铁货 IRC

IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1029)

2023 INTERIM RESULTS
UNDERLYING PROFIT OF US$9 MILLION
NET LOSS OF US$66 MILLION AFTER ASSETS IMPAIRMENTS

CONFERENCE CALL

A conference call will be held today at 16h00 Hong Kong time to discuss the interim results. The number is +852 2112 1888 and the passcode is 9582030#. Presentation slides to accompany the call are available at www.ircgroup.com.hk. A playback of the teleconference will be available from 31 August 2023 at www.ircgroup.com.hk/en/ir_presentations.php

Wednesday, 30 August 2023: The Board of Directors of IRC Limited ("**IRC**" or the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the interim results of the Company for the six months ended 30 June 2023 (the "**Reporting Period**").

Financial Highlights
- Weaker iron ore price resulted in a reduction in revenue to US$139.2 million (30 June 2022: US$165.7 million);
- EBITDA, excluding non-recurring items and foreign exchange, decreased to US$28.9 million (30 June 2022: US$52.4 million);
- Underlying profit of US$9.3 million (30 June 2022: US$39.2 million);
- Non-cash assets impairments of US$73.6 million (30 June 2022: US$113.0 million);
- Loss attributable to shareholders of US$65.7 million (30 June 2022: US$77.9 million);
- Cash and deposits increased to US$45.2 million (31 December 2022: US$36.9 million); and
- Net debt reduced to US$28.0 million (31 December 2022: US$41.6 million).

Operation Highlights
- Production volume increased by 4.0% to 1,309k tonnes, despite a 1-week temporary production stoppage of K&S due to pulp pumps issues (30 June 2022: 1,259k tonnes);
- Sales volume increased by 7.6% to 1,375k tonnes, in line with production increase (30 June 2022: 1,277k tonnes); and
- Continuous preparation of the Sutara deposit with the aim of starting the mining operation at Sutara in the first half of 2024.

Commenting on the results, Nikolai Levitskii, Chairman of IRC said: *"The first half of 2023 was a difficult period for commodities producers, the iron ore industry is no exception. IRC faced a challenging macroeconomic landscape and this was best reflected in the weak average Platts 65% iron ore price in the first half of 2023, which was 20% lower than the corresponding period last year. Although K&S managed to increase its sales volume by 7.6%, the weak iron ore environment led to a decrease in IRC's EBITDA to US$28.9 million. We report an underlying profit of US$9.3 million, which is a respectable result considering the circumstances that IRC faced.*

Despite the lower profitability, what is encouraging is the fact that IRC has successfully increased its cash balance to US$45.2 million and reduced its net debt to US$28.0 million. This has fortified our liquidity position, empowering us to navigate through challenging times and uncertainties with greater resilience. We are also better equipped to face the future confidently and seize potential opportunities that lie ahead.

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

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

FINANCIAL REVIEW

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

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

* Per wet metric tonne sold

THE UNDERLYING RESULTS OF THE GROUP

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

EBITDA – EXCLUDING NON-RECURRING ITEMS AND FOREIGN EXCHANGE

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

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

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

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

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

Underlying gains – excluding non-recurring items and foreign exchange

The Group's income statement sometimes includes certain material non-recurring and non-operating items which should be considered separately. In the first half of 2023, these items are:

– impairment losses related to the K&S mine and other assets of US$73.6 million, primarily due to the weaker Platts price of 65% iron ore concentrate as at 30 June 2023 (as compared to that as at 31 December 2022), for further details of the impairment losses, please refer to Note 6 to the interim financial report as set out on page 26 of this announcement. In the first half of 2022, an impairment loss of US$113.0 million was made;

– a non-cash net foreign exchange gain of US$0.6 million (30 June 2022: net foreign exchange loss of US$2.1 million), primarily due to the movements in the Russian Rouble exchange rate; and

– a non-cash provision of US$2.1 million (30 June 2022: US$2.1 million) being made for expenses related to deferred contract payments. The Group has initiated legal proceedings against the said contract counter-party, and IRC believes that these expenses will not be payable by the Group. This provision has been made by the Group regardless in order to be prudent and to comply with the relevant accounting requirements.

While the Group reports a loss of US$65.7 million for the first half of 2023, this figure is distorted due to the aforesaid non-recurring items and foreign exchange. By excluding these items, the Group reports an underlying gain of US$9.3 million which is a more accurate reflection of IRC's underlying performance:

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

REVENUE

Iron ore concentrate

Production and sales volumes

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

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

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

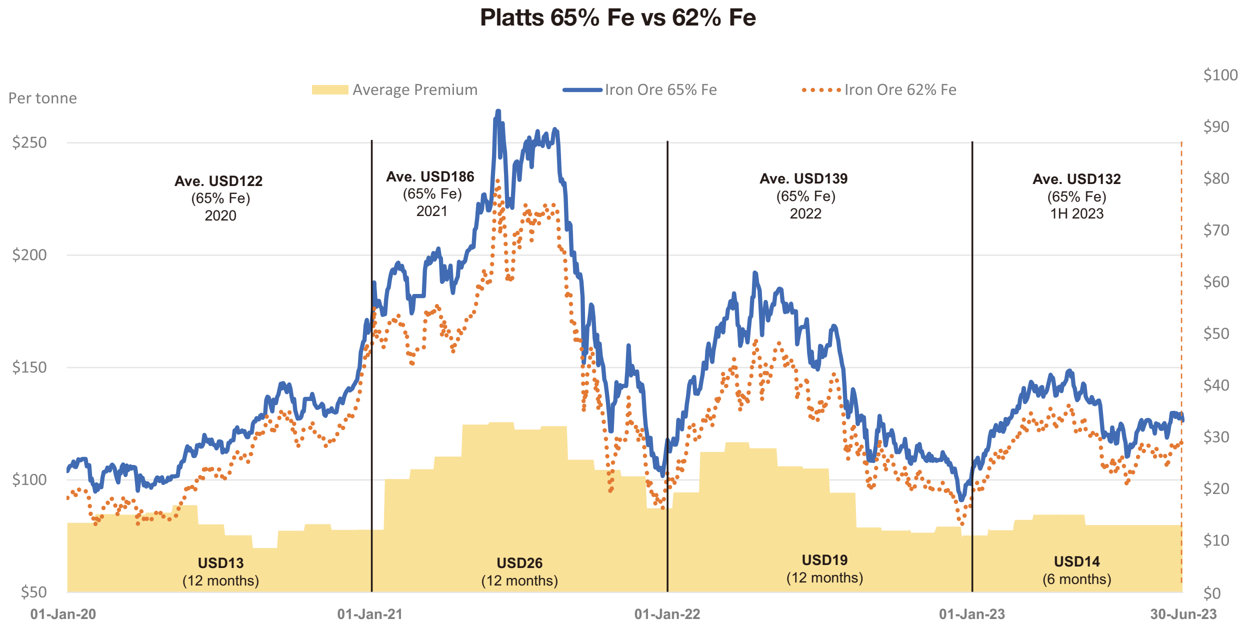
For the first half of 2023, despite the aforesaid production stoppage and logistic limitations, K&S managed to operate at an average capacity of approximately 83% to produce 1,308,821 tonnes of 65% iron ore concentrate, 4.0% higher than the corresponding period last year. Sales volumes also increased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

Iron ore prices

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

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

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



* Source: Platts (as of 30 June 2023)

Revenue of K&S

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

Although K&S is strategically located at the doorstep of its Chinese market, most of the major Chinese steel mills nearby are owned or controlled by the same corporate organisation. This means that in the north-eastern part of China, IRC is operating in a semi-captive market, where low transportation costs play an important positive role on the delivery cost of its product but its bargaining power in price negotiations is negatively affected. As such, IRC's Chinese customers expect a discount to the benchmark Platts price and IRC has relatively little power to resist these monopolistic requests. This trend continued in 2023, especially with the steel mills opting to operate at lower profitability and capacity mode due to the downturn of the market. As a result, the steel mills preferred lower grade and cheaper iron ores, as demonstrated by the shrinking price premium between 65% iron ore and 62% iron ore in 2023, and are demanding for larger discounts. IRC understands that this has been the case for other Russian producers as well, with discounts being commonly offered to customers in the region. Sales have also been made by K&S to customers in Russia, but this market is not without its challenges in light of the market competition from other local producers. As the purchase prices offered by the Russian customers of K&S were not attractive, minimal shipments were made to Russia in the first half of 2023 in favour of diverting most sales to the Chinese seaborne market, which offered better sales terms. The recovery of iron ore price in the first quarter of 2023 had allowed IRC to recommence seaborne sales. However, the second quarter of 2023 witnessed the falling iron ore price which affected the margin of the seaborne sales. With the macroeconomy and operating conditions remaining volatile, IRC would continue monitoring the situation and adjust its marketing strategy accordingly.

Engineering Services

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

SITE OPERATING EXPENSES AND SERVICE COSTS BEFORE DEPRECIATION

The mining and operating expenses incurred by this Group's sole operating mine, the K&S project, are primarily reflected in the site operating expenses and service costs.

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

	For the six months ended 30 June	
	2023	2022
	Cash cost	Cash cost
	per tonne	per tonne
	US$/t	US$/t
Mining	**28.9**	23.1
Processing and drying	**14.2**	12.9
Production overheads, site administration and related costs	**13.1**	10.1
Mineral Extraction Tax	**3.7**	3.4
Currency hedge results	**(0.1)**	(1.5)
Net cash cost before transportation to customers	**59.8**	48.0
Transportation to customers	**17.9**	30.6
Net cash cost	**77.7**	78.6

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

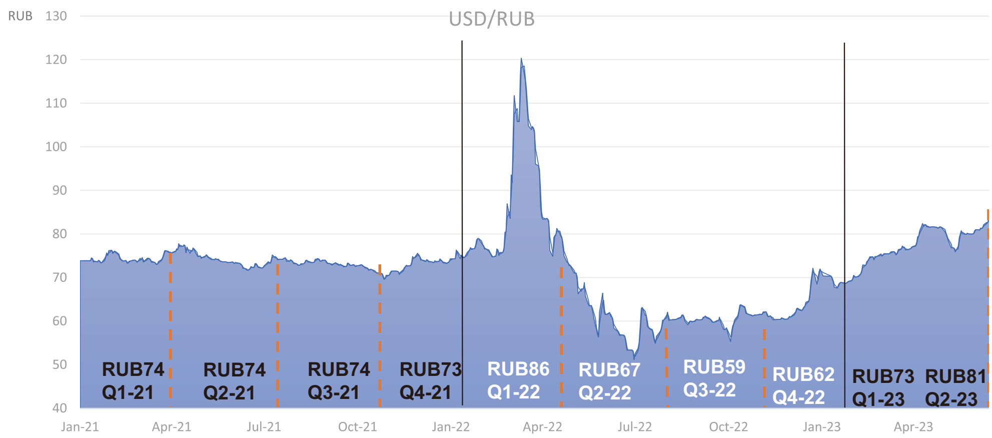
Transportation cost to customers reduced by US$12.7 per tonne. As mentioned above, K&S recommenced seaborne sales in the first half of 2023 but the scope was scaled down in the second quarter following the softening of iron ore price. The lower proportion of seaborne sales over the total sales volume of K&S translated to a lower average transportation cost per tonne. It is worth noting that the achieved selling prices of seaborne sales are generally higher than those via the railway route, offsetting part of the higher transportation costs.

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

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

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

The Movement of Russian Rouble



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

GENERAL ADMINISTRATION EXPENSES BEFORE DEPRECIATION

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

OTHER INCOME, GAINS AND LOSSES, AND OTHER ALLOWANCE

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

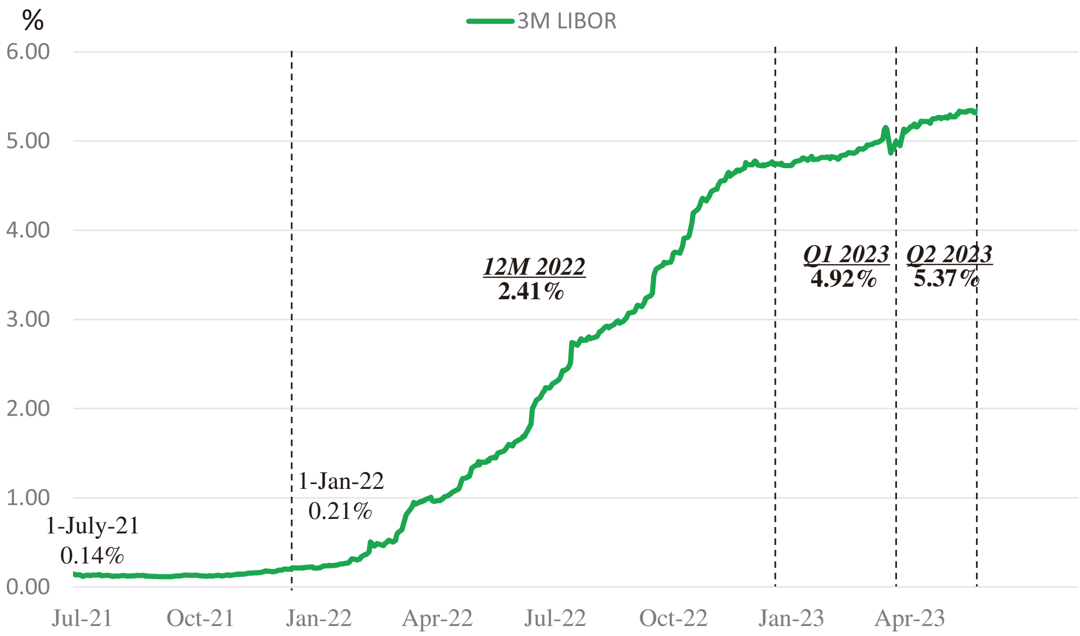
DEPRECIATION

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

FINANCE COSTS

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

The Movement of 3 Months LIBOR



Source: Bloomberg (as of 30 June 2023)

INCOME TAX EXPENSE AND NON-CONTROLLING INTERESTS

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

IMPAIRMENT LOSSES

Asset impairment provisions against the carrying value of the K&S mine and other assets of US$73.6 million had been made in the first half of 2023, following the weaker Platts price of 65% iron ore concentrate as at 30 June 2023 (as compared to that as at 31 December 2022). Impairment provision is non-cash and non-recurring in nature. For further details of the impairment losses, please refer to note 6 to the interim financial report as set out on page 26 of this announcement.

NET FOREIGN EXCHANGE GAINS/(LOSSES)

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

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

SEGMENT INFORMATION

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

SALE AND PURCHASE OF VESSEL

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

STATEMENT OF CASH FLOWS

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

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

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Share capital

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

Cash Position and Capital Expenditure

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

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

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

Exploration, Development and Mining Production Activities

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

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

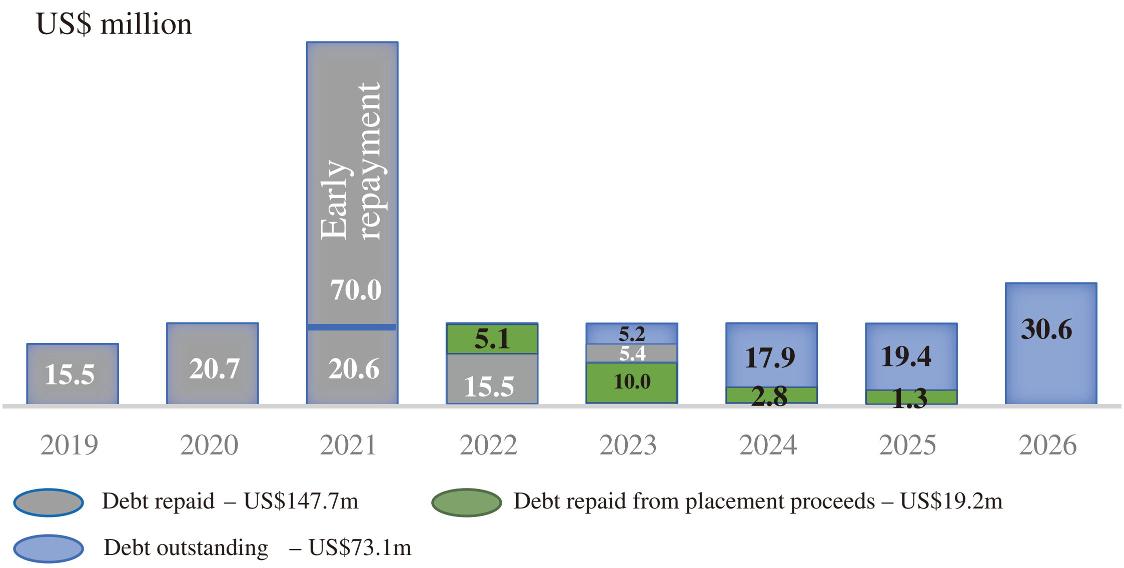
The table below sets out the details of material new contracts and commitments entered into during the first half of 2023 and 2022 on a project basis.

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

Borrowings and Charges

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

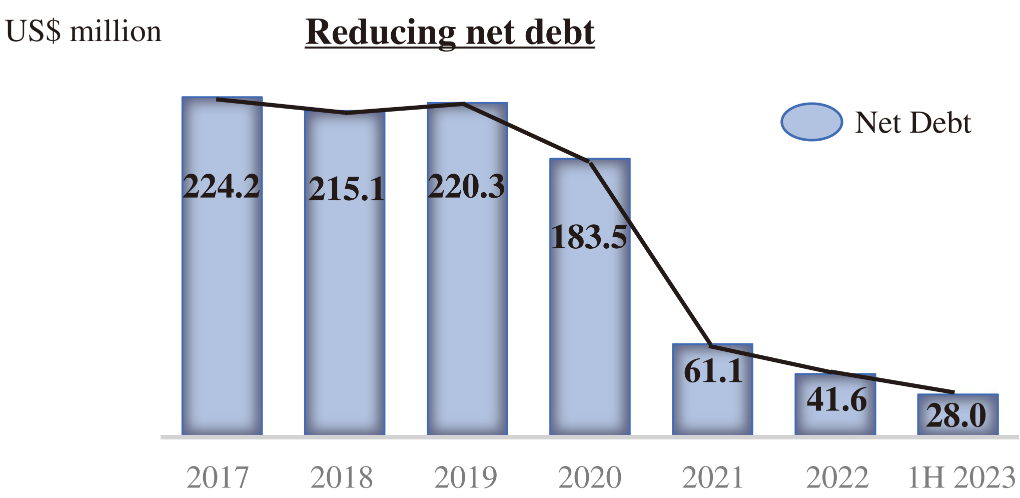
IRC's Loan Facilities Repayment Profile



Source: IRC Limited (as of 30 June 2023)

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

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



Source: IRC Limited (as of 30 June 2023)

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

Risk of Exchange Rate Fluctuation

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

Russian Windfall Tax

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

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

Employees and Emolument Policies

As of 30 June 2023, the Group employed 1,629 people (30 June 2022: 1,773 people). Total staff costs (inclusive of the emoluments of the directors' of the Company) amounted to US$17.0 million during the reporting period (30 June 2022: US$19.5 million). The emolument policy of the Group is set up by the Remuneration Committee and the remuneration is determined on the basis of the merits, qualifications and competence of the employees with regard to market conditions and trends.

CHAIRMAN STATEMENT

Dear Shareholders,

I am pleased to present the Chairman's Statement for IRC for the Reporting Period. It is with great pride that I reflect upon our accomplishments and progress as a leading iron ore producer in the Far-East of Russia.

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

OPERATIONAL EXCELLENCE

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

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

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

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

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

GOOD FINANCIAL PERFORMANCE

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

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

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

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

In view of a worsening iron ore price environment, we are guided by accounting rules to book an impairment loss in relation to our mining assets. As of 30 June 2023, the Group's total impairment provision amounted to US$73.6 million. However, it is important to note that this impairment does not affect our cash flow. After taking into account the impairment and other non-recurring items, IRC reported a net loss of US$65.7 million for the first half of 2023.

SOLID LIQUIDITY POSITION

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

BUSINESS DIVERSIFICATION

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

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

OUTLOOK

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

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

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

CONCLUSION

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

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

Nikolai Levitskii
Chairman

The board of directors of IRC Limited (the "Board") is pleased to announce the unaudited consolidated results of the Group for the Reporting Period, which have been reviewed by the Company's Audit Committee, comprising of independent non-executive directors, without disagreement and by the external auditors. The Board has authorised the Executive Committee, which comprises of the Executive Director and senior management of the Company, to approve the 2023 interim results on its behalf.

INTERIM FINANCIAL REPORT

Condensed Consolidated Statement of Profit or Loss

For the Six Months Ended 30 June 2023

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Six Months Ended 30 June 2023

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

Condensed Consolidated Statement of Financial Position

At 30 June 2023

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

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2023

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

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2023

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

Notes:

(a) The amounts represent deemed contribution from the then ultimate holding company of the Company for (1) certain administrative expenses and tax expenses of the Group paid by the then ultimate holding company of the Company in prior years and (2) share-based payment expenses in relation to certain employees of the Group participated in the long term incentive plan of the then ultimate holding company of the Company.

(b) The amounts arose from 1) acquisition of non-controlling interests and deemed contribution arising from the group restructuring for the Company's listing on The Stock Exchange of Hong Kong Limited, 2) transfer of share-based payment reserve upon vesting of share-based awards resulted from difference between the cost of the treasury shares and fair value at grant date of the awarded shares, 3) deemed contribution from General Nice Development Limited, who was a shareholder of the Company, for accrued interests on outstanding capital contribution, and 4) direct expenses in relation to the right to subscribe for shares of the Company granted to Tiger Capital Fund SPC – Tiger Global SP.

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2023

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

1. BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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

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

3. REVENUE

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

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

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

4. **SEGMENT INFORMATION**

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

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

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

5. OPERATING EXPENSES, INCLUDING DEPRECIATION

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

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

6. NET IMPAIRMENT LOSSES

The Group follows the requirements of HKAS 36 Impairment of Assets to consider whether there are impairment indicators and if so, to determine whether the non-financial assets are impaired. At the end of each reporting period, the management assesses whether there is any indication that the impairment loss recognised in prior periods for an asset other than goodwill may have reversal or further impairment. If any such indication exists, the management is required to estimate the recoverable amount of the asset which requires significant judgment. In making this judgment, management considers factors including changes in production volumes, changes in the cash costs of production, available ore reserves, purity of the iron ore concentrate, forecasted iron prices and exchange rates.

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

As at 30 June 2023, the recoverable amount of the property, plant and equipment and right-of-use assets of the K&S Project is approximately US$360.3 million (31 December 2022: recoverable amount of the property, plant and equipment and right-of-use assets of the K&S Project is approximately US$433.3 million) resulting in an impairment loss of US$74,306,000 being recognised in the period. The change in the recoverable amount is a result of lower projected iron ore prices and an increase in the post-tax discount rate. The nominal pre-tax discount rate used is 15.57% (2022: nominal pre-tax discount rate 15.66%).

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

7. OTHER INCOME, GAINS AND LOSSES

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

8. FINANCE COSTS

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

9. INCOME TAX (EXPENSE)/CREDIT

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

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

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

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

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

10. DIVIDENDS

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

11. LOSS PER SHARE

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

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

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

The computation of weighted average number of shares for the purposes of diluted loss per share for the periods ended 30 June 2023 and 2022 does not assume the exercise of share options granted by the Group because the exercise price of those options was higher than the average market price for the Company's shares.

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

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

13. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

14. TRADE AND OTHER PAYABLES

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

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

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

15. BORROWINGS

	As at 30 June 2023 US$'000 (unaudited)	As at 31 December 2022 US$'000 (audited)
Other loans	**72,698**	78,058

The borrowings are repayable as follows:

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

On 18 December 2018, the Group entered into two facility agreements with a bank, Gazprombank JSC, for a loan in aggregate of US$240,000,000 (the "Gazprombank Facility"). The Gazprombank Facility will mature in 2026 and consists of two tranches. The principal under the first tranche amounts to US$160,000,000 with interest being charged at the London Inter-bank Offer Rate ("LIBOR") + 5.7% per annum and is repayable in equal quarterly payments during the term of the Gazprombank Facility, the final payment in December 2026. The principal under the second tranche amounts to US$80,000,000 with interest being charged at LIBOR + 7.7% per annum and is repayable in full at the end of the term, in December 2026. Interest charged on the drawn down amounts under the two tranches is payable in equal quarterly payments during the term of the Gazprombank Facility.

During the six months period ended 30 June 2022, Gazprombank JSC assigned its rights under the Gazprombank Facility to MIC invest LLC. The assignment has not resulted in any changes to the terms and conditions of the documentation for the Gazprombank Facility that the Group previously entered into.

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

15. BORROWINGS (CONTINUED)

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

On 28 February 2023, the Company received notifications through the Disclosure of Interests Online System of the Hong Kong Exchanges and Clearing Limited, notifying the Company that Disclosure of Interest Forms under Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) had been filed by Axiomi Consolidated Ltd, MIC invest LLC and their respective ultimate beneficial owner/controller, disclosing that Axiomi Consolidated Ltd and MIC invest LLC had entered into a deed of release respectively as chargor and chargee on 27 February 2023 pursuant to which the Axiomi Share Charge was released.

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

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

b) LLC KS GOK must provide quarterly reporting; and

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

   i) Net Debt/EBITDA ratio:

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

      where:

      – Net Debt is defined as the combined amount of short-term borrowed funds plus long-term borrowed funds and leasing obligations less cash or cash equivalents; and

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

15. BORROWINGS (CONTINUED)

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

ii) Debt Service Coverage Ratio (DSCR):

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

where DSCR is defined as:

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

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

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

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

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

16. OTHER FINANCIAL ASSETS

Cash flow hedges – currency swap contracts

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

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

17. ASSET CLASSIFIED AS HELD FOR SALE

On 4 January 2023, ARITI HK Limited, a wholly-owned subsidiary of the Company, as purchaser and Kirgan Holding S.A. as seller entered into a memorandum of agreement pursuant to which ARITI HK Limited agreed to purchase and Kirgan Holding S.A. agreed to sell a crane vessel named "ATLAS DOUBLE" with Belize Flag (the "Vessel") at the consideration of US$20,500,000 (equivalent to approximately HK$159,900,000).

On 3 March 2023, ARITI HK Limited as vendor and Limited Liability Company TK Wagon Trade as purchaser entered into a memorandum of agreement (the "MOA") pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Vessel at the consideration of US$23,195,000 (equivalent to approximately HK$180,921,000) (the "Disposal"). As of 30 June 2023, approximately US$17.0 million of the sales proceeds has been received.

By entering into the MOA, the Disposal is profit generating for the Group, with the net proceeds being the difference between the consideration for the acquisition of the Vessel and the Disposal as well as other ancillary expenses and transaction costs, and therefore being approximately US$0.5 million (equivalent to approximately HK$3.9 million). As at 30 June 2023, the Disposal has not yet been completed. The Directors believe that the Disposal will enable the Group to enhance its working capital position and further strengthen its liquidity. The Group intends to keep all net sale proceeds as general working capital of the Group.

18. SHARE CAPITAL

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

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

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

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

19. RELATED PARTY DISCLOSURES

Related parties

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

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

Related parties transactions

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

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

Key Management Compensation

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

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

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

20. EVENTS AFTER THE REPORTING PERIOD

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

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

PROJECT REVIEW

K&S

100% owned

Key facts:

65%
Fe grade (concentrate)

3.2Mtpa
Production capacity

10Mtpa
Ore process capacity

240km
To Chinese border

577Mt
Total resources

322Mt
Total reserves

30 years +
Mine life

OVERVIEW

K&S, 100% owned by IRC, is located in the Jewish Autonomous Region (EAO) of the Russian Far East. It is the second full-scale mining and processing operation that the Group has developed. The project consists of two principal deposits, Kimkan and Sutara. The K&S Phase I is designed to produce 3.2 million tonnes of iron ore concentrate per annum with a grade of 65% Fe. The Phase I Processing Plant was built by CNEEC. According to the development timeline for K&S Phase I project, Sutara deposit will begin to be mined in parallel with Kimkan deposit in 2024, and Sutara's mine life will be more than 30 years. There is an option for a Phase II expansion to produce a total of 6.3 million tonnes of 65% iron ore concentrate per annum. As an interim development between the two phases, IRC is assessing an option to upgrade the Phase I production facility to increase the production capacity to approximately 4.6 million tonnes per annum.

K&S enjoys tremendous geographical advantage. The Trans-Siberian Railway is directly linked to the mine site, making it easy to deliver its product to customers. With the use of the Amur River Bridge, which opened to traffic in 2022, the products shipping distance for IRC and its customers can be further reduced.

K&S's operation is situated 4 kilometres from the Izvestkovaya town and railway station, through which the Trans-Siberian Railway passes. It is also on a federal highway 130 kilometres away from the regional capital Birobidzhan and 300 kilometres from Khabarovsk, the principal city of the Russian Far East.

STABLE OPERATIONAL PERFORMANCE IN THE FIRST HALF OF 2023

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

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

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

SALES AND MARKETING

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

SUTARA PIT

The Kimkan operation covers an area of approximately 50 km^2 and comprises two key ore zones – Central and West. Open pit mining is currently carried out at both zones. As the development of the Kimkan Central pit advances, K&S has started to mine at the Kimkan West pit, which has lower grades of iron ore magnetic properties than Kimkan Central. Beneficiation properties of the ore blend fed to the processing plant have resulted in a lower yield of commercial concentrate from the ore than designed. This is currently affecting K&S's ability to increase production capacity. The production capacity issues are expected to improve when the Sutara pit becomes operational. The Company expects the Sutara pit will be the long-term solution as the geological information confirms that the ore at Sutara has higher grades of iron magnetic properties.

In the first half of 2023, K&S continued development of the Sutara project: construction of the permanent reinforced-concrete bridge over the Sutara River commenced; works on the construction of a diversion and straightening of the Sutara riverbed and preparatory works for the construction of the federal highway overcrossing were completed; work on the construction of a powerline is completed and work has begun on the construction of a substation. At the Sutara deposit, stripping and dewatering works are ongoing.

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

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

MINING

Currently, K&S does not have own mining fleet, and the mining works on site are carried by third-party mining contractors. During the Reporting Period, the mining contractors moved 9,871,800 cubic metres of rock mass, including 4,637,500 tonnes of ore, which represents 20.6% increase from the same period last year.

PRODUCTION

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

UNIT CASH COST

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

SAFETY

Lost Time Injury Frequency Rate (LTIFR) is a calculation of the number of lost-time injuries per one million hours man-worked. During the Reporting Period, K&S maintained a high level of safety with 3 injuries (30 June 2022 injury: 1), 0 fatalities (30 June 2022 fatalities: 0), and a LTIFR of 2.26 (30 June 2022 LTIFR: 1.37). K&S will be working on further improvement of LTIFR.

IMPACT OF SANCTIONS AGAINST RUSSIA

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

Garinskoye

99.6% owned

Key facts:

68%
Fe grade

>3,500km²
Total iron ore licence area

4.6Mtpa
Fe production capacity

260Mt
Total resources

26Mt
Total reserves

20 years +
Mine life

OVERVIEW

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

The project is located in the Amur Region of the Russian Far East, midway between the BAM and Trans-Siberian Railways. With exploration licences for ground covering an area of over 3,500 km², the project is the largest in the IRC portfolio in terms of area.

FUTURE DEVELOPMENT

There are two possibilities to develop Garinskoye. The first option is to develop a large-scale 4.6 million tonnes per annum open-pit operation with a life-of-mine of 20 plus years, which requires the construction of a rail connection. The second option is an intermediate DSO-style operation that does not require a rail connection and can be started in advance of a larger conventional operation. The DSO-style plan comprises a pit with a reserve of 26.2 million tonnes, a grade of 47% Fe, and a stripping ratio of 1.7:1 m³ per tonne. The DSO-style plan would then be able to produce 1.9 million tonnes per annum, with 55% grade iron ore fines and a life of operation of 8 years. There is an option to further increase the project value at very little additional capital expenditure by adding a further wet magnetic separation stage to produce a high-grade “super-concentrate” with a 68% iron ore content.

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

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

OTHER PROJECTS

EXPLORATION PROJECTS & OTHERS

IRC's other exploration projects comprise an extensive portfolio that is diversified by geography, commodity and development stages. This seeks to add value through the discovery of new resources and the increase and confirmation of mineable reserves. Currently, IRC retains these valuable licenses for later development. Apart from exploration projects, IRC is also active in the complementary business of the Steel Slag Reprocessing Plant (SRP) and a mining consultancy services agency (Giproruda). SRP project is a joint venture with Jianlong Steel, which originally sourced feedstock from Kuranakh. As Kuranakh moved to care and maintenance in 2016, and then liquidated in 2021, SRP successfully switched to the local Chinese feedstock. Due to the relatively small scale of the project, SRP's contribution to the Group results is immaterial. Below is a summary of the current portfolio of exploration projects for the Group:

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Contingent Liabilities

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

Significant Investments

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

Material Acquisitions and Disposals

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

Event after Reporting Period

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

Corporate Governance

The Management and Board of IRC are committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. The Group believes that conducting its businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders. Detailed disclosure of the Company's corporate governance policies and practices is available in the annual report of the Company for the financial year ended 2022.

During the six months ended 30 June 2023, the Company has complied with the code provisions set out in Part 2 of the Corporate Governance Code as stated in Appendix 14 to the Listing Rules. The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transaction. The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code during the period and they have confirmed their full compliance with the required standard set out in the Model Code. The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of inside information in relation to the Company or its securities. The Company has internal controls for handling and dissemination of inside information whereby the Chairman of the Board, the Executive Director and the Company Secretary work closely, seeking advice from legal advisors from time to time, if needed, with proper reporting of and approval from the Board, for proper handling and dissemination of inside information in accordance with relevant laws and regulations.

Review by Audit Committee

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

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

Publication of Interim Results and Interim Report

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and of the Company (www.ircgroup.com.hk). The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

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

Production volumes disclosed in this announcement are determined net of the excessive moisture content within the products, as shipped to the customers. Production rate of K&S is calculated based on an annual production capacity of approximately 3,155 thousand wet metric tonnes.

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

Hong Kong, People's Republic of China
Wednesday, 30 August 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.

IRC Limited
6H, 9 Queen's Road Central, Hong Kong
Telephone: +852 2772 0007
Email: ir@ircgroup.com.hk
Website: www.ircgroup.com.hk

For further information, please visit www.ircgroup.com.hk or contact:

Johnny Yuen
Finance Director (HK) & Company Secretary
Telephone: +852 2772 0007
Email: jy@ircgroup.com.hk