IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1029)

2022 ANNUAL RESULTS
UNDERLYING PROFIT OF US$25 MILLION
NET LOSS OF US$88 MILLION AFTER ASSETS IMPAIRMENTS

CONFERENCE CALL

A conference call will be held today at 14h00 Hong Kong time to discuss the annual results. The number is +852 2112 1888 and the passcode is 9360530#. Presentation slides to accompany the call are available at www.ircgroup.com.hk. A playback of the teleconference will be available from 31 March 2023 at www.ircgroup.com.hk/en/ir_presentations.php.

Thursday, 30 March 2023: The Board of Directors ("Board") of IRC Limited ("IRC" or the "Company", together with its subsidiaries, the "Group") is pleased to announce the annual results of the Company for the year ended 31 December 2022.

Financial Highlights

– Revenue decreased by 24.9% to US$278.8 million (2021: US$371.3 million), following a 25.3% decrease in Platts 65% iron ore average price
– Cash cost only increased by 9.9% to US$78.8 per tonne (2021: US$71.7 per tonne), despite high Russian inflation and significant Russian Rouble appreciation
– EBITDA excluding non-recurring items and foreign exchange reduced to US$56.5 million (2021: US$170.6 million)
– Underlying profit amounted to US$25.0 million (2021: US$125.3 million)
– Loss attributable to shareholders amounted to US$87.9 million (31 December 2021: profit of US$134.1 million), mainly due to non-cash impairment of US$103.2 million (31 December 2021: US$nil);
– Cash balance reduced to US$36.9 million (31 December 2021: US$52.1 million), mainly due to working capital movements
– Net debt reduced to US$41.6 million (31 December 2021: US$61.1 million), following loan repayment and debt-equity swap with MIC INVEST Limited Liability Company ("MIC"); gearing reduced to 17.4% (31 December 2021: 21.8%)
– Net debt to EBITDA ratio increased to 0.74 (31 December 2021: 0.36) due to lower EBITDA

Operating Highlights

– Production volume increased by 0.5% to 2,570kt (2021: 2,558kt), despite temporary scaling down of operation in the fourth quarter of 2022 and other operating issues
– Sales volume increased by 0.5% to 2,566kt (2021: 2,554kt), but could have been improved if not for railway logistics issues due to COVID-19 pandemic and adverse weather
– Good safety standard with no fatality; lost time injury frequency rate ("LTIFR") maintained at a low level of 0.66

***Commenting on the results, Nikolai Levitskii, Chairman of IRC said:** "This year, in the face of continuing challenging headwinds, I am pleased to report another year of good performance with stable sales and production volumes while we continue to invest for the future. IRC registered an underlying profit of US$25 million in 2022 and such financial performance, achieved under the turbulent business environment, is a result that we are proud of.*

In the coming year, we will not have to look far to see continuing uncertainties. Nevertheless, it appears that the market is slowly turning the corner and we are seeing glimpse of positivity. With the Sutara pit coming online soon and the opening of the Amur River Bridge, coupled with improving market conditions, we hope that 2023 will be a good year for IRC.

For many years, IRC has been a prime example of successful private Sino-Russian economic cooperation. Our K&S mine was initially funded by the Industrial and Commercial Bank of China and built by a Chinese engineering, procurement and construction ("EPC") contractor. The signing ceremony for the relevant contracts was blessed by the current President of China, Mr. Xi Jinping. IRC also set up a project company more than a decade ago with the idea of constructing a China-Russia railway bridge over the Amur River. In 2022, this railway bridge was finally commissioned. During the recent visit of President Xi to Russia, the presidents of both countries praised the importance of this bridge project.

Today, IRC remains at the forefront of the friendship and cooperation between Russia and China. While the external environment remains volatile and unpredictable, I believe that IRC's close friendship and mutually beneficial cooperation with its Chinese partners is our source of strength, and it gives me confidence in our Company's future. I would like to sincerely thank Denis Cherednichenko and the management team for their exceptional leadership. I would also like to add my personal thanks, from the heart, to all our employees for their hard work, dedications and understanding. Together, we look forward to developing IRC for a bright future."

FINANCIAL REVIEW

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

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

* Wet metric tonne.

THE UNDERLYING RESULTS OF THE GROUP

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

EBITDA – excluding non-recurring items and foreign exchange

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

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

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

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

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

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

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

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

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

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

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

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

Underlying gains – excluding non-recurring items and foreign exchange

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

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

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

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

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

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

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

REVENUE

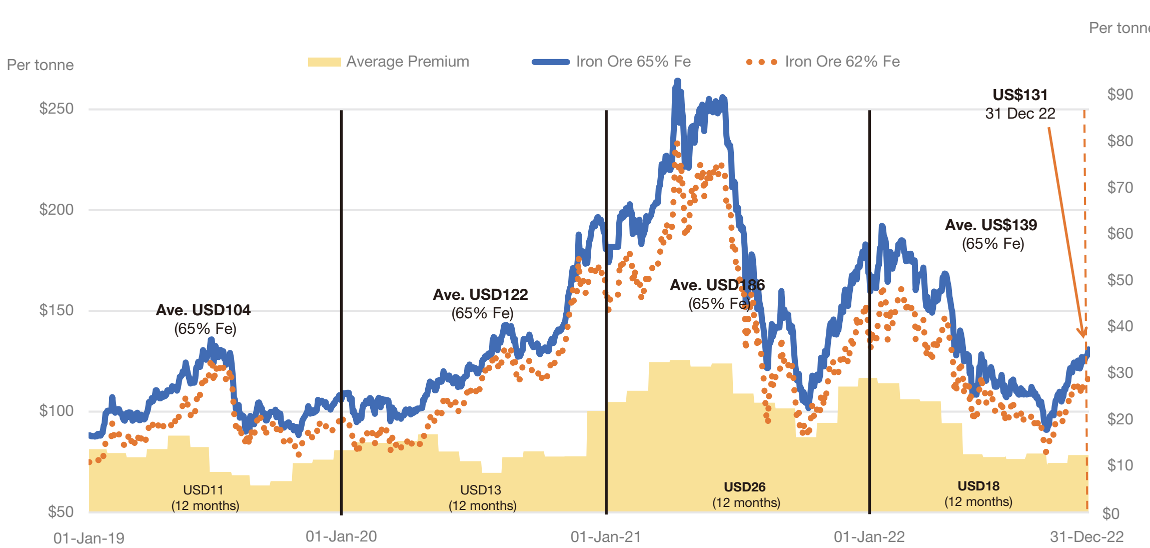
Iron ore concentrate

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

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

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

Platts 65% Fe vs 62% Fe



Source: Platts (as of 31 December 2022)

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

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

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

Engineering Services

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

SITE OPERATING EXPENSES AND SERVICE COSTS BEFORE DEPRECIATION

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

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

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

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

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

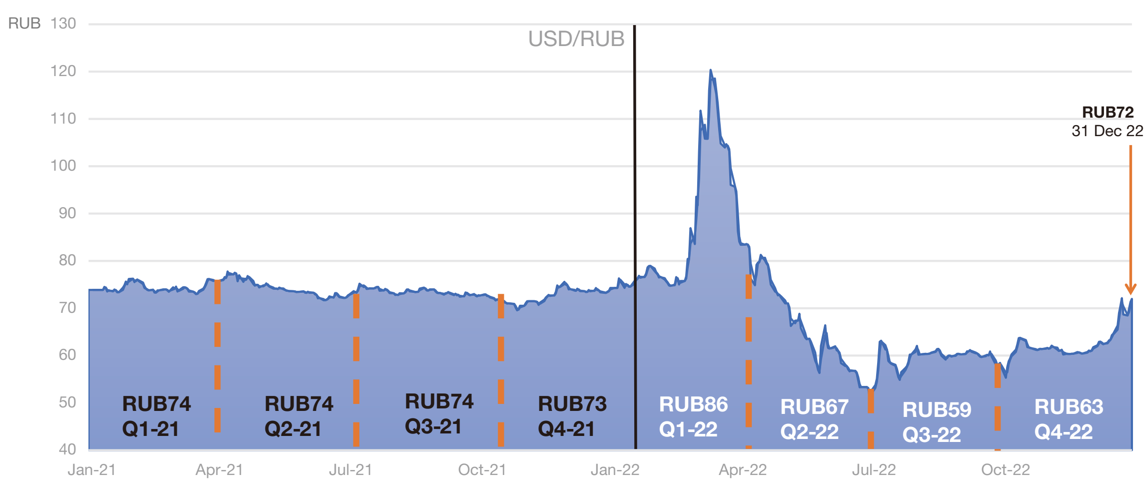
The Movement of Russian Inflation Rate

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

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

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

The Movement of Russian Rouble



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

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

GENERAL ADMINISTRATION EXPENSES BEFORE DEPRECIATION

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

OTHER INCOME, GAINS AND LOSSES, AND OTHER ALLOWANCES

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

DEPRECIATION

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

FINANCE COSTS

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

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

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

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

SEGMENT INFORMATION

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

CASH FLOW STATEMENT

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

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

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Share capital

In contemplation of the complex external operating environment which continues to get worse in the second half of 2022 and the market challenges that the Group faces, including the weakening of iron ore prices, appreciation of Russian Rouble, heightening of inflation rate, and the increase in market interest rate, the Group was in need of cash to deal with these external factors which are largely out of the Group's control. In light of the funding need, on 14 September 2022, the Company entered into a subscription agreement with MIC pursuant to which MIC agreed to subscribe for and the Company agreed to allot and issue 1,419,942,876 new IRC shares (the "Subscription Shares") at a subscription price of HK$0.10641 per Subscription Share. The Subscription Shares represented 20.0% of the then existing issued share capital of the Company and approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The net proceeds from the subscription amounted to an equivalent of approximately US$19 million and the subscription was completed on 12

October 2022. The net proceeds has been applied to prepay (i) the entire principal amount of instalment of the GPB Facilities which had fallen due and payable in the fourth quarter of 2022; and (ii) part of the principals of each of the 12 quarterly instalments of the GPB Facilities that has fallen due or will fall due and become payable in each of the years ended 31 December 2023, 2024 and 2025.

Cash Position

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

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

Exploration, Development and Mining Production Activities

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

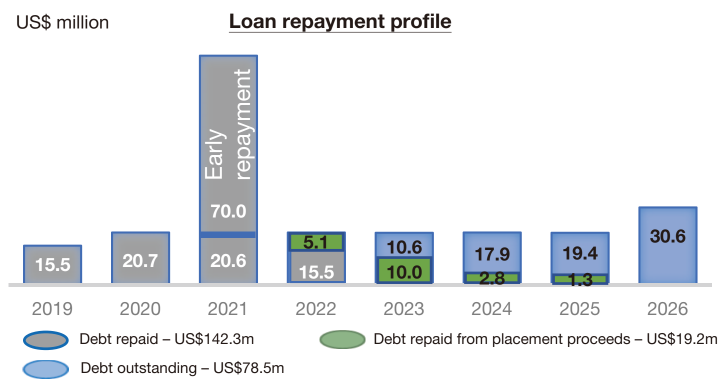
	For the year ended 31 December					
		2022			2021	
US$'m	**Operating expenses**	**Capital expenditure**	**Total**	Operating expenses	Capital expenditure	Total
K&S development	**213.1**	**14.3**	**227.4**	191.5	13.0	204.5
Exploration projects and others	**–**	**0.1**	**0.1**	1.0	0.2	1.2
	213.1	**14.4**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

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

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

Borrowings and Charges

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

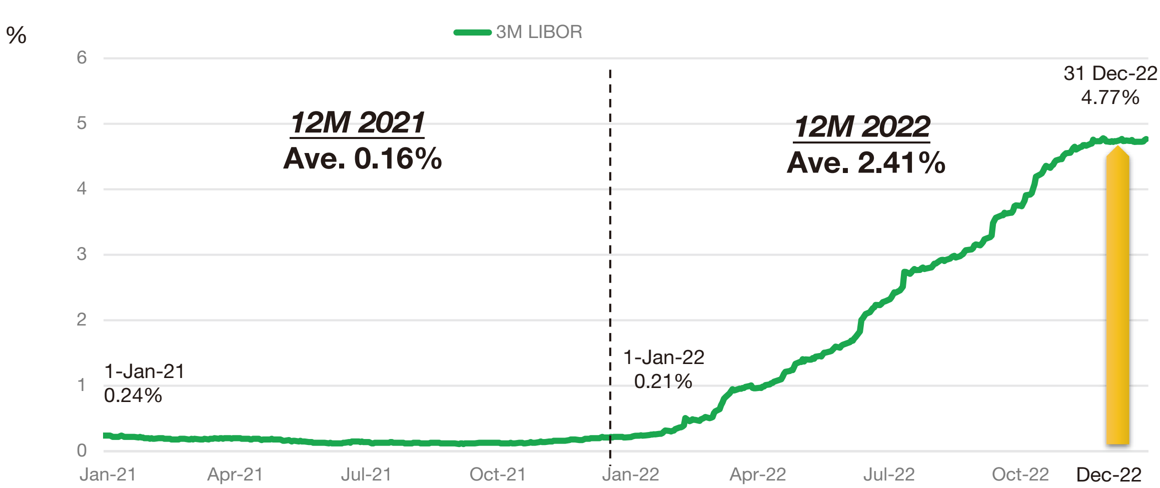


Source: IRC Limited (as of 27 March 2023)

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

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

The Movement of 3 Months LIBOR

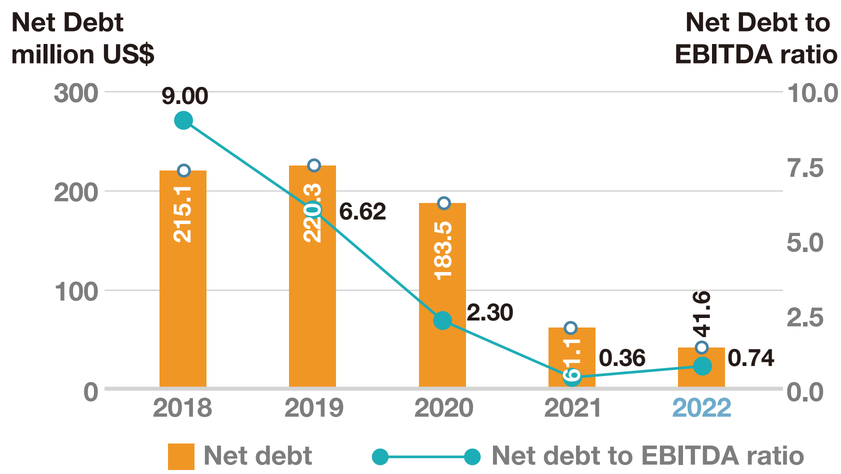


Source: Bloomberg (as of 27 March 2023)

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

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

Net debt/Net debt to EBITDA ratio



Source: IRC Limited (as of 27 March 2023)

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

Risk of Exchange Rate Fluctuation

The Group undertakes certain transactions denominated in foreign currencies, principally Russian Rouble, and is therefore exposed to exchange rate risk associated with fluctuations in relative values of US Dollars. Exchange rate risks are mitigated to the extent considered necessary by the Board, primarily by holding the relevant currencies.

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

Employees and Emolument Policies

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

CHAIRMAN STATEMENT

Dear valued Shareholders,

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

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

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

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

Outlook and prospect of 2023

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

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

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

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

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

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

Good corporate governance and environment, social and governance environment

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

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

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

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

At the forefront of the Sino-Russian economic cooperation

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

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

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

Conclusion

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

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

Nikolai Levitskii
Chairman

CEO AND CFO REPORT

Dear Shareholders,

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

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

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

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

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

Secondly, the railway congestions continued to prevent us from operating as effectively as possible. Most of our products are shipped to our Chinese customers by railway. During the year, railway shipments to the Chinese customers were hampered by adverse weather, temporary closure of the railway border crossings due to additional pandemic-control measures implemented by China, and increasing transportation demand from the Russian exporters in light of the geopolitical issues of Russia. To mitigate the impacts, we diversified and shipped more products to the Chinese customers by sea. This had been a good marketing strategy until the second half of 2022 when we had to suspend the seaborne sales, as the weak iron ore price and high freight charges meant that selling via the sea route was no longer economical. The opening of the Amur River Bridge at the end of 2022 came as a "godsend" to K&S. The railway bridge could not only alleviate the railway congestion of the region but could also reduce K&S's shipping time to its customers in China from 3-5 days to 1-3 days as its infrastructure is fully in place. We are planning to ship more of our products using the Amur River Bridge as it gradually ramps up its transportation capacity in 2023.

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

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

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

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

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

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

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

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

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

Extremely volatile macroeconomic environment characterised by pricing and currency risks materialised in the 'ideal storm' situation in the middle of the fourth quarter 2022. Iron prices declined sharply by about 30% from the average of approximately US$131.5/t in January 2022 to US$93/t in November 2022. At the same time, the Russian Rouble unexpectedly appreciated from the average of approximately 76 to the US Dollar in January 2022 to 61 in November 2022, and this translated to a 25% increase in US Dollar costs. The Company needed some safety liquidity cushion in order to be able to continue with its development programme and resources to go through the market downsides. In light of this, and also considering the sharp increase in interest rates, the Board's decision to decrease IRC's debt and alleviate the principal repayment burden during 2022-2023, a period of intensive capital spending, proved to be the right one.

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

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

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

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

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

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

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

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

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

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

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

Denis Cherednichenko
Chief Executive Officer

Danila Kotlyarov
Chief Financial Officer

The Board is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2022, which have been reviewed by the Company's Audit Committee, comprising of three independent non-executive Directors, and by the external auditor. The Board has authorised the Executive Committee, which comprises of the executive Director and senior management of the Company, to approve the annual results on its behalf.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022** **US$'000**	2021 US$'000
Revenue	4	**278,757**	371,279
Operating expenses, excluding depreciation	6	**(227,700)**	(202,786)
Depreciation	6	**(23,674)**	(27,021)
Impairment losses	7	**(103,169)**	–
Other income, gains and losses		**(3,893)**	10,874
Allowance for financial assets measured at amortised costs		**(331)**	(5)
Finance costs	8	**(8,530)**	(18,238)
(Loss)/profit before tax		**(88,540)**	134,103
Income tax credit/(expense)	9	**700**	(52)
(Loss)/profit for the year		**(87,840)**	134,051
Attributable to:			
Owners of the Company		**(87,896)**	134,069
Non-controlling interests		**56**	(18)
		(87,840)	134,051
(Loss)/earnings per share (US cents)	11		
Basic		**(1.19)**	1.89
Diluted		**(1.19)**	1.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 US$'000	2021 US$'000
ASSETS			
Non-current assets			
Exploration and evaluation assets		**20,392**	20,426
Property, plant and equipment		**436,093**	551,907
Right-of-use assets		**191**	3,458
Interest in a joint venture		**–**	–
Inventories		**19,616**	11,389
Total non-current assets		**476,292**	587,180
Current assets			
Inventories		**40,710**	43,876
Trade and other receivables	*12*	**39,922**	25,961
Other financial assets		**127**	–
Time deposits		**626**	586
Bank and cash balances		**36,275**	51,543
Total current assets		**117,660**	121,966
TOTAL ASSETS		**593,952**	709,146
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*13*	**1,304,467**	1,285,482
Other reserves		**36,638**	35,944
Accumulated losses		**(892,497)**	(804,601)
		448,608	516,825
Non-controlling interests		**(337)**	(446)
Total equity		**448,271**	516,379

	Notes	**2022**	2021
		US$'000	*US$'000*
LIABILITIES			
Non-current liabilities			
Borrowings – due more than one year	*14*	**67,263**	92,688
Lease liabilities		**58**	–
Provision for close down and restoration costs		**4,547**	6,745
Deferred tax liabilities		**1,829**	2,291
Total non-current liabilities		**73,697**	101,724
Current liabilities			
Borrowings – due within one year	*14*	**10,795**	19,916
Lease liabilities		**133**	3,684
Trade and other payables	*15*	**61,055**	67,193
Current tax liabilities		**1**	250
Total current liabilities		**71,984**	91,043
TOTAL EQUITY AND LIABILITIES		**593,952**	709,146

Notes

1. GENERAL INFORMATION

IRC Limited ("the Company") is a public limited company incorporated in Hong Kong and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 21 October 2010. The Company together with its subsidiaries are hereinafter referred to as the "Group".

The address of the registered office of the Company is 6H, 9 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in the production and development of industrial commodities products including iron ore concentrate that are used in industry across the world. The main activities of the Group are carried out in Russia and the Group predominantly serves the Russian and Chinese markets.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the requirements of the Companies Ordinance (Cap. 622).

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results 2022 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

– The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course.

– The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's report for the year ended 31 December 2022 was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group meets its day-to-day working capital requirements through its bank facilities and borrowings. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information on the Group's borrowings is given in note 14.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	COVID-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year is as follows:

Revenue from contracts with customers within the scope of HKFRS 15	**2022**	2021
	US$'000	*US$'000*
Disaggregated by major products or service lines		
– Sale of iron ore concentrate	**274,598**	369,173
– Delivery services	**3,976**	1,890
– Engineering services	**183**	216
	278,757	371,279

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Mines in production		**Engineering**		**Total**	
For the year ended 31 December	**2022**	2021	**2022**	2021	**2022**	2021
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Primary geographical markets						
– People's Republic of China ("PRC")	**251,198**	356,003	**–**	–	**251,198**	356,003
– Russia	**27,376**	15,060	**183**	216	**27,559**	15,276
Revenue from external customers	**278,574**	371,063	**183**	216	**278,757**	371,279
Timing of revenue recognition						
Products transferred at a point in time	**274,598**	369,173	**–**	–	**274,598**	369,173
Products and services transferred over time	**3,976**	1,890	**183**	216	**4,159**	2,106
Total	**278,574**	371,063	**183**	216	**278,757**	371,279

5. SEGMENT INFORMATION

The chief operating decision maker has been identified as the Executive Committee of the Company. The Executive Committee review the Group's internal reporting for the purposes of resource allocation and assessment of segment performance which focused on the category of services/products provided to external customers. The Group has identified four reportable segments as follows:

Mines in production – comprises an iron ore project in production phase. This segment includes the K&S Project which is located in the Russia Far East Region started commercial production in January 2017;

Mines in development – comprises iron ore projects in the exploration and development phase. This segment includes the Garinskoye project, the Kostenginskoye project and the Bolshoi Seym project which are all located in the Russia Far East region;

Engineering – comprises in-house engineering and scientific expertise related to JSC Giproruda, which is located in Russia;

Other – primarily includes the Group's interests in a joint venture for the production of vanadium pentoxides and related products in the PRC as well as various other projects, which have similar economic characteristic and activities.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment results represent the results generated by each segment without the allocation of general administration expenses, general depreciation, other income, gains and losses, allowance for financial assets measured at amortised cost and financial costs.

Segment results represent the results incurred by each segment for the purpose of monitoring segment performance and performance assessment.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than central cash and cash equivalents; and
- all liabilities are allocated to reportable segments other than deferred tax liabilities and borrowings.

Information about operating segment profit or loss, assets and liabilities:

	Mines in production *US$'000*	Mines in development *US$'000*	Engineering *US$'000*	Other *US$'000*	Total *US$'000*
Year ended 31 December 2022					
Revenue from external customers	**278,574**	**–**	**183**	**–**	**278,757**
Segment (loss)/profit	**(60,181)**	**14**	**(775)**	**(18)**	**(60,960)**
General administrative expenses					**(14,660)**
General depreciation					**(166)**
Other income, gains and losses					**(3,893)**
Allowance for financial assets measured at amortised costs					**(331)**
Finance costs					**(8,530)**
Loss before tax					**(88,540)**
Other material non-cash items					
Depreciation	**23,400**	**–**	**108**	**–**	**23,508**
Impairment losses	**102,973**	**196**	**–**	**–**	**103,169**
Additions to segment non-current assets					
– Capital expenditure on property, plant and equipment and right-of-use assets	**14,353**	**–**	**–**	**278**	**14,631**
– Exploration and evaluation expenditure capitalised	**–**	**162**	**–**	**–**	**162**
As at 31 December 2022					
Segment assets	**546,066**	**20,626**	**3,871**	**4,312**	**574,875**
Central cash and cash equivalents					**19,077**
Consolidated total assets					**593,952**
Segment liabilities	**58,482**	**250**	**220**	**6,842**	**65,794**
Borrowings					**78,058**
Deferred tax liabilities					**1,829**
Consolidated total liabilities					**145,681**

Information about operating segment profit or loss, assets and liabilities:

	Mines in production *US$'000*	Mines in development *US$'000*	Engineering *US$'000*	Other *US$'000*	Total *US$'000*
Year ended 31 December 2021					
Revenue from external customers	371,063	–	216	–	371,279
Segment profit/(loss)	152,813	(64)	(809)	(12)	151,928
General administrative expenses					(10,273)
General depreciation					(183)
Other income, gains and losses					10,874
Allowance for financial assets measured at amortised costs					(5)
Finance costs					(18,238)
Profit before tax					134,103
Other material non-cash items					
Depreciation	26,740	–	98	–	26,838
Additions to segment non-current assets					
– Capital expenditure on property, plant and equipment	12,929	–	3	11	12,943
– Exploration and evaluation expenditure capitalised	–	261	–	–	261
As at 31 December 2021					
Segment assets	676,252	21,240	3,752	4,347	705,591
Central cash and cash equivalents					3,555
Consolidated total assets					709,146
Segment liabilities	66,466	242	216	10,948	77,872
Borrowings					112,604
Deferred tax liabilities					2,291
Consolidated total liabilities					192,767

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		**Non-current assets**	
	2022 ***US$'000***	2021 *US$'000*	**2022** ***US$'000***	2021 *US$'000*
PRC	**251,198**	356,003	**–**	–
Hong Kong	**–**	–	**191**	72
Russia	**27,559**	15,276	**476,101**	587,108
Consolidated total	**278,757**	371,279	**476,292**	587,180

Revenue from major customers:

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follow:

	2022	2021
	US$'000	*US$'000*
Mines in production		
Customer A	**189,825**	237,890
Customer B	**49,143**	–
Customer C	**–**	44,725
Customer D	**–**	44,303

6. OPERATING EXPENSES, INCLUDING DEPRECIATION

	2022	2021
	US$'000	*US$'000*
Site operating expenses and service costs	**236,548**	219,351
General administration expenses	**14,826**	10,456
	251,374	229,807

7. IMPAIRMENT LOSSES

The Group follows the requirements of HKAS 36 *Impairment of Assets* to consider whether there are impairment indicators and if so, to determine whether the non-financial assets are impaired. At the end of each reporting period, the management assesses whether there is any indication that the impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the management is required to estimate the recoverable amount of the asset which requires significant judgement. In making this judgement, management considers factors including improvements in production volumes, changes in the cash costs of production, available ore reserves, purity of the iron ore concentrate, forecasted iron and ilmenite prices and exchange rates.

The recoverable amount of the K&S Project has been determined based on value-in-use calculations. These calculations require the use of estimates of future cash flows based on projected income and expenses of the business and working capital needs that have taking into consideration the future economic conditions, expected production capacity, ore reserve estimates, iron ore prices and cost of production over the expected life of the mine. Management is also required to choose appropriate discount rates in order to calculate the present values of the cash flows. Changes in the key assumptions on which the recoverable amounts of the assets are based could significantly affect management's assessment.

As at 31 December 2022, the recoverable amount of the property, plant and equipment and right-of-use assets of the K&S Project is approximately US$433.3 million (2021: US$552.5 million) resulting in an impairment loss totaling to US$94,621,000 being recognised in the period (2021: nil).

Further, number of the construction in progress mining assets amounting to US$8,352,000 (2021: nil) has been fully impaired during the year due to not planned construction in the future.

In addition, one of the exploration and evaluation assets amounting to US$196,000 (2021: nil) has been fully impaired during the year due to the revocation of the exploration license.

8. FINANCE COSTS

	2022	2021
	US$'000	*US$'000*
Interest expense on borrowings	**7,834**	12,229
Guarantee fee	**–**	4,923
Interest expense on lease liabilities	**61**	408
Unwinding of discount on environmental obligation	**635**	678
	8,530	18,238

9. INCOME TAX CREDIT/(EXPENSE)

Income tax has been recognised in profit or loss as following:

	2022	2021
	US$'000	*US$'000*
Current tax		
Russian Corporate tax	**(32)**	(15)
Hong Kong Profits tax	**–**	(249)
	(32)	(264)
(Underprovision)/overprovision in prior years		
United Kingdom Corporate tax	**(15)**	–
Hong Kong Profits tax	**249**	(103)
	234	(103)
Deferred tax	**498**	315
	700	(52)

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Russian Corporate tax is calculated at a rate of 20% of the estimated assessable profit for both years.

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

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

10. DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during both years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	2022	2021
	US$'000	*US$'000*
(Loss)/earnings		
(Loss)/earnings attributable to the owners of the Company for the purpose of calculating basic and diluted earnings per share	**(87,896)**	134,069

Number of shares

	2022	2021
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	**7,414,825**	7,095,736

The computation of weighted average number of shares for the purpose of diluted (loss)/earnings per share for the years ended 31 December 2022 and 31 December 2021 does not assume the exercise of share options granted by the Group because the exercise price of those options was higher than the average market price for the Company's shares.

12. TRADE AND OTHER RECEIVABLES

	2022	2021
	US$'000	*US$'000*
Trade receivables	**20,534**	2,415
Value-added tax recoverable	**13,376**	13,513
Prepayments to suppliers	**4,908**	8,237
Amounts due from customers under engineering contracts	**5**	15
Other receivables	**1,099**	1,781
	39,922	25,961

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2022	2021
	US$'000	*US$'000*
Less than one month	**20,163**	2,415
One month to three months	**371**	–
	20,534	2,415

13. SHARE CAPITAL

	2022		2021	
	Number of shares	**Amount** *US$'000*	Number of shares	Amount *US$'000*
At 1 January	**7,099,714,381**	**1,285,482**	7,093,386,381	1,285,158
Shares issued under share option scheme	**–**	**–**	6,328,000	324
Shares issued *(Note)*	**1,419,942,876**	**18,985**	–	–
At 31 December	**8,519,657,257**	**1,304,467**	7,099,714,381	1,285,482

Note: On 14 September 2022, the Company entered into a conditional subscription agreement with MIC, pursuant to which MIC had conditional agreed to subscribe for and the Company had conditional agreed to allot and issue 1,419,942,876 new ordinary shares of the Company (the "Subscription Shares") at the subscription price of HK$0.10641 per Subscription Share. The Subscription Shares represented 20.0% of the then existing issued share capital of the Company and approximately 16.7% of the total issued share capital of the Company as enlarged by the Subscription Shares. On 12 October 2022, all conditions of the subscription agreement have been fulfilled and the Subscription Shares have been allotted and issued to MIC, resulting in MIC becoming a substantial shareholder of the Company.

The net proceeds from the subscription amounted to approximately HK$151,096,000 (equivalent to US$18,985,000), which was fully applied to (i) pay the principal amount of the fourth quarter of 2022 of the Gazprombank Facility (as defined below); and (ii) prepay part of the principals of each of the 12 quarterly instalments of the Gazprombank Facility that will fall due and become payable by the Group in each of the year ending 31 December 2023, 2024 and 2025.

On 30 November 2016, the Company entered into a subscription agreement with an investor, Tiger Capital Fund SPC – Tiger Global SP ("Tiger Capital Fund"), pursuant to which Tiger Capital Fund agreed to subscribe for 937,500,000 new ordinary shares of the Company at the subscription price of HK$0.21 per share. As part of the consideration for the subscription, the Company has also agreed to grant to Tiger Capital Fund a right to subscribe for a maximum of 60,000,000 new ordinary shares ("Option Share(s)") of the Company. The subscription and the grant of the Option Shares were subject to shareholders' approval by way of an ordinary resolution which was passed on 29 December 2016. Accordingly, 937,500,000 ordinary shares were allotted and issued, as well as 60,000,000 Option Shares were granted, to Tiger Capital Fund on 30 December 2016 (the "Completion Date") for a total net proceeds of approximately US$25.4 million.

The 60,000,000 Option Shares granted were assigned to a director of Tiger Capital Fund, pursuant to the nomination by Tiger Capital Fund. The first tranche of 30,000,000 Option Shares has an exercise price of HK$0.3575, representing a premium of 10% to the closing price of HK$0.325 on the Completion Date and exercisable at any time during the period of 5 years commencing on the Completion Date. Following the completion of the first tranche of the Option Shares subscription, the exercise price for the second tranche of the remaining 30,000,000 Option Shares was set at a price being 110% of the closing price for a share of the Company on the first anniversary of the Completion Date and exercisable at any time during the period of 5 years commencing on the first anniversary of the completion date.

The Option Shares were fully vested in 2017.

Both tranches of Option Shares granted (30,000,000 Option Shares each) expired and lapsed in December 2021 and December 2022 respectively. No Option Shares granted were exercised during the year ended 31 December 2022 (2021: nil).

In 2021, the Company issued 1,328,000 and 5,000,000 new shares following the exercising of share options pursuant to the Company's employees' share option scheme 2015 and 2017 with an exercise price of HK$0.296 and HK$0.2728 per share respectively. The Company received approximately US$0.226 million following the issuance of the shares.

14. BORROWINGS

	2022	2021
	US$'000	*US$'000*
Bank loans	**–**	112,604
Other loans	**78,058**	–
	78,058	112,604

The borrowings are repayable as follows:

	2022	2021
	US$'000	*US$'000*
Within one year	**10,795**	19,916
More than one year, but not exceeding two years	**17,710**	20,669
More than two years, but not more than five years	**49,553**	72,019
	78,058	112,604
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(10,795)**	(19,916)
Amount due for settlement after 12 months	**67,263**	92,688

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 quarterly payments during the term of the Gazprombank Facility.

On 19 March 2019, the Group drew down on the Gazprombank Facility to repay the bank loan from ICBC in full of approximately US$169,637,000 and to finance the K&S Project's working capital of approximately US$3,000,000.

On 21 March 2019, the Group further drew down on the Gazprombank Facility to repay the loans from JSC Pokrovskiy mine in full of approximately US$56,211,000.

The remaining amounts of the Gazprombank Facility were drawn down and used for the following purposes: (i) to finance the K&S Project's working capital of approximately US$5,000,000 and (ii) to repay part of the guarantee fee of approximately US$6,000,000 owed by the Group to Petropavlovsk PLC in respect of their guarantee of the ICBC Facility Arrangement.

As at 31 December 2022 and 31 December 2021, the full credit facility amount of US$240,000,000 has been fully drawn down.

During the third quarter of 2021, a total of US$70,000,000 was repaid to Gazprombank JSC as early principal loan repayment of the second tranche amounts to US$80,000,000.

On 3 December 2021, Petropavlovsk PLC announced the completion of the disposal of its 31.1% equity interest in the total issued share capital of the Company resulting in the irrevocable release of Petropavlovsk PLC from all loan guarantees given to Gazprombank JSC in respect of the Gazprombank Facility.

In February 2022, Gazprombank JSC assigned its rights under the Gazprombank Facility to MIC invest LLC. The assignment has not resulted in any changes to the terms and conditions of the documentation for the Gazprombank Facility that the Group previously entered into.

The Gazprombank Facility is secured by i) a charge over the property, plant and equipment with net book value of US$49,421,000; ii) 100% equity share of Kapucius Services Limited in LLC KS GOK; iii) until 3 December 2021, a guarantee from Petropavlovsk PLC, the former substantial shareholder of the Company; and iv) since 28 January 2022, pledged of 2,120,000,000 ordinary shares of the Company held by Axiomi Consolidated Ltd, the current substantial shareholder of the Company.

As of 31 December 2022, the total borrowings of US$78,058,000 (31 December 2021: US$112,604,000) was borne by LLC KS GOK, a wholly owned subsidiary of the Group.

The drawn down of the Gazprombank Facility is subject to the following requirements:

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

b) LLC KS GOK must provide quarterly reporting; and

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

    i) Net Debt/EBITDA ratio:

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

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

    Where:

    – Net Debt is defined as short-term borrowed funds add long-term borrowed funds add leasing obligations less cash or cash equivalents; and

    – EBITDA is defined as profit before tax for the last twelve months add interest expenses for the last twelve months less interest income for the last twelve months add depreciation for the last twelve months add adjustments to exclude exchange rate revaluation and other non-monetary items for the last twelve months and add lease payments for the last twelve months.

    ii) Debt Service Coverage Ratio (DSCR):

    - Starting from the twelve months period ending on 30 June 2020 – not less than 1.2 times

    where DSCR is defined as:

    – Incoming cash balance add free cash flow of LLC KS GOK to the share capital add cash payments for servicing the principal debt add cash payments for interest payments; divided by

    – Cash payments for servicing the principal debt add cash payments for interest payments.

Breaches in meeting the financial covenants would permit Gazprombank JSC, and MIC invest LLC, as lender of Gazprombank Facility since the first quarter of 2022, to immediately call borrowings.

During the fourth quarter of 2022, following MIC invest LLC became the substantial shareholder of the Company, MIC invest LLC has ceased Net Debt/EBITDA ratio and the DSCR covenants requirements for the twelve months period ending on 31 December 2022, 30 June 2023 and 31 December 2023.

For the twelve months period ended 30 June 2022, LLC KS GOK has complied with the Net Debt/EBITDA ratio covenant. MIC invest LLC has granted LLC KS GOK a waiver to comply with the DSCR covenant for the twelve months period ended 30 June 2022.

For the twelve months periods ended 31 December 2022 and 31 December 2021, LLC KS GOK has complied with the Net Debt/EBITDA ratio and the DSCR covenants.

15. TRADE AND OTHER PAYABLES

	2022	2021
	US$'000	*US$'000*
Trade payables	**10,734**	14,911
Advances from customers	**76**	1,565
Interest payables	**253**	208
Construction cost payables	**22,694**	22,694
Accruals and other payables	**27,298**	27,815
	61,055	67,193

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

	2022	2021
	US$'000	*US$'000*
Less than one month	**10,380**	11,431
One month to three months	**145**	3,469
Over three months to six months	**203**	5
Over six months	**6**	6
	10,734	14,911

OTHER INFORMATION

RESOURCES AND RESERVES INFORMATION

In conjunction with rule 18.14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), IRC has updated its Resources and Reserves information and further details are set out in the annual report of the Company to be published in due course.

CORPORATE GOVERNANCE

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code during the year and they have confirmed their full compliance with the required standard set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and holding companies, who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

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

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

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities.

SIGNIFICANT INVESTMENTS

The Group did not hold any material investments during the year ended 31 December 2022. As at the date of this announcement, apart from the development of the Sutara pit, the Group does not have any plan for material investment or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2022.

IMPORTANT EVENTS AFTER THE YEAR UNDER REVIEW

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) according to the terms and conditions set out in the announcement of the Company dated 5 January 2023.

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) according to the terms and conditions set out in the announcement of the Company dated 3 March 2023 (the "Disposal").

In light of the complex external operating environment and the market challenges in recent period, the Group has been actively looking for investment opportunities. The Directors considered that the acquisition of the Vessel to be a favourable investment option for the Group, as crane vessels of similar type, size, condition of maintenance and age have a steady level of market demand. By entering into the MOA, the Disposal is revenue generating for the Group, with the net proceeds being the difference between the consideration for the acquisition of the Vessel and the Disposal as well as other ancillary expenses, and therefore being approximately US$0.5 million (equivalent to approximately HK$3.9 million). The Directors believe that the Disposal will enable the Group to enhance its working capital position and further strengthen its liquidity. The Group intends to keep all net sale proceeds as general working capital of the Group. Completion of the Disposal is yet to take place.

Save as disclosed above, from 31 December 2022 to the date of this announcement, there was no important event affecting the Group.

PUBLICATION OF FINAL RESULTS AND ANNUAL 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 annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above website 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 tonne. 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 approximately 3,155 thousand wet metric tonnes.

By Order of the Board
IRC Limited
Denis Cherednichenko
Chief Executive Officer

Hong Kong, People's Republic of China
Thursday, 30 March 2023

As at the date of this announcement, the executive Director is Mr. Denis Cherednichenko. The Chairman and non-executive Director is Mr. Nikolai Levitskii. The independent non-executive Directors are Mr. Dmitry Dobryak, Ms. Natalia Ozhegina, Mr. Alexey Romanenko and Mr. Vitaly Sheremet.

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