The Board reviewed the shareholders' communication policy and shareholders and investor engagement and communication activities conducted in 2022 and, on the basis set out in the paragraph below, was satisfied with the implementation and effectiveness of the shareholders' communication policy.

Interim reports, annual reports and circulars are sent to the shareholders and other investors in a timely manner and are also available on the website of the Company. The Company's website provides shareholders and other investors with corporate information, such as its principal business activities and major projects, the corporate governance practices of the Group and the corporate social responsibilities of the Group. For efficient communication with shareholders and other investors and in the interest of environmental protection, arrangements are in place which allow shareholders and other investors to elect to receive corporate communications of the Company by electronic means through the Company's website.

Shareholders are provided with contact details of the Company, such as telephone, fax number, email address and postal address, in all communications to shareholders and on the Company's website which enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means, ensuring that shareholders' views are communicated to the Board. The Company's AGM also allows the Directors to meet and communicate directly with shareholders.

In addition, shareholders can contact Tricor Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. For each separate issue to be considered at the AGM, separate resolutions are proposed by the chairman of the AGM. The chairman of the AGM exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website by the next business day after the day of the AGM.

The most recent AGM was held on 29 June 2022 and the attendance of the Directors is set out in the table on page 105. At the AGM, separate resolutions were proposed for each issue and were voted on by poll. All of the resolutions proposed at the AGM were passed. The matters discussed and the percentage of votes cast in favour of the resolutions were:

Matters being voted upon	Votes
To receive and consider the reports of the Directors and the Auditor together with the Statement of Accounts for the year ended 31 December 2021.	100.00%
To re-appoint Messrs Deloitte Touche Tohmatsu as Auditor and authorise the Board of Directors to fix their remuneration.	99.93%
To elect Mr Nikolai Valentinovich Levitskii as a Non-Executive Director.	99.53%
To elect Mr Dmitry Vsevolodovich Dobryak as an Independent Non-Executive Director.	100.00%
To elect Ms Natalia Klimentievna Ozhegina as an Independent Non-Executive Director.	100.00%
To elect Mr Alexey Mihailovich Romanenko as an Independent Non-Executive Director.	100.00%
To elect Mr Vitaly Georgievich Sheremet as an Independent Non-Executive Director.	100.00%
To give a general mandate to the Directors to repurchase shares in the Company not exceeding 10% of the number of Shares of the Company in issue.	100.00%
To give a general mandate to the Directors to allot, issue and deal with additional shares in the Company not exceeding, except in certain specific circumstances, the sum of 20% of the number of Shares of the Company in issue.	91.14%
To add shares repurchased to the general mandate to issue new shares.	91.14%

SHAREHOLDERS' RIGHTS

Procedures for convening a general meeting

Shareholder(s) holding at least 5% of the total voting right of the Company of all the shareholders having a right to vote at general meetings may, in accordance with the requirements and procedures set out in Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), request the Board to convene a general meeting by requisition, by stating the general nature of the business to be dealt at a general meeting and sending the requisition to the Company in hard copy or electronic form.

Procedures for putting forward proposals at an annual general meeting

(i) Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company who have a right to vote on the resolution at the annual general meeting; or

(ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting may request the Company to circulate a notice of a resolution for consideration at the annual general meeting. The request must identify the resolution to be moved at the annual general meeting and must be authenticated by the relevant shareholder(s) and sent to the Company in hardcopy form or in electronic form not later than six weeks before the relevant annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

The detailed procedures for shareholders to convene and put forward proposals at an AGM or other general meeting, including proposing a person other than a retiring Director for election as a Director, are set out on the Company's website. Shareholders may send their enquiries requiring the Board's attention to the Company at the registered address of the Company.

Constitutional document

Rights of the shareholders are also provided under the Articles of Association. There have been no changes to the company's constitutional document during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND MODEL CODE

Throughout the year, the Company has applied the principles and complied with the code provisions in Part 2 of the CG Code as set out in Appendix 14 to the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to 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 year 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 holding companies, who are considered to be likely in possession of inside information in relation to the Company or its securities. The Company has internal controls for handling and dissemination of inside information whereby the Chairman of the Board, the Executive Director and the Company Secretary work closely, seeking advice from legal advisors from time to time, if needed, with proper reporting of and approval from the Board, for proper handling and dissemination of inside information in accordance with relevant laws and regulations.

DIRECTORS' RESPONSIBILITY STATEMENT, INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interests of shareholders. The Company improves its business and operational activities by identifying the areas of significant business risks via a regular review, examining and evaluating business processes to determine the adequacy and efficiency of financial and operating controls, and taking appropriate measures to control and mitigate these risks. The management identifies the risk areas (covering areas such as finance, operations, compliance and ESG) and reviews all significant control policies and procedures in those areas and highlights all significant matters to the Board and Audit Committee annually. The Company also has an internal audit function. The Board and the Audit Committee review the effectiveness of the Group's risk management and internal control systems annually by reviewing the work of the internal audit function and the Group's external auditor, and considering reports from management on risk management and internal control. For any weaknesses of internal controls and accounting procedures of the Group which the external auditor have identified and reported to the Company, the Company would pay full attention to the recommendations made by the external auditor and make appropriate improvements as and when appropriate. The Health, Safety and Environment Committee and the Board review the Company's ESG performance and reporting. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss. Where necessary, independent consultants are hired to assist the Board to perform a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. For the year ended 31 December 2022, the Board has reviewed the effectiveness of the risk management and internal control systems and considers the risk management and internal control systems effective and adequate.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company's risk management procedures comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;
- Risk mitigation: Develop effective control measures to mitigate the risks.

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance. The Group's annual results and interim results are announced in a timely manner, and the consolidated financial statements of the Group and the Independent Auditor's Report is set out at page 120.

Sanctions

The Company has reviewed the UK, EU and US sanctions (the "Sanctions"). As of 30 March 2023, being the date of issuing this corporate governance report, so far as the Board is aware, based on its current assessment and the information currently available to it, the Sanctions have no material direct impact on the Group nor its operations. The Group's operations and activities in Russia, and elsewhere, are continuing as usual. The Company will continue to closely monitor sanctions developments.

Last but not least, IRC believes that good corporate governance is the driving force for long-term value creation. We are committed to regularly reviewing and developing our governance policies and practices to ensure that they continue to provide us with good services in a constantly changing environment.

On behalf of the Board

Nikolai Valentinovich Levitskii
Chairman

30 March 2023

DIRECTORS' REPORT

The Directors present their Report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability in Hong Kong on 4 June 2010 under the then Hong Kong Companies Ordinance. The principal activity of the Company is investment holding and the principal activities of its subsidiaries and jointly controlled entity are the production and development of industrial commodities products.

The analysis of the principal activities and geographical locations of the operation of the Group for the year ended 31 December 2022 is set out in note 21 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Company is provided in the Chairman Statement, CEO and CFO Report, and Results of Operations on pages 3 to 5, 6 to 9 and 10 to 21 respectively. Discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position and particulars of important events affecting the Group that have occurred since the end of the financial year are provided throughout this Annual Report, particularly in the Chairman Statement, CEO and CFO Report, and Results of Operations sections on pages 3 to 5, 6 to 9 and 10 to 21 respectively. Descriptions of the principal risks and uncertainties facing the Group can be found throughout this Annual Report, particularly in the Risk Factors & Disclaimer section on pages 211 to 215. The future development of the Company's business is discussed throughout this Annual Report including in the Chairman Statement on pages 3 to 5. An analysis of the Group's business and operations using financial key performance indicators can be found in the Key Performance Indicators section on pages 22 to 23 while an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact, on the Company and on which the Company's success depends, is provided throughout this Annual Report, particularly in the Remuneration Committee section of the Corporate Governance Report on pages 87 to 110 and the Directors' Report on pages 111 to 116. In addition, details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact to the Group, are provided in the Environmental, Social and Governance section on pages 37 to 86.

DIVIDEND

The Board does not recommend the distribution of a dividend for the year ended 31 December 2022.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2022 are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Save for the Subscription as disclosed on page 18 of this Annual Report, there were no changes in the share capital of the Company in 2022. Particulars of the changes in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

RESERVES

Details of reserves available for distribution and movements in reserves during the year are set out in the section "Consolidated Statement of Changes in Equity" of the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Denis Vitalievich Cherednichenko
(Chief Executive Officer, appointed on 1 July 2022)
Yury Makarov
(Chief Executive Officer, resigned on 25 May 2022)
Danila Kotlyarov
(redesignated from Non-Executive Director to Executive Director on 4 March 2022, and resigned on 25 May 2022)

Chairman and Non-Executive Directors

Nikolai Valentinovich Levitskii
(appointed as Director on 25 March 2022 and as Chairman on 25 May 2022)
Peter Hambro
(Chairman, resigned on 25 May 2022)

Independent Non-Executive Directors

Dmitry Vsevolodovich Dobryak
(appointed on 25 March 2022)
Natalia Klimentievna Ozhegina
(appointed on 25 May 2022)
Vitaly Georgievich Sheremet
(appointed on 25 May 2022)
Alexey Mihailovich Romanenko
(appointed on 25 May 2022)
Daniel Rochfort Bradshaw *(resigned on 25 May 2022)*
Jonathan Eric Martin Smith *(resigned on 25 May 2022)*
Martin Joseph Davison *(resigned on 25 May 2022)*
Raymond Kar Tung Woo *(resigned on 25 May 2022)*

DIRECTORS' SERVICE CONTRACTS

The Company has entered into letters of appointment with each of its Directors, pursuant to which each Director is appointed for a term of three years and is subject to termination in accordance with their respective terms.

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS OF SUBSIDIARIES

The list of Directors who have served on the board(s) of the subsidiaries of the Company during the year and up to the date of this report are shown on the Company's website (see link: http://www.ircgroup.com.hk/en/ir_gov.php).

PERMITTED INDEMNITY PROVISIONS

From 1 January 2022 to 30 November 2022, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors of the Company or its associated companies. The permitted indemnity provisions are provided for in the Company's Articles of Association and in the Directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

The Directors and officers liability insurance policy expired on 1 December 2022 and the Company has been unable to renew the policy. Based on the understanding of the Company, the insurers were unwilling to renew the policy due to geopolitical reasons in light of the significance of the Group's operations in Russia. The Company shall keep abreast of the geopolitical development and negotiate with insurers to renew the insurance policy as soon as possible.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2022, the interests or short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Directors and Chief Executives of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, were as follows:

Long positions in shares of the Company

Name of Director	Nature of interest	Number of shares in the Company	Percentage of issued shares in the Company at 31 December 2022
Nikolai Levitskii	Interest of a controlled corporation	2,120,000,000 (Note)	24.88%

Note: These shares are held by Axiomi Consolidation Ltd ("Axiomi") which is ultimately 100% controlled by Nikolai Levitskii, he is therefore deemed to be interested in the shares of the Company held by Axiomi under the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors or Chief Executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and the Model Code, or as recorded in the register required to be kept by the Company under Section 352 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors of the Company or their respective associates was interested in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2022.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent Non-Executive Directors, an annual confirmation of each of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent Non-Executive Directors are independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year ended 31 December 2022.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to any Director or Chief Executive of the Company, as at 31 December 2022, the Company's shareholders (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of shares in the Company	Percentage of issued shares in the Company as at 31 December 2022
Axiomi	Beneficial interest	2,120,000,000 (a)*	24.88%
MIC (b)	Person having a security interest in shares	2,120,000,000 (a)*	24.88%
Kolesnikova Marina Alexeevna (b)	Person having a security interest in shares	2,120,000,000 (a)*	24.88%
MIC (b)	Beneficial interest	1,419,942,876	16.67%
Kolesnikova Marina Alexeevna (b)	Interest of a controlled corporation	1,419,942,876	16.67%

Notes:

(a) These shares refer to the same parcel of shares. Axiomi entered into a share charge, effective on 28 January 2022, on these 2,120,000,000 shares in favour of Gazprombank ("GPB") for the facilities provided by GPB to a subsidiary of the Company. On 15 February 2022, the share charge was assigned by GPB to MIC invest Limited Liability Company, which is 100% controlled by Kolesnikova Marina Alexeevna. The share charge was subsequently released on 28 February 2023.

(b) MIC is wholly-owned by Kolesnikova Marina Alexeevna, she is therefore deemed to be interested in the shares of the Company held by MIC under the SFO.

Save as disclosed above, the Company is not aware any persons who have interests or short position in shares or underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 December 2022. As at 31 December 2022, the Company is not aware 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.

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

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

EMOLUMENT POLICY

Details of the Directors’ emoluments and of the five highest paid individuals in the Group are set out in notes 15 and 14 to the consolidated financial statements, respectively. The emolument policy of the employees of the Group is set up by the Remuneration and/or Executive Committees on the basis of their merit, qualifications and competence.

The emoluments payable to Directors depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board of Directors of the Company on the recommendation of the Remuneration Committee, having regard to the Company’s operating results, individual performance and comparable market statistics.

Detailed information on the remuneration policy and practices of IRC in 2022 are set out in the Corporate Governance Report on page 92 to 102 under the heading “Remuneration Committee”.

The key element of senior management remuneration is the Share Option Scheme, which is designed to align the interests of management with those of shareholders, and to incentivise performance. Please refer to the paragraph “Remuneration Committee” in the Corporate Governance Report on page 100 to 101 and note 34 to the consolidated financial statements under “Share-Based Payments” for more details.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group’s five largest customers accounted for 99% of the total revenue for the year. The largest customer accounted for 68% of the total revenue. Also, the aggregate purchases attributable to the Group’s five largest suppliers taken together represented 62% of the Group’s total purchases for the year. The largest supplier represented 31% of the Group’s total purchases for the year.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company’s share capital) has any interest in the Group’s five largest suppliers or customers.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 87 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

AUDITOR

Deloitte Touche Tohmatsu ("Deloitte") resigned as the auditor of the Company with effect from 10 November 2022. Deloitte decided to tender its resignation after considering its ability to execute its responsibilities as the group engagement team in accordance with the requirements of Hong Kong Standard on Auditing 600 "Special Considerations – Audits of Group Financial Statements (including the Work of Component Auditors)" issued by the Hong Kong Institute of Certified Public Accountants, in light of the significance of the foreign operations to the Group. Deloitte has confirmed in its letter of resignation that there are no matters in relation to its resignation that need to be brought to the attention of the members of the Company. The Board and the Audit Committee of the Company confirmed that there are no other disagreements or unresolved matters between the Company and Deloitte in respect of the change of auditor which should be brought to the attention of the members of the Company.

The Board, with the recommendation from the Audit Committee, has resolved to appoint RSM Hong Kong ("RSM") as the auditor of the Company to fill the vacancy following the resignation of Deloitte and to hold office until the conclusion of the annual general meeting of the Company in 2023. RSM has been formally appointed as the new auditor of the Company with effect from 30 December 2022 to fill the casual vacancy following the resignation of Deloitte.

REVIEW BY THE AUDIT COMMITTEE

The audited financial statements for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Company, which comprises three Independent Non-Executive Directors, namely Alexey Mihailovich Romanenko, Vitaly Georgievich Sheremet and Dmitry Vsevolodovich Dobryak. Alexey Mihailovich Romanenko is the Chairman of the Audit Committee.

CONNECTED TRANSACTION

During the year ended 31 December 2022, the Group had not conducted any connected transactions or continuing connected transactions that were not exempt from the annual report requirement under Chapter 14A of the Listing Rules.

Upon completion of the Subscription, MIC has become a connected person of the Group. A summary of significant related party transactions (including interest payable to MIC during the year ended 31 December 2022) is set out in note 37, Related Party Transactions, to the consolidated financial statements. The transaction constitutes connected transactions of the Company (as defined in Chapter 14A of the Listing Rules) that are exempt from any announcement, reporting, annual review or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are set out in note 39 to the consolidated financial statements.

On behalf of the Board

Nikolai Valentinovich Levitskii
Chairman

30 March 2023

BOARD OF DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

As at 31 December 2022, the Board composes of the following Directors with a collective expertise covering the resource sector and complementary industries, in addition to deep experience in the geographical regions where IRC operated. The Board formally meets at least four times a year. In addition, numerous sub-committee meetings, information events and director training sessions are held, including site visits to IRC's operations and regional offices. The strategic leadership of IRC is the responsibility of a unitary and balanced Board, which comprises a healthy composition of Executive Director, Non-Executive Directors and Independent Non-Executive Directors.

NON-EXECUTIVE CHAIRMAN

Nikolai Valentinovich Levitskii
Chairman

Mr Levitskii, aged 50, is the head of the representative office of Axiomi Consolidation Limited ("Axiomi") and the general director of LLC "Investment company "Axioma". Axiomi is the largest shareholder of the Company and is wholly-owned by Mr Levitskii. Mr Levitskii has spent 30 years in the sectors of mining, oil and gas and banking in Russia. Mr Levitskii was the President and Co-Founder of JSC "Geotech Holding" from 2007 to 2016 and the General Director of CJSC "Mineral and chemical company "EuroChem" from 2001 to 2003. Mr Levitskii received a bachelor's degree in Business Administration in Economic Sciences from the Voznesenski Leningrad Institute of Economics and Finance (renamed as Saint Petersburg State University of Economics and Finance).

EXECUTIVE DIRECTOR

Mr. Cherednichenko, aged 45, has 25 years of experience in management at oil and gas and medical technology groups and acted also as an in-house legal counsel as well as the Vice President of Medical Systems, a pharmaceutical and medical equipment supplies company in Russia, and the CEO of a medical equipment company. He was the CEO of JSC Rusatom Healthcare, Enterprise of State Corporation Rosatom, a radiopharmaceuticals company in Russia. He holds a Law degree from the Ural State Law Academy in Russia, a Master of Laws from the University of Manchester in the United Kingdom and a Master Degree from the Academy of National Economy under the Government of the Russian Federation.

Denis Vitalievich Cherednichenko
Chief Executive Officer

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dmitry Vsevolodovich Dobryak

Mr Dobryak, aged 54, has 30 years of financial management, accounting, business development and administrative experience. His previous roles include CFO of Impulse M, a Moscow based start-up from 2019 to 2020 and CFO of Titan Automotive Solutions, an automotive communications solutions company in Belgium from 2020 to 2021. He is a US qualified certified public accountant, holds a BA in Foreign Trade and International Economics from the Moscow State Institute of International Relations in Russia and a Master of Business Administration from the Crummer Graduate School of Business at Rollins College in the United States.

Mr Alexey Mihailovich Romanenko, aged 45, is the Senior Partner and Chairman of the Board of Directors of NEO Center. Mr Romanenko has more than 20 years of experience in management consulting, auditing, and financial management. His previous roles include Managing Director of Alvarez and Marshal LLP, Partner and Head of Management Consulting of KPMG Russia and CIS and Audit Partner of KPMG Russia and CIS. Mr Romanenko is a fellow member of the ACCA.

Alexey Mihailovich Romanenko

Vitaly Georgievich Sheremet

Mr Vitaly Georgievich Sheremet, aged 46, has more than 20 years of extensive experience in auditing and risk management. His previous roles include Audit and Advisory Partner of KPMG Russia and CIS and Audit and Risk Management Partner of BDO Russia. Mr Sheremet also served as an independent director on several boards in the Russian Federation.

Ms Natalia Klimentievna Ozhegina, aged 52, is the Deputy Director of the International Institute for Energy Policy and Innovation Management, MGIMO Ministry of Foreign Affairs of the Russian Federation. Ms Ozhegina has more than 30 years of experience in public administration, law and human resources. Her previous roles include the Deputy General Director of PJSC Russian Grids for Human Resources Management and the Deputy Chairman of the Management Board of PJSC Federal Grid Company. Ms Ozhegina is a lawyer qualified in Russia.

Natalia Klimentievna Ozhegina

CHIEF FINANCIAL OFFICER

Danila Kotlyarov

Mr. Kotlyarov, aged 44, joined the Group (previously known as LLC Petropavlovsk-Iron Ore, and LLC Aricom) in 2005 as Finance Director, a role which transferred to IRC in 2010. He worked in various senior management positions at IRC until February 2020 when he joined Petropavlovsk PLC, a substantial shareholder of IRC at that time, as CFO and became a Non-Executive Director of IRC. In early 2022, Mr. Kotlyarov relinquished the Petropavlovsk CFO position to become an advisor of Petropavlovsk PLC. In May 2022, Mr. Kotlyarov resigned as an Executive Director of the Company but remained as the CFO of the Company. Mr. Kotlyarov is a fellow of the ACCA and a holder of the Chartered Financial Analyst.

FINANCE DIRECTOR (HK) & COMPANY SECRETARY

Mr. Yuen, aged 49, is the Finance Director (Hong Kong) and Company Secretary of the Company. He is also the Authorised Representative of the Company. Mr. Yuen joined IRC in 2010 before the listing of the Company and has been serving in various senior positions of the Company. He headed up the finance function of the Group from the beginning of 2020, and in May 2022 was redesignated as Finance Director (HK) and Company Secretary. Mr. Yuen began his career in KPMG and has over 25 years of financial management, accounting, auditing and administration experience, including working in various senior positions of listed companies in Hong Kong. He is a fellow member of the HKICPA and the ACCA. He holds a MBA from the Manchester Business School of University of Manchester. He is an Independent Non-Executive Director of G-Vision International (Holding) Limited (stock code: 00657).

Johnny Shiu Cheong Yuen

INDEPENDENT AUDITOR'S REPORT

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TO THE MEMBERS OF IRC LIMITED
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of IRC Limited (the "Company") and its subsidiaries (the "Group") set out on pages 125 to 204, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is:

1. Impairment of property, plant and equipment

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment	
Refer to note 19 to the consolidated financial statements We identified the impairment assessment of property, plant and equipment as a key audit matter due to the inherent subjectivity within the estimation of the present value of the future cash flows over the life of the assets. Given the significance of the carrying amount, our focus has been on the impairment assessment of the carrying values of the property, plant and equipment held by a wholly-owned subsidiary, LLC KS GOK ("K&S Assets"). The recoverable amounts of the K&S Assets have been determined based on a value-in-use calculation which includes judgements and estimations by management of key variables and market conditions including the expected production capacity of the K&S Assets, ore reserve estimates, future iron ore prices, capex and operating costs. These calculations require the use of estimates of future cash flows based on projected income and expenses of the K&S Assets and working capital needs over the life of the mine. Management is also required to determine an appropriate discount rate in order to calculate the present value of those cash flows.	Our procedures in relation to the impairment assessment of property, plant and equipment included: • Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity; • Obtaining an understanding of and evaluating key internal controls over impairment assessment including the Group's assessment of impairment indicators, preparation of the cash flow forecasts, setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amount over the life of the mine; • Evaluating the outcome of prior period impairment assessment of property, plant and equipment to assess the effectiveness of management's estimation process; • Testing the reasonableness of assumptions and the inputs used to determine the cash flow forecasts against historical performance, ore reserve estimate surveys, economic and industry indicators, publicly available information such as iron ore pricing forecasts and the Group's strategic plans;

KEY AUDIT MATTERS (CONTINUED)

1. Impairment of property, plant and equipment (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment (continued)	
Changes in key assumptions on which the recoverable amount of the K&S Assets are based could significantly affect the Group's assessment resulting in changes to the impairment losses recognised. As stated in note 9 to the consolidated financial statements, the Group performed an impairment assessment of property, plant and equipment which resulted in the recognition of impairment losses of US$102,973,000 in the current year.	• Involving our internal valuation specialists and external mining experts to assess the appropriateness of the mining plan, ore reserves, revenue and expenditure assumptions, discount rate, the valuation methodology, technical information provided by the management and the key assumptions used in the valuation model against external benchmarks; • Checking the underlying calculations used in the Group's assessment and performing sensitivity testing of the inputs used; and • Evaluating the sensitivity analysis performed by the management on the inputs used to evaluate the extent of impact on the estimated future cash flows.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tam Shing Yu.

RSM Hong Kong
Certified Public Accountants
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
Revenue	7	**278,757**	371,279
Operating expenses, excluding depreciation	8	**(227,700)**	(202,786)
Depreciation	8	**(23,674)**	(27,021)
Impairment losses	9	**(103,169)**	–
Other income, gains and losses	10	**(3,893)**	10,874
Allowance for financial assets measured at amortised costs		**(331)**	(5)
Finance costs	12	**(8,530)**	(18,238)
(Loss)/profit before tax		**(88,540)**	134,103
Income tax credit/(expense)	13	**700**	(52)
(Loss)/profit for the year		**(87,840)**	134,051
Attributable to:			
Owners of the Company		**(87,896)**	134,069
Non-controlling interests		**56**	(18)
		(87,840)	134,051
(Loss)/earnings per share (US cents)	17		
Basic		**(1.19)**	1.89
Diluted		**(1.19)**	1.89

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 US$'000	2021 US$'000
(Loss)/profit for the year	**(87,840)**	134,051
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**620**	(175)
Fair value gain/(loss) on hedging instruments designated in cash flow hedges	**4,703**	(10,594)
Release of fair value (gain)/loss on hedging instruments in cash flow hedges	**(4,576)**	10,585
Other comprehensive income/(expense) for the year, net of tax	**747**	(184)
Total comprehensive (expense)/income for the year	**(87,093)**	133,867
Attributable to:		
Owners of the Company	**(87,202)**	133,892
Non-controlling interests	**109**	(25)
	(87,093)	133,867

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 US$'000	2021 US$'000
ASSETS			
Non-current assets			
Exploration and evaluation assets	18	**20,392**	20,426
Property, plant and equipment	19	**436,093**	551,907
Right-of-use assets	20	**191**	3,458
Interest in a joint venture	22	**–**	–
Inventories	24	**19,616**	11,389
Total non-current assets		**476,292**	587,180
Current assets			
Inventories	24	**40,710**	43,876
Trade and other receivables	25	**39,922**	25,961
Other financial assets	23	**127**	–
Time deposits	26	**626**	586
Bank and cash balances	26	**36,275**	51,543
Total current assets		**117,660**	121,966
TOTAL ASSETS		**593,952**	709,146

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED...)

At 31 December 2022

	Notes	2022 US$'000	2021 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	27	**1,304,467**	1,285,482
Other reserves		**36,638**	35,944
Accumulated losses		**(892,497)**	(804,601)
Equity attributable to owners of the Company		**448,608**	516,825
Non-controlling interests		**(337)**	(446)
Total equity		**448,271**	516,379
LIABILITIES			
Non-current liabilities			
Borrowings – due more than one year	29	**67,263**	92,688
Lease liabilities	30	**58**	–
Provision for close down and restoration costs	31	**4,547**	6,745
Deferred tax liabilities	32	**1,829**	2,291
Total non-current liabilities		**73,697**	101,724
Current liabilities			
Borrowings – due within one year	29	**10,795**	19,916
Lease liabilities	30	**133**	3,684
Trade and other payables	33	**61,055**	67,193
Current tax liabilities		**1**	250
Total current liabilities		**71,984**	91,043
TOTAL EQUITY AND LIABILITIES		**593,952**	709,146

Approved and authorised for issue by the Board of Directors on 30 March 2023 and are signed on its behalf by:

Nikolai Levitskii	**Denis Cherednichenko**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital US$'000	Capital reserve (Note (a)) US$'000	Share-based payment reserve US$'000	Translation reserve US$'000	Hedging reserve US$'000	Other reserve (Note (b)) US$'000	Accumulated losses US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2021	1,285,158	17,984	17,680	(23,220)	9	23,766	(938,670)	382,707	(421)	382,286
Profit/(loss) for the year	–	–	–	–	–	–	134,069	134,069	(18)	134,051
Other comprehensive expense	–	–	–	(168)	(9)	–	–	(177)	(7)	(184)
Total comprehensive (expense)/income for the year	–	–	–	(168)	(9)	–	134,069	133,892	(25)	133,867
Shares issued upon share options exercised (notes 27 and 34)	324	–	(98)	–	–	–	–	226	–	226
At 31 December 2021	1,285,482	17,984	17,582	(23,388)	–	23,766	(804,601)	516,825	(446)	516,379
At 1 January 2022	1,285,482	17,984	17,582	(23,388)	–	23,766	(804,601)	516,825	(446)	516,379
(Loss)/profit for the year	–	–	–	–	–	–	(87,896)	(87,896)	56	(87,840)
Other comprehensive income	–	–	–	567	127	–	–	694	53	747
Total comprehensive income/(expense) for the year	–	–	–	567	127	–	(87,896)	(87,202)	109	(87,093)
New shares issued (note 27)	18,985	–	–	–	–	–	–	18,985	–	18,985
At 31 December 2022	1,304,467	17,984	17,582	(22,821)	127	23,766	(892,497)	448,608	(337)	448,271

Notes:

(a) The amounts represent deemed contribution from the then ultimate holding company of the Company for 1) certain administrative expenses and tax expenses of the Group paid by the then ultimate holding company of the 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 the then ultimate holding company of the Company.

(b) The amounts arose from 1) 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"); 2) transfer of share-based payment reserve upon vesting of share-based awards resulted from difference between the cost of the treasury shares and fair value at grant date of the awarded shares; 3) deemed contribution from General Nice Development Limited, a shareholder of the Company, for accrued interests on outstanding capital contribution; and 4) direct expenses in relation to the right to subscribe for shares of the Company granted to Tiger Capital Fund (as defined in note 27).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(88,540)**	134,103
Adjustments for:			
Depreciation of property, plant and equipment	8	**20,138**	23,454
Depreciation of right-of-use assets	8	**3,536**	3,567
Finance income	10	**(369)**	(36)
Finance costs	12	**8,530**	18,238
Net loss on disposal of property, plant and equipment	10	**390**	–
Excess over the carrying amount of assets related to decommissioning and restoration liability	8	**627**	–
Impairment losses	9	**103,169**	–
Net foreign exchange loss/(gain)		**10,115**	(496)
Inventory written down	8	**628**	–
Provision for slow moving inventories	10	**–**	334
Other provision	10	**4,142**	4,142
Gain on liquidation of Kuranakh project	10	**–**	(12,186)
Other non-cash adjustments		**(670)**	(265)
Operating profit before working capital changes		**61,696**	170,855
Increase in inventories		**(5,689)**	(10,999)
Increase in trade and other receivables		**(14,629)**	(7,040)
(Decrease)/increase in trade and other payables		**(8,702)**	13,511
Net cash generated from operations		**32,676**	166,327
Income tax paid		**(937)**	(1,229)
Net cash generated from operating activities		**31,739**	165,098
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and exploration and evaluation assets		**(14,448)**	(13,204)
Time deposits placed		**(40)**	(586)
Interest received		**369**	36
Net cash used in investing activities		**(14,119)**	(13,754)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		**(4,308)**	(3,887)
Repayment of borrowings		**(34,732)**	(90,681)
Interest expenses paid		**(7,602)**	(11,245)
Proceeds from shares issued		**18,985**	226
Loan guarantee fees paid		**(2,883)**	(14,311)
Net cash used in financing activities		**(30,540)**	(119,898)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(12,920)**	31,446
Effect of foreign exchange rate changes		**(2,348)**	(274)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**51,543**	20,371
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**36,275**	51,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

IRC Limited ("the Company") is a public limited company incorporated in Hong Kong and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 21 October 2010. The Company together with its subsidiaries are hereinafter referred to as the "Group".

The address of the registered office of the Company is 6H, 9 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in the production and development of industrial commodities products including iron ore concentrate that are used in industry across the world. The main activities of the Group are carried out in Russia and the Group predominantly serves the Russian and Chinese markets. The activities of the Company's principal subsidiaries are set out in note 21.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the requirements of the Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group meets its day-to-day working capital requirements through its bank facilities and borrowings. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information on the Group's borrowings is given in note 29.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	COVID-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair values).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Joint arrangements (continued)

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars ("US$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (continued)

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Exploration and evaluation assets

Exploration and evaluation expenditure incurred in relation to those projects where such expenditure is considered likely to be recoverable through future extraction activity or sale, or where the exploration activities have not reached a stage which permits a reasonable assessment of the existence of reserves, is capitalised and recorded on the consolidated statement of financial position within exploration and evaluation assets for mining projects at the exploration stage.

Exploration and evaluation expenditure comprise costs directly attributable to:

– Researching and analysing existing exploration data;

– Conducting geological studies, exploratory drilling and sampling;

– Examining and testing extraction and treatment methods;

– Compiling pre-feasibility and feasibility studies; and

– Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Exploration and evaluation assets (continued)

Mineral rights acquired through a business combination are capitalised separately from goodwill if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. Exploration and evaluation expenditure capitalised and mining rights acquired are subsequently valued at cost less impairment. In circumstances where a project is abandoned, the cumulative capitalised costs related to the project are written off in the period when such decision is made. Exploration and evaluation expenditure capitalised and mining rights within exploration and evaluation assets are not depreciated. These assets are transferred to mine development costs within property, plant and equipment when a decision is taken to proceed with the development of the project.

(f) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

(i) Non-mining assets

Non-mining assets are initially valued at cost, being the purchase price and the directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by the Group, and are subsequently valued at cost less accumulated depreciation and impairment, if any.

(ii) Mine development costs and mining assets

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure includes costs directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as "mine development costs", this includes any property, plant and equipment acquired to undertake mining activities. Mine development costs are reclassified as "mining assets" at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. Depreciation policy for mining assets are set out below in note 4(f)(v). Mine development costs are tested for impairment as stated in note 4(y).

(iii) Deferred stripping cost in development phase

In open pit operations the removal of overburden and waste materials, referred to as stripping, is required to obtain access to the ore body. Such costs when incurred during the development of the mine are deferred in the consolidated statement of financial position as part of mine development costs, and charged to the profit or loss over the life of the mine on a unit of production basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

(iv) Deferred stripping costs in production phase

During production phase, cost incurred in relation to stripping activity is capitalised and recorded on the consolidated statement of financial position to the extent the stripping activity improved access to ore, which is when the following conditions are satisfied:

– it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;

– the entity can identify the component of the ore body for which access has been improved; and

– the costs relating to the stripping activity associated with that component can be measured reliably.

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for the costs of that stripping activity in accordance with the accounting policy of inventories (see note 4(h)).

When the costs relating to improve access to ore (i.e. a stripping activity asset) and the costs of the inventory produced are not separately identifiable, production stripping costs are allocated between the stripping activity asset and inventory using a relevant production measure (i.e. actual vs. expected volume of waste extracted).

Production stripping costs capitalised as mine development costs and are subsequently carried at cost and depreciated on a unit of production basis over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, less any impairment losses.

(v) Depreciation

Property, plant and equipment are depreciated using a units of production method or straight-line basis as set out below.

Mining assets which are plant and machineries acquired to undertake mining activities are depreciated on a straight-line basis based on estimated useful lives of 2 to 20 years. Other mining assets for which economic benefits from the asset are consumed in a pattern linked to the production level, are depreciated using a units of production method based on ore reserves, which in turn results in a depreciation charge proportional to the depletion of reserves.

Non-mining assets are depreciated on a straight-line basis based on estimated useful lives.

Mine development costs and construction in progress are not depreciated, except for that property, plant and equipment used in the development of a mine. Such property, plant and equipment are depreciated on a straight-line basis based on estimated useful lives and depreciation is capitalised as part of mine development costs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

(v) Depreciation (continued)

Estimated useful lives of non-mining assets normally vary as set out below.

– Buildings	Over the shorter of the term of the lease, and 15-50 years
– Plant and machinery	2–20 years
– Vehicles	5–7 years
– Leasehold improvements	2 years
– Fixtures and equipment	2 years
– Office equipment	2–10 years
– Computer equipment	3–5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

(i) The Group as a lessee

(1) Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease components and are accounted for by applying other applicable standards.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

(i) The Group as a lessee (continued)

(2) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of locomotives and office premises in Russia that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(3) Right-of-use assets

The cost of right-of-use assets include:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

(i) The Group as a lessee (continued)

(4) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

(ii) The Group as a lessor

(1) Classification and measurement of leases

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

Floor space of buildings and other assets may be leased to contractors under an operating lease, for use in the construction of mining properties.

(2) Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(3) Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of raw materials and consumables is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution, include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale. Inventories include: stores and spares, represented raw materials consumed in the production process as well as spare parts and other maintenance supplies; ore stockpiles and other partly processed materials; and iron ore concentrate, presented as finished goods. Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to if, and/or when the stockpiled ore will be processed, the ore is expensed as mined. If the ore will not be processed within 12 months after the reporting date, it is included within non-current assets and net realisable value is calculated on the discounted cash flow basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(z) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Derivative financial instruments and hedge accounting (continued)

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other income, gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in hedge reserve is reclassified immediately to profit or loss.

(s) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of iron ore concentrate is recognised at a point of time when the control of the goods has been transferred to the customers, being when the iron ore concentrate has been delivered to the agreed location. Customers have to make a deposit ranging from 90% to 100% of the invoiced amount before the delivery with the remaining amount to be paid after delivery and on receipt of the final assay results based on the average market price of the month of shipment. Upon delivery of the goods, the customers have control over the usage of the products and bear the risk of loss in relation to the goods.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue and other income (continued)

The Group provides a delivery service associated with the sale of iron ore concentrate as a performance obligation separate to the sale of goods. The Group allocates the price of the relevant sale transaction between the goods sold and the distinct performance obligations related to the delivery of the goods and recognises the corresponding revenue over the period of the performance obligation if the amount is significant. Allocation of transaction price to delivery services is based on the best estimate of a similar stand-alone service.

Revenue from provision of engineering services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligation

The Group does not operate a pension scheme. However, payments are made to defined contribution retirement benefit arrangements for certain employees and these are charged as an expense as they rendered services entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(y) Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 “Impairment of Assets” whenever one of the following events or changes in circumstances indicates that the carrying amount may not be recoverable:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, other receivables, short-time bank deposits and bank and cash balances. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For all other financial assets, except for trade receivables which are measured at fair value, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Impairment of financial assets and contracts assets (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

– the financial instrument has a low risk of default,

– the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

– adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Impairment of financial assets and contracts assets (continued)

(i) Significant increase in credit risk (continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Impairment of financial assets and contracts assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Close down and restoration costs

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided for in the accounting period when the legal or constructive obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provision for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

The unwinding of the discount applied in establishing the net present value of provision is charged to profit or loss for the year. The unwinding of the discount is shown as a financing cost, rather than as an operating cost. Other movements in the provision for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at the end of each reporting period. All costs of continuous rehabilitation are charged to profit or loss as incurred.

(bb) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(cc) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the existing banking facilities and borrowings available at a level sufficient to finance the working capital requirements of the Group.

(b) Deferred tax for unremitted earnings of subsidiaries

For the purposes of measuring the deferred tax liabilities in respect of withholding tax that would be payable on the unremitted earnings associated with the investments in subsidiaries, the directors have assessed that the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment and cash generating units

The Group reviews the carrying value of its property, plant and equipment to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU. The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs of disposal and value in use.

Management necessarily applies its judgement in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation.

Changes to the assumptions underlying the assessment of the recoverable value may result in changes to impairment charges, either through further impairment charges or reversal of previously recognised impairments, which could have a significant impact on the financial information in future periods. In addition, changes to iron ore prices, ore reserve estimates, operating costs, production capacity and increases in the total forecast cost of planned projects or negative outcomes to exploration and evaluation activities could lead to further impairment charges or reversals in the future. Due to drop in the spot iron ore price in the current year, management has revisited the assessment of the recoverable amount of the magnetite development project in the Group's portfolio consisting of the Kimkan deposit and the Sutara deposit (the "K&S Project") and further impairment charge of US$94,621,000 being recognised in the statement of profit or loss for the year ended 31 December 2022 (2021: nil).

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5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(b) Ore reserve estimates

The Group estimates its ore reserves and mineral resources based on the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the "JORC Code") or Canadian Institute of Mining, Metallurgy and Petroleum valuation standards ("CIM"). The JORC Code and CIM require the use of reasonable investment assumptions when reporting reserves, including future production estimates, expected future commodity prices and production cash costs.

Ore reserve estimates are used in the calculation of depreciation of mining assets using a units of production method, impairment charges and for forecasting the timing of the payment of closedown and restoration costs. Also, for the purpose of impairment review and the assessment of life of mine for forecasting the timing of the payment of close down and restoration costs, the Group may take into account mineral resources in addition to ore reserves where there is a high degree of confidence that such resources will be extracted.

Ore reserve estimates may change from period to period as additional geological data becomes available during the course of operations or economic assumptions used to estimate reserves change. Such changes in estimated reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values due to changes in estimated future cash flows;

- Depreciation charged in the consolidated statement of profit or loss where such charges are determined by using a units of production method or where the useful economic lives of assets are determined with reference to the life of the mine;

- Provisions for close down and restoration costs where changes in estimated reserves affect expectations about the timing of the payment of such costs; and

- Carrying value of deferred tax assets and liabilities where changes in estimated reserves affect the carrying value of the relevant assets and liabilities.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(c) Exploration and evaluation costs

The Group's accounting policy for exploration and evaluation expenditure results in such expenditure being capitalised for those projects for which such expenditure is considered likely to be recoverable through future extraction activity or sale, or for which the exploration activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether the Group will proceed with development based on existence of reserves or whether an economically viable extraction operation can be established. Such estimates and assumptions may change from period to period as new information becomes available. If, subsequent to the exploration and evaluation expenditure capitalised, a judgement is made that recovery of the expenditure is unlikely or the project is to be abandoned, the relevant capitalised amount will be written off to profit or loss. Management is confident that the carrying amount of the assets will be recovered in full. During the first half of 2022, one of the exploration and evaluation assets amounting to US$196,000 (2021: nil) has been fully impaired due to the revocation of the exploration license. As at 31 December 2022, the carrying amount of the exploration and evaluation is US$20.4 million (2021: US$20.4 million).

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of processing and selling products of similar nature. It could change significantly as a result of changes in customer's preference and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period. Inventories written down to net realisable value of US$0.6 million (2021: nil) was made for the year ended 31 December 2022.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, other price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central finance department and all key risk management decisions are approved by the board of directors. The Group identifies and evaluates financial risks in close cooperation with the Group's operating units.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities Pounds Sterling, US$, Euros, Hong Kong Dollars ("HK$"), Renminbi and Russian Roubles.

Foreign currency risks are mitigated to the extent considered necessary by the board of directors of the Company, through holding the relevant currencies for future settlement. During both years, other than the Group used currency zero-cost collars contracts to minimise the risks associated with foreign currency fluctuations related to the operating costs, the Group does not undertake any foreign currency transaction hedging.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in currencies other than the functional currencies of the relevant group entities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Russian Roubles	**12,791**	6,291	**18,814**	32,333
US$	**13**	14	**–**	–
Renminbi	**4,989**	17	**–**	–
Pounds Sterling	**–**	–	**–**	1
Arab Emirates Dirhams	**–**	–	**77**	–
Euro	**–**	–	**163**	–
HK$	**121**	144	**193**	2,994

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

The Group is mainly exposed to exchange rate movements between US$ and Russian Roubles. The following table details the Group's sensitivity to a 25% (2021: 25%) change in exchange rate of functional currency (i.e. US$) of the group entities against the relevant foreign currency (i.e. Russian Roubles) for the year. The percentage change analysed represents management's assessment of a reasonably possible change in foreign currency rates. No sensitivity analysis is presented for foreign currency fluctuation between US$ against HK$ because HK$ is pegged to US$. The exposure to other currencies are limited, hence no sensitivity analysis is presented.

A positive number below indicates a decrease in post-tax loss (2021: an increase in post-tax profit) where the functional currency of the group entities strengthen 25% against Russian Roubles. For a 25% weakening of functional currency of the group entities against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss.

	Russian Rouble currency impact	
	2022	2021
	US$'000	US$'000
Profit or loss	**1,205**	5,208

The Group's policy is to hold a portion of its cash equivalents in Russian Roubles to cover its exposure arising on capital and operational expenditures incurred in Russian Roubles.

(b) Other price risk

The Group's trade receivables and derivative financial instruments are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to commodity price risk in relation to the trade receivables and derivative financial instruments. The Group's exposure to other price risk arising from the trade receivables and derivative financial instrument is not significant.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure and the credit ratings of the counterparties are monitored by the directors of the Company, and limits have been established to ensure that the aggregate value of transactions is spread amongst approved counterparties.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, except for trade receivables measured at FVTPL, the Group performs impairment assessment for financial assets and other items under the ECL model using a provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 99.8% (2021: 56%) of the total trade receivables as at 31 December 2022.

The Group's exposure to credit risk arising from bank deposits, bank balances and derivative financial assets is limited because the counterparties are banks and financial institutions with satisfactory credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk. The table below details the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount 2022 US$'000	2021 US$'000
Financial assets at amortised cost					
Other receivables (Note)	N/A	Low	12 month ECL	**1,435**	1,801
Bank balances	Range from BAA to BBB-	N/A	12 month ECL	**36,275**	51,543
Short-term time deposits	BBB	N/A	12 month ECL	**626**	586

Note: For the purpose of internal credit risk management, the Group uses both publicly available and past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due US$'000	Not past due/no fixed repayment terms US$'000	Total US$'000
2022			
Other receivables	**–**	**1,435**	**1,435**
2021			
Other receivables	–	1,801	1,801

The following table shows the reconciliation of loss allowances that have been recognised for other receivables.

	2022 US$'000	2021 US$'000
At 1 January	**5**	458
Impairment losses of financial instruments recognised	**331**	5
Write-off	**(5)**	(458)
At 31 December	**331**	5

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Weighted average effective interest rate %	On demand or less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
At 31 December 2022						
Trade and other payables	**–**	**12,420**	**–**	**–**	**12,420**	**12,420**
Borrowings	**8.48**	**10,784**	**17,828**	**49,882**	**78,494**	**78,058**
Construction costs payable	**8.16**	**22,694**	**–**	**–**	**22,694**	**22,694**
Lease liabilities	**5.00**	**140**	**58**	**–**	**198**	**191**
At 31 December 2021						
Trade and other payables	–	20,585	–	–	20,585	20,585
Borrowings	7.01	20,645	20,645	71,936	113,226	112,604
Construction costs payable	8.16	22,694	–	–	22,694	22,694
Lease liabilities	10.70	3,888	–	–	3,888	3,684

(e) Interest rate risk

The Group is exposed to fair value interest rate risk mainly in relation to fixed rate construction costs payable and lease liabilities and cash flow interest rate risk in relation to variable-rate borrowings. It is the Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on LIBOR arising from the Group's US$ denominated borrowings. The Group is also exposed to interest-rate risk arises from the holding of cash and cash equivalents and bank deposits. These deposits bear interests at variable rates that vary with the then prevailing market condition. The Group did not enter into any interest rate swaps to hedge against its exposure to cash flow interest risk.

At 31 December 2022, if interest rates had been 100 basis points higher/lower with all other variables held constant, consolidated loss after tax for the year would have been US$137,000 higher/lower (2021: consolidated profit after tax for the year US$179,000 lower/higher).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Categories of financial instruments

	2022 US$'000	2021 US$'000
Financial assets:		
Financial assets at FVTPL	**20,534**	2,415
Financial assets measured at amortised cost	**38,005**	53,925
Derivative instruments designated in cash flow hedge relationships	**127**	–
Financial liabilities:		
Financial liabilities at amortised cost	**113,171**	155,883

(g) Fair values

The fair value of other financial assets and financial liabilities at amortised cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The fair value of trade receivables are measured using quoted market index. The fair value of derivative instruments are measured using quoted swap price and discounted using applicable yield rates for the duration of the instruments.

7. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year is as follows:

Revenue from contracts with customers within the scope of HKFRS 15	2022 US$'000	2021 US$'000
Disaggregated by major products or service lines		
– Sale of iron ore concentrate	**274,598**	369,173
– Delivery services	**3,976**	1,890
– Engineering services	**183**	216
	278,757	371,279

For the year ended 31 December 2022

7. REVENUE (CONTINUED)

Disaggregation of revenue (continued)

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

For the year ended 31 December	Mines in production		Engineering		Total	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000	**2022 US$'000**	2021 US$'000
Primary geographical markets						
– People's Republic of China ("PRC")	**251,198**	356,003	**–**	–	**251,198**	356,003
– Russia	**27,376**	15,060	**183**	216	**27,559**	15,276
Revenue from external customers	**278,574**	371,063	**183**	216	**278,757**	371,279
Timing of revenue recognition						
Products transferred at a point in time	**274,598**	369,173	**–**	–	**274,598**	369,173
Products and services transferred over time	**3,976**	1,890	**183**	216	**4,159**	2,106
Total	**278,574**	371,063	**183**	216	**278,757**	371,279

8. OPERATING EXPENSES, INCLUDING DEPRECIATION

	2022 US$'000	2021 US$'000
Site operating expenses and service costs		
Subcontracted mining costs and engineering services	**82,150**	70,463
Freight and shipment costs	**65,388**	60,508
Staff costs	**23,991**	21,867
Depreciation	**23,508**	26,838
Materials usage	**16,183**	15,779
Other expenses	**8,600**	9,135
Mineral extraction tax	**8,462**	5,368
Electricity	**7,596**	6,178
Property tax	**2,320**	5,540
Fuel	**2,196**	1,934
Professional fees (Note)	**1,166**	5,261
Excess over the carrying amount of assets related to decommissioning and restoration liability	**627**	–
Inventory written down	**628**	–
Expenses relating to short-term leases and leases of low value assets	**452**	404
Mine development costs capitalised in property, plant and equipment	**(2,013)**	(2,600)
Movement in finished goods and work in progress	**(4,706)**	(7,324)
	236,548	219,351
General administration expenses		
Staff costs	**11,723**	6,471
Professional fees (Note)	**2,062**	2,815
Other expenses	**633**	750
Expenses relating to short-term leases and leases of low value assets	**242**	237
Depreciation	**166**	183
	14,826	10,456
	251,374	229,807

Note: Professional fees comprise audit fees, legal fees, consulting fees, management services fees and engineering consultancy fees.

	2022 US$'000	2021 US$'000
Fees payable to auditors for the annual audit of the Group's consolidated financial statements	**693**	623

9. IMPAIRMENT LOSSES

The Group follows the requirements of HKAS 36 Impairment of Assets to consider whether there are impairment indicators and if so, to determine whether the non-financial assets are impaired. At the end of each reporting period, the management assesses whether there is any indication that the impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the management is required to estimate the recoverable amount of the asset which requires significant judgement. In making this judgement, management considers factors including improvements in production volumes, changes in the cash costs of production, available ore reserves, purity of the iron ore concentrate, forecasted iron and ilmenite prices and exchange rates.

The recoverable amount of the K&S Project has been determined based on value-in-use calculations. These calculations require the use of estimates of future cash flows based on projected income and expenses of the business and working capital needs that have taking into consideration the future economic conditions, expected production capacity, ore reserve estimates, iron ore prices and cost of production over the expected life of the mine. Management is also required to choose appropriate discount rates in order to calculate the present values of the cash flows. Changes in the key assumptions on which the recoverable amounts of the assets are based could significantly affect management's assessment.

As at 31 December 2022, the recoverable amount of the property, plant and equipment and right-of-use assets of the K&S Project is approximately US$433.3 million (2021: US$552.5 million) resulting in an impairment loss totaling to US$94,621,000 (2021: nil) being recognised in the year. The nominal pre-tax discount rate used was 15.66% (2021: nominal pre-tax discount rate 13.48%).

Further, certain of the construction in progress mining assets amounting to US$8,352,000 (2021: nil) has been fully impaired during the year due to not planned construction in the future.

In addition, one of the exploration and evaluation assets amounting to US$196,000 (2021: nil) has been fully impaired during the year due to the revocation of the exploration license.

10. OTHER INCOME, GAINS AND LOSSES

	2022 US$'000	2021 US$'000
Rental income	**4,809**	4,078
Net foreign exchange (loss)/gain	**(5,539)**	704
Interest income on cash and cash equivalents	**369**	36
Provision for slow moving inventories	**–**	(334)
Gain on liquidation of Kuranakh project	**–**	12,186
Net loss on disposal of property, plant and equipment	**(390)**	–
Other provision	**(4,142)**	(4,142)
Others	**1,000**	(1,654)
	(3,893)	10,874

11. SEGMENT INFORMATION

The chief operating decision maker has been identified as the Executive Committee of the Company. The Executive Committee review the Group's internal reporting for the purposes of resource allocation and assessment of segment performance which focused on the category of services/products provided to external customers. The Group has identified four reportable segments as follows:

Mines in production – comprises an iron ore project in production phase. This segment includes the K&S Project which is located in the Russia Far East Region started commercial production in January 2017;

Mines in development – comprises iron ore projects in the exploration and development phase. This segment includes the Garinskoye project, the Kostenginskoye project and the Bolshoi Seym project which are all located in the Russia Far East region;

Engineering – comprises in-house engineering and scientific expertise related to JSC Giproruda, which is located in Russia; and

Other – primarily includes the Group's interests in a joint venture for the production of vanadium pentoxides and related products in the PRC as well as various other projects, which have similar economic characteristic and activities.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment results represent the results generated by each segment without the allocation of general administration expenses, general depreciation, other income, gains and losses, allowance for financial assets measured at amortised cost and finance costs.

Segment results represent the results incurred by each segment for the purpose of monitoring segment performance and performance assessment.

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

- all assets are allocated to reportable segments other than central cash and cash equivalents; and
- all liabilities are allocated to reportable segments other than deferred tax liabilities and borrowings.

11. SEGMENT INFORMATION (CONTINUED)

Information about operating segment profit or loss, assets and liabilities:

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Year ended 31 December 2022					
Revenue from external customers	278,574	–	183	–	278,757
Segment (loss)/profit	(60,181)	14	(775)	(18)	(60,960)
General administrative expenses					(14,660)
General depreciation					(166)
Other income, gains and losses					(3,893)
Allowance for financial assets measured at amortised costs					(331)
Finance costs					(8,530)
Loss before tax					(88,540)
Other material non-cash items					
Depreciation	23,400	–	108	–	23,508
Impairment losses	102,973	196	–	–	103,169
Additions to segment non–current assets					
– Capital expenditure on property, plant and equipment and right–of–use assets	14,353	–	–	278	14,631
– Exploration and evaluation expenditure capitalised	–	162	–	–	162
As at 31 December 2022					
Segment assets	546,066	20,626	3,871	4,312	574,875
Central cash and cash equivalents					19,077
Consolidated total assets					593,952
Segment liabilities	58,482	250	220	6,842	65,794
Borrowings					78,058
Deferred tax liabilities					1,829
Consolidated total liabilities					145,681

11. SEGMENT INFORMATION (CONTINUED)

Information about operating segment profit or loss, assets and liabilities (continued):

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Year ended 31 December 2021					
Revenue from external customers	371,063	–	216	–	371,279
Segment profit/(loss)	152,813	(64)	(809)	(12)	151,928
General administrative expenses					(10,273)
General depreciation					(183)
Other income, gains and losses					10,874
Allowance for financial assets measured at amortised costs					(5)
Finance costs					(18,238)
Profit before tax					134,103
Other material non-cash item					
Depreciation	26,740	–	98	–	26,838
Additions to segment non-current assets					
– Capital expenditure on property, plant and equipment	12,929	–	3	11	12,943
– Exploration and evaluation expenditure capitalised	–	261	–	–	261
As at 31 December 2021					
Segment assets	676,252	21,240	3,752	4,347	705,591
Central cash and cash equivalents					3,555
Consolidated total assets					709,146
Segment liabilities	66,466	242	216	10,948	77,872
Borrowings					112,604
Deferred tax liabilities					2,291
Consolidated total liabilities					192,767

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11. SEGMENT INFORMATION (CONTINUED)

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000
PRC	**251,198**	356,003	**–**	–
Hong Kong	**–**	–	**191**	72
Russia	**27,559**	15,276	**476,101**	587,108
Consolidated total	**278,757**	371,279	**476,292**	587,180

Revenue from major customers:

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follow:

	2022 US$'000	2021 US$'000
Mines in production		
Customer A	**189,825**	237,890
Customer B	**49,143**	–
Customer C	**–**	44,725
Customer D	**–**	44,303

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12. FINANCE COSTS

	2022 US$'000	2021 US$'000
Interest expense on borrowings	**7,834**	12,229
Guarantee fee	**–**	4,923
Interest expense on lease liabilities	**61**	408
Unwinding of discount on environmental obligation	**635**	678
	8,530	18,238

13. INCOME TAX CREDIT/(EXPENSE)

Income tax has been recognised in profit or loss as following:

	2022 US$'000	2021 US$'000
Current tax:		
Russian Corporate tax	**(32)**	(15)
Hong Kong Profits tax	**–**	(249)
	(32)	(264)
Overprovision/(underprovision) in prior years:		
United Kingdom Corporate tax	**(15)**	–
Hong Kong Profits tax	**249**	(103)
	234	(103)
Deferred tax credit (note 32)	**498**	315
	700	(52)

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13. INCOME TAX CREDIT/(EXPENSE) (CONTINUED)

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Russian Corporate tax is calculated at a rate of 20% of the estimated assessable profit for both years.

Based on the approved federal and regional laws in Russia, the K&S Project is considered to be an investment project and is eligible for income tax relief over 10 years starting from 2017. The K&S Project is exempted from Russian Corporate tax for the period from 2017 to 2021 and, will be taxed at a reduced rate of 10% for the following 5 years increasing to 20% thereafter.

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

The reconciliation between the income tax credit/(expense) and the loss/(profit) before tax is as follows:

	2022 US$'000	2021 US$'000
Loss/(profit) before tax	**88,540**	(134,103)
Tax at the Russian Corporate tax rate of 20% (2021: 20%)	**17,708**	(26,821)
Tax effect of income that is not taxable	**10,183**	6,106
Tax effect of expenses that are not deductible	**(19,253)**	(6,054)
Tax effect of tax exemption	**(1,898)**	26,588
Tax effect of utilisation of temporary differences not previously recognised	**(22)**	(70)
Tax effect of of tax losses not recognised	**(160)**	(413)
Tax effect of utilisation of tax losses not previously recognised	**(172)**	130
Effect of different tax rates of subsidiaries	**(5,367)**	302
Tax effect arising from exchange adjustments on non-monetary assets	**(553)**	283
Overprovision/(underprovision) in respect of prior years	**234**	(103)
	700	(52)

14. EMPLOYEE BENEFITS EXPENSE

	2022 US$'000	2021 US$'000
Employee benefits expense (including directors' emoluments):		
Wages and salaries	**26,409**	20,689
Social security and other benefits	**7,968**	7,101
Retirement benefit contributions	**1,337**	548
	35,714	28,338

(a) Pensions – defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in Hong Kong.

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under the MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2022 and 2021 under the MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

14. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2021: two) directors whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining three (2021: three) individuals and the emoluments of two resigned directors after resignation are set out below:

	2022 US$'000	2021 US$'000
Salaries and other benefits	**1,894**	990
Retirement benefit scheme contribution	**1,064**	425
	2,958	1,415

The emoluments fell within the following bands:

	2022	2021
Below HK$500,000 (equivalent to approximately US$64,103)	**1**	–
HK$2,500,001 to HK$3,000,000 (equivalent to approximately US$320,513 to US$384,614)	**1**	–
HK$3,000,001 to HK$3,500,000 (equivalent to approximately US$384,615 to US$448,718)	**–**	2
HK$4,500,001 to HK$5,000,000 (equivalent to approximately US$576,923 to US$641,026)	**2**	1
HK$10,000,001 to HK$10,500,000 (equivalent to approximately US$1,282,051 to US$1,346,153)	**1**	–
	5	3

In both years, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group. The chief executive and five directors who resigned during the year received payment in lieu of notice. None of the chief executive or directors, or the five highest paid individuals, waived or agreed to waive any emoluments during the year (2021: nil).

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15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
	Directors' fees US$'000	Salaries and other benefits US$'000	Discretionary bonus US$'000	One-off additional fees US$'000	Employer's contribution to a retirement benefit scheme US$'000	Payment in lieu of notice US$'000	2022 Total US$'000
Executive directors:							
Denis Cherednichenko (a)	–	429	–	–	53	–	482
Yury Makarov (b)	–	338(h)	492(j)	–	148	843	1,821
Danila Kotlyarov (c)	–	127	–	–	16	–	143
Non-executive directors:							
Nikolai Levitskii (d)	126	–	–	–	–	–	126
Peter Charles Percival Hambro (e)(i)	123	–	–	153	–	306	582
Danila Kotlyarov (c)	25	–	–	71	–	–	96
Independent non-executive directors:							
Dmitry Dobryak (f)	69	–	–	–	–	–	69
Natalia Ozhegina (m)	69	–	–	–	–	–	69
Alexey Romanenko (m)	69	–	–	–	–	–	69
Vitaly Sheremet (m)	69	–	–	–	–	–	69
Daniel Rochfort Bradshaw (g)	97	–	–	123	–	123	343
Jonathan Eric Martin Smith (g)(i)	79	–	–	99	–	197	375
Martin Joseph Davison (g)	63	–	–	78	–	156	297
Raymond Woo (g)	73	–	–	92	–	92	257
Total for 2022	862	894	492	616	217	1,717	4,798

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15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

The remuneration of every director is set out below (continued):

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
	Directors' fees US$'000	Salaries and other benefits US$'000	Discretionary bonus US$'000	Employer's contribution to a retirement benefit scheme US$'000	2021 Total US$'000
Executive director:					
Yury Makarov (b)	–	781 (h)	354 (j)	98	1,233
Non-executive directors:					
Peter Charles Percival Hambro (e)(i)	204	–	–	–	204
Danila Kotlyarov (c)	102	–	–	–	102
Denis Alexandrov (k)	–	–	–	–	–
Aleksei Kharitontsev (k)	–	–	–	–	–
Independent non-executive directors:					
Daniel Rochfort Bradshaw (g)	163	–	–	–	163
Jonathan Eric Martin Smith (g)	141	–	–	–	141
Chuang-fei Li (l)	67	–	–	–	67
Martin Joseph Davison (g)	105	–	–	–	105
Raymond Woo (g)	112	–	–	–	112
Total for 2021	894	781	354	98	2,127

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15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

Notes:

(a) Appointed as Executive Director and Chief Executive Officer on 1 July 2022;

(b) Resigned as Executive Director on 25 May 2022;

(c) Re-designated from Non-Executive Director to Executive Director on 4 March 2022 and resigned as Executive Director on 25 May 2022;

(d) Appointed as Non-Executive Director on 25 March 2022;

(e) Resigned as Non-Executive Director on 25 May 2022;

(f) Appointed as Independent Non-Executive Director on 25 March 2022;

(g) Resigned as Independent Non-Executive Director on 25 May 2022;

(h) Included in salaries was US$19,000 (2021: US$94,000) paid by subsidiaries;

(i) Director's fee was paid to an independent service company which is classed as an affiliated company to the director;

(j) Discretionary bonus is determined by the Remuneration Committee having regard to the performance of the individual and the Group's performance;

(k) Appointed as Non-Executive Director on 19 January 2021 and resigned on 8 December 2021;

(l) Resigned as Independent Non-Executive Director on 24 June 2021;

(m) Appointed as Independent Non-Executive Director on 25 May 2022.

Mr Yury Makarov and Mr Denis Cherednichenko are also the former and current Chief Executive of the Company, respectively, and their emoluments disclosed above include those for services rendered by themselves as the Chief Executive.

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 15(a), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of both years or at any time during both years.

16. DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during both years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

17. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings	2022 US$'000	2021 US$'000
(Loss)/earnings attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**(87,896)**	134,069

Number of shares	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	**7,414,825**	7,095,736

The computation of weighted average number of shares for the purpose of diluted (loss)/earnings per share for the years ended 31 December 2022 and 31 December 2021 does not assume the exercise of share options granted by the Group because the exercise price of those options was higher than the average market price for the Company's shares.

18. EXPLORATION AND EVALUATION ASSETS

	2022 US$'000	2021 US$'000
At 1 January	**20,426**	20,165
Additions	**162**	261
Impairment loss recognised	**(196)**	–
At 31 December	**20,392**	20,426

As at 31 December 2022, Garinskoye and Bolshoi Seym Deposits are classified as exploration and evaluation assets. Additions mainly related to capitalised costs incurred on exploration and evaluation activities. Kostenginskoye Deposit has been fully impaired during 2022 due to the revocation of the exploration license.

19. PROPERTY, PLANT AND EQUIPMENT

	Mine development costs US$'000	Mining assets US$'000	Non-mining assets US$'000	Construction in progress US$'000	Total US$'000
Cost					
At 1 January 2021	386,947	969,737	54,880	14,452	1,426,016
Additions	12,316	584	43	–	12,943
Transfers	(10,280)	10,280	–	–	–
Disposals	–	(3,653)	(103)	–	(3,756)
Exchange differences	(2)	–	(22)	–	(24)
At 31 December 2021 and 1 January 2022	388,981	976,948	54,798	14,452	1,435,179
Additions	14,298	53	11	–	14,362
Close down and restoration costs capitalised	–	(6,834)	–	–	(6,834)
Transfers	(2,766)	2,745	21	–	–
Disposals	–	(712)	(494)	–	(1,206)
Exchange differences	–	–	236	–	236
At 31 December 2022	400,513	972,200	54,572	14,452	1,441,737
Accumulated depreciation and impairment					
At 1 January 2021	357,252	454,259	34,037	14,452	860,000
Charge for the year	–	22,799	655	–	23,454
Disposals	–	(73)	(103)	–	(176)
Exchange differences	–	–	(6)	–	(6)
At 31 December 2021 and 1 January 2022	357,252	476,985	34,583	14,452	883,272
Charge for the year	–	19,530	608	–	20,138
Transfers	–	17	(17)	–	–
Disposals	–	(352)	(464)	–	(816)
Impairment losses	–	102,973	–	–	102,973
Exchange differences	–	–	77	–	77
At 31 December 2022	357,252	599,153	34,787	14,452	1,005,644
Carrying amount					
At 31 December 2022	43,261	373,047	19,785	–	436,093
At 31 December 2021	31,729	499,963	20,215	–	551,907

At 31 December 2022 and 2021, the Group did not have any material contractual commitments for the acquisition of property, plant and equipment.

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20. RIGHT-OF-USE ASSETS

	Mining assets US$'000	Non-mining assets US$'000	Total US$'000
At 1 January 2021	6,781	244	7,025
Depreciation	(3,395)	(172)	(3,567)
At 31 December 2021 and 1 January 2022	3,386	72	3,458
Additions	–	269	269
Depreciation	(3,386)	(150)	(3,536)
At 31 December 2022	–	191	191

Lease liabilities of US$191,000 (2021: US$3,684,000) are recognised with related right-of-use assets of US$191,000 (2021: US$3,458,000) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

During both years, the Group leased an office, equipment and vehicles for its operations. Lease contracts are entered into for fixed term up to 2 years, and do not have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

	2022 US$'000	2021 US$'000
Total cash outflows for lease payments	**5,002**	4,528

21. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of company	Place and date of incorporation/ establishment/operation	Issued and fully paid share capital/ registered capital[c]	Equity interest attributable to the Group		Principal activities
			2022[b]	2021[b]	
Ariti HK Limited	Hong Kong 11 February 2008	HK$98,250,664	100%	100%	General trading
LLC IRC Group (formerly known as LLC Petropavlovsk – Iron Ore)	Russia 25 August 2004	RUB25,800,000	100%	100%	Business services for the Group
LLC KS GOK	Russia 2 August 2004	RUB14,943,755,727	100%	100%	Exploration and mining – K&S Project
JSC Giproruda[a]	Russia 8 December 1992	RUB23,195,000	70.28%	70.28%	Engineering services
LLC GMMC	Russia 26 June 2006	RUB780,000,000	99.58%	99.58%	Exploration and mining – Garinskoye project
LLC Kostenginskiy GOK	Russia 16 February 2007	RUB18,400,000	100%	100%	Exploration and mining – Kostenginskoye project
LLC Garinskaya Infrastructure	Russia 14 December 2007	RUB2,100,000	100%	100%	Transportation services for Garinskoye project
LLC Uralmining	Russia 12 October 2008	RUB11,000	100%	100%	Exploration and mining – Bolshoi Seym project

(a) JSC Giproruda is an open joint stock company in Russia. Shares issued by JSC Giproruda can be freely traded.

(b) As at 31 December 2022 and 2021 all of the interests in remaining subsidiaries are indirectly attributable to the Company.

(c) Class of shares held is ordinary shares.

None of the subsidiaries had issued any debt securities at the end of the year.

At the end of the reporting period, the Company did not have subsidiaries that have material non-controlling interests.

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22. INTEREST IN A JOINT VENTURE

In past years, as a result of one of the Group's project being put under care and maintenance and subsequently liquidated, the interest in a joint venture had been impaired in full.

23. OTHER FINANCIAL ASSETS

	2022 US$'000	2021 US$'000
Derivative financial assets		
Derivatives under hedge accounting		
Cash flow hedges – foreign currency forward	**127**	–

Cash flow hedges

At 31 December 2022, the Group had currency zero-cost collars contracts designated as highly effective hedging instruments in order to minimise the exchange rate exposure in relation to operating costs (2021: nil).

Currency zero-cost collars contracts in 2022 and 2021 have a monthly maturity with the total notional amount of US$34,000,000 (2021: US$12,000,000).

During the year ended 31 December 2022, the net gain on change in fair value of the currency zero-cost collars contracts under cash flow hedges amounting to US$4,703,000 (2021: net loss on change in fair value of the commodity and currency zero-cost collars contracts under cash flow hedges amounting to US$10,594,000) has been recognised in other comprehensive income. The net fair value gains of the currency zero-cost collars amounting to US$4,576,000 (2021: net fair value losses of the hedging instruments amounting to US$10,585,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss upon the settlement.

24. INVENTORIES

	2022 US$'000	2021 US$'000
Current		
Stores and spares	**17,544**	16,558
Ore in stockpiles and work in progress	**17,644**	23,084
Finished goods	**5,522**	4,234
	40,710	43,876
Non-current		
Ore in stockpiles (Note)	**19,616**	11,389

Note: Ore in stockpiles that is not planned to be processed within twelve months after the reporting period is shown as non-current.

No inventories had been pledged as security during the years ended 31 December 2022 and 2021.

No current inventories were written down or recovered to its net realisable value during the years ended 31 December 2022 and 2021. Non-current inventories were written down by US$628,000 (2021: nil) to its net realisable value during the year ended 31 December 2022.

The cost of inventory, excluding iron ore concentrate, charged to the consolidated statement of profit or loss and included in site operating expenses and service costs was approximately US$16,283,000 (2021: US$14,317,000) for the year ended 31 December 2022.

No inventories is expected to be recovered after more than twelve months from 31 December 2022, other than ore in stockpiles, presented as non-current, for the years ended 31 December 2022 and 2021.

25. TRADE AND OTHER RECEIVABLES

	2022 US$'000	2021 US$'000
Trade receivables	**20,534**	2,415
Value-added tax recoverable	**13,376**	13,513
Prepayments to suppliers	**4,908**	8,237
Amounts due from customers under engineering contracts	**5**	15
Other receivables	**1,099**	1,781
	39,922	25,961

Trade receivables are amounts owed from iron ore concentrate sales and services performed under engineering contracts and measured at fair value.

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

The Group allows credit period of 14 to 52 days (2021: 3 to 35 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.

The Group has a concentration of credit risk at 31 December 2022 as 99.8% (2021: 55.6%) of the total trade receivables was due from the Group's largest customer. The Group has implemented policies that require appropriate credit checks on potential customers before granting credit. The Group has adopted a policy of only dealing with creditworthy counterparties and minimising its risk by receiving substantial upfront payments. The Group's exposure and credit ratings of its counterparties are monitored closely by management. The maximum credit risk of such financial assets is represented by the carrying value of the asset.

In determining recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2022 US$'000	2021 US$'000
Less than one month	**20,163**	2,415
One month to three months	**371**	–
	20,534	2,415

At 31 December 2022, 99.8% and 0.2% (2021: 55.6% and 44.4%) of the carrying amounts of the Group's trade receivables are denominated in the US$ and Russian Roubles respectively.

26. TIME DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2022, the Group had short-term US Dollars denominated bank time deposits with an original maturity of three to twelve months and bore interest at prevailing market rates that ranged from 6.16% to 19.00% (2021: 5.80% to 7.79%) per annum.

Bank and cash balances comprised cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Cash at banks carry interest at prevailing market rates ranging from 1.40% to 18.90% (2021: 0.08% to 7.50%) per annum as at 31 December 2022.

As at 31 December 2022, the bank balances of US$36,275,000 (2021: US$51,543,000) include US$16,834,000 (2021: US$47,676,000) held by LLC KS GOK, a wholly owned subsidiary of the Group.

27. SHARE CAPITAL

	2022		2021	
	Number of shares	Amount US$'000	Number of shares	Amount US$'000
At 1 January	**7,099,714,381**	**1,285,482**	7,093,386,381	1,285,158
Shares issued upon share options exercised	**–**	**–**	6,328,000	324
New shares issued (Note)	**1,419,942,876**	**18,985**	–	–
At 31 December	**8,519,657,257**	**1,304,467**	7,099,714,381	1,285,482

Note: On 14 September 2022, the Company entered into a conditional subscription agreement with MIC invest LLC, pursuant to which MIC invest LLC had conditional agreed to subscribe for and the Company had conditional agreed to allot and issue 1,419,942,876 new ordinary shares of the Company (the "Subscription Shares") at the subscription price of HK$0.10641 per Subscription Share. The Subscription Shares represented 20.0% of the then existing issued share capital of the Company and approximately 16.7% of the total issued share capital of the Company as enlarged by the Subscription Shares. On 12 October 2022, all conditions of the subscription agreement have been fulfilled and the Subscription Shares have been allotted and issued to MIC invest LLC, resulting in MIC invest LLC becoming a substantial shareholder of the Company.

The net proceeds from the subscription amounted to approximately HK$151,096,000 (equivalent to US$18,985,000), which was fully applied to (i) pay the principal amount of the fourth quarter of 2022 of the Gazprombank Facility; and (ii) prepay part of the principals of each of the 12 quarterly instalments of the Gazprombank Facility that will fall due and become payable by the Group in each of the year ending 31 December 2023, 2024 and 2025.

On 30 November 2016, the Company entered into a subscription agreement with an investor, Tiger Capital Fund SPC – Tiger Global SP ("Tiger Capital Fund"), pursuant to which Tiger Capital Fund agreed to subscribe for 937,500,000 new ordinary shares of the Company at the subscription price of HK$0.21 per share. As part of the consideration for the subscription, the Company has also agreed to grant to Tiger Capital Fund a right to subscribe for a maximum of 60,000,000 new ordinary shares ("Option Share(s)") of the Company. The subscription and the grant of the Option Shares were subject to shareholders' approval by way of an ordinary resolution which was passed on 29 December 2016. Accordingly, 937,500,000 ordinary shares were allotted and issued, as well as 60,000,000 Option Shares were granted, to Tiger Capital Fund on 30 December 2016 (the "Completion Date") for a total net proceeds of approximately US$25.4 million.

27. SHARE CAPITAL (CONTINUED)

The 60,000,000 Option Shares granted were assigned to a director of Tiger Capital Fund, pursuant to the nomination by Tiger Capital Fund. The first tranche of 30,000,000 Option Shares has an exercise price of HK$0.3575, representing a premium of 10% to the closing price of HK$0.325 on the Completion Date and exercisable at any time during the period of 5 years commencing on the Completion Date. Following the completion of the first tranche of the Option Shares subscription, the exercise price for the second tranche of the remaining 30,000,000 Option Shares was set at a price being 110% of the closing price for a share of the Company on the first anniversary of the Completion Date and exercisable at any time during the period of 5 years commencing on the first anniversary of the completion date.

The Option Shares were fully vested in 2017.

Both tranches of Option Shares granted (30,000,000 Option Shares each) expired and lapsed in December 2021 and December 2022 respectively. No Option Shares granted were exercised during the year ended 31 December 2022 (2021: nil).

In 2021, the Company issued 1,328,000 and 5,000,000 new shares following the exercising of share options pursuant to the Company's employees' share option scheme 2015 and 2017 with an exercise price of HK$0.296 and HK$0.2728 per share respectively. The Company received approximately US$0.226 million following the issuance of the shares.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

Based on information available to the Company, the Company is in compliance with the 25% limit throughout the year. As at 31 December 2022, 58.5% (2021: 70.1%) of the shares were in public hands.

28. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(u) to the consolidated financial statements.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(iii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges in note 4(r)(i) to the consolidated financial statements.

29. BORROWINGS

	2022 US$'000	2021 US$'000
Bank loans	**–**	112,604
Other loans	**78,058**	–
	78,058	112,604

The borrowings are repayable as follows:

	2022 US$'000	2021 US$'000
Within one year	**10,795**	19,916
More than one year, but not exceeding two years	**17,710**	20,669
More than two years, but not exceeding five years	**49,553**	72,019
	78,058	112,604
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(10,795)**	(19,916)
Amount due for settlement after 12 months (shown under non-current liabilities)	**67,263**	92,688

29. BORROWINGS (CONTINUED)

On 18 December 2018, the Group entered into two facility agreements with a bank, Gazprombank JSC, for a loan in aggregate of US$240,000,000 (the “Gazprombank Facility”). The Gazprombank Facility will mature in 2026 and consists of two tranches. The principal under the first tranche amounts to US$160,000,000 with interest being charged at the London Inter-bank Offer Rate (“LIBOR”) + 5.7% per annum and is repayable in equal quarterly payments during the term of the Gazprombank Facility, the final payment in December 2026. The principal under the second tranche amounts to US$80,000,000 with interest being charged at LIBOR+7.7% per annum and is repayable in full at the end of the term, in December 2026. Interest charged on the drawn down amounts under the two tranches is payable in quarterly payments during the term of the Gazprombank Facility.

On 19 March 2019, the Group drew down on the Gazprombank Facility to repay the bank loan from ICBC in full of approximately US$169,637,000 and to finance the K&S Project’s working capital of approximately US$3,000,000.

On 21 March 2019, the Group further drew down on the Gazprombank Facility to repay the loans from JSC Pokrovskiy mine in full of approximately US$56,211,000.

The remaining amounts of the Gazprombank Facility were drawn down and used for the following purposes: (i) to finance the K&S Project’s working capital of approximately US$5,000,000 and (ii) to repay part of the guarantee fee of approximately US$6,000,000 owed by the Group to Petropavlovsk PLC in respect of their guarantee of the ICBC Facility Arrangement.

As at 31 December 2022 and 31 December 2021, the full credit facility amount of US$240,000,000 has been fully drawn down.

During the third quarter of 2021, a total of US$70,000,000 was repaid to Gazprombank JSC as early principal loan repayment of the second tranche amounts to US$80,000,000.

On 3 December 2021, Petropavlovsk PLC announced the completion of the disposal of its 31.1% equity interest in the then issued share capital of the Company resulting in the irrevocable release of Petropavlovsk PLC from all loan guarantees given to Gazprombank JSC in respect of the Gazprombank Facility.

In February 2022, Gazprombank JSC assigned its rights under the Gazprombank Facility to MIC invest LLC. The assignment has not resulted in any changes to the terms and conditions of the documentation for the Gazprombank Facility that the Group previously entered into.

The Gazprombank Facility is secured by (i) a charge over the property, plant and equipment with net book value of US$49,421,000; (ii) 100% equity share of Kapucius Services Limited in LLC KS GOK; (iii) until 3 December 2021, a guarantee from Petropavlovsk PLC, the former substantial shareholder of the Company; and (iv) since 28 January 2022, pledged of 2,120,000,000 ordinary shares of the Company held by Axiomi Consolidated Ltd (“Axiomi Share Charge”), the current substantial shareholder of the Company.

As of 31 December 2022, the total borrowings of US$78,058,000 (2021: US$112,604,000) was borne by LLC KS GOK, a wholly owned subsidiary of the Group.

29. BORROWINGS (CONTINUED)

The drawn down of the Gazprombank Facility is subject to the following requirements:

a) LLC KS GOK must maintain an authorised capital not less than RUB9.1 billion;

b) LLC KS GOK must provide quarterly reporting; and

c) LLC KS GOK must meet the following financial covenants:

i) Net Debt/EBITDA ratio:

- For the twelve months period ended 30 June 2021 and 31 December 2021 of less than 3.5 times; and
- Starting from the twelve months period ended on 30 June 2022, of less than 3.0 times

Where:

– Net Debt is defined as short-term borrowed funds add long-term borrowed funds add leasing obligations less cash or cash equivalents; and

– EBITDA is defined as profit before tax for the last twelve months add interest expenses for the last twelve months less interest income for the last twelve months add depreciation for the last twelve months add adjustments to exclude exchange rate revaluation and other non-monetary items for the last twelve months and add lease payments for the last twelve months.

ii) Debt Service Coverage Ratio (DSCR):

- Starting from the twelve months period ended on 30 June 2020 – not less than 1.2 times

where DSCR is defined as:

– Incoming cash balance add free cash flow of LLC KS GOK to the share capital add cash payments for servicing the principal debt add cash payments for interest payments; divided by

– Cash payments for servicing the principal debt add cash payments for interest payments.

Breaches in meeting the financial covenants would permit Gazprombank JSC, and MIC invest LLC, as lender of Gazprombank Facility since the first quarter of 2022, to immediately call borrowings.

During the fourth quarter of 2022, following MIC invest LLC became the substantial shareholder of the Company, MIC invest LLC has ceased Net Debt/EBITDA ratio and the DSCR covenants requirements for the twelve months period ending on 31 December 2022, 30 June 2023 and 31 December 2023.

For the twelve months period ended 30 June 2022, LLC KS GOK has complied with the Net Debt/EBITDA ratio covenant. MIC invest LLC has granted LLC KS GOK a waiver to comply with the DSCR covenant for the twelve months period ended 30 June 2022.

For the twelve months periods ended 31 December 2022, 31 December 2021 and 30 June 2021, LLC KS GOK has complied with the Net Debt/EBITDA ratio and the DSCR covenants.

For the year ended 31 December 2022

30. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000
Within one year	**140**	3,888	**133**	3,684
More than one year, but not exceeding two years	**58**	–	**58**	–
	198	3,888	**191**	3,684
Less: Future finance charges	**(7)**	(204)	**N/A**	N/A
Present value of lease obligations	**191**	3,684	**191**	3,684
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(133)**	(3,684)
Amount due for settlement after 12 months (shown under non-current liabilities)			**58**	–

The weighted average incremental borrowing rates applied to lease liabilities range from 0.41% to 21.16% (2021: from 0.42% to 21.16%).

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2022 US$'000	2021 US$'000
Russian Roubles	**–**	3,610
Hong Kong Dollars	**191**	74
	191	3,684

Board of Directors & Company Secretary

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31. PROVISION FOR CLOSE DOWN AND RESTORATION COSTS

	2022 US$'000	2021 US$'000
At 1 January	**6,745**	12,554
Unwinding of discount	**635**	678
Exchange differences	**564**	(23)
Gain on liquidation of Kuranakh project	**–**	(2,859)
Change in estimate	**(3,397)**	(3,605)
At 31 December	**4,547**	6,745

The provision represents amounts recognised in relation to mine closure, site and environmental restoration costs which are based on estimates provided by in-house engineers and geologists.

The amount represents the obligation recognised for the K&S Project, which is located in the Jewish Autonomous Region (EAO) of the Russian Federation. The related obligation for the K&S Project has been recognised using an effective interest rate of 11.0% (2021: 8.4%) per annum with the expected timing of cash outflows on the closure of mining operation currently estimated to be after 2056.

32. DEFERRED TAX

The following are the deferred tax (liabilities) and assets recognised by the Group and movements thereon during the year.

	Property, plant and equipment US$'000	Engineering contracts US$'000	Tax losses US$'000	Foreign exchange movements US$'000	Other temporary differences US$'000	Total US$'000
At 1 January 2021	(527)	–	39,995	(42,073)	(4)	(2,609)
Credit/(charge) to profit or loss for the year	28	10	(6)	283	–	315
Exchange differences	3	–	–	–	–	3
At 31 December 2021 and 1 January 2022	(496)	10	39,989	(41,790)	(4)	(2,291)
Credit/(charge) to profit or loss for the year	19	7	(91)	553	10	498
Exchange differences	(29)	–	–	–	(7)	(36)
At 31 December 2022	(506)	17	39,898	(41,237)	(1)	(1,829)

At 31 December 2022, the Group had unused tax losses of approximately US$215,755,000 (2021: approximately US$214,548,000).

32. DEFERRED TAX (CONTINUED)

On 30 November 2016, an amendment to the Russian Tax Code was enacted that, effective from 1 January 2017 (i) the limitation regarding the utilisation of loss carry forwards up to 50% of taxable profit in the tax period will expire beginning in 2021; and (ii) the current 10-year carry forward period for losses will be eliminated, hence, it will be possible to fully utilise loss carry forwards against the corporate tax base in a given year from 2021 onwards. Further losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

In relation to these unused tax losses, deferred tax assets of US$91,000 have been utilised in 2022 in respect of approximately US$199,490,000 of unused tax losses and US$6,000 have been utilised in 2021 in respect of approximately US$199,944,000 of unused tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately US$16,265,000 (2021: approximately US$14,604,000) due to the unpredictability of future taxable profit streams.

At 31 December 2022, the Group had deductible temporary difference of approximately US$1,451,000 (2021: approximately US$2,089,000), in respect of temporary differences arising on the sale of iron ore concentrate and certain costs capitalised in “Mine development costs” under property, plant and equipment when they were under development in prior years. No deferred tax asset has been recognised in respect of these deductible temporary differences as they are insignificant.

The Group did not record a deferred tax liability in respect of withholding tax that would be payable on the unremitted earnings associated with investments in its subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and did not intend to reverse them in the foreseeable future. These subsidiaries are incorporated in Russia and subject to the Russian Corporate tax rate of 20%. Unremitted earnings that would be subject to withholding tax amount to approximately US$96,128,000 at 31 December 2022 (2021: approximately US$2,558,000). Temporary differences arising from the Group’s interests in a joint venture are insignificant.

For the year ended 31 December 2022

33. TRADE AND OTHER PAYABLES

	2022 US$'000	2021 US$'000
Trade payables	**10,734**	14,911
Advances from customers	**76**	1,565
Interest payables	**253**	208
Construction cost payables (Note)	**22,694**	22,694
Accruals and other payables	**27,298**	27,815
	61,055	67,193

Note: Construction cost payables are amounts owed arising from the Engineering Procurement and Construction Contract (the "EPC Contract") entered into between the Group and China National Electric Engineering Corporation ("CNEEC") on 6 December 2010.

The EPC Contract was amended on 14 March 2016 such that LLC KS GOK shall issue a taking-over certificate for the process plant works ("Taking-Over Certificate") on 30 June 2016 to confirm the status of completion of the processing plant. However, the Group had to complete certain works itself, and the time for completion of the K&S Project was extended from 30 June 2016 to 26 July 2016.

Under the EPC Contract, CNEEC is subject to delay penalties on demand basis for the period between the completion date of the infrastructure works and the date of the issuance of the Taking-Over Certificate for the process plant works at US$150,000 per day and the Group may recover the same from CNEEC as a debt. On this basis, a delay penalty amounting to US$3,900,000 has been charged to CNEEC (the "Delay Penalty") in respect of the delay of completion of the processing plant from 30 June 2016 to 26 July 2016.

On 27 December 2016, the Group and CNEEC entered into an additional agreement (the "Additional Agreement") to the EPC Contract that the Taking-Over Certificate would be issued on 31 December 2016.

The Group owes CNEEC a final payment for the construction costs of US$26,594,000 which CNEEC agreed to receive in tranches of US$8,396,000, US$9,099,000 and US$9,099,000 in 2018, 2019 and 2020 respectively. As at 31 December 2022, CNEEC agreed to partially offset this final payment with the Delay Penalty of US$3,900,000 and the remaining payment of US$22,694,000 (2021: US$22,694,000) has been measured at amortised cost and accrued interests in relating to the remaining payment of US$15,398,000 (2021: US$11,256,000) included in accruals and other payables.

As at 31 December 2021, the Group has made a counter claim of approximately US$75,372,000 for (i) delay penalties in respect of the period from 26 July 2016 until 31 December 2016; (ii) performance penalties; and (iii) reimbursement of the costs of remedial works against CNEEC which is currently going through an arbitration process.

As at 31 December 2022, the Group has made a claim of at least US$38,207,000 and RUB1,036,846,000, made up as follows:

- delay penalties for the delayed completion of the process plant works, amounting to US$1,006,000. Such an amount is calculated on the basis of set-off performed by LLC KS GOK in respect of the principal amount US$22,694,000 claimed by CNEEC, as against LLC KS GOK's entitlement to delay penalties. Such set-off was performed by way of notice to CNEEC dated 23 August 2021. To the extent CNEEC is held not to be entitled to the principal amounts, LLC KS GOK claims the full amount of delay penalties in respect of the delayed completion of the process plant works, amounting to US$23,700,000;

- reimbursement of the costs of remedial works carried out by LLC KS GOK in relation to defects in the process plant works, amounting to at least RUB123,590,000 and US$230,000;

- performance penalties, amounting to US$30,335,000;

- delay penalties for the delayed completion of the drying unit, amounting to US$6,635,000;

- reimbursement of the costs of remedial works carried out by LLC KS GOK in relation to the quantified defects in the drying unit works, amounting to RUB9,652,000; and

- reimbursement of the costs of remedial works carried out by LLC KS GOK in relation to the ongoing defects in the drying unit works, amounting to RUB903,605,000,

which is currently going through a Dispute Adjudication Board process.

33. TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of trade payables based on invoice date is as follows:

	2022 US$'000	2021 US$'000
Less than one month	**10,380**	11,431
One month to three months	**145**	3,469
Over three months to six months	**203**	5
Over six months	**6**	6
	10,734	14,911

The average credit period on purchases of goods and services for the year was 25 days (2021: 12 days). The directors of the Company consider that the carrying amount of trade creditors and other payables approximates their fair value.

At 31 December 2022, 94.3%, 3.4%, 1.5% and 0.7% (2021: 80.6%, 16.5%, 2.9% and nil) of the carrying amounts of the Group's trade payables are denominated in Russian Roubles, US$, Euros and Arab Emirates Dirhams respectively.

34. SHARE-BASED PAYMENTS

On 20 November 2015, the Company adopted a share option scheme ("Share Option Scheme") that will expire on 19 November 2025. The remaining life of the Share Option Scheme is approximately 2.5 years. Pursuant to the Share Option Scheme, any employee, director and any person or entity acting in their capacities as consultants of the Group ("Eligible Persons") may be granted share options under the Share Option Scheme.

The Share Option Scheme is designed to incentivise, reward and retain key Eligible Persons in the Group by providing a reward for long term performance of the Eligible Persons and of the Group, and which aligns the interests of the Eligible Persons with those of the Company's long-term shareholders.

Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options (the "Options") to Eligible Persons to subscribe for shares of the Company at a price which shall be at least the higher of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant. The Board shall specify in an offer letter a date by which a grantee must accept the offer, being a date no later than 28 days after the date on which the option is offered or the date on which the conditions for the offer are satisfied. Payment of an option price of HK$1.00 shall be made upon acceptance of the offer.

The total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue on the date of shareholders' approval of the refreshed mandate limited, being 10 August 2018, unless the Company obtains further approval from the shareholders.

The number of shares issued and to be issued in respect of which Options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

34. SHARE-BASED PAYMENTS (CONTINUED)

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

As at the date of this annual report, the total number of Shares available for issue upon the exercising of the outstanding Options as at 31 December 2022 under the Share Option Scheme was 178,889,628, representing 2.1% of the total issued shares of the Company as at the date of this report.

The number of options available for grant (and therefore total number of shares available for issue) under the mandate of the Share Option Scheme was 313,070,457 as at 1 January 2022 and 31 December 2022 respectively. The Company did not grant any share options during the year ended 31 December 2022.

Share Options granted in 2015

On 20 November 2015, 228,000,000 Options were granted to the Company's selected employees and directors. The exercise price is HK$0.315 per share, which was higher than the closing price of the Company's shares on the date of grant of HK$0.246 per share.

Of the total 228,000,000 Options, 87,000,000 Options were granted to directors of the Company, and 141,000,000 Options were granted to certain employees of the Group. The Options are valid for a period of 10 years from the date of grant and are subject to the vesting periods as follows:

– one-third of the Options granted to each Grantee shall vest on 19 November 2016;

– one-third of the Options granted to each Grantee shall vest on 19 November 2017; and

– one-third of the Options granted to each Grantee shall vest on 19 November 2018.

Each one-third tranche of the Options granted in 2015 are subject to the following vesting conditions:

– 25% of the tranche vesting relates to the achievement of certain production targets;

– 25% of the tranche vesting relates to profitability;

– 25% of the tranche vesting relates to the growth and development of the Group; and

– 25% of the tranche vesting relates to the meeting of certain health, safety and environmental requirements.

To address the dilutive effect of the Company's share placement which completed on 30 December 2016 (please refer to note 27 for details of the placement), the exercise price and the aggregate number of Options granted on 20 November 2015 have been adjusted to HK$0.296 and 242,328,035, respectively. One-third of the Options granted (80,776,011 Options) were due to vest in 2016, subject to the achievement of certain performance targets during the vesting period. However, as the K&S Project was not in commercial production so the grantees were not in the position to deliver on certain performance targets, the board of directors has determined that 50% of the Options that were due for vesting in 2016 (i.e. 40,388,008 Options) vested in 2017. As such, 40,388,003 Options vested in 2016 and became exercisable. However, in 2017, 15,499,783 Options were forfeited due to cessation of employment. One-third (37,288,055 Options) of the remaining Options (111,864,152 Options) due to vest in 2017 have been cancelled as approved by the remuneration committee of the Company and the effect of accelerating the expense is not significant. On 19 November 2018, the vesting period for share option granted in 2015 ended. 74,576,097 Options granted were due to vest. Other than 9,322,016 Options were cancelled as approved by the remuneration committee of the Company, the remaining 65,254,081 Options were fully vested.

34. SHARE-BASED PAYMENTS (CONTINUED)

Share Options granted in 2015 (continued)

An option granted in 2015 may be exercised by the grantee in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of grant of option under the Share Option Scheme.

As at 31 December 2022, the number of exercisable Options under the scheme is 178,889,628 (2021: 178,890,181), representing 2.10% of the issued number of shares of the Company (2021: 2.52%). During the year ended 31 December 2022, nil (2021: 1,328,000) Options granted in 2015 were exercised and 553 options were forfeited.

Share Options granted in 2017

On 29 September 2017, 296,400,000 Options were granted to the Company's selected employees and directors. The exercise price is HK$0.2728 per share, which was higher than the closing price of the Company's shares on the date of grant of HK$0.248 per share.

Of the total 296,400,000 Options, 111,600,000 Options were granted to directors of the Company, and 184,800,000 Options were granted to certain employees of the Group. The share options are valid for a period of 5 years from the date of grant and are subject to the vesting periods as follows:

– one-third of the Options granted to each Grantee shall vest on 28 September 2018;

– one-third of the Options granted to each Grantee shall vest on 28 September 2019; and

– one-third of the Options granted to each Grantee shall vest on 28 September 2020.

Each one-third tranche of the Options granted in 2017 are subject to the following vesting conditions:

– 25% of the tranche vesting relates to the achievement of certain production targets;

– 25% of the tranche vesting relates to profitability;

– 25% of the tranche vesting relates to the growth and development of the Group; and

– 25% of the tranche vesting relates to the meeting of certain health, safety and environmental requirements.

In 2018, one-third of the Options granted (98,800,000 Options) were due to vest, subject to the achievement of certain performance targets during the vesting period. After assessing the level of achievement of the performance targets, 12,350,000 Options have been cancelled and 86,450,000 Options were vested.

In 2019, 24,800,000 Options were forfeited due to cessation of employment. Half of the remaining Options granted (86,400,000 Options) were due to vest. After assessing the level of achievement of the performance targets, 43,200,000 Options have been vested, and 43,200,000 Options have been cancelled. The effect of accelerating the expense was not significant.

In 2020, the vesting period for Options granted in 2017 ended and the Company assessed that all the vesting conditions were fulfilled. The remaining 86,400,000 Options granted have been fully vested.

34. SHARE-BASED PAYMENTS (CONTINUED)

Share Options granted in 2017 (continued)

An option granted in 2017 may be exercised by the grantee in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 5 years from the date of grant of option under the Share Option Scheme.

At 31 December 2021, 211,050,000 Options granted remained outstanding under the scheme. The number of exercisable Options under the scheme is 211,050,000, representing 2.97% of the issued number of shares of the Company as at 31 December 2021.

At 28 September 2022, all 211,050,000 Options granted in 2017 outstanding as at 31 December 2021 expired. During the year ended 31 December 2022, nil (2021: 5,000,000) Options granted in 2017 were exercised.

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Amount due to Petropavlovsk PLC included in other payables	Lease liabilities	Total
	US$'000	US$'000	US$'000	US$'000
At 1 January 2021	202,080	12,271	7,222	221,573
Financing cash flow	(101,926)	(14,311)	(3,887)	(120,124)
Interest expense	12,229	–	408	12,637
Loan guarantee fee	–	4,923	–	4,923
Other payables	–	(7)	–	(7)
Exchange differences	221	–	(59)	162
At 31 December 2021 and 1 January 2022	112,604	2,876	3,684	119,164
Financing cash flow	(42,334)	(2,883)	(4,308)	(49,525)
Interest expense	7,834	–	61	7,895
New leases entered	–	–	269	269
Other payables	(46)	7	–	(39)
Exchange differences	–	–	485	485
At 31 December 2022	78,058	–	191	78,249

36. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group earned property rental income of approximately US$4,809,000 (2021: US$4,078,000) during the year ended 31 December 2022, relating to (i) the sub-let of part of the floor space of buildings owned by JSC Giproruda and (ii) wagons subleased by LLC KS GOK, both subsidiaries of the Group. At 31 December 2022 and 2021, the Group had contracted with tenants for minimum lease payments due within eleven months.

Minimum lease payments receivable on leases are as follows:

	2022 US$'000	2021 US$'000
Within one year	**618**	566

37. RELATED PARTY TRANSACTIONS

(a) As disclosed in note 27, during the fourth quarter of 2022, the Company entered into and completed the conditional subscription agreement with MIC invest LLC, pursuant to which MIC invest LLC has become a substantial shareholder of the Company and as at 31 December 2022 the Group's borrowings from MIC invest LLC amounted to US$78,058,000. The interest expense payable to MIC invest LLC is US$253,000 as at 31 December 2022.

(b) The Group had the following transactions with its related parties during the year:

	2022 US$'000	2021 US$'000
Interest expenses incurred to MIC invest LLC	**1,741**	–
Fee received from a subsidiary of a former substantial shareholder for provision of office floor space	**–**	101
Fee paid/payable to a former substantial shareholder for receipt of financial guarantee	**–**	4,923

(c) The remuneration of directors and other members of key management during the year was as follows:

	2022 US$'000	2021 US$'000
Short-term benefits	**6,475**	3,020
Post-employment benefits	**1,281**	523
	7,756	3,543

The remuneration of key management personnel is determined by the remuneration committee with regards to the performance of the individuals and market trends.

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2022 US$'000	2021 US$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**524,734**	598,050
Right-of-use assets	**191**	72
Property, plant and equipment	**8**	–
Total non-current assets	**524,933**	598,122
Current assets		
Prepayment and other receivables	**378**	446
Amounts due from subsidiaries	**1,161**	4,522
Bank and cash balances	**18,111**	935
Total current assets	**19,650**	5,903
TOTAL ASSETS	**544,583**	604,025

For the year ended 31 December 2022

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Statement of financial position of the Company (continued)

	Note	2022 US$'000	2021 US$'000
EQUITY			
Capital and reserves			
Share capital	27	**1,304,467**	1,285,482
Other reserves		**20,824**	20,824
Accumulated losses		**(877,020)**	(789,927)
Total equity		**448,271**	516,379
LIABILITIES			
Non-current liabilities			
Loan from a subsidiary		**56,247**	46,358
Lease liabilities		**58**	–
Total non-current liabilities		**56,305**	46,358
Current liabilities			
Amounts due to subsidiaries		**38,229**	37,133
Accruals and other payables		**1,645**	4,081
Lease liabilities		**133**	74
Total current liabilities		**40,007**	41,288
TOTAL EQUITY AND LIABILITIES		**544,583**	604,025

Approved and authorised for issue by the Board of Directors on 30 March 2023 and are signed on its behalf by:

Nikolai Levitskii	**Denis Cherednichenko**
Director	*Director*

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Capital reserve US$'000	Share-based payment reserve US$'000	Other reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2021	592	6,571	13,759	(1,012,923)	(992,001)
Profit and total comprehensive income for the year	–	–	–	222,996	222,996
Shares issued upon share options exercised	–	(98)	–	–	(98)
At 31 December 2021 and 1 January 2022	592	6,473	13,759	(789,927)	(769,103)
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(87,093)**	**(87,093)**
At 31 December 2022	**592**	**6,473**	**13,759**	**(877,020)**	**(856,196)**

39. EVENTS AFTER THE REPORTING PERIOD

Acquisition and Disposal of Vessel

On 4 January 2023, Ariti HK Limited, a wholly-owned subsidiary of the Company, as purchaser and Kirgan Holding S.A. as seller entered into a memorandum of agreement pursuant to which Ariti HK Limited agreed to purchase and Kirgan Holding S.A. agreed to sell a crane vessel named “ATLAS DOUBLE” with Belize Flag (the “Vessel”) at the consideration of US$20,500,000 (equivalent to approximately HK$159,900,000).

On 3 March 2023, Ariti HK Limited as vendor and Limited Liability Company TK Wagon Trade as purchaser entered into a memorandum of agreement (the “MOA”) pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Vessel at the consideration of US$23,195,000 (equivalent to approximately HK$180,921,000) (the “Disposal”).

In light of the complex external operating environment and the market challenges in recent period, the Group has been actively looking for investment opportunities. The Directors considered that the acquisition of the Vessel to be a favourable investment option for the Group, as crane vessels of similar type, size, condition of maintenance and age have a steady level of market demand. By entering into the MOA, the Disposal is revenue generating for the Group, with the net proceeds being the difference between the consideration for the acquisition of the Vessel and the Disposal as well as other ancillary expenses, and therefore being approximately US$0.5 million (equivalent to approximately HK$3.9 million). The Directors believe that the Disposal will enable the Group to enhance its working capital position and further strengthen its liquidity. The Group intends to keep all net sale proceeds as general working capital of the Group.

Release of Axiomi Share Charge

On 28 February 2023, the Company received notifications through the Disclosure of Interests Online System of the Hong Kong Exchanges and Clearing Limited, notifying the Company that Disclosure of Interest Forms under Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) had been filed by Axiomi Consolidated Ltd, MIC invest LLC and their respective ultimate beneficial owner/controller, disclosing that Axiomi Consolidated Ltd and MIC invest LLC had entered into a deed of release respectively as chargor and chargee on 27 February 2023 pursuant to which the Axiomi Share Charge, disclosed in note 29, was released.

FINANCIAL SUMMARY

	Results of the Group for the year ended 31 December				
	2018 US$'000	2019 US$'000	2020 US$'000	2021 US$'000	**2022** **US$'000**
Revenue	151,549	177,164	224,591	371,279	**278,757**
Profit/(loss) attributable to owners of the Company	68,235	(38,669)	100,551	134,069	**(87,896)**

	Assets and liabilities of the Group as at 31 December				
	2018 US$'000	2019 US$'000	2020 US$'000	2021 US$'000	**2022** **US$'000**
Total assets	609,960	607,430	681,121	709,146	**593,952**
Less: Total liabilities	(290,450)	(329,429)	(298,835)	(192,767)	**(145,681)**
Total net assets	319,510	278,001	382,286	516,379	**448,271**

GLOSSARY

This glossary contains definitions of certain terms used in this report in connection with the Group and its business. Some of these may not correspond to standard industry definitions.

ASP	Achieved selling price
Axiomi	Axiomi Consolidation Ltd, a wholly-controlled company of Mr Nikolai Levitskii
Board	The Board of Directors
Cayiron	Cayiron Limited, a wholly owned subsidiary of Petropavlovsk and the immediate controlling shareholder of the Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFR	INCOTERM Cost and Freight
CIM	The Canadian Institute of Mining, Metallurgy and Petroleum
CNEEC	China National Electric Engineering Company Limited, the principle EPC contractor at the K&S Project
Concentrate	The clean product recovered from a treatment plant
COVID-19	Infectious disease caused by a newly discovered coronavirus
DAP	INCOTERM Delivery at Place
Deposit	Mineral deposit or ore deposit is used to designate a natural occurrence of a useful mineral, or an ore, in sufficient extent and degree of concentration
Directors	The directors of the Company
DSO	Direct shipping ores. Ores that are economic due to their high grades and therefore limited requirement for upgrading and processing before sale to end users. Raw material for iron ore concentrate, isometric mineral, Fe
EAO	Jewish Autonomous Region, an oblast of the Russian Federation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPC	Engineering, Procurement and Construction contract
Exploration	Method by which ore deposits are evaluated
Fe	The chemical symbol for iron
Feasibility study	An extensive technical and financial study to assess the commercial viability of a project
Flotation	A mineral process used to separate mineral particles in a slurry, by causing them to selectively adhere to a froth and float to the surface
FOB	INCOTERM Free on Board
Gazprombank	Gazprombank, is a private-owned Russian bank, the third largest bank in Russia by assets
GDP	Gross domestic product
General Nice	General Nice Development Limited is a Hong Kong incorporated holding company which trades and produces steel raw material commodities in China and globally
Geophysical	Prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc.) of rocks and define anomalies for further testing
Geotechnical	Referring to the use of scientific methods and engineering principles to acquire, interpret, and apply knowledge of earth materials for solving engineering problems
Grade	Relative quantity or the percentage of ore mineral or metal content in an ore body
HK$	Hong Kong Dollar, the lawful currency of Hong Kong
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong	The Hong Kong Special Administrative Region of the PRC
HSE	Health, Safety and Environment
ICBC	Industrial and Commercial Bank of China Limited, a company listed on the Stock Exchange (Stock code: 1398)
Ilmenite	Iron titanium oxide; a trigonal mineral, chemical formula $FeTiO_3$
JORC code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time
K&S	A magnetite development project in the Company's portfolio consisting of the Kimkan deposit and the Sutara deposit
LTIFR	Lost time injury frequency rate, the number of lost time injuries per million man hours worked

Magnetite	Fe_3O_4; major mineral in banded iron formations, generally low grade (1.5%-40% iron)
Metallurgical	Describing the science concerned with the production, purification and properties of metals and their applications
MIC	MIC invest Limited Liability Company, a wholly-controlled company of Marina Alexeevna Kolesnikova
Micon	Micon International Limited has provided consulting services to the international mining industry since 1988, with particular focus upon mineral resource estimations, metallurgical services, mine design and production scheduling, preparation of pre-feasibility and feasibility studies, independent reviews of mining and mineral properties, project monitoring, independent engineer roles, financial analysis and litigation support. Micon's resource estimate complies with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required by Canadian National Instrument 43-101 (NI 43-101)
Mill	Equipment used to grind crushed rocks to the desired size for mineral extraction
Mineralisation	Process of formation and concentration of elements and their chemical compounds within a mass or body of rock
NI 43-101	Also referred to as National Instrument 43-101, the (Canadian) Standards of Disclosure for Mineral Projects, including Companion Policy 43-101 as amended from time to time
NRI	Non-recurring items
Open-pit	A large scale hard rock surface mine; mine working or excavation open to the surface
Optimisation	Co-ordination of various mining and processing factors, controls and specifications to provide optimum conditions for technical/economic operation
Ore	Material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives
Ore-field	A zone of concentration of mineral occurrences
Ore body	Mining term to define a solid mass of mineralised rock which can be mined profitably under current or immediately foreseeable economic conditions
Ore Reserves	The parts of a Mineral Resource that can at present be economically mined
Petropavlovsk	Petropavlovsk PLC, the London Stock Exchange quoted, Russian gold mining company
Precious metal	Gold, silver and platinum group minerals
Primary	Characteristic of or existing in a rock at the time of its formation; pertains to minerals, textures and etc.; original
Processing	Methods employed to clean, process and prepare materials or ore into the final marketable product
Recovery	Proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
Resources	The concentration of material of economic interest in or on the earth's crust
ROM	Run-of-mine. This is recovered ore, as mined with dilution, before any pre-concentration or other form of processing
Rospotrebnadzor	The federal service for surveillance on consumer rights protection and human wellbeing
Russian Far East	Refers to the Far Eastern Federal district of the Russian Federation, which covers the area of Russia between Lake Baikal in Siberia and the Pacific Ocean
Rouble or RUB	Russian Rouble
Shareholder(s)	Holder of the Share(s)
SRP	Steel/Slag Reprocessing Project
Stock Exchange	The Stock Exchange of Hong Kong Limited
Tailings	Material that remains after all metals/minerals considered economic have been removed from the ore
TiO_2	Titanium dioxide. A fine white powder. Used in paints, plastics or paper, it provides for maximum whiteness and opacity
Titanomagnetite	Concentrate which is a variation of a magnetite concentrate typically with a high vanadium and titanium content
Tonne/t	1 wet metric tonne (1,000 kg)
Treatment plant	A plant where ore undergoes physical or chemical treatment to extract the valuable metals/minerals
US Dollar or US$	United States Dollar

LIST OF ABBREVIATIONS

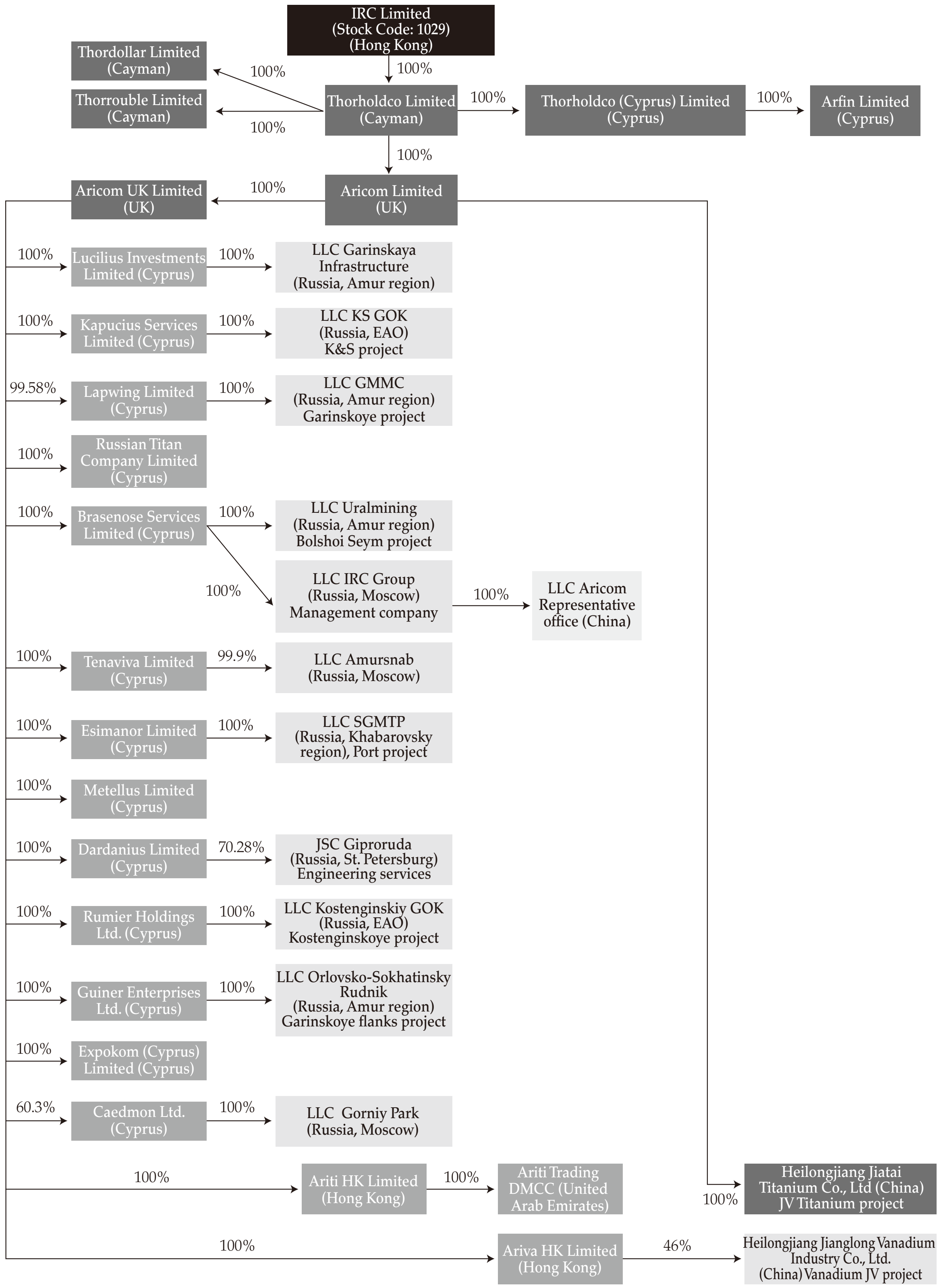
°C	degrees Celsius, a thermal unit equivalent to Kelvin+273.15
CaO	chemical symbol for calcium oxide or quicklime
dmt	dry metric tonne, a unit of mass equivalent to 1,000 kg
Fe	chemical symbol for iron
Fe_{magn}	total iron in the ore originating from magnetite
$Fe_{(total)}$	total amount of iron content
ha	hectares
kg	kilogramme, the SI unit of mass
km	kilometres, a unit of length equivalent to 1,000 m
km^2	square kilometres, a unit of area equivalent to 1,000,000 m^2
Kt	thousand tonnes
Ktpa	thousand tonnes per annum
kV	kilovolts, one thousand volts, a unit of electromotive force
Kwh	kilowatt hour, a unit of energy
m	metres, the SI unit of length
m^3	cubic meter, a unit of volume
mm	millimetres, unit of length equivalent to 0.001 m
Mt	million tonnes
Mtpa	million tonnes per annum
mWt	megawatt, one million watts, a unit of power
nm	not measured
t	a wet metric tonne, a unit of mass equivalent to 1,000 kg
tpa	tonnes per annum
TiO_2	chemical symbol for titanium dioxide
V_2O_5	chemical symbol for vanadium pentoxide
wmt	wet metric tonne, a unit of mass equivalent to 1,000 kg

All dollars refer to United States Dollars unless otherwise stated.

All maps and diagrams in this report are for illustration purposes only and are not to scale.

Production volumes disclosed in this annual report are determined net of the excessive moisture content within the products, as shipped to the customers. Production rate of K&S is calculated based on an annual production capacity of approximately 3,155 thousand wet metric tonne.

CORPORATE STRUCTURE



CORPORATE INFORMATION

IRC LIMITED — 鐵江現貨有限公司

Stock Exchange of Hong Kong: 1029

As at 31 December 2022

CORPORATE INFORMATION

Headquarters, registered address and principal place of business in Hong Kong:

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Hong Kong Special Administrative Region
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Facsimile: +852 2772 0329
Corporate Website: www.ircgroup.com.hk

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

PRINCIPAL PLACE OF BUSINESS IN RUSSIA

Bulvar Entuziastov, Building 2
7/F, Business Center "Golden Gate"
Moscow
109544
Russia

CHAIRMAN

N.V. Levitskii

NON-EXECUTIVE DIRECTOR

N.V. Levitskii

EXECUTIVE DIRECTOR

Chief Executive Officer: D.V. Cherednichenko

INDEPENDENT NON-EXECUTIVE DIRECTORS

D.V. Dobryak
N.K. Ozhegina
A.M. Romanenko
V.G. Sheremet

COMMITTEES OF THE BOARD

Audit Committee

A.M. Romanenko *(Chairman)*
V.G. Sheremet
D.V. Dobryak

Remuneration Committee

D.V. Dobryak *(Chairman)*
N.V. Levitskii
N.K. Ozhegina

Health, Safety and Environment Committee

N.K. Ozhegina *(Chairlady)*
A.M. Romanenko
V.G. Sheremet

Nomination Committee

N.V. Levitskii *(Chairman)*
D.V. Dobryak
N.K. Ozhegina

AUTHORISED REPRESENTATIVES FOR THE PURPOSES OF THE STOCK EXCHANGE OF HONG KONG LIMITED

D.V. Cherednichenko
J.S.C. Yuen

COMPANY SECRETARY

J.S.C. Yuen

AUDITOR

RSM Hong Kong, *Certified Public Accountants*
Registered public interest entity auditors

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners

RISK FACTORS & DISCLAIMER

RISK FACTORS

The Group is exposed to a variety of risks and uncertainties that could have significant impact on its business and financial results. The Group seeks to undertake a pro-active approach that anticipates risk, seeks to identify them, measure their impacts and thereby avoid, reduce, transfer or control such risks.

The factors set out below are those that the Group believes could result in a material difference between the Group's financial condition or the results of its operations and the expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risk of iron ore price volatility and foreign exchange movements

The Group's revenues rely on the iron ore prices, while the operating costs are sensitive to the foreign exchange movements of Russian Rouble. These parameters are subject to changes in global economic environment, political landscape and market supply disruptions. The volatility in iron ore price and foreign exchange may also result in the need to provide for assets impairments in the Group's financial statements.

To address the risks, various hedging instruments have been taken to protect against the downside risk of the iron ore price and the appreciation risk of the Russian Rouble. The Group could use different hedge strategies from time to time depending on the market situation of iron ore price and Russian Rouble.

Risk of customers concentration

Currently, the Group's iron ore business only has a limited number of major customers. This essentially creates a buyers' market and gives the customers a higher level of bargaining power.

In light of this risk, the Group has been expanding its customer base by selling to other customers, such as seaborne customers, although the transportation costs could be higher. The Group is also levering on the fact the major customers are in different geographical locations and jurisdictions, so that there is a certain level of competition for better terms of sales and prices. External consultant has been engaged to provide advices and explore new market opportunities. In addition, after the commissioning of the Amur River Bridge, IRC will actively explore new transportation routes which may be more cost efficient.

Risk of suppliers concentration

The Group currently have two mining contractors who are doing a majority of the mining works at K&S. In case these mining contractors have any technical/financial difficulties and decide to pull out of the project, K&S could face an adverse situation with ore mining and supply, and consequently could affect production. Besides, this gives these mining contractors higher level of bargaining power on mining fees which might adversely affect K&S's profitability.

To mitigate this risk, the Group has ongoing discussions with a number of other mining contractors for risk diversification. Moreover, one of the current mining contractors has a long-established relationship with IRC and this provides a certain level of comfort, while another mining contractor is planning to increase the scale of mining operation. K&S is also considering to set up its own in-house mining fleet to reduce the level of reliance on external mining contractors.

Risk of delay in the capital investment program to develop the Sutara pit due to technical or financial difficulties

If the Sutara deposit is not ready for operation when the Kimkan deposit starts depleting, K&S would not have adequate supply of ore for production and would result in decrease in production capacity.

To mitigate this risk, the Sutara development program is closely monitored by IRC. With the help of external consultants, IRC is looking at the options to increase the mineable reserves in Kimkan to extend its mine life. Recent consultant report shows that the Sutara development program is viable and achievable.

Risk of going concern

The Group may not have adequate funding to meet its debts as they fall due.

Cash flow forecasts are prepared on a regular basis and any potential funding gaps are identified and addressed timely. IRC has already repaid a significant amount of the loan to reduce the liquidity risk.

Risk of fixed assets damage resulting in downtime in production or fluctuation in production volume

Fixed assets play an important role in the Group's iron ore concentrate production. With only a single project in operation, any production downtime or delay in production ramp up would have direct impact to the Group.

When considering this risk, it should be noted that most of the commissioning works were performed by the K&S site team and the team is experienced and is technically competent. External experts perform regular technical audits of the processing plant. Production is currently at relatively high capacities indicating that most of the teething issues have been resolved. The current production bottlenecks are mainly due to short-term factors such as ore quality, transportation congestion and issues with mining contractors.

Risk of products' competitiveness

The Group's revenue stream is mainly derived from the sale of a single product (iron ore concentrate) from a single project (K&S) and there could be a risk of high product concentration.

K&S is focusing on the production and sale of the 65% iron ore concentrate which is a premium product. It is essentially a different market segment to the 62% iron ore concentrate and is more preferred by the market. As the quantity produced by K&S only represents a small percentage of the global market share, the risk of not being able to sell the product is relatively low. Revenue from the operation of the Vanadium joint venture and the potential of developing the Bolshoi Seym project for ilmenite may also lower the risk.

Risk of conducting business in Russia

As the majority of the Group's assets and business operations are located in Russia, sanctions from other countries as well as the local economic political and social conditions, including taxation policies, could affect the business of the Group.

To address the risk, the Group closely monitors the economic, political, legal and social developments in Russia and maintains close relationship with local authorities and seeks assistance where necessary. IRC has a strict policy to avoid doing businesses with sanctioned entities. Recent sanctions from the EU, UK and US have no material direct impact on the Group nor its operations.

Risk of lack of shareholders' support

IRC currently only has two major shareholders holding 24.88% and 16.67% shareholding of IRC respectively. As these shareholders do not fully control IRC, given that none of them possesses more than 50% shareholding, there is a risk that IRC may not get the necessary shareholders' support when needed.

IRC has always been in discussions with various parties for investing in IRC and/or expanding the shareholders base provided that it will be in the best interest of IRC. Shareholders tracking is performed periodically to identify and to reach out to the shareholders. Investors' conference calls are conducted at least six times a year to facilitate better investor relations function.

Risk of COVID-19

The outbreak of COVID-19 may have an impact on supply chains, currencies, transportations and prices of iron ore. The operations of IRC may also be affected by the actions necessary for isolated outbreaks.

The Group has set up an emergency response office to take the necessary organisational and administrative measures to prevent the spread of the virus. Currently, the COVID-19 outbreak has not had any significant impact on the Group's operations. The Group will monitor the situation and implement contingency measures as the COVID-19 outbreak evolves.

Risk of shipment issues to customers

K&S's major customers are in China and most of its products are transported via rail. Railway congestion or border closure could affect K&S's production and sales.

K&S has diverted some of its sales to the seaborne customers and is also shipping products via the westbound railway route. As the Amur River Bridge is operational, railway congestion is expected to be alleviated. K&S and its customers will also benefit from improvements in logistic efficiency.

Risk of loss of key management

There is a risk that IRC may find it difficult to attract and/or retain key personnel.

Directors and key management of IRC have resignation notification periods providing IRC time to find suitable replacements. Reliever staff on key operating areas are appointed to ensure smooth transition in case of staff departure. Share options, which are vested over a period of time, are granted to key personnel. Discretionary bonuses are offered to reward exceptional performance and salary levels are being reviewed regularly to ensure that they are competitive and on market levels.

Risk of non-compliance with rules and regulations

IRC is a listed company in Hong Kong and needs to comply with the relevant rules and regulations such as the listing rules, accounting standards and company ordinances. The operations in Russia also need to comply with the relevant requirements under the local jurisdictions.

To control this risk, the Board and the senior management of IRC possess the relevant experience and knowledge for the compliance with the relevant rules and regulations. Besides, advices from independent legal counsels and professional advisors are sought where necessary. Formal training is provided to the board annually. Continuing professional development seminars and rules and regulations updates are attended by senior management.

Risk of sanctions against Russia

IRC is listed on the Hong Kong Stock Exchange with operational mines in Russian Far East. Most of the Group's suppliers and customers are based in China and Russia. The Company continues to review and consider the impact, if any, of the UK, EU and US sanctions. As of now, and so far as the Board is aware, based on its current assessment and the information currently available, the sanctions have no material direct impact on the Group or its operations.

Although the Group's operations and activities in Russia and elsewhere are currently continuing as usual, as the geopolitical situation continues to develop, there is a risk of supply chain disruptions affecting K&S's operation, the purchase of mining fleet and the development of the Sutara pit. The Company will continue to closely monitor sanctions developments and address the risks, if any, accordingly.

DISCLAIMER

Some statements contained in this document referred to in it are or may be forward-looking statements. Statements reflect the Company's current views with respect to future events and are subject to risks, assumptions, uncertainties and other factors beyond the Company's control that could cause actual results to differ from those expressed in such statements. Although the Company believes that such forward-looking statements, which speak only as of the date of this document, are reasonable, no assurance can be given that they will prove to be correct. Therefore, you should not place undue reliance on these statements. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this document will, in fact, occur. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date of this document, except as required by law or by any appropriate regulatory authority. Nothing in this document or in documents referred to herein should be considered as a profit forecast. Past performance of the Company or its shares cannot be relied on as a guide to future performance. This document does not constitute, or form part of or contain any invitation or offer to any person to underwrite, subscribe for, otherwise acquire, or dispose of any shares in IRC Limited or advise persons to do so in any jurisdiction, nor shall it, or any part of it, form the basis of or be relied on in any connection with or act as an inducement to enter into any contract or commitment therefore. In particular, this document and the information contained herein are not an offer of securities for sale in the United States of America. No reliance may be placed for any purpose whatsoever on the information or opinions contained in this document or on its completeness and no liability whatsoever is accepted for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith. The development and production plans and estimates set out herein represent the current views of the Company's management. The Company's Board reviews the production estimates on an ongoing basis. All planning is subject to available funding and capital allocation decisions. This document is prepared in compliance with Hong Kong law and the courts of the Hong Kong Special Administrative Region of the People's Republic of China will have exclusive jurisdiction over any disputes arising from or connected with this document.

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MILESTONES

Our Future	K&S	Full capacity to 3.2Mt per year Doubling production (Phase II)
	Garinskoye	Iron ore concentrate production
	Bolshoi Seym	Iron ore concentrate and ilmenite production
2022	IRC	Recording underlying profit despite challenging operating environment Completion of a partial debt to equity swap
	K&S	Development of Sutara on track
2021	IRC	Underlying profit reached new high Significant reduction in net debt
	K&S	Development of Sutara on track
2020	IRC	Maiden underlying profit
	K&S	Successful diversion of sales to new Chinese customers via seaborne routes
2019	IRC	ICBC refinancing completed
	K&S	Operated at 100% of designed capacity in October
	SRP	Vanadium joint venture recommenced operation
2018	K&S	Entry into refinancing facility with Gazprombank Operated at 105% of designed capacity during a 24-hour run Produced over 2.2 million tonnes in 2018
2017	K&S	Commercial production (Phase I) 90%-capacity loading test Produced over 1.5 million tonnes in 2017
2016	IRC	Tiger Capital shares subscription
	K&S	Trial production commenced and ramp-up First iron ore concentrate production Final hot commissioning and testing
2015	IRC	Completed fully underwritten Open Offer
	K&S	Ongoing commissioning and testing
2014	K&S	Commissioning programme commenced
2013	IRC	General Nice strategic alliance
	K&S	Ongoing construction
2012	Kuranakh	Ilmenite production full capacity
	Garinskoye	DSO operation announced
	Exploration	Ilmenite & Molybdenum Exploration acquisitions
2011	IRC	Group reserves increase threefold
	Kuranakh	Full year production targets exceeded
	K&S	First drawdown ICBC facility Optimisation study to double K&S production
2010	IRC	HKEX listing
	Kuranakh	Commissioned
	K&S	US$340m ICBC facility US$400m CNEEC EPC contract
	SRP	First production


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