



IRC Limited

HONG KONG STOCK CODE: 1029

股份代號：1029

2023

INTERIM REPORT

中 期 報 告





\* The Amur River Bridge, which shortens the transportation distance, became operational in November 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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# CHAIRMAN'S STATEMENT

## *Dear Shareholders,*

I am pleased to present the Chairman's Statement for IRC Limited ("IRC") for the six months ended 30 June 2023 (the "Reporting Period"). It is with great pride that I reflect upon our accomplishments and progress as a leading iron ore producer in the Far-East of Russia.

The first half of 2023 was a difficult period for commodities producers, the iron ore industry is no exception. IRC faced a challenging macroeconomic landscape in the face of global inflation, commodity and currency markets volatility and the conflict between Russia and Ukraine. This is compounded further by unique headwinds in China, the largest consumer of iron ore, as the post-pandemic recovery of China's economy has not been as quick as one would hope for. Despite the challenges, I am pleased to report that IRC has remained resilient and has been able to show significant growth period-over-period, despite some minor operational issues during the Reporting Period. Our commitment to operational excellence, strategic investments, and sustainable practices has allowed us to navigate through uncertainties and adapt to the changing environment.

## **OPERATIONAL EXCELLENCE**

At IRC, we constantly strive for operational excellence, and this year has been no exception. Operating a sizeable mine like K&S is bound to have various challenges. However, thanks to the exceptional efforts and dedication of our employees, we have successfully mitigated the impact of these challenges and our operation remains lean and efficient.

In the past, our external mining contractors had not been performing well, resulting in mining volume lags which negatively impacted our production. However, through extensive and productive discussions, we have successfully resolved the issues, leading to a significant improvement in the performance of our mining contractors during the Reporting Period. As a result, the bottleneck that was hindering our production has been effectively eliminated.

In May 2023, we experienced a malfunction of the pulp pumps at K&S leading to a temporary suspension of production for about one week. While the incident is unfortunate, we are proud of the K&S site team for rectifying the issue swiftly and minimising the production downtime to the extent possible.

We had also been facing significant challenges due to railway congestion, leading to severe limitations in our shipment capabilities. We tackled this issue by making part of our shipment via the Amur River Bridge. We also recommenced the seaborne sales as an alternative mode of transportation following the recovery of market iron ore price in early 2023. This strategic shift allowed K&S to bypass the railway congestion and ensured a smoother and more reliable shipment process and resolved the logistical hurdles we previously faced.

Despite the aforesaid challenges, K&S managed to increase its production rate to 83% of its designed capacity producing 1,308,821 tonnes of iron ore concentrate during the Reporting Period, representing a 4.0% increase as compared to the corresponding period last year. In line with the production surge, sales volume also grew by 7.6% with 1,374,549 tonnes of iron ore concentrate being sold. This success is a testament to the dedication and hard work of our employees who have demonstrated unwavering commitment to delivering outstanding performance.

## CHAIRMAN STATEMENT (CONTINUED...)

**GOOD FINANCIAL PERFORMANCE**

After the COVID-19 pandemic, the Chinese economy has experienced a slower-than-anticipated recovery, resulting in significant implications for the global iron ore market. The sluggishness in China's economic rebound has led to a reduction in both the price and demand for iron ore. This downturn can be attributed to factors such as reduced industrial activity, decreased infrastructure spending, and the impact of government policies aimed at rebalancing the economy. As a result, iron ore suppliers and producers have had to adjust their strategies and navigate a challenging market environment characterised by lower prices and subdued demand from the world's largest consumer of the commodity. K&S's customers in China are demanding for larger sales discounts.

Average Platts 65% iron ore price in the first half of 2023 was US\$132 per tonnes, a significant reduction of 20.0% over the corresponding period last year. This fully offset the positive impact from the 7.6% increase in IRC's sales volume as mentioned above, resulting in IRC's revenue in the first half of 2023 having reduced by 16.0% to US\$139.2 million.

As anticipated, the high Rouble inflation fuelled by the Russia – Ukraine conflict and global trends have a negative impact on K&S's production costs. Electricity costs have nearly doubled in first half of 2023. To motivate and retain personnel, a scarce and crucial resource in the Far-East region of Russia, remuneration levels of employees have been increased so that we remain competitive in the labour market. Railway tariffs and wagon fees, together with mining costs, have also increased in 2023. Unfortunately, at the same time, the Rouble has not depreciated to offset these inflationary cost increases, as the Rouble exchange rate in the first half of 2023 was similar to that of the corresponding period last year. As a result, we are seeing a surge in cash cost per tonne, excluding transportation, of over 20%. However, total cash cost per tonne after transportation remains in line with that of 2022, thanks to K&S delivering more shipments via the railway route, which has lower logistic costs than seaborne sales.

Although our cost level remains comparable to that of last year, the lower revenue translates to a 45.0% decrease in EBITDA to US\$28.9 million. We report an underlying profit of US\$9.3 million, which is a respectable result considering the circumstances that IRC faced.

In view of a worsening iron ore price environment, we are guided by accounting rules to book an impairment loss in relation to our mining assets. During the Reporting Period, the Group's total impairment provision amounted to US\$73.6 million. However, it is important to note that this impairment does not affect our cash flow. After taking into account the impairment and other non-recurring items, IRC reported a net loss of US\$65.7 million for the first half of 2023.

**SOLID LIQUIDITY POSITION**

Despite a lower profitability in the first half of 2023, what is encouraging is the fact that IRC has successfully increased its cash balance by US\$8.3 million to US\$45.2 million and reduced its net debt to US\$28.0 million. This has fortified our liquidity position, empowering us to navigate through challenging times and uncertainties with greater resilience. By bolstering our financial stability, we are better equipped to face the future confidently and seize potential opportunities that lie ahead.

**BUSINESS DIVERSIFICATION**

IRC currently operates a single operation and offers only one product for sale. While we take pride in the success of our existing product, we recognise the importance of diversifying our business and product mix. In order to effectively manage risks and foster business expansion, we are actively seeking potential opportunities that will benefit our company and enhance shareholders' value. We believe that by exploring new ventures and expanding our offerings, we can unlock greater growth potential and capitalise on emerging market trends.

## CHAIRMAN STATEMENT (CONTINUED...)

During the first half of 2023, we acquired and subsequently disposed of a vessel as part of the Group's business diversification initiatives. We will continue to search and engage in other business opportunities and are confident that this strategic approach will not only mitigate risks associated with a single-product focus but also position us for long-term sustainability and success.

**OUTLOOK**

K&S is one of the largest employers in the Russian Far East. Strategically located at the doorstep of China, the mine is well positioned to serve the Chinese market, where our products are sold. With the ongoing improvement in the relationship between Russia and China, IRC finds itself in a favourable position to capitalise on this positive dynamic and exciting environment.

Looking ahead, we remain cautiously optimistic about the future. We are focusing on the development of the Sutara pit which is an important piece of the puzzle in the long-term operation of K&S. While we have to slightly adjust the commissioning date of Sutara due to certain delay in some of the design documents when applying for the state expertise approval, we believe it will not affect K&S's operations and we look forward to the Sutara pit coming on line soon in the first half of 2024.

Our operating environment remains volatile, characterised by the softening of iron ore price, volatility in Russian Rouble, and heightening of inflation and interest rates. While the economic landscape continues to present uncertainties, we are confident in our ability to adapt to changing market dynamics and capitalise on opportunities. Our focus on operational efficiency and sustainable practices will continue to underpin our operating strategy. We will strive to leverage on our human resources, strong operational expertise, and unique geographical and strategic positions to enhance shareholder value and drive long-term success.

**CONCLUSION**

In closing, I would like to express my gratitude to our shareholders for their unwavering support, our dedicated employees for their hard work and commitment, and our long-term customers for their trust and loyalty. Together, we have achieved much success, and I am confident that our collective efforts will pave the way for a brighter future.

Thank you once again for your continued trust and confidence in IRC. We look forward to navigating the path ahead with resilience, determination, and strategic vision.

**Nikolai Levitskii**

*Chairman*

# RESULTS OF OPERATIONS

## FINANCIAL REVIEW

The table below summarises the consolidated results of the Group for the six months ended 30 June 2023 and 2022:

	For the six months ended 30 June		
	2023	2022	Variance
<b>Key Operating Data</b>			
<i>Iron Ore Concentrate</i>			
– Production volume (tonnes)	1,308,821	1,258,847	4.0%
– Sales volume (tonnes)	1,374,549	1,277,048	7.6%
<i>Achieved Selling Price (US\$/tonne)</i>			
– based on wet metric tonne	101.2	129.7	(22.0%)
– based on dry metric tonne	108.9	138.6	(21.4%)
Platts 65% iron ore average price	132.0	165.0	(20.0%)
<i>Cash Cost (US\$/tonne)*</i>			
– excl. transportation to customers	59.8	48.0	24.6%
– incl. transportation to customers	77.7	78.6	(1.1%)
<b>Consolidated Income Statement (US\$'000)</b>			
<b>Revenue</b>	<b>139,179</b>	165,658	(16.0%)
Site operating expenses and service costs before depreciation	(107,336)	(105,546)	1.7%
General administration expenses before depreciation	(5,564)	(10,015)	(44.4%)
Other income, gains and losses, and other allowance, net	2,571	2,334	10.2%
<b>EBITDA – excluding non-recurring items and foreign exchange</b>	<b>28,850</b>	52,431	(45.0%)
Depreciation	(9,808)	(11,312)	(13.3%)
Finance costs	(4,406)	(4,174)	5.6%
Income tax (expense)/credit & non-controlling interests	(5,307)	2,288	(331.9%)
<b>Underlying gains – excluding non-recurring items and foreign exchange</b>	<b>9,329</b>	39,233	(76.2%)
Impairment losses	(73,575)	(112,987)	(34.9%)
Net foreign exchange gains/(losses)	602	(2,077)	(129.0%)
Other provision	(2,054)	(2,054)	0.0%
<b>Loss attributable to the owners of the Company</b>	<b>(65,698)</b>	(77,885)	(15.6%)

\* Per wet metric tonne sold

## RESULTS OF OPERATIONS (CONTINUED...)

**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**

For the six months ended 30 June 2023, the Group's EBITDA, excluding non-recurring items and foreign exchange, amounted to US\$28.9 million (six months ended 30 June 2022: US\$52.4 million). Although the sales volume in the first half of 2023 was 7.6% higher than that of 2022, the decline in EBITDA was primarily due to lower iron ore price.

Iron ore prices were volatile in the first half of 2023 with the average price of Platts 65% iron ore index being US\$132 per tonne, representing a 20.0% decrease as compared to the corresponding period last year.

On the cost side, as anticipated, high Russia inflation driven by high electricity costs, labour costs, mining contractors costs and consumables prices, fuelled by sanctions related to the Russian-Ukraine conflict, have led to an increase in production costs of about 25%. At the same time, average Rouble to the US Dollar exchange rate in the first half of 2023 remained in line with that of the corresponding period last year, thereby not providing an offsetting effect on the cost increase in dollar terms. Despite all these, the delivered cash cost per tonne for the Reporting Period remained at a level similar to that of the corresponding period last year due to lower proportion of sea shipments.

Although sales volume has increased by 7.6%, the weak iron ore price fully offset those effects, resulted in a decrease in the Group's EBITDA by 45.0% to US\$28.9 million.

US\$'000	For the six months ended 30 June		
	2023	2022	Variance
EBITDA – excluding non-recurring items and foreign exchange	28,850	52,431	(45.0%)

**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 the first half of 2023, these items are:

- impairment losses related to the K&S mine and other assets of US\$73.6 million, primarily due to the weaker Platts price of 65% iron ore concentrate as at 30 June 2023 (as compared to that as at 31 December 2022), for further details of the impairment losses, please refer to Note 6 to the condensed consolidated financial statements. In the first half of 2022, an impairment loss of US\$113.0 million was made;
- a non-cash net foreign exchange gain of US\$0.6 million (30 June 2022: net foreign exchange loss of US\$2.1 million), primarily due to the movements in the Russian Rouble exchange rate; and
- a non-cash provision of US\$2.1 million (30 June 2022: US\$2.1 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 by the Group. This provision has been made by the Group regardless in order to be prudent and to comply with the relevant accounting requirements.



## RESULTS OF OPERATIONS (CONTINUED...)

While the Group reports a loss of US\$65.7 million for the first half of 2023, 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\$9.3 million which is a more accurate reflection of IRC's underlying performance:

US\$'000	For the six months ended 30 June		
	2023	2022	Variance
Underlying gains – excluding non-recurring items and foreign exchange	9,329	39,233	(76.2%)

**REVENUE****Iron ore concentrate***Production and sales volumes*

IRC's main source of revenue comes from the sales of 65% iron ore concentrate produced at the K&S mine. In mid-May 2023, due to electrical issues presumably attributable to the external grid, the pulp pumps of K&S malfunctioned and stopped operating properly which resulted in water-overflow in the pulp pumping station. As a result, K&S's production had to be temporarily suspended for about one week. The problem was fixed by the end of May 2023. Despite the temporary suspension, the Group did not observe any material disruption to its business operation as at the date of this report.

As previously reported, the Russian cross-border railway congestion was one of the major bottlenecks in the operation of K&S. With the Amur River Bridge (the "Bridge") becoming operational towards the end of 2022, more shipments had been made via the Bridge to alleviate the logistic congestion. K&S is planning to increase the usage of the Bridge subject to the Bridge's capacity, which is currently limited given that it has just become operational.

During the first half of 2023, the third-party mining contractors performed satisfactorily with a general increase in mining activities which resolved one of the previous production bottlenecks in K&S.

For the first half of 2023, despite the aforesaid production stoppage and logistic limitations, K&S managed to operate at an average capacity of approximately 83% to produce 1,308,821 tonnes of 65% iron ore concentrate, 4.0% higher than the corresponding period last year. Sales volumes also increased by 7.6%, with 1,374,549 tonnes of iron ore concentrates being sold.

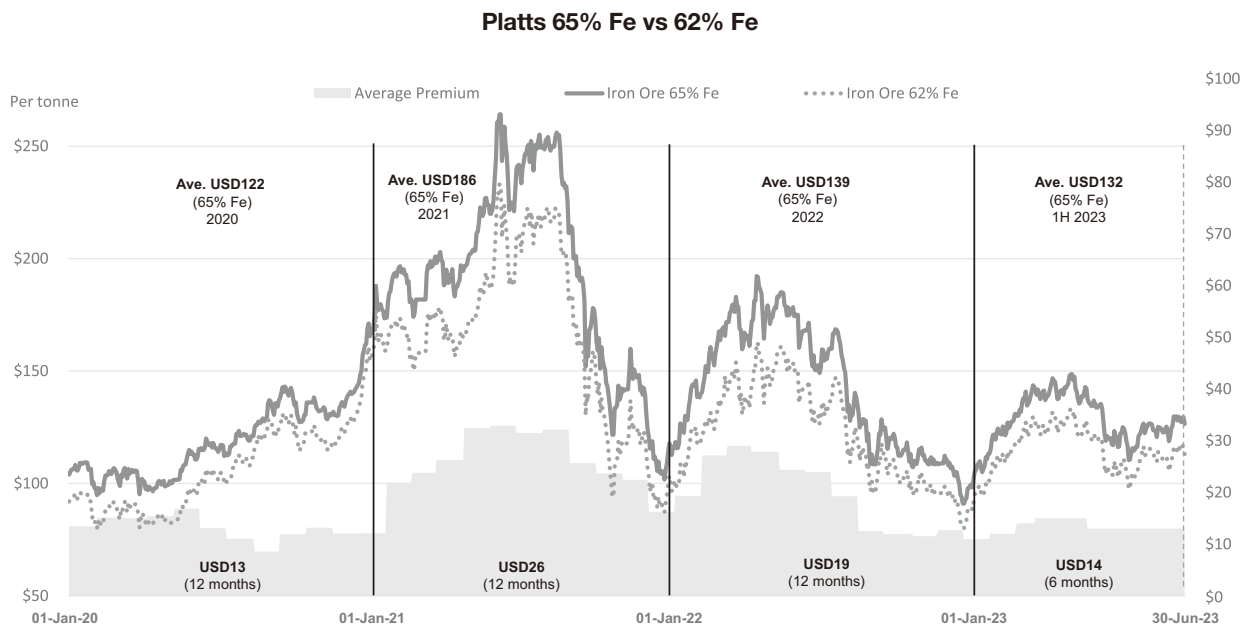
*Iron ore prices*

K&S's iron ore concentrate is priced with reference to the international spot price of Platts iron ore benchmark index. In the first quarter of 2023, iron ore prices increased substantially with the average Platts 65% iron ore price climbing to US\$140 per tonne, representing a 26% increase over the last quarter of 2022. Such increase in iron ore price was triggered by China's relaxation of pandemic control measures which fuelled positive sentiments for a recovery in demand in 2023. However, the strong pricing environment was short-lived as it lost ground significantly in the second quarter of 2023 with the average Platts 65% iron ore price dropping to US\$124 per tonne. The decrease was due to the combined effect of the over-anticipation of the post-COVID-19 iron ores demand of the market, and the faster recovery of the supply side as compared to that of the demand side. The typical summer slowdown in construction in China, together with the expected limits on domestic steel production in light of environmental protection policies, also curbed the demand for steel which, in turn, affected the iron ore price. For the first half of 2023, the average Platts 65% iron ore price was US\$132 per tonne, US\$33 per tonne or 20.0% lower than the corresponding period last year.

RESULTS OF OPERATIONS (CONTINUED...)

Currently, IRC does not have any open iron ore hedging position, given that it is difficult to achieve meaningful hedges with the forward iron ore curve in backwardation. IRC would continue to monitor the price movements and could enter into hedging transactions if the hedging terms are considered favourable.

The chart below illustrates the Platts 65% Fe index from 1 January 2020 to 30 June 2023:



\* Source: Platts (as of 30 June 2023)

Revenue of K&S

Despite a 7.6% increase in sales volume, the 20.0% fall in iron ore price in the first half of 2023 resulted in reduction in IRC’s revenue. Revenue decreased by 16.0% from US\$165.7 million in the first half of 2022 to US\$139.2 million in the first half of 2023.

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 2023, 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 ores, as demonstrated by the shrinking price premium between 65% iron ore and 62% iron ore in 2023, and are demanding for larger discounts. 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, 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 the first half of 2023 in favour of diverting most sales to the Chinese seaborne market, which offered better sales terms. The recovery of iron ore price in the first quarter of 2023 had allowed IRC to recommence seaborne sales. However, the second quarter of 2023 witnessed the falling iron ore price which affected the margin of the seaborne sales. With the macroeconomy and operating conditions remaining volatile, IRC would continue monitoring the situation and adjust its marketing strategy accordingly.

## RESULTS OF OPERATIONS (CONTINUED...)

**Engineering Services**

Revenue from Giproruda, the Group's small-scale engineering services division, was not material. Revenue from this segment was US\$36,000 in the first half of 2023 (six months ended 30 June 2022: US\$48,000).

**SITE OPERATING EXPENSES AND SERVICE COSTS BEFORE DEPRECIATION**

The mining and operating expenses incurred by this Group's sole operating mine, the K&S project, are primarily reflected in the 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 six months ended 30 June	
	2023 Cash cost per tonne US\$/t	2022 Cash cost per tonne US\$/t
Mining	28.9	23.1
Processing and drying	14.2	12.9
Production overheads, site administration and related costs	13.1	10.1
Mineral Extraction Tax	3.7	3.4
Currency hedge results	(0.1)	(1.5)
Net cash cost before transportation to customers	59.8	48.0
Transportation to customers	17.9	30.6
Net cash cost	77.7	78.6

Net cash cost before transportation to customers increased by US\$11.8 per tonne and one of the key drivers in relation to the increase was the high Russian inflation rate, in particular, the increase in electricity prices and salaries. Apart from the inflation, the higher mining cost as well as the higher mineral extraction tax also contributed to the cost increase. Average grade of Fe<sub>magn</sub> in the ore mined during the first half of 2023 was 16.8%, whereas during the same period last year average Fe<sub>magn</sub> grade was 17.8%. Lower grades require higher volumes of ore mining and processing. While production of commercial concentrate during the first half of 2023 increased by 4% as compared to the corresponding period last year, total volume of rock mass moved increased disproportionately by 21%. The above factors, coupled with the increase of the third-party mining contractors' rate in mining, led to the increase of the net cash cost before transportation.

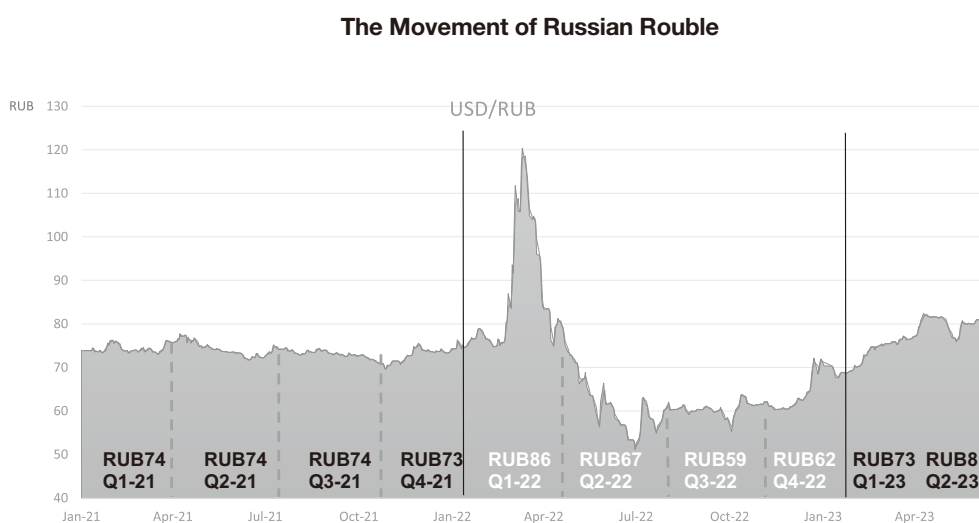
Transportation cost to customers reduced by US\$12.7 per tonne. As mentioned above, K&S recommenced seaborne sales in the first half of 2023 but the scope was scaled down in the second quarter following the softening of iron ore price. The lower proportion of seaborne sales over the total sales volume of K&S translated to a lower average transportation cost per tonne. 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.

RESULTS OF OPERATIONS (CONTINUED...)

The increase in cash cost (before transportation) by US\$11.8 per tonne is offset by the reduction in transportation cost by US\$12.7 per tonne, resulting in the total net cash cost of US\$77.7 per tonne for the first half of 2023 being comparable to the cost of the corresponding period last year of US\$78.6 per tonne.

IRC’s operating cost is highly dependent on the strength of the Russian Rouble, as the Group’s costs are mainly denominated in Roubles. In the first half of 2023, the Rouble average exchange rate was RUB77 to 1 US Dollar, which is comparable to the average exchange rate of RUB76 to 1 US Dollar in the first half of 2022, thus not helping to alleviate the negative inflationary pressure on the costs. As at 30 June 2023, the Group did not have any hedging position for the Russian currency, but may consider entering into foreign exchange hedging contracts if deemed appropriate.

The chart below illustrates the movements of the Rouble exchange rate since January 2021 to 30 June 2023:



\* Source: Bank of Russia (as of 30 June 2023)

**GENERAL ADMINISTRATION EXPENSES BEFORE DEPRECIATION**

General administration expenses before depreciation decreased by 44.4% for the Reporting Period when compared to the corresponding period last year. The significant decrease is mostly due to the one-off discretionary bonuses for the executives and management staffs, additional payments to directors in light of their additional time commitments and workload, and payment in lieu of notice for departing directors in 2022.

**OTHER INCOME, GAINS AND LOSSES, AND OTHER ALLOWANCE**

Other income, gains and losses, and other allowance mainly consist of the gains or losses on disposal of property, plant and equipment, and rental income from sub-letting part of the floor space of buildings owned by the Group.

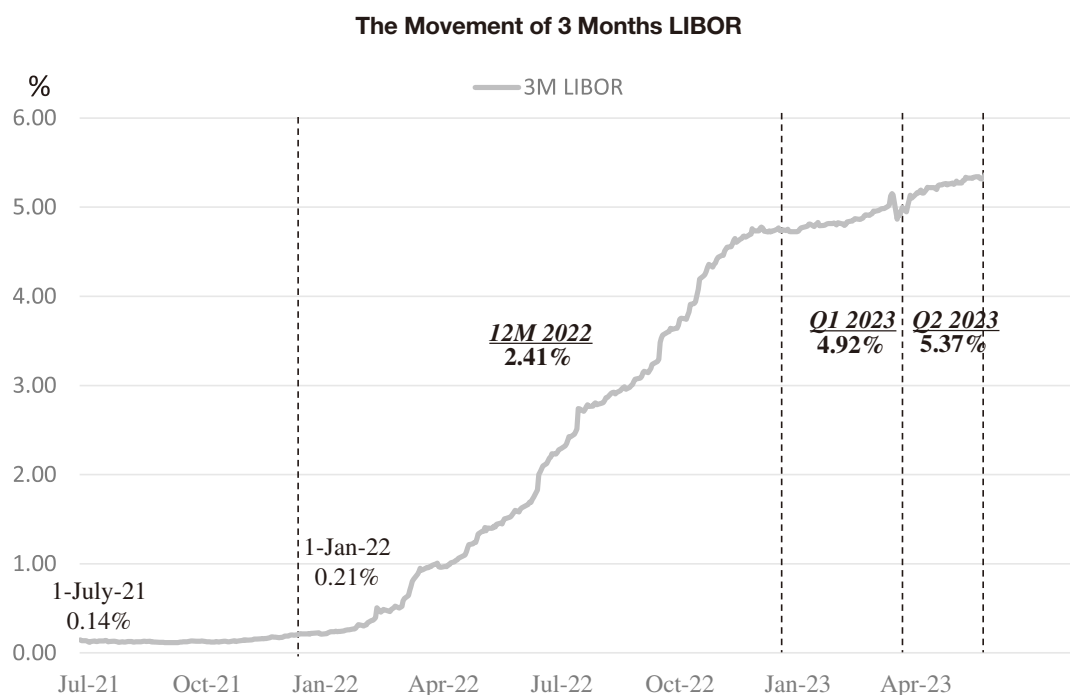
**DEPRECIATION**

Depreciation charges of US\$9.8 million in the first half of 2023 was 13.3% lower than that of the corresponding period in 2022, mainly because some of the assets having been fully depreciated.

## RESULTS OF OPERATIONS (CONTINUED...)

**FINANCE COSTS**

Finance costs principally reflect the interest expenses incurred by K&S on the loan facilities from MIC invest Limited Liability Company. Finance costs increased by 5.6% to US\$4.4 million in the first half of 2023, primarily as a result of the rising market interest rate partially offset by the effect of reduction in loan principal following the scheduled periodic repayments. The chart below illustrates the movement in market interest rate:



Source: Bloomberg (as of 30 June 2023)

**INCOME TAX EXPENSE AND NON-CONTROLLING INTERESTS**

The income tax expense of US\$5.3 million is mainly related to the payment of Russian income tax as well as the provision made for deferred tax movements.

**IMPAIRMENT LOSSES**

Asset impairment provisions against the carrying value of the K&S mine and other assets of US\$73.6 million had been made in the first half of 2023, following the weaker Platts price of 65% iron ore concentrate as at 30 June 2023 (as compared to that as at 31 December 2022). Impairment provision is non-cash and non-recurring in nature. For further details of the impairment losses, please refer to note 6 to the condensed consolidated financial statements.

**NET FOREIGN EXCHANGE GAINS/(LOSSES)**

The net foreign exchange gains of US\$0.6 million in the first half of 2023 (six months ended 30 June 2022: net foreign exchange loss of US\$2.1 million) was mainly attributable to the movements in the exchange rate of Russian Rouble.

**LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

The Group reported a loss of US\$65.7 million for the first half of 2023 (six months ended 30 June 2022: loss of US\$77.9 million), mainly due to the recognition of the impairment losses of US\$73.6 million against the carrying value of K&S and other assets.

**SEGMENT INFORMATION**

The mines in production segment represents the K&S mine's production and sales. This segment made a loss of US\$50.9 million for the first six months of 2023, after considering the impairment provision and depreciation costs. Mines in development, engineering and other segments were not material to the total revenue, and during the first six months of 2023, a total loss of US\$0.5 million of these segments was recognised.

## RESULTS OF OPERATIONS (CONTINUED...)

**SALE AND PURCHASE OF VESSEL**

On 4 January 2023, ARITI HK Limited (“Ariti”), a wholly-owned subsidiary of IRC, as purchaser and Kirgan Holding S.A. as seller entered into a memorandum of agreement pursuant to which Ariti 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\$20.5 million. On 3 March 2023, Ariti as vendor and Limited Liability Company TK Wagon Trade as purchaser entered into a memorandum of agreement pursuant to which Ariti agreed to sell and Limited Liability Company TK Wagon Trade agreed to purchase the Vessel at the consideration of US\$23.2 million. Ariti has been receiving the partial sales proceeds by instalments and approximately US\$17.0 million had been received in the first half of 2023. Approximately US\$0.8 million was further received in July 2023 while the balance is expected to be received in the third quarter of 2023. Upon transaction completion, it is expected to give rise to a one-off gain of approximately US\$0.5 million.

**STATEMENT OF CASH FLOWS**

The following table summarises key cash flow items of the Group for the six months ended 30 June 2023 and 30 June 2022:

US\$'000	For the six months ended 30 June	
	2023	2022
Net cash generated from operations	35,275	47,906
Repayments of borrowings	(5,392)	(10,323)
Loan guarantee fees paid	–	(2,883)
Capital expenditure	(8,584)	(5,458)
Acquisition of the Vessel	(22,140)	–
Deposit received from sales proceeds of the Vessel	17,000	–
Interest expenses paid	(4,164)	(3,556)
Income tax paid	(2,752)	(922)
Other payments and adjustments, net	(993)	6
<b>Net movement during the period</b>	<b>8,250</b>	<b>24,770</b>
<b>Cash and bank balances (including time deposits)</b>		
– At 1 January	36,901	52,129
– At 30 June	45,151	76,899

Net cash generated from operations for the six months ended 30 June 2023 reduced to US\$35.3 million following a weaker iron ore price environment in 2023. The K&S mine’s diminishing revenue resulted in lower cash flow generated from operating activities. During the first half of 2023, the Group made principal repayments of US\$5.4 million against the loan facilities from MIC invest Limited Liability Company. The loan is no longer subject to a guarantee, thereby saving the payment of loan guarantee fees. Capital expenditure amounting to US\$8.6 million was incurred, mainly for the development of the Sutara project and the maintenance of the K&S mine. US\$22.1 million was paid to acquire the Vessel, which is to be disposed of at a consideration of US\$23.2 million, of which US\$17.0 million had been received as of 30 June 2023 as receipt in advance. The increase in interest payment is principally attributable to the rising market interest rate.

## RESULTS OF OPERATIONS (CONTINUED...)

**LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES****Share capital**

There was no change in the share capital of the Company in the first half of 2023.

**Cash Position and Capital Expenditure**

As at 30 June 2023, the carrying amount of the Group's cash, deposits and bank balances increased to US\$45.2 million (31 December 2022: US\$36.9 million) following positive operating cash inflow partially offset by the net cash outflow relating to the Vessel transaction and the capital expenditure incurred on the Sutara project.

It is estimated that the total initial capital expenditure required to bring the Sutara pit into operation would amount to approximately US\$50.4 million. Up to 30 June 2023, approximately US\$25.9 million had been incurred. The remaining sum of US\$24.5 million of the pre-production capital expenditure is expected to be self-funded by cashflow generated by K&S.

As at 30 June 2023, cash and cash equivalents (including time deposits) of the Group of US\$39.0 million was denominated in US Dollars, an amount equivalent to US\$5.4 million was denominated in Russian Roubles, an amount equivalent to US\$0.2 million was denominated in Hong Kong Dollars, and an amount equivalent to US\$0.6 million was denominated in Renminbi (31 December 2022: US\$18.9 million in US Dollars; US\$12.9 million in Russian Roubles, US\$0.1 million in Hong Kong Dollars, and US\$5.0 million in Renminbi).

**Exploration, Development and Mining Production Activities**

For the six months ended 30 June 2023, US\$115.9 million (six months ended 30 June 2022: US\$111.0 million) was incurred on development and mining production activities. No material exploration activity was carried out in the first half of 2023 and 2022. The following table details the operating and capital expenditures in the first half of 2023 and 2022:

US\$m	For the six months ended 30 June					
	2023			2022		
	Operating expenses	Capital expenditure	Total	Operating expenses	Capital expenditure	Total
K&S development	106.8	8.5	115.3	105.0	5.4	110.4
Exploration projects and others	0.5	0.1	0.6	0.5	0.1	0.6
	107.3	8.6	115.9	105.5	5.5	111.0

The table below sets out the details of material new contracts and commitments entered into during the first half of 2023 and 2022 on a project basis.

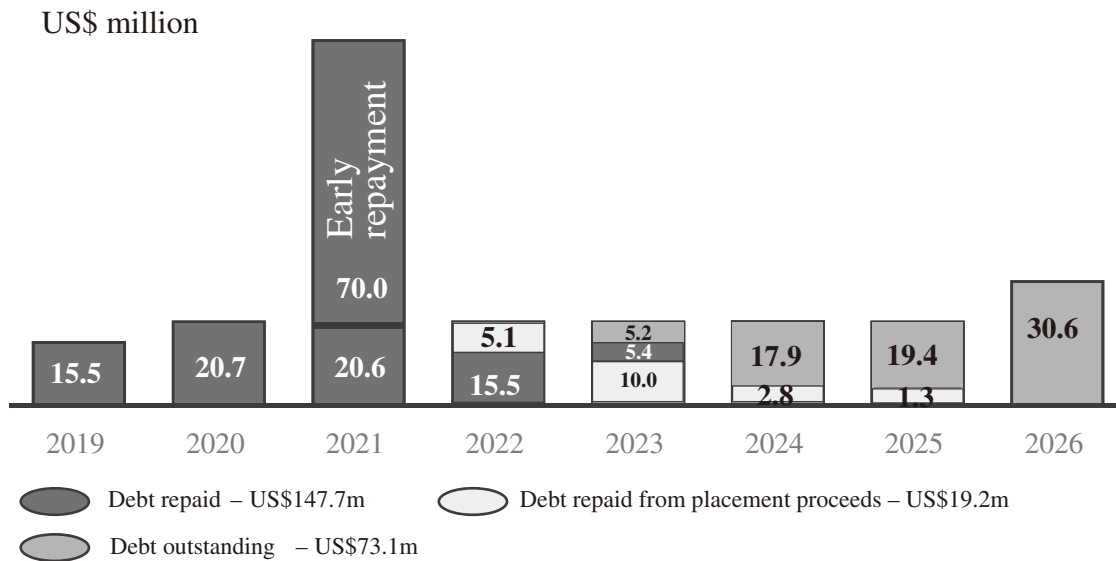
US\$m	Nature	For the six months ended 30 June	
		2023	2022
K&S	Purchase of property, plant and equipment	0.3	–
	Sub-contracting for mining works	0.1	0.6
Others	Other contracts and commitments	0.4	0.2
		0.8	0.8

RESULTS OF OPERATIONS (CONTINUED...)

**Borrowings and Charges**

As at 30 June 2023, the Group had gross borrowings of US\$73.1 million (31 December 2022: US\$78.5 million) which represents a long-term borrowing drawn from the loan facilities from MIC invest Limited Liability Company. The loan is secured by a charge over the property, plant and equipment with net book value of US\$46.9 million, and 100% equity share of Kapucius Services Limited in LLC KS GOK, a wholly owned subsidiary of the Group. All of the Group’s borrowings were denominated in US Dollars.

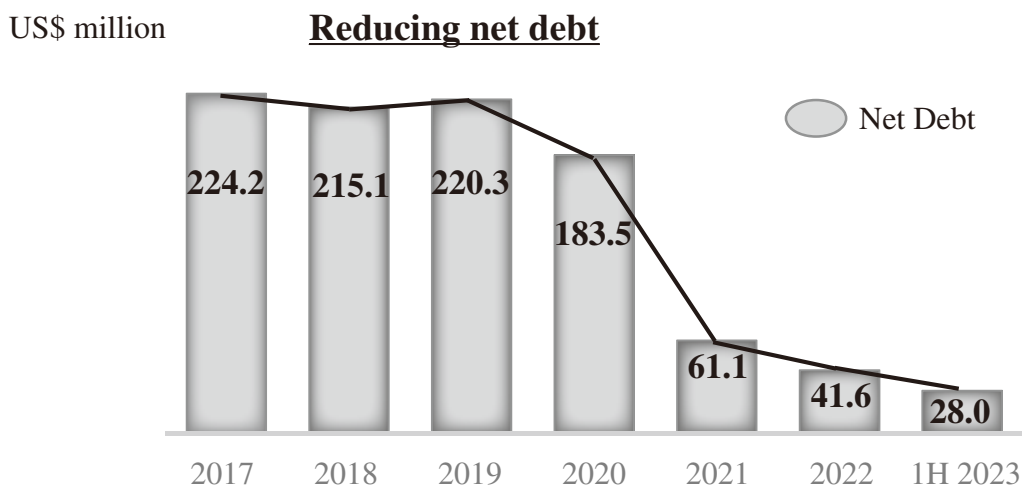
**IRC’s Loan Facilities Repayment Profile**



Source: IRC Limited (as of 30 June 2023)

The interest of the loan facilities is determined with reference to LIBOR. The three-month LIBOR had been steadily rising with an average interest rate of 5.15% in the first half of 2023 (six months ended 30 June 2022: 1.02%). The Group’s weighted average interest rate was 8.65% in the first half of 2023 (six months ended 30 June 2022: 7.7%), in line with the raising interest rate. The loan is no longer subject to guarantee, saving the Group from making guarantee fee payments.

As of the 2023 interim end, the net debt of the Group had reduced substantially to US\$28.0 million, putting IRC in a better position to withstand the volatile interest rates.



Source: IRC Limited (as of 30 June 2023)



## RESULTS OF OPERATIONS (CONTINUED...)

The Group's gearing ratio, calculated based on total borrowing divided by total equity, increased to 19.1% (31 December 2022: 17.4%) as at 30 June 2023, mainly due to the impairment provision in 2023 which reduced the equity balance.

### **Risk of Exchange Rate Fluctuation**

To provide protection against the appreciation of the currency, for January 2023, about US\$2 million equivalent of Rouble expenditure had been hedged using zero-cost collars with puts' strike at about RUB75 and calls' strike at about RUB94. As of 30 June 2023, the Group had no currency hedging position. The Group may consider entering into new foreign exchange hedging contracts if deemed appropriate. It should be noted that the hedging is not speculative in nature and is for risk management purposes. The hedging that IRC has entered into serve as a counter-measure against the strengthening of Rouble.

### **Russian Windfall Tax**

The Russian authorities are implementing a windfall tax, being a one-off tax payment on the profits of Russian companies for the years ended 31 December 2021 and 2022. It is noted that the President of Russia had signed the Federal Law No. 414 introducing the windfall tax and it was published on the Russian Government's website on 4 August 2023. According to the information currently available, the windfall tax rate will be 10% of the difference between a company's average profit for 2021-2022 and average profit for 2018-2019. Companies can get a 50% discount if the tax payment is made before 30 November 2023.

Based on the current preliminary estimation, IRC would need to pay a windfall tax of approximately RUB507 million (equivalent to approximately US\$5.2 million), or approximately RUB254 million (equivalent to approximately US\$2.6 million) if payment is made by 30 November 2023. The aforementioned information in relation to the windfall tax regime is based on the assumption that the windfall tax regime will be implemented in accordance with the information currently available, and preliminary review and assessment by the Board with reference to the latest available financial and other information of the Group. The Company will continue to closely monitor relevant developments.

### **Employees and Emolument Policies**

As of 30 June 2023, the Group employed 1,629 people (30 June 2022: 1,773 people). Total staff costs (inclusive of the emoluments of the directors' of the Company) amounted to US\$17.0 million during the Reporting Period (six months ended 30 June 2022: US\$19.5 million). 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.

# PROJECT REVIEW

## K&S

100% owned



## Key facts:

**65%**

Fe grade (concentrate)

**3.2Mtpa**

Production capacity

**10Mtpa**

Ore process capacity

**240km**

To Chinese border

**577Mt**

Total resources

**322Mt**

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 designed to produce 3.2 million tonnes of iron ore concentrate per annum with a grade of 65% Fe. The Phase I Processing Plant was built by CNEEC. According to the development timeline for K&S Phase I project, Sutara deposit will begin to be mined in parallel with Kimkan deposit in 2024, 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.

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.

## STABLE OPERATIONAL PERFORMANCE IN THE FIRST HALF OF 2023

During the first half of 2023, K&S demonstrated good performance despite certain challenges. In mid-May 2023, K&S's pulp pumps malfunctioned due to presumed electrical issues stemming from the external grid. This led to water overflow in the pulp pumping station, necessitating the suspension of K&S's production for approximately one week. Swift actions were taken to address the issue, and the problem was successfully rectified by the end of May 2023. The incident, while disruptive, prompted the project team to bolster their contingency planning and further fortify the infrastructure against potential disruptions.

## PROJECT REVIEW (CONTINUED...)

Despite the production interruption, K&S demonstrated commendable resilience and adaptability. Throughout the first half of 2023, K&S continued to operate at an average capacity of approximately 83%.

Despite the temporary halt in operations, production volume of K&S during the Reporting Period was 4.0% higher than during the corresponding period in the previous year. This underscores the Company's capacity to overcome challenges and sustain its growth trajectory.

### SALES AND MARKETING

During the first half of 2023, K&S continued using the Amur River Bridge for railway shipments to the Chinese customers. K&S also recommenced the seaborne sales in Q1 2023. However, as the macroeconomy and operating conditions are volatile, evidenced by the softening of the iron ore price, K&S is managing the scale of the seaborne sales.

### SUTARA PIT

The Kimkan operation covers an area of approximately 50 km<sup>2</sup> and comprises two key ore zones – Central and West. Open pit mining is currently carried out at both zones. 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. 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 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 the first half of 2023, K&S continued development of the Sutara project: construction of the permanent reinforced-concrete bridge over the Sutara River commenced; works on the construction of a diversion and straightening of the Sutara riverbed and preparatory works for the construction of the federal highway overcrossing were completed; work on the construction of a powerline is completed and work has begun on the construction of a substation. At the Sutara deposit, stripping and dewatering works are ongoing.

Due to certain deficiencies in the design documents discovered during the state expert review and the need to implement corrections of the said design documents, it is estimated that mining operations at Sutara will start in Q1 2024 and processing of Sutara ore will start in mid-2024, after necessary permits are obtained. The mining and production schedule for the second half of 2023 and the first half of 2024 has been amended to increase ore supply from the Kimkan deposit to compensate for the Sutara delay. With Kimkan increasing the ore supply during the interim period, the revised timeline for the operation of the Sutara pit is not expected to have material impact on the production schedule of K&S.

It is estimated that the total initial capital expenditure required to bring the Sutara pit into operation would amount to approximately US\$50.4 million. Up to 30 June 2023, approximately US\$25.9 million had been incurred. The remaining sum of US\$24.5 million of the pre-production capital expenditure 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 third-party mining contractors. During the Reporting Period, the mining contractors moved 9,871,800 cubic metres of rock mass, including 4,637,500 tonnes of ore, which represents 20.6% increase from the same period last year.

## PRODUCTION

During the year, 4,584,800 tonnes of ore were fed to primary processing, 9.7% more than in the first half of 2022; 3,170,800 tonnes of pre-concentrate were produced, which is 8.6% higher than in the same period last year (six months ended 30 June 2022: 2,919,285 tonnes). Commercial iron ore concentrate production volume in the first half of 2023 was 1,308,821 tonnes, a 4.0% increase compared to the same period last year (six months ended 30 June 2022: 1,258,847 tonnes).

## UNIT CASH COST

In the first half of 2023, the unit cash cost per tonne of K&S totalled US\$77.7 (excluding transportation: US\$59.8). K&S's Rouble-denominated cash cost is likely to rise in the short and medium term, due to the increases in mining contractors' rates, freight and shipment costs, mineral extraction tax, as well as general inflation in Russia. However, Rouble depreciation in Q3 2023 is expected to have a positive effect on US\$-denominated costs in the second half of 2023. Given that K&S has not yet reached full production capacity and that the ore quality is anticipated to improve once Sutara goes online, there is room for K&S to keep costs under control.

## SAFETY

Lost Time Injury Frequency Rate (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 3 injuries (six months ended 30 June 2022 injury: 1), 0 fatalities (six months ended 30 June 2022 fatalities: 0), and a LTIFR of 2.26 (six months ended 30 June 2022 LTIFR: 1.37). K&S will be working on further improvement of LTIFR.

## 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).

## PROJECT REVIEW (CONTINUED...)

## Garinskoye

99.6% owned



### Key facts:

**68%**

Fe grade

**>3,500km<sup>2</sup>**

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<sup>2</sup>, the project is the largest in the IRC portfolio in terms of area.

### FUTURE 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<sup>3</sup> 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 is a joint venture with Jianlong Steel, which originally sourced feedstock from Kuranakh. As Kuranakh moved to care and maintenance in 2016, and then liquidated in 2021, SRP successfully switched to the local Chinese feedstock. Due to the relatively small scale of the project, SRP's contribution to the Group results is immaterial. 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	St. Peterburg, Russia

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2023, the interests or short positions of the Directors and Chief Executives 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") 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 which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares of the Company

Name of director	Capacity	Number of shares in the Company	Percentage of issued shares of the Company
			at 30 June 2023 (Note 1)
Nikolai Levitskii	Interest of a controlled corporation	2,120,000,000 (Note 2)	24.88%

Note:

- As at 30 June 2023, the number of issued shares of the Company was 8,519,657,257.
- As at 30 June 2023, these shares were held by AXIOMI CONSOLIDATION LTD ("Axiomi"), which is 100% controlled by Nikolai Levitskii. On 28 July 2023, Axiomi agreed to transfer 2,120,000,000 ordinary shares in IRC to AXIOMA CAPITAL FZE LLC ("Axioma"), which is also wholly-owned by Nikolai Levitskii. On the same day, Axioma entered into a sale and purchase agreement with a third party agreeing to purchase 85,900,000 ordinary shares of IRC. Upon completion of both transactions, Axioma will hold 2,205,900,000 ordinary shares in IRC, representing 25.89% of the issued share capital of IRC. Mr. Nikolai Levitskii, being the ultimate beneficial owner of Axioma, will also be deemed to be interested in such shares of IRC under the SFO. Completion of both transactions has taken place on 23 August 2023.

Save as disclosed above, as at 30 June 2023, 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 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 six months ended 30 June 2023.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to any Director or chief executive of the Company, as at 30 June 2023, 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	Capacity	Number of shares in the Company	Percentage of issued shares of the Company as at 30 June 2023 (Note 1)
Axiomi	Beneficial interest	2,120,000,000 (Note 2)	24.88%
MIC invest Limited Liability Company ("MIC") (Note 3)	Beneficial interest	1,419,942,876	16.67%
Marina Alexeevna Kolesnikova (Note 3)	Interest of a controlled corporation	1,419,942,876	16.67%

Note:

- As at 30 June 2023, the number of issued shares of the Company was 8,519,657,257.
- As at 30 June 2023, these shares are were held by Axiomi, which is 100% controlled by Nikolai Levitskii. On 28 July 2023, Axiomi agreed to transfer 2,120,000,000 ordinary shares in IRC to Axioma, which is also wholly-owned by Nikolai Levitskii. On the same day, Axioma entered into a sale and purchase agreement with a third party agreeing to purchase 85,900,000 ordinary shares of IRC. Upon completion of both transactions, Axioma will hold 2,205,900,000 ordinary shares in IRC, representing 25.89% of the issued share capital of IRC. Mr. Nikolai Levitskii, being the ultimate beneficial owner of Axioma, will also be deemed to be interested in such shares of IRC under the SFO. Completion of both transactions has taken place on 23 August 2023.
- MIC is wholly-owned by Marina Alexeevna Kolesnikova, 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 of any persons (other than Directors and chief executives of the Company who's interests (if any) have been set out in the paragraph headed "Directors and Chief Executives' Interest") 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 30 June 2023. As at 30 June 2023, the Company had not been notified of any short positions being held by any substantial shareholder in shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

## SHARE OPTION SCHEME

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. Details of the Share Option Scheme were disclosed in the Group's consolidated financial statements as at 31 December 2022.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED...)

The following share options (the “Options”) were outstanding during the period:

Name or category of participant	Number of Options					At 30 June 2023	Date of grant	Vesting period	Exercise period	Exercise price per share
	At 1 January 2023	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period					
<b>Former directors of the Company</b>										
George Jay Hambro	24,401,086	-	-	-	-	24,401,086	20 November 2015	Note 1	10 years from the date of grant	HK\$0.296
Yury Makarov	24,401,086	-	-	-	-	24,401,086	20 November 2015	Note 1	10 years from the date of grant	HK\$0.296
Danila Kotlyarov	24,401,086	-	-	-	-	24,401,086	20 November 2015	Note 1	10 years from the date of grant	HK\$0.296
<b>Other employees of the Group</b>	<b>105,686,923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,686,923</b>	<b>20 November 2015</b>	<b>Note 1</b>	<b>10 years from the date of grant</b>	<b>HK\$0.296</b>

Note:

- 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.

Pursuant to the refreshed mandate limit (“Refreshed Mandate”) as approved by the shareholders of the Company on 10 August 2018, the mandate limit of the share option scheme is 10% of the shares of the Company in issue as at the date of passing of the resolution approving the Refreshed Mandate, being 709,338,638 shares. Therefore, the number of Options available for grant under the Share Option Scheme was 709,338,638 as at 1 January 2023 and 30 June 2023. The Company did not grant any share options during the six months ended 30 June 2023.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

### Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities.

### Significant Investments

The Group did not hold any material investments during the six months ended 30 June 2023. As at the date of this report, apart from the development of the Sutara pit, the Group does not have any plan for material investment or capital assets for the year ending 31 December 2023.

### Material Acquisitions and Disposals

The Group did not make any material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2023.

### Event after Reporting Period

Save as disclosed in Note 20 to the condensed consolidated financial statements, from 30 June 2023 to the date of this interim report, there was no important event condensed affecting the Group.

**Corporate Governance**

The Management and Board of IRC are committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. 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. Detailed disclosure of the Company's corporate governance policies and practices is available in the annual report of the Company for the financial year ended 2022.

During the six months ended 30 June 2023, the Company has complied with the code provisions set out in Part 2 of the Corporate Governance Code as stated in Appendix 14 to the Listing Rules. The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transaction. The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code during the period and they have confirmed their full compliance with the required standard set out in the Model Code. The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of 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.

**Review by Audit Committee**

The Audit Committee has reviewed and discussed with the management of the Company the unaudited interim results of the Company for the six months ended 30 June 2023 without disagreement. The Audit Committee comprises three independent Non-Executive Directors, namely Mr Alexey Romanenko (the Chairman of the Audit Committee), Mr Vitaly Sheremet and Mr Dmitry Dobryak.

The 2023 interim results have also been reviewed by the external auditors.

# INDEPENDENT REVIEW REPORT


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**TO THE BOARD OF DIRECTORS OF IRC LIMITED**

鐵江現貨有限公司

*(Incorporated in Hong Kong with limited liability)*

**INTRODUCTION**

We have reviewed the condensed consolidated financial statements set out on pages 26 to 46, which comprise the condensed consolidated statement of financial position of IRC Limited (the “Company”) and its subsidiaries as at 30 June 2023 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on this condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**CONCLUSION**

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

**RSM Hong Kong**

*Certified Public Accountants*

Hong Kong

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Six Months Ended 30 June 2023

Six months ended 30 June			
	Notes	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)
Revenue	3	139,179	165,658
Operating expenses, excluding depreciation	5	(112,900)	(115,561)
Depreciation	5	(9,808)	(11,312)
Net impairment losses	6	(73,575)	(112,987)
Other income, gains and losses	7	1,119	(1,794)
Allowance for financial assets measured at amortised costs		–	(3)
Finance costs	8	(4,406)	(4,174)
<b>Loss before tax</b>		<b>(60,391)</b>	<b>(80,173)</b>
Income tax (expense)/credit	9	(5,358)	2,231
<b>Loss for the period</b>		<b>(65,749)</b>	<b>(77,942)</b>
<b>Attributable to:</b>			
Owners of the Company		(65,698)	(77,885)
Non-controlling interests		(51)	(57)
		<b>(65,749)</b>	<b>(77,942)</b>
<b>Loss per share (US cents)</b>	11		
Basic		(0.77)	(1.10)
Diluted		(0.77)	(1.10)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2023

	Six months ended 30 June	
	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)
<b>Loss for the period</b>	<b>(65,749)</b>	<b>(77,942)</b>
<b>Other comprehensive (expense)/income:</b>		
<i>Items that have been or may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(960)	2,719
Fair value gain on hedging instruments designated in cash flow hedges	–	5,656
Release of fair value gain on hedging instruments in cash flow hedges	(127)	(1,885)
	<b>(1,087)</b>	<b>6,490</b>
<b>Total comprehensive expense for the period</b>	<b>(66,836)</b>	<b>(71,452)</b>
<b>Attributable to:</b>		
Owners of the Company	(66,585)	(71,837)
Non-controlling interests	(251)	385
	<b>(66,836)</b>	<b>(71,452)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	As at 30 June 2023 US\$'000 (unaudited)	As at 31 December 2022 US\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets		20,437	20,392
Property, plant and equipment	12	362,569	436,093
Right-of-use assets		124	191
Interest in a joint venture		–	–
Inventories		23,410	19,616
<b>Total non-current assets</b>		<b>406,540</b>	<b>476,292</b>
<b>Current assets</b>			
Inventories		26,502	38,843
Deferred expenditures		3,408	1,867
Trade and other receivables	13	36,477	39,922
Other financial assets	16	–	127
Corporate tax prepayment		4	–
Time deposits		221	626
Bank and cash balances		44,930	36,275
Asset classified as held for sale	17	22,140	–
<b>Total current assets</b>		<b>133,682</b>	<b>117,660</b>
<b>TOTAL ASSETS</b>		<b>540,222</b>	<b>593,952</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED...)

At 30 June 2023

	Notes	As at 30 June 2023 US\$'000 (unaudited)	As at 31 December 2022 US\$'000 (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	18	1,304,467	1,304,467
Other reserves		35,751	36,638
Accumulated losses		(958,195)	(892,497)
<hr/>			
Equity attributable to owners of the Company		382,023	448,608
Non-controlling interests		(588)	(337)
<hr/>			
<b>Total equity</b>		<b>381,435</b>	<b>448,271</b>
<hr/>			
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings – due more than one year	15	58,376	67,263
Lease liabilities		–	58
Provision for close down and restoration costs		3,877	4,547
Deferred tax liabilities		4,348	1,829
<hr/>			
<b>Total non-current liabilities</b>		<b>66,601</b>	<b>73,697</b>
<hr/>			
<b>Current liabilities</b>			
Borrowings – due within one year	15	14,322	10,795
Lease liabilities		125	133
Trade and other payables	14	77,739	61,055
Current tax liabilities		–	1
<hr/>			
<b>Total current liabilities</b>		<b>92,186</b>	<b>71,984</b>
<hr/>			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>540,222</b>	<b>593,952</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2023

	Attributable to owners of the Company							Sub-total US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Capital reserve <sup>(Note 6)</sup> US\$'000	Share-based payment reserve US\$'000	Translation reserve US\$'000	Hedging reserve US\$'000	Other reserve <sup>(Note 6)</sup> US\$'000	Accumulated losses US\$'000			
Balance at 1 January 2022 (audited)	1,285,482	17,984	17,582	(23,388)	-	23,766	(804,601)	516,825	(446)	516,379
Loss for the period	-	-	-	-	-	-	(77,885)	(77,885)	(57)	(77,942)
Other comprehensive income	-	-	-	2,277	3,771	-	-	6,048	442	6,490
Total comprehensive income/ (expense) for the period	-	-	-	2,277	3,771	-	(77,885)	(71,837)	385	(71,452)
Balance at 30 June 2022 (unaudited)	1,285,482	17,984	17,582	(21,111)	3,771	23,766	(882,486)	444,988	(61)	444,927
Balance at 1 January 2023 (audited)	1,304,467	17,984	17,582	(22,821)	127	23,766	(892,497)	448,608	(337)	448,271
Loss for the period	-	-	-	-	-	-	(65,698)	(65,698)	(51)	(65,749)
Other comprehensive expense	-	-	-	(760)	(127)	-	-	(887)	(200)	(1,087)
Total comprehensive expense for the period	-	-	-	(760)	(127)	-	(65,698)	(66,585)	(251)	(66,836)
Balance at 30 June 2023 (unaudited)	1,304,467	17,984	17,582	(23,581)	-	23,766	(958,195)	382,023	(588)	381,435

## 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, 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, who was 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 SPC – Tiger Global SP.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2023

	Six months ended 30 June	
	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net cash generated from operations	35,275	47,906
Income tax paid	(2,752)	(922)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>32,523</b>	<b>46,984</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment and exploration and evaluation assets	(30,724)	(5,458)
Deposit received in advance from disposal of asset classified as held for sale	17,000	–
Proceeds on disposal of property, plant and equipment	20	–
Time deposits withdrawn/(placed)	405	(538)
Interest received	397	50
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(12,902)</b>	<b>(5,946)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liabilities	(70)	(1,961)
Interest expenses paid	(4,164)	(3,556)
Repayment of borrowings	(5,392)	(10,323)
Loan guarantee fees paid	–	(2,883)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(9,626)</b>	<b>(18,723)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD</b>	<b>9,995</b>	<b>22,315</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>36,275</b>	<b>51,543</b>
Effect of foreign exchange rate changes	(1,340)	1,917
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>44,930</b>	<b>75,775</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023

## 1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”).

The financial information relating to the year ended 31 December 2022 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2023 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap.622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap.622).

These condensed consolidated financial statements should be read in conjunction with the 2022 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022.

The Company is listed in SEHK with operational mines in Russian Far East. Most of the Group’s suppliers and customers are based in mainland China and Russia. The Company continues to review and consider the impact, if any, of the United Kingdom, European Union and United States sanctions (the “Sanctions”). As of now and so far as the Board of Directors is aware, based on its current assessment and the information currently available to it, the Sanctions have no material direct impact on the Group or its operations. Although currently, the Group’s operations and activities in Russia and elsewhere are continuing as usual, as the macroeconomic factors and geopolitical situation continues to develop, there is a risk of supply chain disruptions affecting the Group’s operations, the purchase of mining fleet and the ongoing development of the Sutara pit. The Company will continue to closely monitor the Sanctions developments and related consequences and will, if necessary, take further actions.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

The accounting policies applied in these condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated financial statements.

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

**3. REVENUE**

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition.

For the six months ended 30 June	Mines in production		Engineering		Total	
	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)
<b>Primary geographical markets</b>						
– People's Republic of China ("PRC")	137,078	139,452	–	–	137,078	139,452
– Russia	2,065	26,158	36	48	2,101	26,206
Revenue from external customers	139,143	165,610	36	48	139,179	165,658
<b>Timing of revenue recognition</b>						
Products transferred at a point in time	139,143	161,613	–	–	139,143	161,613
Products and services transferred over time	–	3,997	36	48	36	4,045
Total	139,143	165,610	36	48	139,179	165,658

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**4. SEGMENT INFORMATION**

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

	Mines in production US\$'000	Mines in development US\$'000	Engineering US\$'000	Other US\$'000	Total US\$'000
<b>Six months ended 30 June 2023 (unaudited)</b>					
Revenue from external customers	139,143	–	36	–	139,179
Segment loss	(50,908)	(125)	(378)	(8)	(51,419)
General administrative expenses					(5,564)
General depreciation					(121)
Other income, gains and losses					1,119
Finance costs					(4,406)
Loss before tax					(60,391)

	Mines in production US\$'000	Mines in development US\$'000	Engineering US\$'000	Other US\$'000	Total US\$'000
<b>Six months ended 30 June 2022 (unaudited)</b>					
Revenue from external customers	165,610	–	48	–	165,658
Segment loss	(63,430)	(279)	(381)	(8)	(64,098)
General administrative expenses					(10,015)
General depreciation					(89)
Other income, gains and losses					(1,794)
Allowance for financial assets measured at amortised costs					(3)
Finance costs					(4,174)
Loss before tax					(80,173)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**5. OPERATING EXPENSES, INCLUDING DEPRECIATION**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Site operating expenses and service costs</b>		
Subcontracted mining costs and engineering services	<b>40,397</b>	32,703
Freight and shipment costs	<b>24,387</b>	38,837
Staff costs	<b>12,698</b>	11,215
Depreciation	<b>9,687</b>	11,223
Other expenses	<b>6,507</b>	5,816
Materials usage	<b>6,386</b>	8,167
Electricity	<b>5,046</b>	3,516
Mineral extraction tax	<b>5,044</b>	4,278
Fuel	<b>1,399</b>	1,098
Professional fees (Note)	<b>495</b>	776
Mine development costs capitalised in property, plant and equipment	<b>(1,201)</b>	(836)
Movement in finished goods and work in progress	<b>6,178</b>	(24)
	<b>117,023</b>	116,769
<b>General administration expenses</b>		
Staff costs, other than share-based payments	<b>4,302</b>	8,312
Professional fees (Note)	<b>653</b>	1,128
Other expenses	<b>609</b>	575
Depreciation	<b>121</b>	89
	<b>5,685</b>	10,104
	<b>122,708</b>	126,873

Note: Professional fees comprise audit fees, legal fees, consulting fees, management services fees and engineering consultancy fees.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

## 6. NET 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 have reversal or further impairment. If any such indication exists, the management is required to estimate the recoverable amount of the asset which requires significant judgment. In making this judgment, management considers factors including changes in production volumes, changes in the cash costs of production, available ore reserves, purity of the iron ore concentrate, forecasted iron 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 30 June 2023, the recoverable amount of the property, plant and equipment and right-of-use assets of the K&S Project is approximately US\$360.3 million (31 December 2022: recoverable amount of the property, plant and equipment and right-of-use assets of the K&S Project is approximately US\$433.3 million) resulting in an impairment loss of US\$74,306,000 being recognised in the period. The change in the recoverable amount is a result of lower projected iron ore prices and an increase in the post-tax discount rate. The nominal pre-tax discount rate used is 15.57% (2022: nominal pre-tax discount rate 15.66%).

Further, in 2022, certain of the construction in progress mining assets amounting to US\$8,352,000 has been fully impaired during the year due to not planned construction in the future. During the six months ended 30 June 2023, some of these assets were partly reversed amounting to US\$731,000 as a result of further reviewing and assessing the recoverability of the assets.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**7. OTHER INCOME, GAINS AND LOSSES**

	Six months ended 30 June	
	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)
Gain/(loss) on disposal of property, plant and equipment	1,874	(278)
Net foreign exchange gain/(loss)	602	(2,077)
Interest income on cash and cash equivalents	397	50
Rental income	300	2,565
Other provision	(2,054)	(2,054)
	<b>1,119</b>	<b>(1,794)</b>

**8. FINANCE COSTS**

	Six months ended 30 June	
	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)
Interest expense on borrowings	4,172	3,786
Interest expense on lease liabilities	4	100
Unwinding of discount on environmental obligation	230	288
	<b>4,406</b>	<b>4,174</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**9. INCOME TAX (EXPENSE)/CREDIT**

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>US\$'000</b> <b>(unaudited)</b>	<b>2022</b> <b>US\$'000</b> <b>(unaudited)</b>
Current tax		
Russian Corporate tax	<b>(2,749)</b>	(10)
Underprovision in prior years		
United Kingdom Corporate tax	–	(15)
Deferred tax	<b>(2,609)</b>	2,256
	<b>(5,358)</b>	2,231

Russian Corporate tax is calculated at a rate of 20% for each of the six months ended 30 June 2023 and 2022.

Based on the approved federal and regional laws in Russia, the K&S Project is considered to be an investment project and is exempted from Russia Corporate tax for the period from 2017 to 2021 and then, will be taxed at a reduced rate of 10% in the following 5 years increasing to 20% thereafter.

United Kingdom Corporation tax was calculated at 19% of the estimated assessable profit for the six months ended 30 June 2022, and was increased from 19% to 25% from 1 April 2023. At the same time, a small companies' rate of 19% was introduced and marginal relief given for intermediate companies. The main rate applies to companies with profits over £250,000; the small companies' rate applies to those with profits of £50,000 or less, with marginal tapering for profits in between the thresholds.

No tax from other jurisdictions has been recognised as the Group had no assessable profit arising in or derived from any other jurisdictions for the six months ended 30 June 2023 and 2022.

**10. DIVIDENDS**

No dividends were paid, declared or proposed to owners of the Company during both the six months ended 30 June 2023 and 2022.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**11. LOSS PER SHARE**

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

	Six months ended 30 June	
	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)
<b>Loss</b>		
Loss for the purpose of calculating basic and diluted loss per share for the period attributable to owners of the Company	<b>(65,698)</b>	(77,885)

	Six months ended 30 June	
	2023 Number '000 (unaudited)	2022 Number '000 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>8,519,657</b>	7,099,714

The computation of weighted average number of shares for the purposes of diluted loss per share for the periods ended 30 June 2023 and 2022 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.

**12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

During the period, the Group incurred approximately US\$8,463,000 (for the six months ended 30 June 2022: US\$5,747,000) on mine development and acquisition of property, plant and equipment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**13. TRADE AND OTHER RECEIVABLES**

	<b>As at 30 June 2023 US\$'000 (unaudited)</b>	<b>As at 31 December 2022 US\$'000 (audited)</b>
Trade receivables	21,258	20,534
Value-added tax recoverable	10,138	13,376
Prepayments to suppliers	4,002	4,908
Amounts due from customers under engineering contracts	4	5
Other receivables	1,075	1,099
	<b>36,477</b>	<b>39,922</b>

Unbilled receivables under engineering contracts are expected to be billed and settled within one year and relate to long-term contracts in progress.

The Group allows credit period of 27 to 42 days (31 December 2022: 14 to 52 days) to individual third party customers. Except for trade receivables measured at fair value through profit or loss, the Group applies the simplified approach in accordance to HKFRS 9 to measure expected credit loss ("ECL") which used a lifetime ECL, the directors of the Company considered that the lifetime ECL allowance is insignificant as at 30 June 2023 and 31 December 2022.

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

	<b>As at 30 June 2023 US\$'000 (unaudited)</b>	<b>As at 31 December 2022 US\$'000 (audited)</b>
Less than one month	20,850	20,163
One month to three months	408	371
	<b>21,258</b>	<b>20,534</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**14. TRADE AND OTHER PAYABLES**

	<b>As at 30 June 2023 US\$'000 (unaudited)</b>	<b>As at 31 December 2022 US\$'000 (audited)</b>
Trade payables	8,725	10,734
Advances from customers	401	76
Receipt in advance from disposal of asset classified as held for sale	17,000	–
Interest payables	230	253
Construction cost payables	22,694	22,694
Accruals and other payables	28,689	27,298
	<b>77,739</b>	<b>61,055</b>

The ageing analysis of the trade payables based on invoice date is as follows:

	<b>As at 30 June 2023 US\$'000 (unaudited)</b>	<b>As at 31 December 2022 US\$'000 (audited)</b>
Less than one month	8,511	10,380
One month to three months	40	145
Over three months to six months	13	203
Over six months	161	6
	<b>8,725</b>	<b>10,734</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**15. BORROWINGS**

	<b>As at 30 June 2023 US\$'000 (unaudited)</b>	As at 31 December 2022 US\$'000 (audited)
Other loans	<b>72,698</b>	78,058

The borrowings are repayable as follows:

	<b>As at 30 June 2023 US\$'000 (unaudited)</b>	As at 31 December 2022 US\$'000 (audited)
Within one year	<b>14,322</b>	10,795
More than one year, but not exceeding two years	<b>18,400</b>	17,710
More than two years, but not exceeding five years	<b>39,976</b>	49,553
	<b>72,698</b>	78,058
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(14,322)</b>	(10,795)
Amount due for settlement after 12 months (shown under non-current liabilities)	<b>58,376</b>	67,263

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 equal quarterly payments during the term of the Gazprombank Facility.

During the six months period ended 30 June 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 full facility amount of US\$240,000,000 has been fully drawn down, and as of 30 June 2023, the total borrowings of US\$72,698,000 (31 December 2022: US\$78,058,000) was borne by LLC KS GOK, a wholly owned subsidiary of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

## 15. BORROWINGS (CONTINUED)

The loans are secured by (i) a charge over the property, plant and equipment with net book value of US\$46,929,000, (ii) 100% equity share of Kapucius Services Limited in LLC KS GOK, a wholly owned subsidiary of the Group, (iii) until 3 December 2021, a guarantee from Petropavlovsk PLC, the former substantial shareholder of the Company, and (iv) from 28 January 2022 till 28 February 2023, the pledged of 2,120,000,000 ordinary shares of the Company hold by Axiomi Consolidated Ltd, the substantial shareholder of the Company as of 30 June 2023 (the “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 was released.

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:
    - Starting from the twelve months period ended 30 June 2022, of less than 3.0 times

where:

    - Net Debt is defined as the combined amount of short-term borrowed funds plus long-term borrowed funds and leasing obligations less cash or cash equivalents; and
    - EBITDA is defined as loss/profit before tax for the last twelve months plus interest expenses for the last twelve months less interest income for the last twelve months plus depreciation for the last twelve months and adjustments to exclude impairment, exchange rate revaluation and other non-monetary items for the last twelve months and add lease payments for the last twelve months.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**15. BORROWINGS (CONTINUED)**

c) LLC KS GOK must meet the following financial covenants: (Continued)

ii) Debt Service Coverage Ratio (DSCR):

- Starting from the twelve months period ended 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.

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.

Since 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.

The loans due to MIC invest LLC bear interests which are charged based on LIBOR. LIBOR ceases to be published after 30 June 2023 and the Group is currently discussing with MIC invest LLC to agree on an alternative basis for the determining of interests in accordance with the loan facility agreements. The Group is exposed to the risks that parties to the loan agreements may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the loan agreements.

**16. OTHER FINANCIAL ASSETS****Cash flow hedges – currency swap contracts**

At the end of the Reporting Period, the Group had no outstanding currency zero-cost collars contracts (31 December 2022: US\$127,000).

During the six months period ended 30 June 2023, nil (six months ended 30 June 2022: US\$5,656,000) gain on change in fair value of the currency zero-cost collars contracts under cash flow hedges has been recognised in other comprehensive income. The fair value gains of the currency zero-cost collars amounted to US\$127,000 (six months ended 30 June 2022: US\$1,885,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss upon the settlement.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**17. ASSET CLASSIFIED AS HELD FOR SALE**

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”). As of 30 June 2023, approximately US\$17.0 million of the sales proceeds has been received.

By entering into the MOA, the Disposal is profit 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 transaction costs, and therefore being approximately US\$0.5 million (equivalent to approximately HK\$3.9 million). As at 30 June 2023, the Disposal has not yet been completed. 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.

**18. SHARE CAPITAL**

	Number of shares	Amount US\$'000
At 1 January 2022 and 30 June 2022	7,099,714,381	1,285,482
Shares issued in October 2022	1,419,942,876	18,985
<hr/>		
At 31 December 2022 and 30 June 2023	8,519,657,257	1,304,467

On 14 September 2022, the Company entered into a conditional subscription agreement with MIC invest LLC, pursuant to which MIC invest LLC had conditionally agreed to subscribe for and the Company had conditionally 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 represent 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 had been fulfilled and the Subscription Shares had been allotted and issued to MIC invest LLC, MIC invest LLC has then become 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 had been 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.

No Option Shares granted were exercised during the six months period ended 30 June 2023.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED...)

For the Six Months Ended 30 June 2023

**19. RELATED PARTY DISCLOSURES****Related parties**

As disclosed in note 18, during the fourth quarter of 2022, the Company entered into and completed the conditional subscription with MIC invest LLC, pursuant to which MIC invest LLC has then become a substantial shareholder of the Company.

At 30 June 2023 the Group's borrowings from MIC invest LLC amounted to US\$72,698,000 (31 December 2022: US\$78,058,000). The interest expense payable to MIC invest LLC is US\$230,000 as at 30 June 2023 (31 December 2022: US\$253,000).

**Related parties transactions**

The Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)
Interest expenses incurred to MIC invest LLC	4,172	–

**Key Management Compensation**

The remuneration of directors and other members of key management for the following periods was as follows:

	Six months ended 30 June	
	2023 US\$'000 (unaudited)	2022 US\$'000 (unaudited)
Short-term benefits	2,183	3,034
Post-employment benefits	582	950
	2,765	3,984

The remuneration of key management personnel is determined by the remuneration committee with regards to the performance of individuals and market trends.

**20. EVENTS AFTER THE REPORTING PERIOD**

The Russian authorities are implementing a windfall tax, being a one-off tax payment on the profits of Russian companies for the years ended 31 December 2021 and 2022. It is noted that the President of Russia had signed the Federal Law No. 414 introducing the windfall tax and it was published on the Russian Government's website on 4th August 2023. According to the information currently available, the windfall tax rate will be 10% of the difference between a company's average profit for 2021-2022 and average profit for 2018-2019. Companies can get a 50% discount if the tax payment is made before 30 November 2023.

Based on the current preliminary estimation, IRC would need to pay a windfall tax of approximately RUB507 million (equivalent to approximately US\$5.2 million), or approximately RUB254 million (equivalent to approximately US\$2.6 million) if payment is made by 30 November 2023.



# 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.

Axiomi	Axiomi Consolidation Ltd, a wholly-owned company of Mr Nikolai Levitskii
Board	The Board of Directors
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
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
Gazprombank	Gazprombank, is a private-owned Russian bank, the third largest bank in Russia by assets
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
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
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 $\text{FeTiO}_3$
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	$\text{Fe}_3\text{O}_4$ ; major mineral in banded iron formations, generally low grade (1.5%-40% iron)
MIC	MIC invest Limited Liability Company, a company wholly-controlled by Ms. Marina Kolesnikova
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
Open-pit	A large scale hard rock surface mine; mine working or excavation open to the surface

## GLOSSARY (CONTINUED...)

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 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
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
Resources	The concentration of material of economic interest in or on the earth's crust
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
SRP	Steel/Slag Reprocessing Project
Stock Exchange	The Stock Exchange of Hong Kong Limited
TiO <sub>2</sub>	Titanium dioxide. A fine white powder. Used in paints, plastics or paper, it provides for maximum whiteness and opacity
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 <sub>magn</sub>	total iron in the ore originating from magnetite
Fe <sub>(total)</sub>	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 <sup>2</sup>	square kilometres, a unit of area equivalent to 1,000,000 m <sup>2</sup>
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 <sup>3</sup>	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

## GLOSSARY (CONTINUED...)

nm	not measured
t	a wet metric tonne, a unit of mass equivalent to 1,000 kg
tpa	tonnes per annum
TiO <sub>2</sub>	chemical symbol for titanium dioxide
V <sub>2</sub> O <sub>5</sub>	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 INFORMATION

## IRC LIMITED — 鐵江現貨有限公司

Stock Exchange of Hong Kong: 1029

As at 30 June 2023

### CORPORATE INFORMATION

Headquarters, registered address and principal place of business in Hong Kong:

6H, 9 Queen's Road Central, Central District  
Hong Kong Special Administrative Region  
of the People's Republic of China

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Facsimile: +852 2772 0329

Corporate Website: [www.ircgroup.com.hk](http://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

# 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.

## Investor Relations

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- 👉 [www.ircgroup.com.hk](http://www.ircgroup.com.hk)

# MILESTONES

Our Future	K&S	Full capacity to 3.2Mt per year Doubling production (Phase II)
	Garinskoye Bolshoi Seym	Iron ore concentrate production Iron ore concentrate and ilmenite production
1H 2023	IRC	Further reduction in net debt
	K&S	Maintained over 80% production capacity despite operating challenges
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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