铁货 IRC

IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1029)

2021 INTERIM RESULTS
REVENUE MORE THAN DOUBLED TO US$217 MILLION
PROFIT SIGNIFICANTLY INCREASED TO US$98 MILLION

CONFERENCE CALL

A conference call will be held today at 14h00 Hong Kong time to discuss the interim results. The number is +852 2112 1888 and the passcode is 7005327#. Presentation slides to accompany the call are available at www.ircgroup.com.hk. A playback of the teleconference will be available from 30 August 2021 at www.ircgroup.com.hk/en/ir_presentations.php.

Friday, 27 August 2021: The Board of Directors of IRC Limited ("IRC" or the "Company", together with its subsidiaries, the "Group") is pleased to announce the interim results of the Company for the six months ended 30 June 2021.

Financial Highlights

- Revenue increased by 104.5% to US$217.2 million (30 June 2020: US$106.2 million);
- EBITDA excluding non-recurring items and FX nearly tripled to US$123.3 million (30 June 2020: US$33.0 million);
- Profit increased significantly to US$98.3 million (30 June 2020: US$5.9 million);
- Cash balance increased to US$67.0 million (31 December 2020: US$20.4 million), after loan repayment and interest totalling US$17.1 million to Gazprombank and payment of guarantee fees to Petropavlovsk PLC of US$13.8 million;
- Early repayment of Gazprombank loan totalling US$50 million in July and August 2021; current cash balance of c.US$45 million.

Operation Highlights

- 118.3% increase in achieved selling price to US$180.3/dmt (30 June 2020: US$82.6/dmt);
- 6.1% decrease in production, mainly due to previously reported mining contractor issues. Average production rate at 84% capacity (30 June 2020: 89%);
- 5.8% reduction in sales volume, mainly due to previously reported railway congestion affecting shipments; congestion alleviated in July 2021.

Commenting on the results, Peter Hambro, Chairman of IRC said: *"It gives me great pleasure to report IRC's strong performance for the first half of 2021. Taking advantage of the strong iron ore price environment, revenue has more than doubled and profit reached a new high of US$98 million. Putting into perspective, the profit that we achieved in the six months period equals almost half of the Company's current market capitalisation. This strong set of results was achieved amid a number of challenges, such as the shortcomings of our third-party mining contractors and railway congestions issues that curtailed deliveries. Fortunately, these are short term issues, and we are confident that IRC's performance could be further improved when these challenges subside.*

Dividend payments have always been high on our agenda and the directors of IRC are eager to reward its patient shareholders now that conditions have improved. We are currently investigating what would be required for IRC to be in a position to pay dividends, including what consents IRC may require in order to pay them to shareholders.

COVID-19 has created unprecedented challenges for most mining companies worldwide. We are sparing no effort to control the spread of the virus and to date, there has been no material impact on IRC's operations. As an employee-oriented company, IRC will continue to improve employee protection so that every employee can go home satisfied at the end of the day.

At the time of this announcement, the iron ore price has undergone some healthy corrections and the 65% iron ore is currently at the US$160s per tonne level, which is still about 30% higher than the 2020 yearly average price and still ensures substantial operating margin for IRC. While much has been achieved in the first half of 2021, we are not resting on our laurels. We look forward to reporting our achievements again in the upcoming 2021 annual results."

FINANCIAL REVIEW

The following table summarises the consolidated results of the Group for the six months ended 30 June 2021 and 2020:

	For six months ended 30 June		
	2021	2020	Variance
Key Operating Data			
Iron Ore Concentrate			
– Production volume (tonnes)	***1,310,718***	*1,395,411*	*(6.1%)*
– Sales volume (tonnes)	***1,300,045***	*1,380,516*	*(5.8%)*
Achieved Selling Price (US$/tonne)			
– based on wet metric tonne	***167.0***	*76.8*	*117.5%*
– based on dry metric tonne	***180.3***	*82.6*	*118.3%*
– based on dry metric tonne before hedging	***186.3***	*85.4*	*118.1%*
Platt's 65% iron ore average price	***211.1***	*105.8*	*99.5%*
*Cash Cost (US$/tonne)**	***65.6***	*48.8*	*34.4%*
Consolidated Income Statement (US$'000)			
Revenue before hedging losses	**224,364**	109,836	104.3%
Hedging losses	**(7,194)**	(3,663)	96.4%
Revenue	**217,170**	106,173	104.5%
Site operating expenses and service costs before depreciation and amortisation	**(88,515)**	(71,342)	24.1%
General administration expenses before depreciation and amortisation	**(5,410)**	(4,267)	26.8%
Other income, gains and losses	**54**	2,410	(97.8%)
EBITDA excluding non-recurring items and foreign exchange	**123,299**	32,974	273.9%
Depreciation and amortisation	**(11,904)**	(13,465)	(11.6%)
Financial costs	**(10,847)**	(13,338)	(18.7%)
Income tax credit/(expense) & non-controlling interests	**307**	(431)	N/A
Underlying gains – excluding non-recurring items and foreign exchange	**100,855**	5,740	1,657.1%
Net foreign exchange (losses)/gains	**(530)**	5,228	N/A
Provision for expenses related to deferred contract payments**	**(2,054)**	(5,027)	(59.1%)
Profit attributable to the owners of the Company	**98,271**	5,941	1,554.1%
Earnings per share (US cents)	**1.39**	0.08	1,554.0%

* Per wet metric tonne sold

** An entity within the Group is currently initiating legal proceedings against the said contract counterparty and IRC believes that these expenses will not be payable. However, being prudent and to comply with the accounting requirements, this provision has been made.

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

In the six months ended 30 June 2021, the Group's EBITDA, excluding non-recurring items and foreign exchange, increased significantly to US$123.3 million (30 June 2020: US$33.0 million). The 273.9% increase was primarily the result of higher achieved selling price.

During the six months ended 30 June 2021, K&S's production volume decreased by 6.1% when comparing with that of the first half of 2020, mainly due to the performance of the third-party mining contractors. Sales volume also decreased accordingly and was 5.8% lower than the same period last year, mainly owing to the Russian railway congestion issues caused by a combination of increased transportation demand from Russian exporters and throughput decrease of the Grodekovo/Suifenhe railway border crossing caused by strengthened COVID-19 measures on the Chinese side. Fortunately, the robust growth of Platt's 65% iron ore price index provided a favourable business environment, and the achieved selling price of the K&S iron ore concentrate after hedging increased by 118.3% to US$180.3 per dry metric tonne (dmt) (30 June 2020: US$82.6 per dmt).

K&S endeavours to keep operating and administrative costs under strict control. During the reporting period, the Group net operating expenses and general administration costs increased by 24.2% which compared positively to the 104.5% increase in revenue. Cash cost per tonne increased to US$65.6, driven by higher transport costs due to the increased share of sales via the seaborne route, which bring about additional expenses related to handling of the iron ore concentrate in the port of despatch and sea freight costs; and higher mining costs due to the increased strip ratio to catch up the mining volume lag. 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.

	For six months ended 30 June		
US$'000	**2021**	2020	Variance
EBITDA excluding non-recurring items and foreign exchange	**123,299**	32,974	273.9%

Underlying results – 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 2021, IRC reported a foreign exchange loss of US$0.5 million (30 June 2020: gain of US$5.2 million), owing primarily to a slight appreciation in the Russian Rouble exchange rate since the beginning of 2021, while the currency depreciated sharply in the first half of 2020. The US$5.7 million swing in foreign exchange has a significant impact on the Group's profitability on the year-over-year comparisons;

– The Group's results are affected by a non-cash provision of US$2.1 million (30 June 2020: US$5.0 million) which has been accrued for expenses relating to deferred contract payments. The Group is currently initiating legal proceedings against the said contract counter-party and believes that these expenses will not be payable. However, being prudent and to comply with the accounting requirements, this provision has been made.

The underlying results, which is a good indicator of IRC's performance, showed significant improvement in 2021:

	For six months ended 30 June		
US$'000	**2021**	2020	Variance
Underlying gains excluding non-recurring items and foreign exchange	**100,855**	5,740	1,657.1%

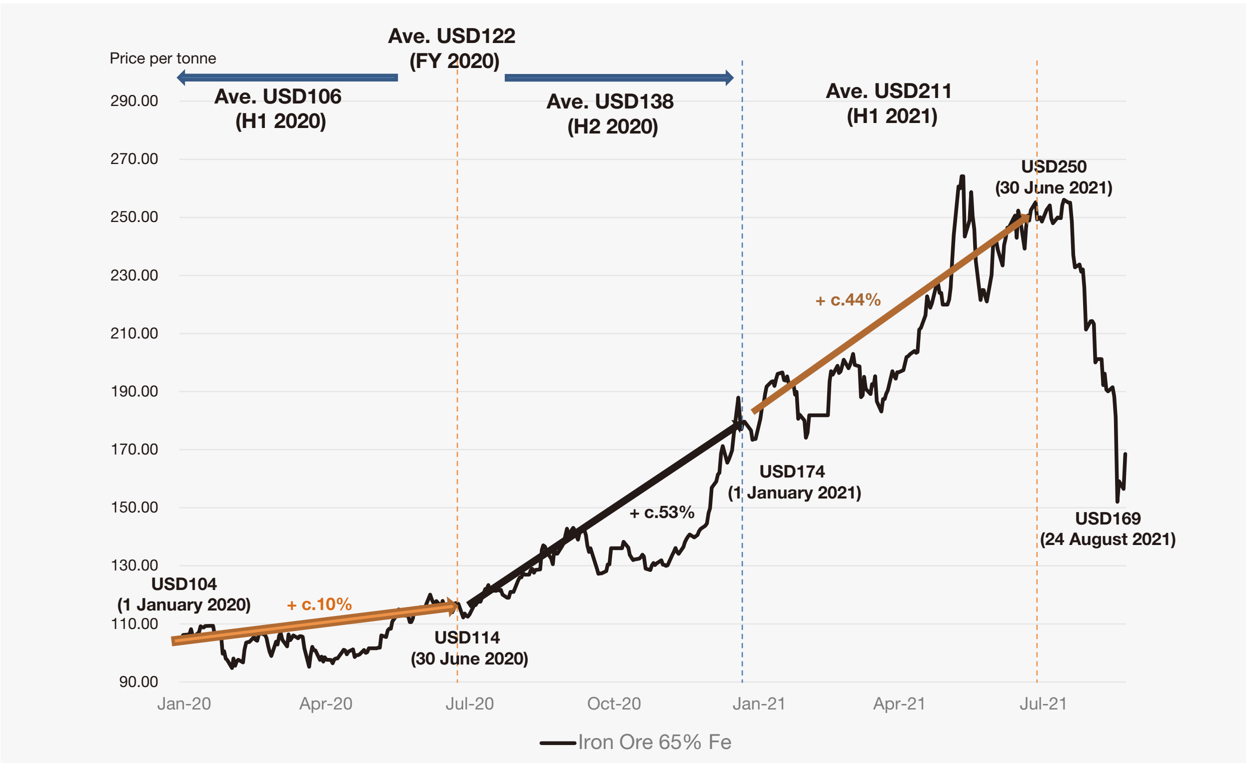
REVENUE

Iron ore concentrate

The main source of revenue for IRC is the sales of 65% iron ore concentrate produced by the K&S mine. During the period, K&S operated at a rate of 84% capacity. The production and sales of K&S were hampered by issues arising from third-party mining contractors' performance and Russian railway congestion, caused by a combination of the increased transportation demand from Russian exporters and throughput decrease of the Grodekovo/Suifenhe railway border crossing caused by strengthened COVID-19 measures on the Chinese side. K&S produced 1,310,718 tonnes and sold 1,300,045 tonnes of iron ore concentrate in the first six months of 2021, representing 6.1% and 5.8% decrease over the same period of 2020 respectively.

The selling price of K&S's iron ore concentrate is determined by reference to the international Platts iron ore index. Iron ore was one of the best performing commodities in the first half of 2021, with the average Platts 65% iron ore benchmark rising by 44%, thanks to China's high demand for high-grade iron ore and supply concerns.

The chart below shows the robust growth of the Platt's 65% Fe index:



Source: Platts (as of 24 August 2021)

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 delivered cost of its product but the bargaining power in price negotiations is negatively affected. This means that IRC's Chinese customers expect a discount to the benchmark Platts price and IRC have relatively little power to resist these monopolistic requests. IRC understands that this has been the case for other Russian producers as well, with discounts being commonly offered to customers in the region. For this reason, 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 2021 in favour of diverting more sales to the Chinese seaborne market, which offered better sales terms. K&S is also exploring the west-bound transportation route to China with trial shipments going via the Zabaikalsk/Manzhouli border crossing. K&S will continue monitoring the situation and adjusting its sales and marketing strategy accordingly.

For the six months ended 30 June 2021, the achieved selling price of K&S's iron ore concentrate before hedging was US$186.3 per dmt (30 June 2020: US$85.4 per dmt), an increase of 118.1%.

Iron ore hedging is used to manage the downside risks associated with iron ore price movements and is not speculative in nature. As market iron ore price had been growing during the reporting period, hedging results were negative. Hedging reduced IRC's revenue by US$7.2 million (30 June 2020: US$3.7 million) during the reporting period. The net revenue for the six months ended 30 June 2021, after taking into account the effect of iron ore hedging, was US$217.2 million, a 104.5% increase over the same period last year.

IRC has taken the opportunity to lock-in the strong iron ore price by hedging about 40% of K&S's expected 2021 production volume. The hedging has been done mostly by zero-cost collars using options on the 62% iron ore index, with Puts' strike at about US$100 per tonne and Calls' strike at about US$175 per tonne. A small part of the hedging is performed by buying Put options of 62% iron ore index at US$100 per tonne. For the first quarter of 2022, about 20% of K&S's expected production has been hedged with Put options of 62% iron ore index at about US$110 per tonne. It should be noted that the hedging is not speculative in nature and is for risk management purposes.

Engineering Services

Revenue from Giproruda, the Group's small-scale engineering services division, was not material but diversified the Group's revenue. Revenue from the segment was US$100,000 in the first half of the year (30 June 2020: US$144,000).

SITE OPERATING EXPENSES AND SERVICE COSTS BEFORE DEPRECIATION AND AMORTISATION

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

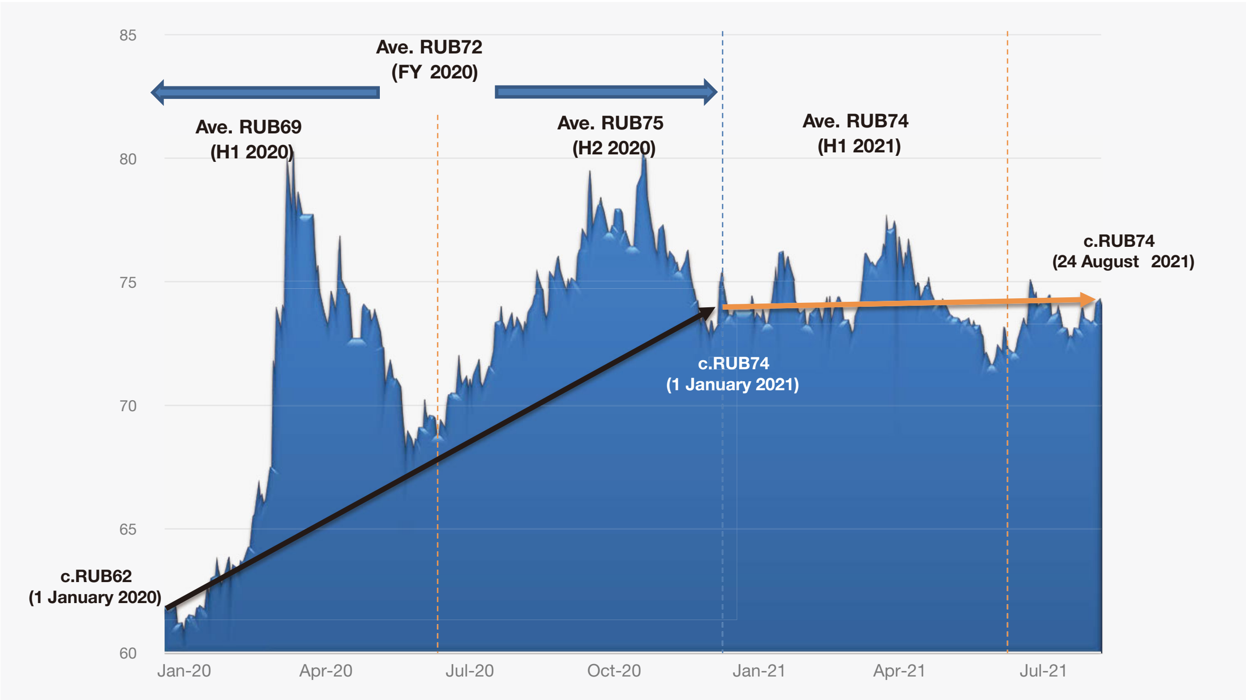
The table below illustrates the details of the key cash cost components per wet metric tonne of iron ore concentrate sold:

	For the six months ended 30 June	
	2021 Cash cost per tonne US$/t	2020 Cash cost per tonne US$/t
Mining	**21.6**	14.9
Processing and drying	**11.5**	9.6
Production overheads, site administration and related costs	**10.0**	9.6
Transportation to customers	**23.1**	15.0
Movements in inventories and finished goods	**(0.5)**	0.1
Currency hedge results	**(0.1)**	(0.4)
Net cash cost	**65.6**	48.8

During the first six months of 2021, unit cash cost per wet metric tonne of concentrate sold amounted to $65.6, 34.4% higher than $48.8 in the same period last year. The main component of the increase was the transport cost that rose due to the increased share of sales via the seaborne market. Although transport cost of the sales via the seaborne route, realised price is also higher compared to the sales by railway to the customers in the North-Eastern China. Another component of the unit cash cost increase was mining cost, which was driven up by the increased strip ratio due to the need to catch up with the accumulated backlog in mining works.

The Russian Rouble did not depreciate sharply as it did in the first half of 2020, but it remained weak during the 2021 interim reporting period with an average exchange rate of around RUB74 per US Dollar. While the Group's revenues are mainly denominated in US dollars and therefore unaffected by Rouble weakness, the Group's operating costs, which are mostly denominated in Roubles, would be reduced in US dollar terms as Rouble depreciates.

The chart below shows the depreciation of the Rouble since January 2020:



Source: Bank of Russia (as of 24 August 2021)

GENERAL ADMINISTRATION EXPENSES BEFORE DEPRECIATION AND AMORTISATION

General administration expenses before depreciation and amortisation increased by US$1.1 million when compared to the same period last year. The increase is mainly attributable to the timing of the expenses, as certain administrative activities and expenditures were deferred last year due to COVID-19, and the payment of discretionary remunerations.

OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses were mainly related to the rental income derived from the sub-letting part of the floor space of buildings owned by the Group and sub-leased machineries and wagons, net of the cost of acquiring Put options for iron ore hedging purposes.

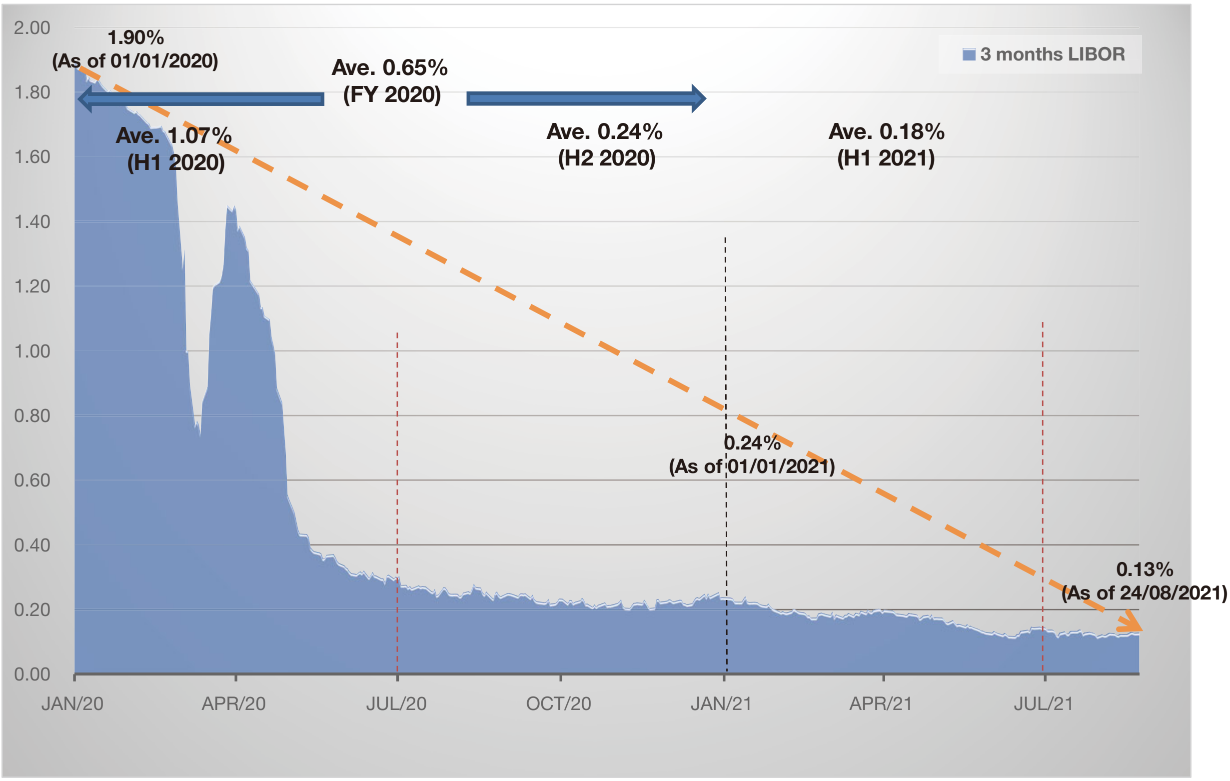
DEPRECIATION AND AMORTISATION

Depreciation and amortisation decreased by 11.6% from US$13.5 million in the first half of 2020 to US$11.9 million in the first half of 2021, mainly due to changes in accounting estimates and some assets having been fully depreciated.

FINANCIAL COSTS

Financial costs reflect primarily the interest expenditures on loans from Gazprombank and guarantee fee accrued for Petropavlovsk PLC. The financial cost decreased by 18.7% in the first half of 2021, mainly due to a further reduction on market interest rates and lower outstanding loan balances.

The chart below shows the decreasing LIBOR since 2020:



Source: Bloomberg (as of 24 August 2021)

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

The income tax credit of US$0.3 million (30 June 2020 income tax expense: US$0.4 million) mainly reflects the movements in deferred tax provisions as well as the Russian corporate income tax charges.

NET FOREIGN EXCHANGE (LOSSES)/GAINS

The US$0.5 million in foreign exchange losses was mainly due to appreciations of the Russian Rouble during the reporting period.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Improving EBITDA has resulted in positive operating results for the Group. Taking into account net foreign exchange losses of US$0.5 million and the provision for deferred contract payments of US$2.1 million, the Group reports a profit of US$98.3 million in the first six months of 2021 (30 June 2020: US$5.9 million).

SEGMENT INFORMATION

The mines in production segment, which represents the K&S mine's production and sales, generated an EBITDA of US$129.1 million (30 June 2020: US$35.9 million), reflecting an increase of 2.6 times over the same period last year. The segment posted a profit of US$117.3 million in the first six months of 2021, after taking into account the depreciation and amortisation costs. Mines in development, engineering and other segments were not material to the total revenue, and recorded a total losses of US$0.5 million in the reporting period.

CASH FLOW STATEMENT

The following table summarises key cash flow items of the Group for the six months ended 30 June 2021 and 30 June 2020:

	For the six months ended 30 June	
US$'000	**2021**	2020
Net cash generated from operations	**86,350**	20,290
Loan guarantee fees paid	**(13,810)**	–
Repayments of borrowings	**(10,329)**	(10,331)
Interest paid	**(6,733)**	(9,335)
Capital expenditure	**(5,814)**	(2,969)
Repayment of lease liabilities	**(1,813)**	(1,528)
Income tax (paid) refunded, and other adjustments, net	**(1,203)**	4,561
Net movement during the period	**46,648**	688
Cash and bank balances (including time deposits)		
– At 1 January	**20,371**	4,292
– At 30 June	**67,019**	4,980

Net cash generated from operations amounted to US$86.4 million for the six months ended 30 June 2021, up from US$20.3 million in the same period last year, a threefold increase. The increase in cash provided by operating activities in the first half of 2021 was mainly due to a significant increase in revenue from the K&S mine. The receivable balance increased along with an increase in the selling price of iron ore due to the timing of cashflows. With lower financing costs and loan balances, interest payments decreased from US$9.3 million to US$6.7 million. The capital expenditure of US$5.8 million was incurred mainly by the K&S mine for the development of the Sutara project and development of K&S mine. During the first six months of 2021, the Group made principal repayments totalling US$10.3 million to the Gazprombank in accordance with the loan repayment schedule, and settled guarantee fees of US$13.8 million to Petropavlovsk PLC.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Share capital

During the first six months of 2021, the Company issued 1,328,000 new shares following the exercising of share options pursuant to the Company's employees' share option scheme with an exercise price of HK$0.296 per share. The Company received approximately US$0.05 million following the issuance of the shares.

Cash Position and Capital Expenditure

As at 30 June 2021, the carrying amount of the Group's cash, deposits and bank balances amounted to approximately US$67.0 million (as at 31 December 2020: US$20.4 million). The cash balance increased significantly on 30 June 2021 as a result of the Group's improved profitability for the period.

Exploration, Development and Mining Production Activities

For the six months ended 30 June 2021, US$93.7 million (30 June 2020: US$73.0 million) was incurred on development and mining production activities. No material exploration activity was carried out in the first half of 2021 and 2020. The following table details the operating and capital expenditures in the first half of 2021 and 2020:

	For the six months ended 30 June					
	2021			2020		
US$'m	**Operating expenses**	**Capital expenditure**	**Total**	Operating expenses	Capital expenditure	Total
K&S development	**88.0**	**5.7**	**93.7**	70.2	2.8	73.0
Exploration projects and others	**0.5**	**0.1**	**0.6**	0.6	0.1	0.7
	88.5	**5.8**	**94.3**	70.8	2.9	73.7

The table below sets out the details of material new contracts and commitments entered into during the first half of 2021 on a by-project basis. The amount was relatively small, reflecting the fact that the K&S mine is close to ramping up to full capacity.

		For the six months ended 30 June	
US$'m	**Nature**	**2021**	2020
K&S	Purchase of property, plant and equipment	**–**	0.1
	Sub-contracting for mining works	**1.3**	–
	Sub-contracting for railway and related works	**–**	0.3
Others	Other contracts and commitments	**–**	0.3
		1.3	0.7

Borrowings and Charges

As at 30 June 2021, the Group had gross borrowings of US$193.5 million (as at 31 December 2020: US$203.9 million), mainly represents the long-term borrowing drawn from the Gazprombank loan facility which is guaranteed by Petropavlovsk PLC. The interest of the Gazprombank facility is determined with reference to LIBOR. The three-month LIBOR fell from an average of 1.07% in H1 2020 to 0.18% in H1 2021. Lower LIBOR allowed the Group to reduce its financing costs. In July and August 2021, K&S made early loan repayments of a total US$50 million to Gazprombank, reducing the gearing and financing costs of the Group. As of the date of this announcement, the total debt outstanding amounted to c.US$143.5 million.

Risk of Exchange Rate Fluctuation

The Group undertakes certain transactions denominated in foreign currencies, principally Russian Rouble, and is therefore exposed to exchange rate risk associated with fluctuations in relative values of US Dollars. Exchange rate risks are mitigated to the extent considered necessary by the Board of Directors, primarily by holding the relevant currencies. The Group has taken the opportunity to lock-in the current weak Rouble exchange rate by hedging about 10% of the Group's 2021 expected Rouble expenditure using zero-cost collars with Puts' strike varying in the mid-70s and Calls' strike in the mid-90s, to provide protection against the appreciation of the currency. If deemed appropriate, the Group may consider entering into further foreign exchange hedging contracts. The hedging is not of a speculative nature and is for purposes of risk management.

Employees and Emolument Policies

As at 30 June 2021, the Group employed approximately 1,739 people (as at 30 June 2020: 1,635 people). Total staff costs amounted to US$13.7 million during the reporting period (30 June 2020: US$11.9 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.

CHAIRMAN AND CEO REPORT

"Profit attributable to shareholders reached a new high of US$98 million. Put into perspective, the profit that IRC achieved in the first half of 2021 equals almost half of the Company's current market capitalisation."

Dear Shareholders and Stakeholders,

It gives me great pleasure to report IRC's strong performance and healthy financial statements for the first half of 2021. The robust iron ore prices and the high production rate at K&S are the fundamental contributing factors that have resulted in a magnificent profit increase of the Group. The organic growth of our iron ore concentrate production business, coupled with the recent successful expansion of our sales to the seaborne market in southern China, also contributed to the exceptionally strong financial results.

ROBUST FINANCIAL PERFORMANCE ACHIEVED UNDER CHALLENGING ENVIRONMENT

As a result of the outstanding market conditions created by high demand and scarce supply of iron ore, we are pleased to report that the turnover of IRC in the first half of 2021 has more than doubled, increasing to US$217 million. EBITDA, excluding non-recurring items and foreign exchange, for the 6-month period was US$123 million, about three times higher than that of the previous year. Profit attributable to shareholders reached a new high of US$98 million. Put into perspective, the profit that IRC achieved in the first half of 2021 equals almost half of the Company's current market capitalisation.

This strong set of results was achieved amid a number of challenges. Production has been hindered by the shortcomings of our third-party mining contractors while sales were affected by railway congestions issues that curtailed deliveries. Fortunately, these are short term issues, and we are confident that IRC's performance could be further improved when these challenges subside.

"...... we are confident that IRC's performance could be further improved when these challenges subside."

IMPROVING CASH FLOW AND APPROACH ON DIVIDENDS

The prudent and effective allocation of capital remains a top priority. Our goal is to maintain a healthy financial position while continuing to prudently manage our financial risks. IRC's cash flow position at the conclusion of the first half of 2021 was strong with a cash and deposit balance of US$67 million. However, dividend payments have always been high on our agenda and the Directors of IRC are eager to reward its patient shareholders now that conditions have improved. We are currently investigating what would be required for IRC to be in a position to pay dividends, including what consents IRC may require in order to pay them to shareholders.

"Dividend payments have always been high on our agenda and the Directors of IRC are eager to reward its patient shareholders now that conditions have improved."

IRON ORE PRICE AT UNPRECEDENTED LEVEL

In the first half of 2021, K&S's achieved selling price before hedging was US$186 per tonne, an increase of 118% over the same period last year.

One of the most important factors influencing IRC's financial performance is the market price of iron ore. Despite ongoing global economic challenges, the iron ore price had been robust in the first half of 2021. A rise in COVID-19 infections, particularly in Brazil, generated concerns over iron ore supply shortages and the global production of iron ores was not able to keep pace with the high demand in China to support the country's infrastructure developments. Because of the lack of overall iron ore export growth and struggles on the part of some miners to achieve production guidance, tight supply circumstances caused iron ore prices to skyrocket.

The industry benchmark price of 65% iron ore surged by 44% since the beginning of the year and broke the US$260 per tonne level in mid-May 2021, the highest level since the listing of IRC in 2010. Besides, high-grade 65% iron ore concentrate, such as that produced by K&S, was selling at a record premium to the 62% iron ore, as Chinese steel mills sought to maximise production by utilising as much of the high-grade ore as possible to meet the Chinese government's emission reduction target.

"Despite ongoing global economic challenges, the iron ore price had been robust in the first half of 2021."

SHORT-TERM CHALLENGES

K&S managed to operate at an average capacity of 84% in the first half of 2021. The mine faced a number of challenges while achieving the outstanding results over the period, the key ones being the operating issues of our third-party mining contractors and the Russian railway congestion, which kept K&S from maximising its operating performance.

It is common for commodity producers to contract mining works to third-party in order to increase the scale of operations without the need of huge capital and labour commitments. But, as with everything else, there are two sides to every story. Contract mining leaves K&S with a lesser control over some aspects of the mining operation, such as mining equipment procurement and maintenance. K&S's main mining contractor has been unable to adequately increase its mining fleet and some of its existing equipment is in relatively poor technical condition. Its mining works have been behind schedule, which results in a lack of proper feedstock for K&S's production. The issue was partly mitigated by our appointing an additional mining contractor at the end of March but it will take some time to catch up the mining volume lag. IRC is also evaluating the option of setting up its own mining fleet.

The Russian railway infrastructure network is becoming increasingly important for Russia-China trade cooperation. As part of the "Belt-and-Road" initiative to increase railway freight capacity, Russia engaged in the upgrade of its Trans-Siberian Railway and other Far East rail network. During the reporting period, we encountered railway congestion due to Russian railway network maintenance works and the exporters' increased usage of railways following the COVID-19 epidemic. To mitigate the impact of border crossing congestion, K&S is diversifying its sales to seaborne customers in southern China and is making trial shipments via the west-bound transportation routes with lower traffic flow. The congestion issue was alleviated in July 2021, and K&S was able to resume shipments at nearly full capacity.

FIRST TRIAL SHIPMENT OF AMUR RIVER BRIDGE

The Amur River Bridge project, which was initiated by IRC in 2006, is one of the most important strategic cooperation infrastructure projects between Russia and China. On top of the existing ferries and railway routes, this railway bridge is expected to provide a more efficient transportation alternative. The bridge will not only reduce K&S's transportation costs for shipments to Chinese customers, but will also relieve regional railway congestion. Furthermore, shipping time to Chinese customers will be reduced from 3-5 days to 1-3 days.

According to the media, the construction of the bridge has been completed and the Russian Siberian Railway can now be connected with China's northeast railway network. IRC looks forward to the commissioning of the bridge to enhance the competitive advantage of the Company.

SAFE AND HEALTHY WORKPLACE UNDER COVID-19

COVID-19 has created unprecedented challenges for most mining companies worldwide and IRC is sparing no effort to control the spread of the virus and to date, there has been no material impact on IRC's operations. COVID-19 and its impact on societies around the world appear to have reminded everyone to not overlook the social pillar and to focus attention on the safety aspect of an operation.

IRC is dedicated to providing a safe and healthy workplace for all its employees. The COVID-19 pandemic was spread in Russia in early 2020, putting the country at risk. To prevent the spread of COVID-19 and protect our employees and contractors, IRC has implemented the necessary precautions and protocols across its operations.

Employees at K&S have been routinely tested for COVID-19 and encouraged to work from home whenever possible. For confirmed cases, contact tracing and case management have been carried out in accordance with the national guidelines. K&S has also set up quarantine rooms in the accommodation area for employees who have clinical symptoms of an acute respiratory infection. Previously, the Rospotrebnadzor Office of the region conducted an unplanned inspection at K&S to ensure compliance with the law on COVID-19 prevention, and no concerns were identified during the inspection. As an employee-oriented company, IRC will continue to improve employee protection so that every employee can go home satisfied at the end of the day.

"As an employee-oriented company, IRC will continue to improve employee protection so that every employee can go home satisfied at the end of the day."

CONCLUSION

Despite the ongoing global uncertainties, the iron ore price had remained strong and is one of the best-performing commodities during the first six months of 2021. This creates a favourable environment for the Company to pursue strategic opportunities while delivering long-term value to its shareholders through operational and financial improvements. K&S has begun development of the Sutara deposit as previously planned, ensuring a consistent supply of feedstock to meet our future production needs. The development cost of Sutara is expected to be approximately US$45 million and it is expected to be fully funded by internally generated cashflow. Sutara deposit will be mined in parallel with Kimkan deposit by the end of 2022 or early 2023.

At the time of this report, the iron ore price has undergone some healthy corrections and the 65% iron ore is currently at the US$160s per tonne level, which is still about 30% higher than the 2020 yearly average price and still ensures substantial operating margin for IRC.

While much has been achieved in the first half of 2021, we are not resting on our laurels. We look forward to reporting our achievements again in the upcoming 2021 annual results.

Peter Hambro	**Yury Makarov**
Chairman	*Chief Executive Officer*

The board of directors of IRC Limited (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2021, which have been reviewed by the Company's Audit Committee, whose majority of its members are independent non-executive directors, and by the external auditors. The Board has authorised the Executive Committee, which comprises of the Executive Director and senior management of the Company, to approve the 2021 interim results on its behalf.

INTERIM FINANCIAL REPORT

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	NOTES	**US$'000**	US$'000
		(unaudited)	(unaudited)
Revenue	3	**217,170**	106,173
Operating expenses	5	**(93,925)**	(75,609)
Depreciation and amortisation	5	**(11,904)**	(13,465)
Other income, gains and losses	6	**(2,530)**	2,611
Financial costs	7	**(10,847)**	(13,338)
Profit before taxation		**97,964**	6,372
Income tax credit (expense)	8	**266**	(440)
Profit for the period		**98,230**	5,932
Profit (loss) for the period attributable to:			
Owners of the Company		**98,271**	5,941
Non-controlling interests		**(41)**	(9)
		98,230	5,932
Earnings per share (US cents)	10		
Basic		**1.39**	0.08
Diluted		**1.39**	0.08

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
For the Six Months Ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit for the period	**98,230**	5,932
Other comprehensive income (expense) for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**40**	(775)
Fair value loss on hedging instruments designated in cash flow hedges	**(13,530)**	(981)
Release of fair value loss on hedging instruments in cash flow hedges	**7,138**	3,124
Total comprehensive income for the period	**91,878**	7,300
Total comprehensive income (expense) attributable to:		
Owners of the Company	**91,899**	7,463
Non-controlling interests	**(21)**	(163)
	91,878	7,300

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	NOTES	**As at 30 June 2021 US$'000 (unaudited)**	As at 31 December 2020 US$'000 (audited)
NON-CURRENT ASSETS			
Exploration and evaluation assets		**20,303**	20,165
Property, plant and equipment	11	**561,625**	566,016
Right-of-use assets	11	**5,241**	7,025
Interest in a joint venture		**–**	–
Inventories		**13,836**	14,470
Other non-current assets		**–**	11
		601,005	607,687
CURRENT ASSETS			
Inventories		**35,641**	30,130
Trade and other receivables	12	**58,105**	22,924
Income tax receivables		**15**	–
Other financial assets	15	**49**	9
Time deposits		**332**	–
Bank balances		**66,687**	20,371
		160,829	73,434
TOTAL ASSETS		**761,834**	681,121
CURRENT LIABILITIES			
Trade and other payables	13	**(67,764)**	(72,977)
Lease liabilities		**(3,687)**	(3,528)
Income tax payable		**(1)**	(1,393)
Borrowings – due within one year	14	**(19,476)**	(20,082)
Other financial liabilities	15	**(6,432)**	–
		(97,360)	(97,980)
NET CURRENT ASSETS/(LIABILITIES)		**63,469**	(24,546)
TOTAL ASSETS LESS CURRENT LIABILITIES		**664,474**	583,141

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2021

	NOTES	**As at 30 June 2021 US$'000 (unaudited)**	As at 31 December 2020 US$'000 (audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(2,345)**	(2,609)
Provision for close down and restoration costs		**(13,159)**	(12,554)
Lease liabilities		**(1,912)**	(3,694)
Borrowings – due more than one year	14	**(172,843)**	(181,998)
		(190,259)	(200,855)
TOTAL LIABILITIES		**(287,619)**	(298,835)
NET ASSETS		**474,215**	382,286
CAPITAL AND RESERVES			
Share capital	16	**1,285,231**	1,285,158
Capital reserve		**17,984**	17,984
Reserves		**11,841**	18,235
Accumulated losses		**(840,399)**	(938,670)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**474,657**	382,707
NON-CONTROLLING INTERESTS		**(442)**	(421)
TOTAL EQUITY		**474,215**	382,286

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2021

	Total attributable to owners of the Company								Non-controlling interests US$'000	Total equity US$'000
	Share capital US$'000	Capital reserve(a) US$'000	Share-based payment reserve US$'000	Translation reserve US$'000	Hedging reserve US$'000	Other reserve(b) US$'000	Accumulated losses US$'000	Sub-total US$'000		
Balance at 1 January 2020 (audited)	1,285,158	17,984	16,806	(22,043)	(4,285)	23,766	(1,039,221)	278,165	(164)	278,001
Profit (loss) for the period	–	–	–	–	–	–	5,941	5,941	(9)	5,932
Other comprehensive income (expenses) for the period										
Exchange differences on translation of foreign operations	–	–	–	(621)	–	–	–	(621)	(154)	(775)
Fair value loss on cash flow hedge instruments	–	–	–	–	(981)	–	–	(981)	–	(981)
Release of fair value loss on hedging instruments in cash flow hedges	–	–	–	–	3,124	–	–	3,124	–	3,124
Total comprehensive (expenses) income for the period	–	–	–	(621)	2,143	–	5,941	7,463	(163)	7,300
Share based payment expense	–	–	459	–	–	–	–	459	–	459
Balance at 30 June 2020 (unaudited)	1,285,158	17,984	17,265	(22,664)	(2,142)	23,766	(1,033,280)	286,087	(327)	285,760
Balance at 1 January 2021 (audited)	1,285,158	17,984	17,680	(23,220)	9	23,766	(938,670)	382,707	(421)	382,286
Profit (loss) for the period	–	–	–	–	–	–	98,271	98,271	(41)	98,230
Other comprehensive income (expenses) for the period										
Exchange differences on translation of foreign operations	–	–	–	20	–	–	–	20	20	40
Fair value loss on cash flow hedge instruments	–	–	–	–	(13,530)	–	–	(13,530)	–	(13,530)
Release of fair value loss on hedging instruments in cash flow hedges	–	–	–	–	7,138	–	–	7,138	–	7,138
Total comprehensive income (expenses) for the period	–	–	–	20	(6,392)	–	98,271	91,899	(21)	91,878
Share options granted in 2015 exercised in May 2021 (Note 16)	73	–	(22)	–	–	–	–	51	–	51
Balance at 30 June 2021 (unaudited)	1,285,231	17,984	17,658	(23,200)	(6,383)	23,766	(840,399)	474,657	(442)	474,215

(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 ("General Nice"), 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 ("Tiger Fund").

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net cash generated from operations	**86,350**	20,290
Income tax (paid) refunded	**(1,136)**	1,101
NET CASH FROM OPERATING ACTIVITIES	**85,214**	21,391
INVESTING ACTIVITIES		
Purchases of property, plant and equipment and exploration and evaluation assets	**(5,814)**	(2,969)
Time deposits placed	**(332)**	(47)
Proceeds on disposal of property, plant and equipment	**–**	3,646
Interest received	**15**	26
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(6,131)**	656
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(1,813)**	(1,528)
Interest expenses paid	**(6,733)**	(9,335)
Repayment of borrowings	**(10,329)**	(10,331)
Proceeds on issue of shares upon exercised of share option	**51**	–
Loan guarantee fees paid	**(13,810)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(32,634)**	(21,194)
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**46,449**	853
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**20,371**	3,631
Effect of foreign exchange rate changes	**(133)**	(212)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, represented by bank balances	**66,687**	4,272

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2020 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those 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.

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries has had a negative impact on the global economy, business environment and demand for iron ore which could directly and indirectly affect the operations of the Group. However, global demand for iron ore remains strong and with supply being impacted by environment events, the price per metric tonne has been high throughout the period. As the Group's main customers is domiciled in the People's Republic of China, demand for the Group's product has not been adversely affected.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the trade receivables measured at fair value through profit or loss ("FVTPL") and derivative financial instruments, which are measured at fair value.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to HKFRSs (Continued)

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 Financial Instrument on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

Hedge accounting

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flows hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

2. **PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

Application of amendments to HKFRSs (Continued)

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" (Continued)

Financial instruments *(Continued)*

Transition and summary of effects

As at 1 January 2021, the Group has financial liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts with payments indexed to benchmark rates which are subject. The amounts of financial liabilities are shown at their carrying amounts.

	United States dollar London Interbank Offered Rate ("USD LIBOR") US$'000
Financial liabilities	
Secured borrowings	202,045

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period.

3. **REVENUE**

Disaggregation of revenue from contracts with customers

Six months ended 30 June 2021 (unaudited)

Segments	**Mines in production US$'000**	**Engineering US$'000**	**Total US$'000**
Types of goods or services			
Sale of iron ore concentrate	**215,772**	**–**	**215,772**
Delivery services	**1,298**	**–**	**1,298**
Engineering services	**–**	**100**	**100**
	217,070	**100**	**217,170**
Geographical markets			
People's Republic of China ("PRC")	**204,365**	**–**	**204,365**
Russia	**12,705**	**100**	**12,805**
	217,070	**100**	**217,170**
Timing of revenue recognition			
A point of time	**215,772**	**–**	**215,772**
Over time	**1,298**	**100**	**1,398**
	217,070	**100**	**217,170**

3. REVENUE (CONTINUED)

Six months ended 30 June 2020 (unaudited)

Segments	Mines in production US$'000	Engineering US$'000	Total US$'000
Types of goods or services			
Sale of iron ore concentrate	98,357	–	98,357
Delivery services	7,672	–	7,672
Engineering services	–	144	144
	106,029	144	106,173
Geographical markets			
PRC	70,616	–	70,616
Russia	35,413	144	35,557
	106,029	144	106,173
Timing of revenue recognition			
A point of time	98,357	–	98,357
Over time	7,672	144	7,816
	106,029	144	106,173

4. SEGMENT INFORMATION

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

Six months ended 30 June 2021 (unaudited)

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	**217,070**	**–**	**100**	**–**	**217,170**
Segment revenue	**217,070**	**–**	**100**	**–**	**217,170**
Site operating expenses and service costs	**(99,732)**	**(29)**	**(561)**	**(6)**	**(100,328)**
Site operating expenses and service costs include:					
Depreciation and amortisation	**(11,764)**	**–**	**(49)**	**–**	**(11,813)**
Segment results	**117,338**	**(29)**	**(461)**	**(6)**	**116,842**
General administrative expenses					**(5,410)**
General depreciation					**(91)**
Other income, gains and losses					**(2,530)**
Financial costs					**(10,847)**
Profit before taxation					**97,964**

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2020 (unaudited)

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	106,029	–	144	–	106,173
Segment revenue	106,029	–	144	–	106,173
Site operating expenses and service costs	(83,489)	(44)	(586)	(590)	(84,709)
Site operating expenses and service costs include:					
Depreciation and amortisation	(13,310)	–	(57)	–	(13,367)
Segment results	22,540	(44)	(442)	(590)	21,464
General administrative expenses					(4,267)
General depreciation					(98)
Other income, gains and losses					2,611
Financial costs					(13,338)
Profit before taxation					6,372

5. OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Site operating expenses and service costs[a]	**100,328**	84,709
General administrative expenses[b]	**5,501**	4,365
	105,829	89,074

(a) Site operating expenses and service costs

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Subcontracted mining costs and engineering services	**32,678**	23,233
Railway tariff	**29,823**	21,298
Depreciation and amortisation	**11,813**	13,367
Staff costs	**10,054**	8,832
Materials usage	**7,518**	5,388
Other expenses	**6,345**	5,311
Electricity	**3,431**	3,705
Property tax	**1,979**	2,871
Professional fees*	**1,322**	508
Fuel	**1,111**	1,189
Mine development costs capitalised in property, plant and equipment	**(1,697)**	(2,115)
Movement in finished goods and work in progress	**(4,049)**	1,122
	100,328	84,709

5. OPERATING EXPENSES (CONTINUED)

(b) General Administrative Expenses

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Staff costs other than share-based payments	**3,678**	2,627
Share-based payments	**–**	459
Professional fees*	**1,109**	640
Depreciation	**91**	98
Other expenses	**623**	541
	5,501	4,365

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

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Net foreign exchange (loss) gain	**(530)**	5,228
Rental income	**1,770**	2,312
Interest income on cash and cash equivalents	**15**	26
Net (loss) gain on disposal of property, plant and equipment	**(1)**	221
Fair value loss on trade receivables	**–**	(149)
Other provision	**(2,054)**	(5,027)
Others	**(1,730)**	–
	(2,530)	2,611

7. FINANCIAL COSTS

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Interest expense on borrowings	**7,242**	8,976
Guarantee fee	**3,055**	3,388
Interest expense on lease liabilities	**213**	475
Unwinding of discount on environmental obligation and long-term construction costs payable	**337**	499
	10,847	13,338

8. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Russia Corporate tax	**(8)**	(290)
Deferred tax credit (expense)	**274**	(150)
	266	(440)

Russia Corporate tax is calculated at a rate of 20% of the estimated assessable profit for each of the six months ended 30 June 2021 and 2020.

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.

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 2021 and 2020.

9. DIVIDENDS

No dividends were paid, declared or proposed to owners of the Company during both the six months ended 30 June 2021 and 2020.

10. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Earnings for the purposes of basic and diluted earnings per ordinary share being profit for the period attributable to owners of the Company	**98,271**	5,941

Number of shares

	Six months ended 30 June	
	2021	2020
	Number	Number
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per ordinary share	**7,093,753**	7,093,386

The computation of weighted average number of shares for the purposes of diluted earnings per share for the period ended 30 June 2021 and 2020 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 during the period.

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

During the period, the Group spent approximately US$5,676,000 (for the six months ended 30 June 2020: US$2,800,000) on the mine development and acquisition of property, plant and equipment.

The depreciation charge for the six months ended 30 June 2021 is approximately US$11,904,000 (for the six months ended 30 June 2020: US$13,465,000).

At 30 June 2021, the Group did not have any material contractual commitments for the acquisition of property, plant and equipment (31 December 2020: Nil).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 US$'000 (unaudited)	As at 31 December 2020 US$'000 (audited)
Trade receivables	**41,512**	6,151
Value-added tax recoverable	**11,322**	9,739
Prepayments to suppliers	**3,450**	5,007
Amounts due from customers under engineering contracts	**67**	15
Other receivables	**1,754**	2,012
	58,105	22,924

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 an average credit period of 30 days to individual third party customers. Except for trade receivables measured at FVTPL, 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 2021 and 31 December 2020.

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

	As at 30 June 2021 US$'000 (unaudited)	As at 31 December 2020 US$'000 (audited)
Less than one month	**37,303**	6,109
One month to three months	**4,209**	9
Over six months	**–**	33
Total	**41,512**	6,151

13. TRADE AND OTHER PAYABLES

	As at 30 June 2021 US$'000 (unaudited)	As at 31 December 2020 US$'000 (audited)
Accruals and other payables	**35,843**	42,270
Construction cost payables	**22,694**	22,694
Trade payables	**8,746**	7,508
Interest payables	**370**	427
Advances from customers	**111**	78
	67,764	72,977

For individual third party trade creditors, the average credit turnover period on purchase of goods and services for the period was 19 days (31 December 2020: 14 days).

The following is an aged analysis of the trade creditors based on invoice date.

	As at 30 June 2021 US$'000 (unaudited)	As at 31 December 2020 US$'000 (audited)
Less than one month	**8,612**	7,453
One month to three months	**114**	14
Over three months to six months	**16**	18
Over six months	**4**	23
Total	**8,746**	7,508

14. BORROWINGS

	As at 30 June 2021 US$'000 (unaudited)	As at 31 December 2020 US$'000 (audited)
Bank loans		
Gazprombank JSC	**192,290**	202,045
Other loans		
EPC – Finance LLC	**29**	35
Total	**192,319**	202,080
Secured	**192,290**	202,045
Unsecured	**29**	35
	192,319	202,080
Carrying amounts repayable		
Within one year	**19,476**	20,082
More than one year, but not exceeding two years	**20,638**	20,538
More than two years, but not exceeding five years	**61,914**	61,509
More than five years	**90,291**	99,951
Total	**192,319**	202,080
Presented as:		
Current liabilities	**19,476**	20,082
Non-current liabilities	**172,843**	181,998
	192,319	202,080

The Group is required to comply with certain restrictive financial covenants and undertaking requirements.

14. BORROWINGS (CONTINUED)

Loan from EPC-Finance LLC

LLC Petropavlovsk-Iron Ore, a subsidiary of the Group, obtained an unsecured loan facility of RUB4,580,000 from EPC-Finance LLC, an independent third party. The loan carries interest of 11% per annum and is be repayable on 27 April 2022 (31 December 2020: 27 April 2022).

Bank loan from Gazprombank JSC

On 18 December 2018, the Group entered into two facility agreements 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.

As at 30 June 2021 and 31 December 2020, the full facility amount of US$240,000,000 has been fully drawn down.

The Gazprombank Facility is secured by i) a charge over the property, plant and equipment with net book value of US$51,549,000, ii) 100% equity share of Kapucius Services Limited in LLC KS GOK and iii) a guarantee from Petropavlovsk PLC.

The Gazprombank Facility is subject to the following requirements:

a) LLC KS GOK must maintain an authorised capital not less than RUB9.1 billion;

b) LLC KS GOK must provide quarterly reporting; and

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

   i) Net Debt/EBITDA ratio:

      - For the twelve months periods ending 30 June 2019 and 31 December 2019 of less than 6.5 times

      - For the twelve months periods ending 30 June 2020 and 31 December 2020 of less than 5.0 times

      - For the twelve months periods ending 30 June 2021 and 31 December 2021 of less than 3.5 times and,

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

14. BORROWINGS (CONTINUED)

Bank loan from Gazprombank JSC (Continued)

The Gazprombank Facility is subject to the following requirements: (Continued)

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

i) Net Debt/EBITDA ratio: (Continued)

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 profit before tax for the last twelve months plus interest expenses for the last twelve months less interest incomes for the last twelve months plus depreciation for the last twelve months and adjustments to exclude exchange rate revaluation and other non-monetary items for the last twelve months and add lease payments for the last twelve months.

ii) Debt Service Coverage Ratio (DSCR):

- For the twelve months periods ending 30 June 2019 or 31 December 2019 – not less than 1.1 times

- Starting from the twelve months period ending 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 2021 and 31 December 2020, LLC KS GOK has complied with the Net Debt/EBITDA ratio and the DSCR covenants.

As of 30 June 2021, the total borrowings of US$192,290,000 (31 December 2020: US$202,045,000) were borne by LLC KS GOK, a wholly owned subsidiary of the Group.

15. OTHER FINANCIAL ASSETS/(LIABILITIES)

Cash flow hedges

At the end of the reporting period, the Group had commodity zero-cost collars and put contracts and currency zero-cost collars contracts designated as highly effective hedging instruments in order to manage i) the Group's iron ore price exposure in relation to iron ore forecast sales and ii) to minimise the exchange rate exposure in relation to operating costs.

The fair value of commodity zero-cost collars and put contracts and currency zero-cost collars contracts at the end of the reporting period are provided by counterparty financial institutions.

During the period ended 30 June 2021, the net loss on changes in fair value of the commodity and currency zero-cost collars contracts under cash flow hedges amounting to US$13,530,000 (six months ended 30 June 2020: US$981,000) has been recognised in other comprehensive income. The fair value losses of the commodity zero-cost collars amounting to US$7,194,000 (six months ended 30 June 2020: US$3,663,000) and the fair value gains of the currency zero-cost collars amounting to US$56,000 (six months ended 30 June 2020: US$539,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss upon the settlement.

16. SHARE CAPITAL

Details of the share capital of the Company at 30 June 2021 and 31 December 2020 are as follows:

	Number of shares	Share capital US$'000
Issued and fully paid		
At 1 January 2020 and 30 June 2020	7,093,386,381	1,285,158
At 1 January 2021	7,093,386,381	1,285,158
Share option granted in 2015 exercised in May 2021	1,328,000	73
At 30 June 2021	7,094,714,381	1,285,231

During the first six months of 2021, the Company issued 1,328,000 new shares following the exercising of share options pursuant to the Company's employees' share option scheme with an exercise price of HK$0.296 per share. The Company received approximately US$0.05 million following the issuance of the shares.

At 30 June 2021, the rights granted to Tiger Capital Fund to subscribe for a maximum of 60,000,000 new ordinary shares ("Option Shares") in December 2016 remained outstanding and will expire in December 2021.

17. CONTINGENCIES

A legal claim against the Group was raised by one of its customers pertaining to disagreements on the way selling prices of iron ore on deliveries to the customer were determined. The aggregate amount of the claim is approximately US$3,700,000 (31 December 2020: US$3,700,000). At the end of reporting period, the Group has assessed the legal claim by the abovementioned customer and determined that is not probable that the Group would be required to pay, accordingly, the Group has not recognised a provision for this claim as at 30 June 2021 and 31 December 2020.

18. RELATED PARTY DISCLOSURES

In addition to the transactions, balances and commitments disclosed elsewhere in this announcement, during the six months ended 30 June 2021, the Group entered into the following transactions with related parties:

Related parties

Petropavlovsk PLC, which is a substantial shareholder of the Company, and its subsidiaries are considered to be related parties.

As disclosed in note 14, Petropavlovsk PLC provides a guarantee to secure the Group's borrowing, the Group has entered into an agreement setting out the terms on which Petropavlovsk PLC provides the guarantee.

Related parties transactions

Related party transactions the Group entered into that related to the day-to-day operation of the business are set out below.

	Services provided[a] Six months ended 30 June		**Services received[b] Six months ended 30 June**	
	2021 US$'000 (unaudited)	2020 US$'000 (unaudited)	**2021 US$'000 (unaudited)**	2020 US$'000 (unaudited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**–**	–	**3,055**	3,388
JSC Pokrovskiy mine	**–**	4,547[c]	**–**	–
JSC Management Company Petropavlovsk	**–**	–	**–**	20
LLC NIC Gydrometallurgia	**56**	58	**–**	–
JSC PHM Engineering	**–**	–	**–**	37

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

(b) Amounts represent fee paid/payable to related parties for receipt of financial guarantee and administrative support.

(c) Amounts represent the sale of a helicopter to a related party.

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

18. RELATED PARTY DISCLOSURES (CONTINUED)

Related parties balances

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

	Amounts owed by related parties[a]		**Amounts owed to related parties[b]**	
	As at 30 June 2021 US$'000 (unaudited)	As at 31 December 2020 US$'000 (audited)	**As at 30 June 2021 US$'000 (unaudited)**	As at 31 December 2020 US$'000 (audited)
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**–**	–	**1,517**	13,846
JSC Irgiredmet	**–**	–	**2**	2
LLC NPGF Regis	**15**	15	**75**	74
LLC Albynskiy Rudnik	**129**	127	**–**	–
JSC Pokrovskiy mine	**156**	153	**–**	–
LLC Malomirskiy Rudnik	**9**	9	**–**	–
JSC Management Company Petropavlovsk	**810**	793	**1,957**	1,953
LLC NIC Gydrometallurgia	**2**	3	**–**	–
	1,121	1,100	**3,551**	15,875

(a) The amounts are recorded in other receivables, which are not in trade nature, unsecured, non-interest bearing and repayable on agreed terms within twelve months from the end of the reporting period. All the outstanding balances are current.

(b) The amounts are recorded in other payables, which are not in trade nature, unsecured, non-interest bearing and repayable on agreed terms within twelve months from the end of the reporting period. All the outstanding balances are current.

Key Management Compensation

The remuneration of directors, which represent members of key management, during the period was as follows:

	Six months ended 30 June	
	2021 US$'000 (unaudited)	2020 US$'000 (unaudited)
Short-term benefits	**1,790**	952
Post-employment benefits	**376**	62
Share-based payments	**–**	141
	2,166	1,155

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

784Mt
Total resources

364Mt
Total reserves

30 years +
Mine life

OVERVIEW

K&S, 100% owned by IRC, is located in the Jewish Autonomous Region (EAO) of the Russian Far East. It is the second full-scale mining and processing operation that the Group has developed. The project consists of two principal deposits, Kimkan and Sutara. The K&S Phase I is to produce 3.2 million tonnes of iron ore concentrate per annum with a grade of 65% Fe. According to the development timeline for K&S Phase I project, Sutara deposit will begin to be mined in parallel with Kimkan deposit by the end of 2022 or early 2023, and Sutara's mine life will be more than 30 years. There is an option for a Phase II expansion to produce a total of 6.3 million tonnes of 65% iron ore concentrate per annum. As an interim development between the two phases, IRC is assessing an option to upgrade the Phase I production facility to increase the production capacity to approximately 4.6 million tonnes per annum.

The Phase I Processing Plant was built by CNEEC and funded through a project finance facility provided by ICBC. In 2018, IRC successfully entered into a refinancing facility agreement with the leading Russian bank, Gazprombank, to fully replace the ICBC's finance facility and the refinancing was completed in 2019. The principal repayment of the Gazprombank facility is weighted towards the latter part of the loan term, so that the repayment pattern will better align with the ramp-up programme of K&S.

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 is expected to be operational in 2022, the transportation cost and distance can be further reduced. K&S is located in the Obluchenskoye District of the Jewish Autonomous Region (EAO) in the Russian Far East. The operation is situated 4 km from the Izvestkovaya town and railway station, through which the Trans-Siberian Railway passes. It is also on a federal highway 130 km away from the regional capital Birobidzhan and 300 km from Khabarovsk, the principal city of the Russian Far East.

OPERATION

K&S has ramped up to near-full capacity, with the potential to run at a higher level, though the K&S site team encountered certain challenges, including third-party mining contractors' performance and Russian railway congestion issues caused by a combination of the increased transportation demand from Russian exporters and throughput decrease of the Grodekovo/Suifenhe railway border crossing caused by strengthened COVID-19 measures on the Chinese side, which limited the plant's capacity during the period. These issues were beyond our control, but K&S team managed to mitigate it to a great extent.

PRODUCTION

One of the current production bottlenecks lies in the mining works, as the third-party mining contractors had encountered certain capacity and equipment availability issues. Although the main mining contractor has been gradually increasing the work rate and a new contractor has started to work on site, the mining volume lag currently remains a limiting factor in the production of K&S. With the well experienced site team, the current focus is on capacity development and catching up on past deficits.

The drying unit plays an important role in the production process of K&S during cold weather, as it removes excessive moisture from the iron ore concentrate to prevent the product from freezing. As a result of maintenance and improvement works performed by the site team during summer, the drying unit is currently performing satisfactorily and, coupled with other mitigating measures, is allowing K&S to operate normally during winter.

During the first half of 2021, 4,580,800 tonnes of ore was fed to primary processing and 3,017,243 tonnes of preconcentrate was produced. These were 2.1% and 4.0% respectively lower than those of the same period last year. 1,310,718 tonnes of iron ore concentrate was produced, a decrease of 6.1% over the first half of 2020.

MINING

The Kimkan operation covers an area of approximately 50 km^2 and comprises two key ore zones – Central and West. Open pit mining is currently carried out at both zones. By the year end of 2022 or early 2023, mining will begin at Sutara deposit, while the amount mined at Kimkan deposit will be gradually reduced. The Group has initiated the design and construction works for Sutara deposit. Sutara deposit is located approximately 15 km away from Kimkan operation with the deposit covering an area of 27 km^2. Sutara deposit has a total resource of about 491 Mt and the mining life of over 30 years.

As mentioned above, the third-party mining contractors experienced certain issues, which caused the decline in the volume of material moved during the reporting period. K&S has appointed an additional mining contractor at the end of March and this contractor is gradually ramping up their work volume. However, given that Sovremennye Gornye Technologii ("SGT"), the main mining contractor of K&S, has been unable to adequately increase its mining fleet at the K&S site and some of its existing equipment is in relatively poor technical condition, it is difficult to catch up quickly with the lag in mining works. During the first half of 2021, 4,579,600 tonnes of ore were mined, 291,507 metres were drilled, and 8,800,351 cubic metres of rock mass were blasted at K&S.

SALES & MARKETING

When compared to the first half of 2020, sales volume decreased by 5.8% to 1,300,045 tonnes during the reporting period. Sales continued to be affected by the railway congestion issues as more exporters use the Russian railways to ship coal and timber. This was aggravated by the seasonal railway network maintenance works carried by the Russian Railways and throughput decrease of the Grodekovo/Suifenhe railway border crossing caused by strengthened COVID–19 measures on the Chinese side. In July, the congestion issue has eased, and K&S has been able to ship at close to the full capacity. To mitigate the impact, K&S has been diverting more sales to the seaborne customers in southern China. K&S is also exploring the west-bound transportation route to China with trial shipments going via the Zabaikalsk/Manzhouli border crossing. During the period, the iron ore price increase dramatically mainly due to China's high demand for high-grade iron ore and concerns about supply shortage. The Group supplied about 94% of its iron ore concentrate to customers in China and the rest was supplied to a customer in Russia. Customer diversification allows the Group to better manage transportation, marketing and pricing risks, as well as enhance its negotiating power for better sales terms.

UNIT CASH COST

In view of the fact that K&S has not yet achieved its full production capacity, the unit cash cost per tonne of US$65.6 in the first half of 2021 has not yet reached its optimum level. Taking into account the possible further depreciation of Rouble, higher economy of scale, and the opening of the Amur River Bridge to minimise transportation costs, potentially, there is room for K&S to further control its cost level when the mine is operating at full capacity.

AMUR/HEILONGJIANG RIVER BRIDGE

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

According to the media, the construction of the bridge has been completed and the Russian Siberian Railway can now be connected with China's northeast railway network. IRC looks forward to the commissioning of the bridge to enhance the competitive advantage of the Company.

K&S Mine is situated approximately 240 kilometres from the bridge site and IRC's nearest customer within China is approximately 180 kilometres away from the railway bridge. Thus, IRC will benefit from the project with the reduced transportation distance and shipment time. The railway bridge can not only save the transportation cost of K&S for shipment to the Chinese customers but can also alleviate any railway congestion of the region. Shipping time to customers in China will be reduced from 3-5 days to 1-3 days.

ADMINISTRATIVE OFFENCE AGAINST K&S

Construction of K&S was carried out based on the original project design, which received the necessary approvals of the Russian authorities before the construction works began. However, for various reasons, including improvement of technology, production efficiency, cost saving considerations and correction of the construction deficiencies of the main contractor, some equipment and machinery were replaced and/or added. As a result, some of the actual production facilities deviated from the approved project design. The design documentation should have been updated and submitted to the Russian State authorities for approval.

While K&S was updating the design documents and preparing the application for approvals, in February 2020, RTN made an inspection of K&S, during which it determined the deviations from the approved design as non-compliances. Due to the COVID-19 pandemic, K&S was not able to complete the required works by the due date of November 2020, and in December 2020, at K&S's request, the RTN reviewed the progress of updating the design documentation and application for approval, and granted K&S an extension of the deadline to 31 December 2021 to complete the works and formalities.

Despite the extension of the deadline to complete the required work, in April 2021 RTN conducted an unscheduled inspection at the K&S project site. Following the inspection, RTN issued a notice informing K&S of its decision to commence an administrative offence proceeding against K&S at the local court for not registering the facility as hazardous (the "Non-Registration"). The Court eventually deemed the case to be outside its jurisdiction and the matter was returned to RTN. Later, RTN made a ruling to impose an administrative penalty on K&S of RUB200,000 (equivalent to approximately US$3,000) in respect of the Non-Registration. K&S was also ordered to take measures to eliminate reasons and conditions leading to the Non-Registration and to inform RTN about the measures taken. RTN has not required K&S to suspend operations nor has it imposed or specified any further action in relation to the Non-Registration. K&S will endeavour to resolve the Non-Registration as soon as practicable and, in the intervening period, K&S will pay the administrative penalty and continue to operate as usual.

COVID-19

K&S has set up an emergency response office to prevent the spread of COVID-19 and has taken the necessary organisational and administrative measures to prevent the spread of the virus. A contingency plan for K&S, including quarantine arrangement, medical screening, travel restriction and reduction in face-to-face interaction, is in place. While the production at K&S continues uninterrupted, employees from the head office and administrative staff are encouraged to work from home.

Employees are regularly tested for COVID-19 and there is a number of employees at K&S who were tested positive. Most of the patients have mild or no symptoms. Those diagnosed get quarantined or hospitalised, depending on their condition, and receive appropriate medical treatment. Employees are also encouraged to be vaccinated.

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

SAFETY

LTIFR is a calculation of the number of lost-time injuries per one million hours man-worked. During the reporting period, K&S maintained the safety level with 1 injury (30 June 2020 injuries: 0), 0 fatalities (30 June 2020 fatalities: 0) and the LTIFR was only 0.7 (30 June 2020 LTIFR: 0).

Garinskoye
99.6% owned

Key facts:

68%
Fe grade

>3,500km²
Total iron ore licence area

4.6Mtpa
Fe production capacity

260Mt
Total resources

26Mt
Total reserves

20 years +
Mine life

OVERVIEW

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

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

FUTURE DEVELOPMENT

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 DSO-style operation comprises a pit with a reserve of 26.2 million tonnes, a grade of 47% Fe, and a stripping ratio of 1.7:1 m^3 per tonne.

The 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 future development until appropriate market conditions emerge. Apart from exploration projects, IRC is also active in the complementary business of the Steel Slag Reprocessing Plant (SRP) and a mining consultancy services agency (Giproruda). SRP project, a joint venture with Jianlong Steel, originally sourced the feedstock from Kuranakh, and as Kuranakh was moved to care and maintenance in 2016, the plant successfully switched to the local Chinese feedstock. Due to the relatively small scale of the project, SRP contribution to the Group results is not material. Below is a summary of the current portfolio of exploration projects for the Group:

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

* Resource base for K&S

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2020 Annual Report of the Company.

During the six months ended 30 June 2021, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except that the Independent Non-Executive Director, Mr Chuang-fei Li, was unable to attend the annual general meeting of the Company held on 24 June 2021 as provided for in code provision A6.7 as he had other engagements. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code during the period and they have confirmed their full compliance with the required standard set out in the Model Code. The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

Petropavlovsk PLC is connected party of the Group and transactions with this entity during the six months ended 30 June 2021 are set out in note 18 to the condensed consolidated financial statements.

The 2021 interim results have been reviewed by the Audit Committee of the Company and by the external auditors.

Other Information

During the first six months of 2021, the Company issued 1,328,000 new shares following the exercising of share options pursuant to the Company's employees' share option scheme with an exercise price of HK$0.296 per share. The Company received approximately US$0.05 million following the issuance of the shares.

Publication of Interim Results and Interim Report

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and of the Company (www.ircgroup.com.hk). The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

* *Figures in this announcement may not add up due to rounding. All volume of tonnage used in this announcement, unless specify, refer to wet metric tonnes. All dollars refer to United States Dollar unless otherwise stated.*

Production volumes disclosed in this announcement 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 c.3,155 thousand wet metric tonnes.

By Order of the Board
IRC Limited
Yury Makarov
Chief Executive Officer

Hong Kong, People's Republic of China
Friday, 27 August 2021

As at the date of this announcement, the Executive Director of the Company is Mr Yury Makarov. The Non-Executive Directors are Mr Peter Hambro, Mr Danila Kotlyarov, Mr Denis Alexandrov and Mr Aleksei Kharitontsev. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Jonathan Martin Smith, Mr Raymond Kar Tung Woo and Mr Martin Davison.

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