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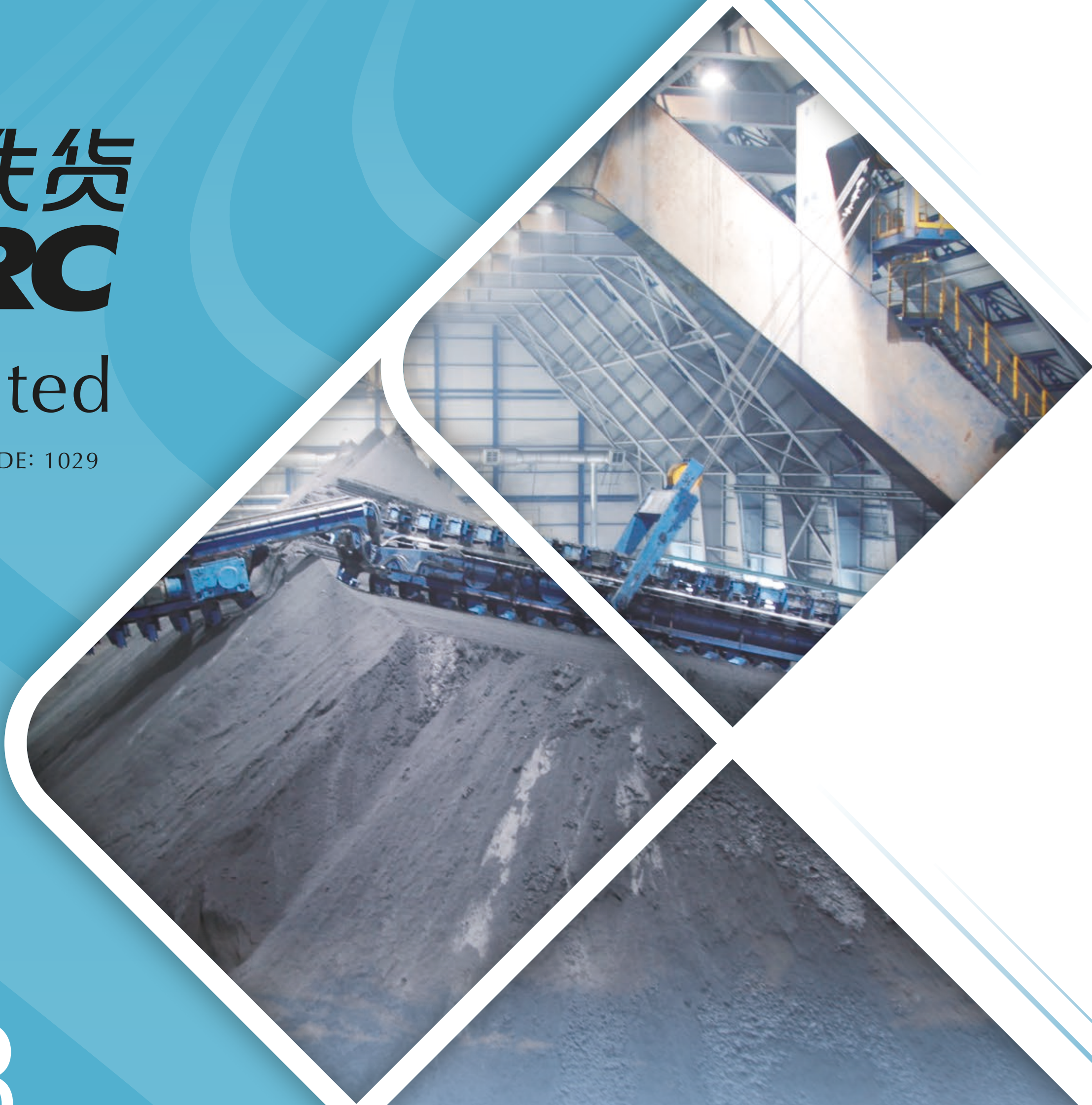
IRC

IRC Limited

HONG KONG STOCK CODE: 1029



2023
ANNUAL REPORT

ABOUT US

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

WHY IRC

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

2023 AND BEYOND

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

CONTENTS

KEY HIGHLIGHTS FOR FY2023

PROFITABILITY, COST AND CASHFLOW

US$253.0 million
Revenue
↓ 9.2%

US$45.8 million
EBITDA – excluding NRI and FX
↓ 18.4%

US$63.3 million
Net cash generated from operations
↑ 93.6%

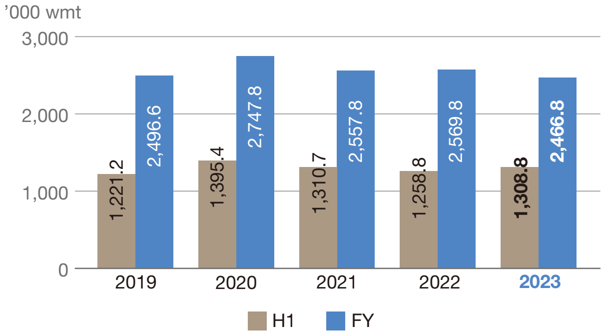
US$78.9 per tonne
Net cash cost
↑ 0.1%

US$8.7 million
Underlying Profits

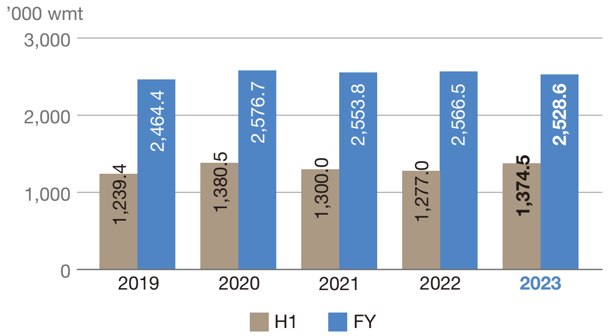
US$163.9 million
Non-cash impairment provision

US$156.8 million
Loss for the year

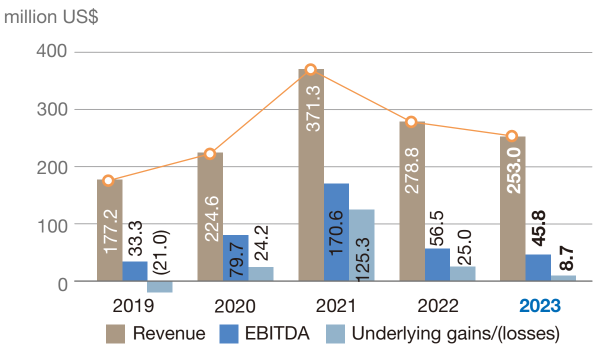
PRODUCTION VOLUME



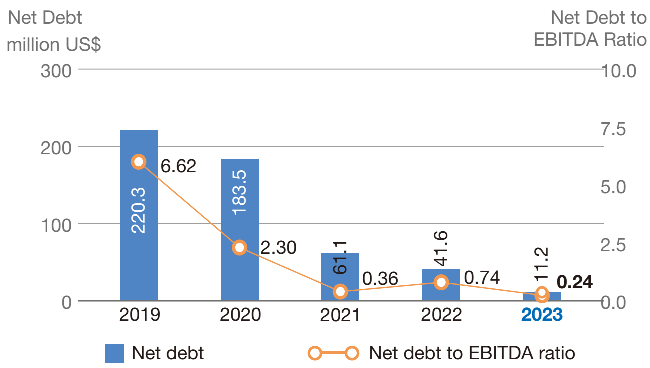
SALES VOLUME



FINANCIAL PERFORMANCE



NET DEBT, NET DEBT TO EBITDA RATIO



BALANCE SHEET

US$56.6 million
Cash and deposit:
↑ 53.3%

US$11.2 million
Net debt:
↓ 73.1%

0.24
Net debt to EBITDA ratio:
↓ 67.6%

HK$0.27
Net asset value per share:
↓ 34.1%

23.3%
Gearing:
↑ 33.9%

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

CHAIRMAN STATEMENT

Nikolai Valentinovich Levitskii, Chairman of IRC

Dear valued Shareholders,

On behalf of the board of directors of IRC Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to provide you with the Chairman Statement of the Company.

The financial year ended 31 December 2023 has proven to be a challenging year for us. The Company faced a number of difficult challenges, from both outside and within. These factors have had an impact on our operating and financial results, requiring us to navigate through this difficult period with resilience and strategic planning. Despite these challenges, we remain committed to overcoming obstacles and positioning the Company for long-term success.

As I sit down to write this letter to mark the end of 2023, I want to seize this moment to reflect on the strategies and decisions that guided the Group through a time of unprecedented complexity and uncertainty, and to offer insights into our future outlook and plans.

Positive financial results amid challenging environment

Before we can mine at the Sutara pit of K&S, our mining operation continues to face operational challenges due to poor ore quality at the depleting Kimkan mine, leading to decreased output, efficiency, and profitability. Additionally, market risks stemming from China's slower-than-expected economic recovery have negatively impacted iron ore prices. Geopolitical concerns arising from the conflict between Ukraine and Russia have added uncertainty and operational risks. Furthermore, inflating operating costs, particularly in Russia, are affecting various aspects of operations and putting pressure on profitability.

Against this backdrop, it is with pleasure to report that the Company recorded an underlying profit of US$8.7 million in the year ended 31 December 2023. What is more encouraging is the fact that the Group's financial position has strengthened as a result of an increase in cash balance to US$56.6 million from US$36.9 million for the year ended 31 December 2022. The rise in cash reserves and the reduction in net debt have improved the Company's liquidity and overall financial stability, positioning it well for future growth and investment opportunities.

This achievement is a testament to the resilience, determination, and adaptability of the Company's leadership and employees in navigating through tough times and emerging stronger on the other side. The profitability and improved financial strength of the Company not only reflects its ability to weather challenges but also signals a promising future ahead as it continues to grow and thrive in the iron ore market.

Pursuing growth, reducing risk

The successful commissioning of the Sutara pit at K&S is at the top of our agenda, as this will be crucial for the continued success and growth of the Company.

K&S comprises of two main pits, Kimkan and Sutara. While the resources at the Kimkan pit is gradually depleting, the timely development of Sutara is pivotal to the future growth of our Company. The potential of this mining site allows us to drive growth and provide sustainability for the continuous operation of K&S.

I can assure you that every possible effort has been made to develop the Sutara pit to its fullest potential, sparing no expense or resource in order to ensure it is operational as soon as possible. Every step has been meticulously executed to expedite the process and bring the pit into use at the earliest opportunity. The dedication and commitment of all involved in this project have been unwavering.

However, we must acknowledge that external factors and business environment have thrown a curve ball to us, resulting in the development pace of the Sutara pit being not as quick as we had hoped for. In light of this, a revised mining plan for Kimkan has been implemented and the site is poised to step up and provide additional output to help mitigate the impact of the Sutara delay. This strategic approach ensures that we remain agile and adaptable in navigating challenges, while maintaining our commitment to long-term sustainability and success.

Strong ESG initiatives and commitments

Our Company is deeply committed to upholding strong Environmental, Social, and Governance (“ESG”) practices in all aspects of our operations. We recognise the importance of sustainable and responsible business practices, and strive to incorporate ESG considerations into our decision-making processes. From implementing environmentally-friendly initiatives, such as closely monitoring various environmental parameters like carbon dioxide emission rate, power usage, water and waste management; to supporting social welfare programs, such as providing financial support to educational institutions and orphanages, we are dedicated to making a positive impact on the communities in which we operate. Our commitment to good ESG practices not only aligns with our values and principles, but also serves as a driving force behind our long-term success and sustainability as a business. We will continue to prioritise ESG initiatives and work towards creating a more just, equitable, and environmentally-conscious future for all stakeholders involved.

You are encouraged to read the Environmental, Social and Governance section of this annual report which sets out our achievements and commitments in this area.

Outlook

As the Kimkan pit is fading out and our Company awaits the commencement of operations at the Sutara pit, we are currently in a transition period which, inevitably, would impact our operating and financial results. This temporary phase, which started in the second half of 2023, has led to a decrease in our production metrics and operational efficiency. We expect 2024 to be the most challenging year for the Company from operational perspective. But despite the current challenges, we remain committed to our long-term goals and are confident that when operations at Sutara is fully up to speed, our financial and operational performance will strengthen, and we will be able to deliver stronger results.

Meanwhile, despite the geopolitical unrest, the strong and positive relationship between Russia and China is expected to benefit our Company. Our operating assets are in Russia and steel producers in China are our major customers. The collaboration and cooperation between these two countries can open up new opportunities and markets for us to explore. By leveraging this strategic partnership, we aim to enhance our business operations and drive growth and success in the region. In addition to developing strategies to expand the sales scope of K&S and exploring new business opportunities, we will also be looking at unlocking the potential of our exploration projects such as Garinskoye and Bolshoi Seym.

As a vote of confidence and to demonstrate my continued support for the Company and its strategic vision, I have recently increased my shareholding in the Company. This decision reflects my belief in the Company's long-term potential and commitment to its success. I am confident in the Company's ability to steer through the current transition period and emerge stronger in the future.

Conclusion

I want to express my sincere thanks to our valued shareholders, customers, and business partners for their continuous support and trust during the difficult year. I also appreciate the guidance and support from my fellow board members and the hard work and dedication of all of our staff. Our primary goal is to generate significant long-term value for our shareholders as a way of rewarding their trust and confidence in the Company. We look forward to your ongoing support as we work together towards achieving greater success and creating more value for all. While the road ahead may present challenges, it is also filled with opportunities and potential for all stakeholders.

Nikolai Levitskii
Chairman

CEO AND CFO REPORT

Dear valued Shareholders,

We are pleased to present to you the CEO and CFO report of IRC Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2023 (the "Year").

It has been a challenging year for our Company, marked by unexpected obstacles and uncertainties. Despite these difficulties, we are proud to announce that we managed to achieve underlying profit, generate positive cash flow, and strengthen our financial position.

Operating Summary

From the operation standpoint, during the Year, K&S produced 2,466,829 tonnes of c.65% iron ore concentrate, which was 4.0% lower than that in 2022. In line with the decreasing production, sales volume of 2,528,596 tonnes during the Year was also 1.5% lower than that of 2022. While it is somewhat disappointing to see reductions in both production and sales, it is worth noting that this result was achieved on the back of a number of challenges.

As the Kimkan pit is gradually approaching the end of its mine life, the mining efficiency has been decreasing. In addition to a shortage of mining fronts, the decrease in the ore quality, namely the lower content of Fe_{mag}, posed challenges in the extraction and processing, leading to decreased output yield and efficiency in the beneficiation process. The subpar performance of the third-party mining contractors, whose performance was affected by equipment availability issues, also affected the production.

Apart from that, in the summer of 2023, the region where K&S is located experienced exceptionally heavy rain. With the excessive moisture, the ore became muddy which sometimes clogged the machinery of the plant and production was inevitably affected during that period of time.

We were aware of the fact that, before Sutara could come into operation, IRC would be in a transitional stage where the low Fe_{mag} content of the ore at Kimkan would seriously affect production. As such, last year, proactive measures had been taken to address the issue. By taking advantage of our extensive operational experience and after making certain upgrades and modifications to K&S's plant and its production process, we are now able to process lower quality ore without compromising the quality of the final product. This has allowed K&S to process the current ore from Kimkan more effectively and mitigate the impact to the minimum. Another benefit of these advancements is that K&S could utilise its accumulated low-quality stockpiles which could free up valuable working capital. We plan to fully utilise these ore stockpiles in 2024, whereas previously we had to spread out their usage over a longer period.

In light of the challenges above and the mitigating measures we have taken, we are content that our production volume remains respectable considering the operating obstacles we have faced.

CEO AND CFO REPORT

Danila Kotlyarov, Chief Financial Officer of IRC

Despite a decrease in production, K&S was able to maintain its sales volume at a relatively stable level as compared with that of 2022. Additionally, the use of the Amur River Bridge has enabled K&S to alleviate the railway congestion issues in the region. By leveraging this infrastructure advantage, IRC has been able to streamline its logistics operations and meet market demand without experiencing a significant drop in sales. Although financially, shipments via the Bridge does not directly save logistic costs at present, due to the high tariff charged by the Bridge operator, discussions with the Bridge operator and the authorities for potential discounts are in progress.

Financial Summary

IRC achieved an underlying profit of US$8.7 million in the Year, 65.1% lower than that of last year. Taking into account the non-cash impairment of US$163.9 million and other adjustments, IRC reported a loss for the Year of US$156.8 million. Although the figures do not look particularly impressive, it is important to dive deeper to comprehend the underlying performance of the Group.

Our financial results are highly dependent on two factors: – iron ore price and operating costs.

Iron ore price – In the first quarter of 2023, iron ore prices increased substantially with the average Platts 65% iron ore price climbing 26.1% quarter-to-quarter to US$140 per tonne, following China's relaxation of pandemic control measures which fuelled positive sentiments for a recovery in demand. However, iron ore prices turned bearish and declined in the second quarter of 2023 with the average Platts 65% iron ore price dropping to US$124 per tonne, a 11.4% decrease quarter over quarter. Lower iron ore price was mainly due to the recovery of the supply side being quicker than that of the demand side. The third quarter of 2023 saw iron ore prices initially decreasing following negative economic signs in China, but thanks to the support from the Chinese authorities for the property sector through the easing of buying restrictions, iron ore price slightly rebounded and Platts 65% iron ore price recovered to close the quarter at US$128 per tonne. The price level showed an encouraging increase in the fourth quarter of 2023 on the back of China's implementation of a series of supportive policies on the property market, coupled with expectations on further economic stimulus acting as tailwinds. Platts 65% iron ore price closed the Year at c.US$151 per tonne, c.18% higher than that of the end of the third quarter.

Despite the strong price recovery in the fourth quarter, the full Year average price level of Platts 65% iron ore price of US$132 per tonne was 5.0% lower than that of the 2022. The falling iron ore price level not only reduced the revenue of the Group but also rendered our seaborne sales uneconomical, leading to the suspension of sea transactions.

Operating costs – Our cost level is dictated by two fundamental elements: Russian Rouble exchange rate and Russian inflation.

Driven by the ongoing geopolitical conflict between Russia and Ukraine as well as market volatility, Russian Rouble lost about 19.0% in 2023, sliding down from an average of RUB69 per US Dollar in 2022 to RUB85 per US Dollar in 2023. The weakening of the Russian Rouble has a positive impact on the Group's operating margin, as the operating costs of the Group are mainly denominated in Russian Roubles and revenue is mainly denominated in US Dollars.

However, it should be noted that the depreciation of the Russian Rouble also has negative inflationary impact on the operating costs. The general increase in market inflation rates, in particular in Russia, has had a direct impact on our operation, leading to a significant rise in cost levels. For example, according to the market statistics, mineral extraction had the highest Producer Price Index in Russia in September 2023, at 141.2% compared to the corresponding period of the previous year. Inflation has affected various aspects of our operations, including labour costs, energy costs and other operating expenses. The rising costs of goods and services have put pressure on our bottom line, as we strive to maintain profitability in a challenging economic environment.

The deflation of the Russian Rouble only managed to partially offset the effect of the high Russian inflation. And this, coupled with the rising mining and other costs, had led to a general increase in our production cash cost. But with the suspension of the seaborne sales, thereby saving the high shipping cost, our cash cost per tonne of US$78.9 in 2023 remained comparable to that of last year.

Although we managed to maintain cash cost largely unchanged, the reduction in sales volume and the falling iron ore price resulted in IRC's EBITDA having eroded by 18.4% to US$45.8 million in 2023.

Impairment loss

The accounting standards require us to evaluate impairments of mining assets based on factors such as the relevant commodity price on the last day of the financial year as well as the forecast price levels of the future years. In the first half of 2023, an impairment provision of US$73.6 million was made. In the second half of 2023, despite a gentle recovery in iron ore price and the depreciation of Rouble, the operating environment and cost structure of K&S became even more challenging. Global post-COVID costs inflations, coupled with Russian specific inflation fueled by sanctions pressure, have resulted in significant costs increase in all main components of K&S's production. Inflation in salaries, in light of the tight labour market, was significant. Inflationary cost increase in other areas such as fuels, electricity, mining contractors' fees, and transportation costs have also exerted substantial pressure on the cost structure of K&S. Having assessed the impairment position as at 31 December 2023, it is considered that an additional impairment of US$90.3 million would need to be made in the second half of 2023, making the full year impairment provision amounting to US$163.9 million.

As impairment is non-cash and non-recurring in nature, we believe that it should not be taken into account when assessing the underlying performance of IRC. Excluding impairment provision and other non-operating items, our underlying profit for 2023 was US$8.7 million, which we consider is a commendable achievement given the challenges faced by IRC.

Looking ahead

We believe that the success of IRC in the near future will be contingent on three main factors: – the successful commencement of operation at Sutara to provide higher grade ore for increasing production yields and output; the pace of recovery of the economy in China, which would affect market iron ore prices; and IRC's ability to control operating costs. Monitoring and effectively navigating these three factors will be essential in ensuring the continued success and prosperity of the Company in 2024.

Sutara development – The ability for K&S to increase production volume and manage cost hinge on the timely opening of Sutara, currently planned to be in the middle of 2024. At present, the shortcomings of the Kimkan mine site are becoming the bottleneck of our production cycle. We recognise that the construction progress at Sutara is slightly behind schedule, primarily due to the lengthy process in obtaining approval documentations and a shortage of construction contractors, a common issue faced in Russia at present. That said, we have been, and will continue to be, channeling every effort to expedite the development. Sutara is crucial for our growth and sustainability, as its higher quality ore will enable K&S to extend its mine life for more than 30 years and increase our production capacity. Therefore, it is imperative that we prioritise and invest our resources for the timely opening of this mine site.

Recovery of China's economy – The recovery of the economy in China will be a key factor in determining demand for our products and overall business performance. As the largest consumer of iron ore globally, China's economic recovery will have a significant impact on the iron ore market. The pace at which China's economy rebounds will directly influence the demand for iron ore. A robust recovery in China, marked by strong infrastructure investment and construction activity, will lead to a surge in demand for iron ore to support these projects. This increased demand will drive up prices and benefit iron ore producers like IRC. On the other hand, a slower-than-expected recovery in China could result in subdued demand for iron ore, leading to lower prices and potentially impacting the profitability of producers. Therefore, closely monitoring economic indicators and policy decisions in China will be crucial for predicting and responding to fluctuations in the iron ore market, ultimately determining the success of our Company in this industry.

Operating costs – As mentioned previously, the inflation of operating costs poses a significant challenge for K&S, as it does for the global mining industry in recent years. The primary strategy to combat this issue is to enhance the efficiency of our operations. Thanks to the recent upgrades at the processing plant, K&S can now handle lower-quality ore. This not only allows K&S to process the ore from Kimkan, but also enables us to utilise existing stockpiles to free up working capital and enhance cash resources. This is crucial in the current transitional period of IRC, as we await Sutara to be operational.

In addition, improving our mining operations by using higher-capacity, more efficient equipment could potentially reduce costs, although this would require capital investment. This option is currently under close review and evaluation.

The ongoing process of optimising costs is a meticulous daily task for IRC and K&S management, and we are confident that, despite external challenges, K&S will remain competitive in this demanding environment.

We would like to extend our heartfelt gratitude to all our stakeholders for their unwavering support and trust in our Company. As we deal with the various challenges and difficulties, we recognise that the short-term future may present obstacles and hurdles that require careful navigation. However, with the steadfast support of our stakeholders, we remain optimistic about the long-term prospects of our company. Thank you for standing by us during these challenging times, and we look forward to achieving greater success together in the long run.

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

RESULTS OF OPERATIONS

The table below shows the results of the Group for the years ended 31 December 2023 and 2022:

	For the year ended 31 December		
	2023	2022	Variance
Key Operating Data			
Iron Ore Concentrate			
— Production volume (tonnes)	**2,466,829**	2,569,845	(4.0%)
— Sales volume (tonnes)	**2,528,596**	2,566,480	(1.5%)
Achieved Selling Price (US$/tonne)			
— based on wet metric tonne	**100**	109	(8.3%)
— based on dry metric tonne	**108**	118	(8.5%)
Platts 65% iron ore average price (US$/tonne)	**132**	139	(5.0%)
Cash Cost (US$/tonne)			
— excl. transportation to customers (wet metric tonne)	**62.9**	53.2	18.2%
— incl. transportation to customers (wet metric tonne)	**78.9**	78.8	0.1%
— excl. transportation to customers (dry metric tonne)	**68.1**	57.6	18.2%
— incl. transportation to customers (dry metric tonne)	**85.4**	85.3	0.1%
Consolidated Income Statement (US$'000)			
Revenue	**252,987**	278,757	(9.2%)
Site operating expenses and service costs before depreciation	**(201,172)**	(213,040)	(5.6%)
General administration expenses before depreciation	**(9,887)**	(14,660)	(32.6%)
Other income, gains and losses, and other allowances	**3,875**	5,088	(23.8%)
EBITDA excluding non-recurring items and foreign exchange	**45,803**	56,145	(18.4%)
Depreciation	**(19,489)**	(23,674)	(17.7%)
Finance cost, net	**(7,378)**	(8,161)	(9.6%)
Income tax (expense)/credit & non-controlling interests	**(10,238)**	644	(1,689.8%)
Underlying profit – excluding non-recurring items and foreign exchange	**8,698**	24,954	(65.1%)
Net foreign exchange gain/(loss)	**2,525**	(5,539)	(145.6%)
Provision for impairment losses	**(163,890)**	(103,169)	58.9%
Other provision	**(4,142)**	(4,142)	0.0%
Loss attributable to the owners of the Company	**(156,809)**	(87,896)	78.4%

THE UNDERLYING RESULTS OF THE GROUP

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

EBITDA – excluding non-recurring items and foreign exchange

The Group's EBITDA, excluding non-recurring items and foreign exchange, reduced by 18.4% to US$45.8 million (31 December 2022: US$56.1 million) for the year ended 31 December 2023. The decrease was mainly driven by the lower achieved selling price.

As reported in the CEO and CFO Report, in the second half of 2023, K&S faced issues with mining and ore quality which affected production. In addition, operational interruptions caused by the rainy summer weather further impacted production. Despite these obstacles, which reduced production volume by 4.0% from 2,569,845 tonnes in 2022 to 2,466,829 tonnes of iron ore concentrate in 2023, the Company managed to sell 2,528,596 tonnes of iron ore concentrate in 2023, representing a slight 1.5% decrease from the previous year (31 December 2022: 2,566,480 tonnes).

The decrease in iron ore price in 2023 was the main factor that negatively impacted IRC. The selling price achieved in 2023 was US$108 per dry metric tonne, 8.5% lower than that in 2022. This reduction was larger than the decrease of the average Platts 65% iron ore price of 5.0% in 2023, primarily due to IRC having fewer seaborne sales transactions in 2023 when comparing with that in 2022. While seaborne customers typically pay higher prices, the corresponding cost is also higher due to the expensive handling and sea freight charges. With the decreasing iron ore prices, sales via the sea route became uneconomical and had to be halted in 2023. The reduction in transportation cost has offset the 18.2% increase in other cost elements, resulting in the net cash cost in 2023 being comparable to that of 2022.

K&S endeavours to keep operating and administrative costs under strict control. During the reporting period, the Group's cash cost before transportation increased by 18.2% to US$62.9 per tonne, mainly driven by lower production yield resulted from lower Fe_{mag} content in the ore, increase in electricity price set by the government, rising mining contractors' rates driven by fuel price increase, the payment of the new temporary export duties, as well as general inflationary increase of expenses. As the seaborne sales had been scaled down, the transportation cost has reduced by about 37.5% to US$16.0 per tonne. This decrease in transportation cost offset the increase in other cost levels, resulted in the net cash cost for 2023 of US$78.9 per tonne being comparable to the 2022 cash cost level of US$78.8 per tonne.

Although cost level had been maintained at a similar level to that of last year, the falling iron ore price environment coupled with the minor decrease in sales volume resulted in a decrease in EBITDA of 18.4%.

	For the year ended 31 December		
US$'000	**2023**	2022	Variance
EBITDA excluding non-recurring items and foreign exchange	**45,803**	56,145	(18.4%)

Underlying profit – 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 2023, these items are:

– impairment losses related to the K&S mine and other assets of US$163.9 million following cost increase in K&S's production and the movements in iron ore price. In 2022, an impairment of US$103.2 million was made;

– a non-cash net foreign exchange gain of US$2.5 million (31 December 2022: loss of US$5.5 million), primarily due to Russian Rouble exchange rate movements; and

– a non-cash provision of US$4.1 million (31 December 2022: US$4.1 million) being made for expenses related to deferred contract payments. The Group has initiated legal proceedings against the said contract counter-party, and IRC believes that these expenses will not be payable. However, to be prudent and to comply with the accounting requirements, this provision has been made.

While the Group reports a loss of US$156.8 million in 2023, this figure is distorted due to the aforesaid impairments, non-recurring items and foreign exchange. By excluding these items, the Group reports an underlying profit of US$8.7 million which is a better reflection of IRC's underlying performance.

	For the year ended 31 December		
US$'000	**2023**	2022	Variance
Underlying profit – excluding non-recurring items and foreign exchange	**8,698**	24,954	(65.1%)

REVENUE

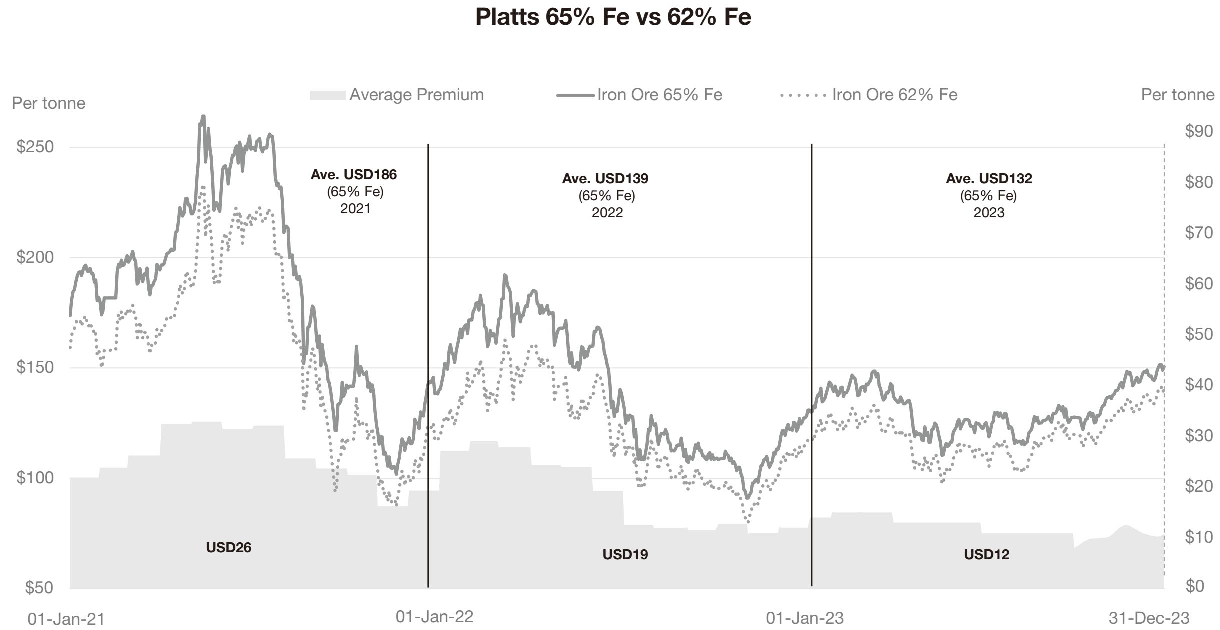
Iron ore concentrate

IRC's main revenue source comes from the sales of 65% iron ore concentrate produced at the K&S mine.

K&S faced a number of difficult operating issues in 2023: i) poor ore quality and the lack of mining fronts at the Kimkan site, ii) the underperformance of third-party mining contractors due to equipment availability issues and iii) the exceptionally heavy rain in the summer leading to the ore becoming muddy which clogged the machinery of the plant. Despite these challenges, K&S managed to operate at an average production rate of c.78% to produce 2,466,829 tonnes of iron ore, 4.0% lower than the 2,569,845 tonnes of iron ore produced of last year. In line with the production decrease, sales volume also declined by 1.5% to 2,528,596 tonnes.

The selling price of K&S's iron ore concentrate is determined with reference to the international spot price of Platts iron ore benchmark index. Platts 65% iron ore price was volatile in 2023 and fluctuated in the range of US$110 per tonne to US$152 per tonne. On average, the 2023 Platts 65% iron ore price level of US$132 per tonne was 5.0% lower than that of US$139 per tonne in 2022.

The chart below illustrates the movement of the Platts 65% iron ore price index and 62% iron ore price index from 2021 to 2023:



* Source: Platts (as of 31 December 2023)

The falling iron ore price coupled with the slight decrease in sales volume translated to a reduction in IRC's revenue by 9.2% to US$253.0 million (2022: US$278.8 million).

Although K&S is strategically located at the doorstep of its Chinese market, most of the major Chinese steel mills nearby are owned or controlled by the same corporate organisation. This means that in the north-eastern part of China, IRC is operating in a semi-captive market, where low transportation costs play an important positive role on the delivery cost of its product but its bargaining power in price negotiations is negatively affected. This trend continued in 2023, especially with the steel mills opting to operate at a lower profitability and capacity mode as the recovery of the market post-COVID is slower than expected. As a result, the steel mills preferred lower grade and cheaper iron ore. IRC understands that this has been the case for other Russian producers as well, with discounts being commonly offered to customers in the region. For this reason, sales have also been made by K&S to customers in Russia in the past, but this market is not without its challenges considering the market competition from other local producers. As the purchase prices offered by the Russian customers of K&S were not attractive, minimal sales were made to Russia in 2023. K&S will continue monitoring the situation and adjusting its sales and marketing strategy accordingly.

Engineering Services

Revenue from Giproruda, the Group's small-scale engineering services division, was not material but diversified the Group's revenue. Revenue from the segment was US$52,000 in the year (31 December 2022: US$183,000).

SITE OPERATING EXPENSES AND SERVICE COSTS BEFORE DEPRECIATION

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

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

	For the year ended 31 December	
	2023 Cash cost per tonne US$/t	2022 Cash cost per tonne US$/t
Mining	**32.1**	28.2
Processing and drying	**13.7**	13.0
Production overheads, site administration and related costs	**11.9**	10.5
Mineral Extraction Tax	**4.2**	3.3
Temporary Export Duties	**1.1**	–
Currency hedge results	**(0.1)**	(1.8)
Net cash cost before transportation to customers*	**62.9**	53.2
Transportation to customers	**16.0**	25.6
Net cash cost**	**78.9**	78.8

* Net cash cost before transportation to customers in dry metric tonne is US$68.1 per tonne (2022: US$57.6 per tonne).

** Net cash cost in dry metric tonne is US$85.4 per tonne (2022: US$85.3 per tonne).

Net cash cost before transportation to customers increased by 18.2% to US$62.9 per tonne. The most significant increase is the cost of mining, primarily driven by the decrease in the production yield due to the lower Fe_{mag} (total iron in the ore originating from magnetite) content. The decrease in production yield inevitably affected cost of mining, mineral extraction tax and processing, given that more volume of ore and crushed material would need to be processed to produce the same amount of final product, thereby increasing the unit cost. This is posing a significant challenge to the Group's operational efficiency and financial performance.

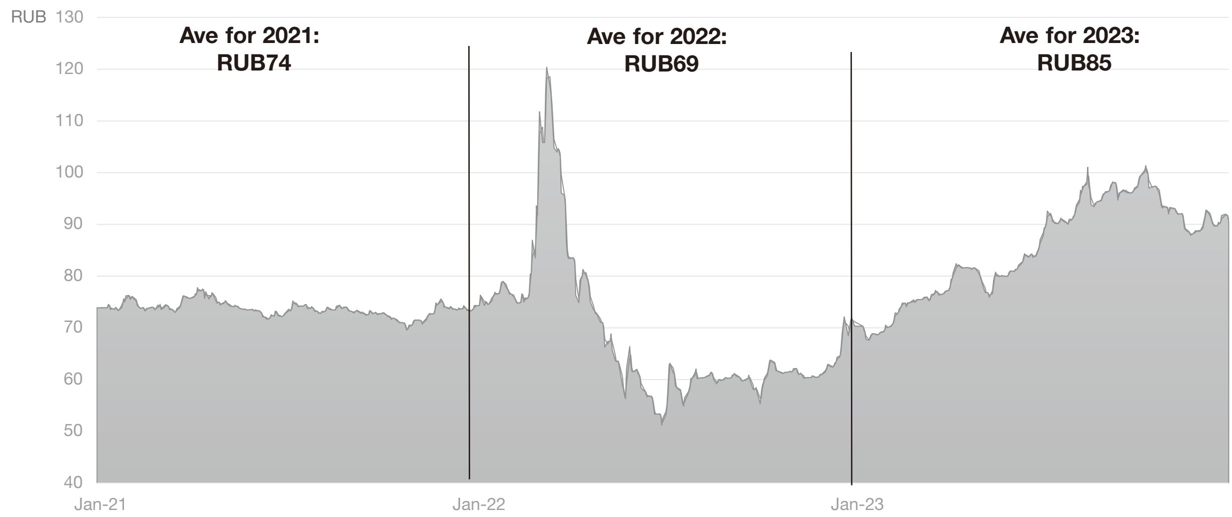
Electricity price has also sharply increased in early 2023, following cancellation of certain subsidies by the local electricity suppliers. Manpower resources has been very scarce in the Far East region of Russia and the labour market is getting increasingly competitive in Russia generally. In response to the challenging labour market conditions and for employees' retention and motivation purposes, a decision was made to implement salary adjustments in mid-2023. This also contributed to the increase in total cash costs.

Included in the cash cost is a new item: – Temporary Export Duties. Russia has introduced the Temporary Export Duties which is calculated based on the Rouble exchange rate for exports outside the Eurasian Economic Union. The Temporary Export Duties apply to most export and would depend on the Rouble/US Dollar exchange rates. The Temporary Export Duties are effective from 1 October 2023 to 31 December 2024.

Given that the Group's operation is mainly conducted in Russia, the strong Russian inflation in 2023 also contributed to the cost increase. Russia's average inflation rate in 2023 was about 7.4% and the inflationary pressure is exacerbated by labour shortages and lending growth, in addition to soaring government spending and weak Rouble. The high inflation in 2023 carries its momentum into 2024 as the rate stayed at 7.4% in January 2024, ahead of the Russia Central Bank's target of about 4.0%.

In addition to the Russian inflation, Russian Roubles also plays a part in the cost structure of IRC. Rouble was relatively volatile in 2023 but, in general, has been on a depreciating trend. The chart below illustrates the movement in Russian Rouble exchange rate against US Dollar from 2021 to 2023:

The Movement of Russian Rouble Exchange Rate Against US Dollar



* Source: Bank of Russia (as of 31 December 2023)

The weakening of the Russian Rouble has a positive impact on the Group's operating margin, as the operating costs of the Group are mainly denominated in Russian Rouble and revenue is mainly denominated in US Dollars.

In overall, the impact of increasing mining and processing costs, the payment of new export duties, as well as the strong inflation outweighed the effect of the Rouble depreciation, resulting in a general increase in cash costs of the Company. Net cash cost before transportation to customers increased by 18.2% to US$62.9 per tonne.

The increase in cost is offset by the reduced scale of seaborne sales as mentioned above, thereby saving the high handling and freight charges. Cost for transportation to customers decreased by 37.5% to US$16.0 per tonne.

Taking into account the transportation cost, the net cash cost in 2023 of US$78.9 per tonne remains comparable to the level in 2022.

GENERAL ADMINISTRATION EXPENSES BEFORE DEPRECIATION

General administration expenses before depreciation decreased by 32.6% to US$9.9 million when compared to the same period last year. The significant decrease is mainly because in 2022, one-off discretionary bonuses for the executives and management staffs, additional payments to directors in light of additional time commitments and workload, and payment in lieu of notice for departing directors were paid. Such costs were absent in 2023.

OTHER INCOME, GAINS AND LOSSES, AND OTHER ALLOWANCES

Other income, gains and losses, and other allowance in 2023 mainly consist of gains on disposal of property, plant and equipment as well as gain from vessel disposal.

For vessel disposal, the Group acquired a crane vessel in the earlier part of 2023 which was subsequently sold, generating a one-off gain of approximately US$0.6 million.

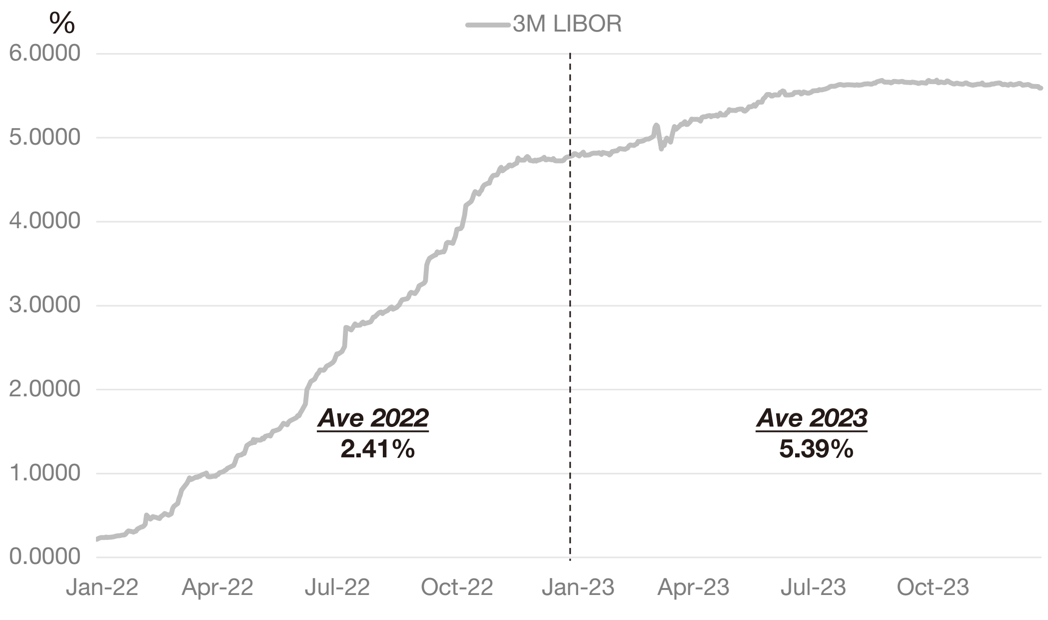
DEPRECIATION

Depreciation charges of US$19.5 million in 2023 was 17.7% lower than that of 2022, mainly because some of the assets having been fully depreciated.

FINANCE COST, NET

Net finance cost principally reflects the interest expenses incurred by K&S on the loan facilities from MIC Invest Limited Liability Company ("MIC"), net of interest income. Net finance cost decreased by 9.6% to US$7.4 million in 2023, primarily as a result of the rising market interest rate (2023: 5.39%; 2022: 2.41%) offset by the effect of reduction in loan principal following the scheduled periodic repayments, higher interest income attributable to the Group's increase in cash balance, as well as the debt-equity swap of US$19 million with MIC in the fourth quarter of 2022. The chart below illustrates the movement in market interest rate.

The Movement of 3 Months LIBOR



Source: Bloomberg (as of 27 March 2024)

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

The income tax expense and non-controlling interests of US$10.2 million (2022: credit of US$0.6 million) is mainly related to the payments of Russian Corporate tax and Windfall tax, as well as the provision made for deferred tax movements.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Despite the Group recording an underlying profit of US$8.7 million, the significant non-cash asset impairment of US$163.9 million, the foreign exchange movements, and the other provision resulted in the Group reporting a loss of US$156.8 million in 2023 (31 December 2022: US$87.9 million).

SEGMENT INFORMATION

The mines in production segment represents the K&S mine's production and sales. This segment made a loss of US$130.4 million in 2023 (2022: US$60.2 million), after taking into account the impairment provision and depreciation costs. Mines in development, engineering and other segments were not material to the total revenue, and during 2023, a total loss of US$0.9 million of these segments was recognised (2022: US$0.8 million).

CASH FLOW STATEMENT

The following table summarises key cash flow items of the Group for the years ended 31 December 2023 and 31 December 2022:

	For the year ended 31 December	
US$'000	**2023**	2022
Operating profit before working capital movements	**43,322**	61,696
Working capital movements		
Net movement in inventories	**13,912**	(5,689)
Net movement in receivables	**(20,520)**	(14,629)
Net movement in payables	**26,544**	(8,702)
Net cash generated from operations	**63,258**	32,676
Repayments of borrowings	**(10,784)**	(34,732)
Loan guarantee fees paid	**–**	(2,883)
Capital expenditure	**(17,267)**	(14,448)
Interest expenses paid	**(8,324)**	(7,602)
Repayment of lease liabilities	**(140)**	(4,308)
Interest received, other payments and other adjustments, net	**331**	(1,979)
Income tax paid	**(8,003)**	(937)
Proceeds from the trading of vessel, net	**585**	–
Proceeds from issuance of shares	**–**	18,985
Net movement during the year	**19,656**	(15,228)
Cash and bank balances (including time deposits)		
– At 1 January	**36,901**	52,129
– At 31 December	**56,557**	36,901

In 2023, operating profit before working capital movements was US$43.3 million, down from US$61.7 million in the prior year, mainly due to the reduction in EBITDA as discussed above. A net working capital inflow of US$19.9 million (2022: cash outflow of US$29.0 million) was recorded in 2023, including approximately a net US$9.0 million of short-term positive change in working capital relating to third party concentrate-trading activity. This has boosted net cash generated from operations in 2023 to US$63.3 million (2022: US$32.7 million).

US$10.8 million of loan principal was repaid in accordance with the repayment schedule of the MIC loan facility. The decrease in loan guarantee fee payment is due to the fact that the loan was no longer guaranteed. Capital expenditure of US$17.3 million was incurred, of which US$9.9 million was spent for the development of the Sutara project and the balance mainly represents ongoing capital expenditure for the K&S mine. The increase in interest payment was primarily due to the raising market interest rate, partially offset by the effect of scheduled principal repayments. US$8.0 million of tax was paid in 2023, mainly related to the payment of Russian Corporate tax and Windfall tax. The vessel disposal gave rise to a one-off net cash inflow of US$0.6 million. In 2022, a US$19.0 million debt-equity swap with MIC was performed. As IRC did not issue any new shares in 2023, the proceeds for share issuance during the year was nil.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Share capital

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

Cash Position

IRC was successful in increasing its cash, deposits and bank balances to US$56.6 million as at 31 December 2023 (31 December 2022: US$36.9 million), including approximately US$9.0 million of short-term positive changes in the working capital which was related to third-party commodity trading transactions.

As at 31 December 2023, cash and cash equivalents of US$33.9 million (31 December 2022: US$18.9 million) was denominated in US Dollars, an amount equivalent to US$10.4 million (31 December 2022: US$12.9 million) was denominated in Russian Roubles, an amount equivalent to US$0.1 million (31 December 2022: US$0.1 million) was denominated in Hong Kong Dollars, and an amount equivalent to US$12.2 million (31 December 2022: US$5.0 million) was denominated in Renminbi.

Exploration, Development and Mining Production Activities

For the year ended 31 December 2023, US$217.6 million (31 December 2022: US$227.5 million) was incurred on development and mining production activities. No material exploration activity was carried out in 2023 and 2022. The following table details the operating and capital expenditures in 2023 and 2022:

	For the year ended 31 December					
	2023			2022		
US$'m	**Operating expenses**	**Capital expenditure**	**Total**	Operating expenses	Capital expenditure	Total
K&S development	**200.3**	**17.0**	**217.3**	213.1	14.3	227.4
Exploration projects and others	**0.2**	**0.1**	**0.3**	–	0.1	0.1
	200.5	**17.1**	**217.6**	213.1	14.4	227.5

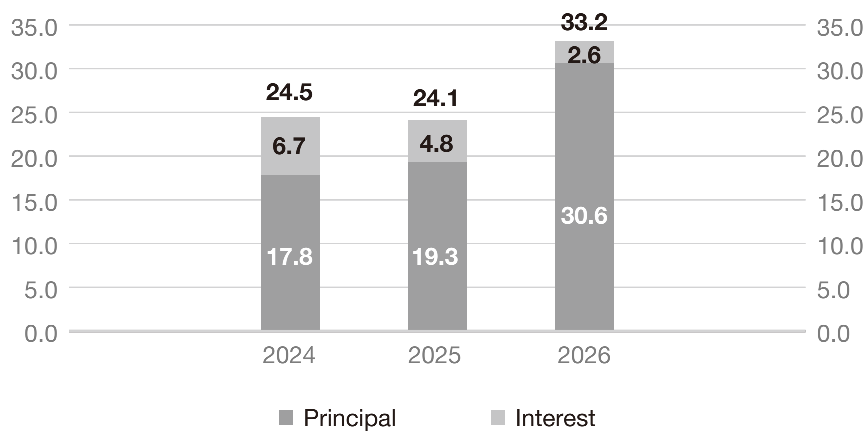
The table below sets out the details of material new contracts and commitments entered into throughout 2023 on a by-project basis.

		For the year ended 31 December	
US$'m	**Nature**	**2023**	2022
K&S	Purchase of property, plant and equipment	**1.2**	–
	Sub-contracting for excavation-related works	**0.6**	–
	Sub-contracting for mining works	**0.1**	6.1
	Sub-contracting for railway and related works	**–**	6.8
Others	Other contracts and commitments	**1.2**	0.7
		3.1	13.6

Borrowings and Charges

IRC drew down the US$240.0 million loan facility in 2019 and since then IRC has repaid US$172.3 million. The total debt due to MIC amounted to US$67.7 million as of 31 December 2023. The repayment profile of the loan, together with the interest expenses estimated based on the prevailing interest rate as of 31 December 2023, is as follows:

Loan and Interest Repayment Profile, US$ million

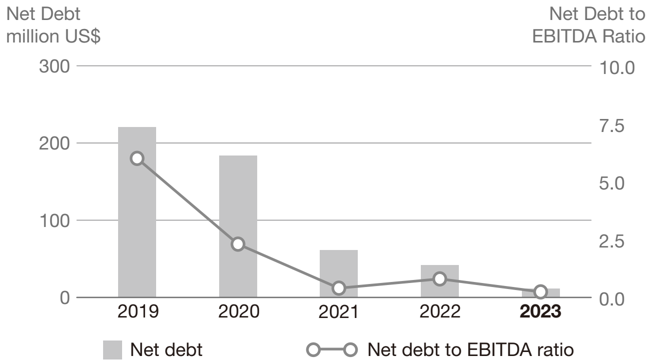


Source: IRC Limited (as of 31 December 2023)

The loan is secured by a charge over the property, plant and equipment with net book value of US$51.9 million as at 31 December 2023. Save as disclosed, as at 31 December 2023, no other property, plant and equipment or right-of-use assets were pledged for the Group's borrowings or banking facilities.

The interest of the facility is determined with reference to LIBOR. The rising global inflation has been pushing interest rate into a more aggressive position. The three-month LIBOR has been steadily rising with an average interest rate of 5.39% in 2023 (2022: 2.41%). In line with the raising interest rate, the Group's weighted average interest rate in 2023 increased to 8.68% (31 December 2022: 8.48%). Fortunately, the significant reduction in the loan principal has put IRC in a better position to withstand the volatile interest rates. Net debt of the Group had reduced to US$11.2 million by the end of 2023. Net debt to EBITDA decreased from 0.74 in 2022 to 0.24 in 2023 mainly due to the significant reduction in net debt:

Net debt/Net debt to EBITDA ratio



	2019	2020	2021	2022	2023
Net debt (US$'m)	220.3	183.5	61.1	41.6	**11.2**
Net debt to EBITDA ratio	6.62	2.30	0.36	0.74	**0.24**

Source: IRC Limited (as of 31 December 2023)

As at 31 December 2023, all of the Group's borrowings were denominated in US Dollar (31 December 2022: all denominated in US Dollar), none of which was at fixed interest rate (31 December 2022: US$nil). The Group's gearing ratio, calculated based on total borrowing divided by total equity, increased to 23.3% (31 December 2022: 17.4%), mainly due to the decrease in total equity following the impairment provision which reduced the carrying value of the Group's assets.

Risk of Exchange Rate Fluctuation

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

As of 31 December 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. It should be noted that the hedging is not speculative in nature and is for risk management purposes.

Significant Investments, Acquisitions and Disposals

Apart from the development of the Sutara Pit, during the year ended 31 December 2023, the Group had no significant investments, or major acquisitions and disposal of subsidiaries, associates and joint ventures.

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

Employees and Emolument Policies

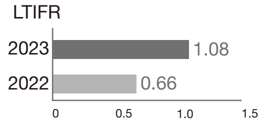
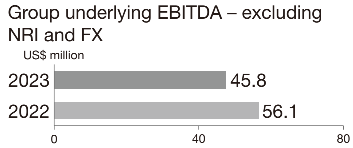
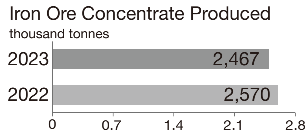
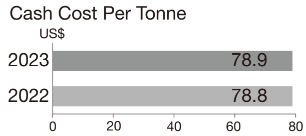
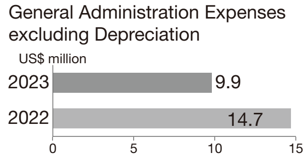
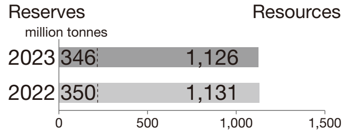
In 2023, the Group employed 1,636 employees (2022: 1,804 employees). Total staff costs amounted to US$28.8 million during the reporting period (31 December 2022: US$35.7 million). The decrease is mostly because one-off discretionary bonuses for the executives and management staffs, additional payments to directors in light of additional time commitments and workload, and payment in lieu of notice for departing directors were paid in 2022. Such costs were absent in 2023. 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.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities.

KEY PERFORMANCE INDICATORS

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

KPI	CONTEXT	2023 DEVELOPMENT	2023 PERFORMANCE
Safety	Our aim is to create a culture of zero-harm and to adhere to strict safety policies and standards for the safety and well-being of the employees.	In 2023, the lost time due to injuries recorded on site was 1.08 per 1,000,000 man-hours.	**Safety – Good level** 
Profitability	Profitability focuses on financial performance over medium to long term; EBITDA is a primary and accurate measure of IRC's success.	Decrease in the achieved selling price in 2023 compared to 2022, lower production volume due to ore quality, and the costs inflation were the main causes of the decreased Group underlying EBITDA.	**Profitability – Decreased mainly due to the lower achieved selling price, lower production volume, and costs inflation** 
Production	IRC primarily produces high-quality iron ore concentrate, and K&S's production capacity is critical to the Group's success.	Production in 2023 was hampered by the lower grade of Fe_{mag} in ore processed, and the underperformance of the mining contractors.	**Production – Decreased due to ore quality** 
Efficiencies & Cash Cost	"Cash Cost" shows the cost of running a mine to produce a given amount of product. It is a benchmark for operating performance. Cash cost disregards general administration expenses, depreciation and amortisation.	In 2023, unit cash costs on delivered basis stayed largely in line with 2022.	**Cash Cost – Stringent cost management** 
Administrative Overheads	Administrative overheads measure the costs of supporting units for the business to carry out profit making activities.	General administration expenses before depreciation decreased by 33%.	**Administrative Overheads – Stringent control** 
Exploration & Development	Our exploration programmes aim to add value through the discovery of new resources, and to increase and confirm the mineable reserves.	The Group has been focusing on developing Sutara project. No significant exploration activity was carried out during 2023.	**Exploration & Development – Abundant resources and reserves base** 
ESG & Community	ESG is measured by adhering to the legislation and best practices in the jurisdictions and the community in which IRC operates.	In 2023, IRC continued to operate adhering to high ESG standards.	**Extensive ESG statistics are given in the Environmental, Social and Governance section.**

	2022 PERFORMANCE	FUTURE OPPORTUNITIES
Compared to 2022, the Group's lost time injury frequency rate (LTIFR) was higher in 2023, but largely in line with the steel industry average over the past few years.	In 2022, the lost time due to injuries recorded on site was 0.66 per 1,000,000 man-hours.	IRC will endeavour to maintain high safety standards and adopt a zero-harm policy throughout its operations. Educational programmes for employees and contractors will continue to be conducted in order to provide them with the relevant safety knowledge.
The Group's underlying EBITDA, excluding non-recurring items and foreign exchange, decreased to US$45.8 million (2022: US$56.1 million). Underlying profit was US$8.7 million (2022: US$25.0 million).	With the average iron ore price in 2022 being 25% lower, and Russian Rouble exchange rate 8% stronger than in 2021, the Group's EBITDA also decreased.	There are options for the expansion of K&S to increase production volume for economies of scale. Financial performance is expected to improve after the Sutara pit is fully operational.
In 2023, production and sales volumes decreased by 4% and 1.5% respectively over the previous year.	In 2022, K&S production was 0.5% higher than that in 2021.	K&S will continue to work on increasing the operating efficiency. Operational performance is expected to improve after the Sutara pit is fully operational.
Unit cash costs' increase was primarily driven by the decrease in the production yield and increases in haulage distance and stripping ratio, and also introduction of temporary export duties. This was offset by the lower transport costs due to the lower share of seaborne sales.	In spite of the stronger Russian Rouble, increased mineral extraction tax and inflation, K&S was able to limit the costs increase at 9.9% in 2022.	The weakness of Rouble can benefit IRC's production cash cost, as its operating costs are mainly denominated in Rouble. Once Sutara ramps up to full production capacity, with the ore quality being anticipated to improve, there is room for K&S to keep costs under control.
Significant decrease in general administration expenses before depreciation from US$ 14.7 million in 2022 to US$ 9.9 million in 2023, mainly due to the absence of one-off bonuses and additional payments to directors in 2023.	General administration expenses in 2022 were 43% higher than in 2021 due to the one-off discretionary bonuses for the executives and management staff, additional payments to directors in light of additional time commitments and workload, and payment in lieu of notice to departing directors.	The Group will continue to carry out tight cost saving measures to minimise the administrative overheads.
In 2023, K&S resources decreased in line with the depletion of the Kimkan deposit.	In 2022, the Group has been focusing on ramping up of K&S and developing Sutara project. No significant exploration activity was carried out during 2022.	Currently there are no exploration and development activities planned for the nearest future. Exploration works may resume after strategic evaluation.
	The integrated Environmental Management System ("EMS") allows IRC to reduce its environmental impact.	The Group will continue its efforts to reduce energy consumption and water usage, control air pollution and apply waste management measures.

PROJECT REVIEW

K&S

100% owned

Key facts:

65%
Fe grade (concentrate)

3.2Mtpa
Production capacity

10Mtpa
Ore process capacity

240km
To Chinese border

574Mt
Total resources

320Mt
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.

OPERATIONAL PERFORMANCE IN 2023

During 2023, K&S demonstrated stable performance despite certain challenges. In 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.

Production in 2023 was also hampered by the lower yield of iron ore concentrate from ore due to the lower content of Fe_{magn} in the ore processed. Another unfavourable factor was the underperformance of the mining contractors resulting from the low readiness of the equipment due to technical issues.

In 2023, K&S operated at an average capacity of approximately 78%. Production volume was 4.0% lower than the previous year, whereas sales were 1.5% lower.

SALES AND MARKETING

During 2023, K&S continued using the Amur River Bridge for railway shipments to the Chinese customers. During the year, approximately 687Kt of K&S's sales were shipped via the bridge.

In the initial part of 2023, K&S recommenced the seaborne sales. As the macroeconomic situation changed, there were no sea shipments in the latter part of 2023.

SUTARA PIT

Sutara deposit, which is situated approximately 15 km south-south-west of Kimkan, will be providing iron ore material to the processing plant and extend the mine life of K&S as Kimkan deposit approaches depletion. 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 2023, K&S continued development of the Sutara project. A power line to Sutara was successfully completed and put into operation. Construction of the modular crushing and screening complex, the permanent reinforced-concrete bridge over the Sutara River and the overpass on the federal highway commenced and have been progressing well. The roadbed of the permanent access road to Sutara was completed; road surface dressing commenced. At the Sutara deposit, stripping and dewatering works are ongoing.

It is estimated that mining operations at Sutara will start in the first half of 2024 and processing of Sutara ore will start in mid-2024, after necessary permits are obtained.

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 31 December 2023, approximately US$29.2 million had been incurred. The remaining sum of US$21.2 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 its own mining fleet, and the mining works on site are carried by third-party mining contractors. During the reporting period, the mining contractors moved 19,794,300 cubic metres of rock mass, which represents 11% increase from the same period last year. This includes 9,237,000 tonnes of ore, a 4% increase in tonnage compared to 2022. Stripping ratio (ratio of the volume of overburden that must be removed to the tonnage of ore mined) increased by 10% in 2023 compared to 2022.

PRODUCTION

During the year, 9,124,300 tonnes of ore were fed to primary processing, 4% more than in 2022. 2,239,668 tonnes of pre-concentrate were produced, also a 4% increase compared to 2022. However, due to the lower grades and hence the yields, commercial iron ore concentrate production volume in 2023 was 4% lower than in 2022: 2,466,829 tonnes (2022: 2,569,845 tonnes).

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Key Performance Indicators
Project Review

UNIT CASH COST

In 2023, the unit cash cost per dry metric tonne totalled US$85.4 (excluding transportation: US$68.1).

K&S's rouble-denominated cash cost is likely to rise in the short and medium term, due to the longer transport distance of ore from Sutara deposit to Kimkan processing plant, as well as general inflation in Russia. Also, in September 2023, Russian government introduced a temporary export duty based on the RUB exchange rate for exports outside the Eurasian Economic Union. The export duty applies to most exports, including iron ore concentrate. The temporary export duty applies from 1 October 2023 to 31 December 2024, which will affect K&S's cash costs.

However, once Sutara ramps up to full production capacity, with the ore quality being anticipated to improve, there is room for K&S to keep costs under control.

SAFETY

LTIFR is a calculation of the number of lost-time injuries per one million hours man-worked. During the reporting period, K&S maintained a high level of safety with 3 injuries (2022 injuries: 2), 0 fatalities (2022 fatalities: 0), and a LTIFR of 1.08 (2022 LTIFR: 0.66). 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 km^2, the project is the largest in the IRC portfolio in terms of area.

FUTURE DEVELOPMENT

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

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

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

Other Projects

EXPLORATION PROJECTS & OTHERS

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

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

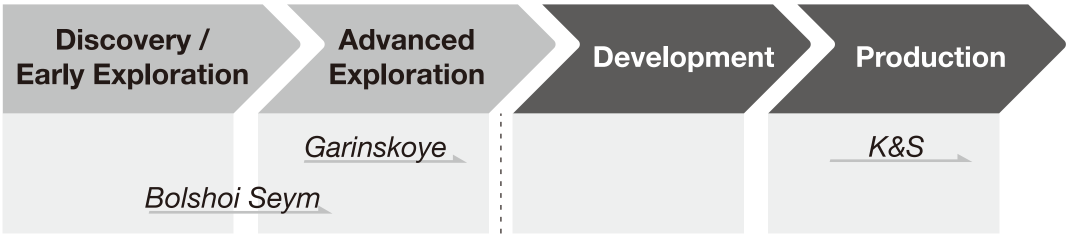
MINERAL RESOURCES AND ORE RESERVES STATEMENT

EXPLORATION OVERVIEW

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

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

The portfolio is divided into production and exploration projects.



OPERATIONS

Over 2023, no material exploration activities were carried out. Changes in resources and reserves were mainly due to the commercial production activities and Kimkan geology information being updated with actual ore grades and processing plant performance level achieved. In the light of these changes, the Group's resources and reserves as at 31 December 2023 are as follows:

31 December 2023		
IRON ORE	RESOURCES	1,126.2 million tonnes
		28.7% Fe
	RESERVES	346.1 million tonnes
		30.6% Fe

What is a Mineral Resource?

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

What is an Ore Reserve?

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

The table below details the Group's Mineral Resources and Ore Reserves as at 31 December 2023 (after application of geological losses). All figures are prepared in accordance with the guidelines of the JORC Code (2012) for a consistent basis of presentation. On the following pages, a further breakdown by project is available detailing cut-off grades and changes during 2023. Rounding-off of numbers may result in minor computational discrepancies. Where this occurs, such discrepancies are deemed to be insignificant.

Resources Summary

Project	Category	Tonnage Mt	Fe Grade %	Fe Mt	TiO_2 Grade %	TiO_2 Mt
RESOURCES						
K&S	Measured	18.9	30.9%	5.8	–	–
	Indicated	304.8	31.3%	95.5	–	–
	Inferred	250.1	31.9%	79.9	–	–
	Total	573.8	31.6%	181.2	–	–
Garinskoye	Measured	–	–	–	–	–
	Indicated	210.9	35.5%	74.9	–	–
	Inferred	48.6	30.9%	15.0	–	–
	Total	259.5	34.6%	89.9	–	–
Bolshoi Seym	Measured	–	–	–	–	–
	Indicated	270.8	17.8%	48.2	7.7%	20.8
	Inferred	22.0	16.8%	3.7	7.7%	1.7
	Total	292.8	17.7%	51.9	7.7%	22.5
Group	**Total Measured**	**18.9**	**30.9%**	**5.8**	**–**	**–**
	Total Indicated	**786.5**	**27.8%**	**218.6**	**7.7%**	**20.8**
	Total Inferred	**320.7**	**30.7%**	**98.6**	**7.7%**	**1.7**
	Total	**1,126.1**	**28.7%**	**323.0**	**7.7%**	**22.5**

Reserves Summary

Project	Category	Tonnage Mt	Fe Grade %	Fe Mt
RESERVES				
K&S	Proven	19.6	29.2%	5.7
	Probable	300.3	29.3%	88.0
	Total	319.9	29.3%	93.7
Garinskoye	Proven	–	–	–
	Probable	26.2	46.9%	12.3
	Total	26.2	46.9%	12.3
Group	**Total Proven**	**19.6**	**29.2%**	**5.7**
	Total Probable	**326.5**	**30.7%**	**100.3**
	Total	**346.1**	**30.6%**	**106.0**

Kimkan and Sutara

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

Mining plan of K&S is based on the technical design documents approved by the State authorities. Mining activities began on the Kimkan deposit, and it is planned that mining of the Sutara deposit will start in 2024. K&S's total resources and reserves decreased in 2023 due to the production activities.

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

K&S Mineral Resources & Ore Reserves

	Tonnage Mt	Fe Grade %	Fe Mt
Resources			
Measured	18.9	30.9%	5.8
Indicated	304.8	31.3%	95.5
Inferred	250.1	31.9%	79.9
Total	**573.8**	**31.6%**	**181.2**
Reserves			
Proven	19.6	29.2%	5.7
Probable	300.3	29.3%	88.0
Total	**319.9**	**29.3%**	**93.7**

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

Garinskoye

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

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

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

Current geological exploration works has been conducted at Garinskoye since 2007. No new exploration was carried out in 2023. The resources and reserves of Garinskoye have been prepared on the basis of a new set of estimates based on revised geological surveys and a feasibility study in 2015. As no exploration has been carried out and based on last year's iron ore prices as assumptions, the resources and reserves of Garinskoye remained the same in 2023 compared to 2022.

The following table details the resources and reserves of Garinskoye:

Garinskoye Mineral Resources & Ore Reserves

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

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

Bolshoi Seym

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

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

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

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

The following table details the resources of Bolshoi Seym.

Bolshoi Seym Ore Resources

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

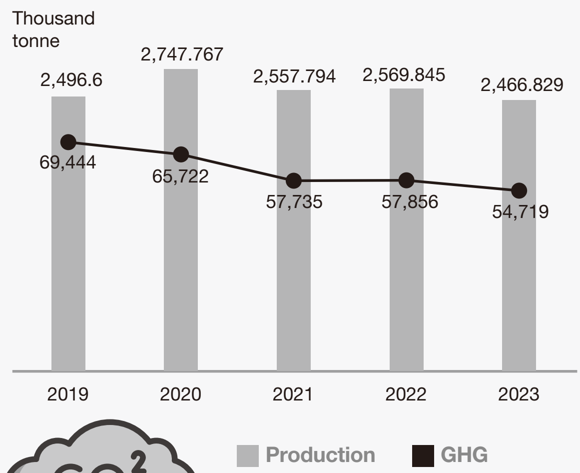
Assumed Bolshoi Seym TiO_2 average cut-off grade: 8%.

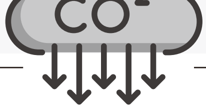
ACT RESPONSIBLE, THINK SUSTAINABLE

FY2023 HIGHLIGHTS

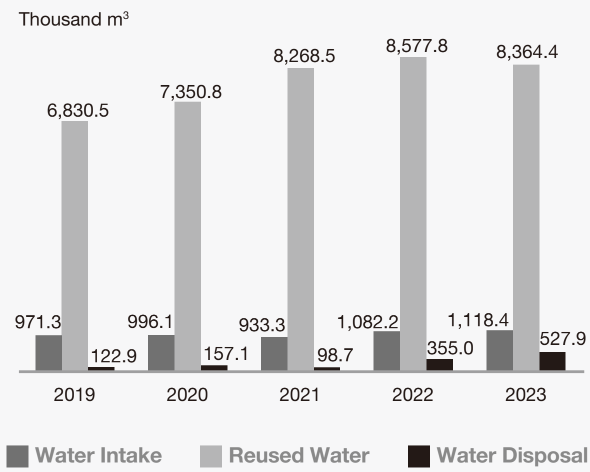
Environment

CO_2 Emissions vs Production



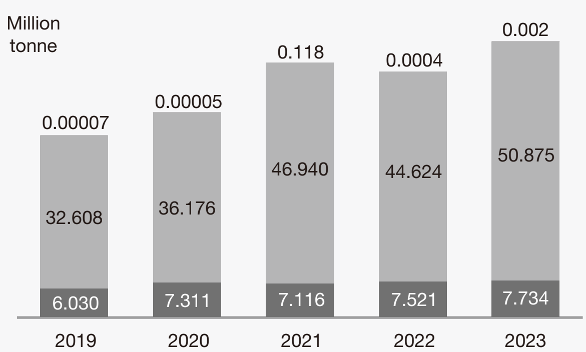


Water Management

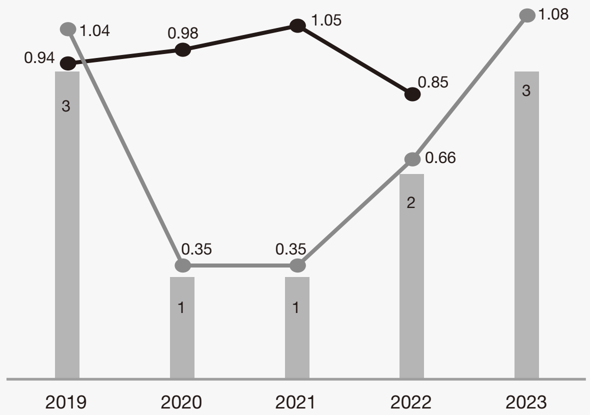


Health and Safety

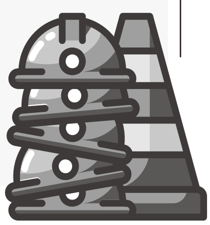
Waste Management



Lost Time Injury Frequency Rate



* Sources: World Steel Association (WSA)



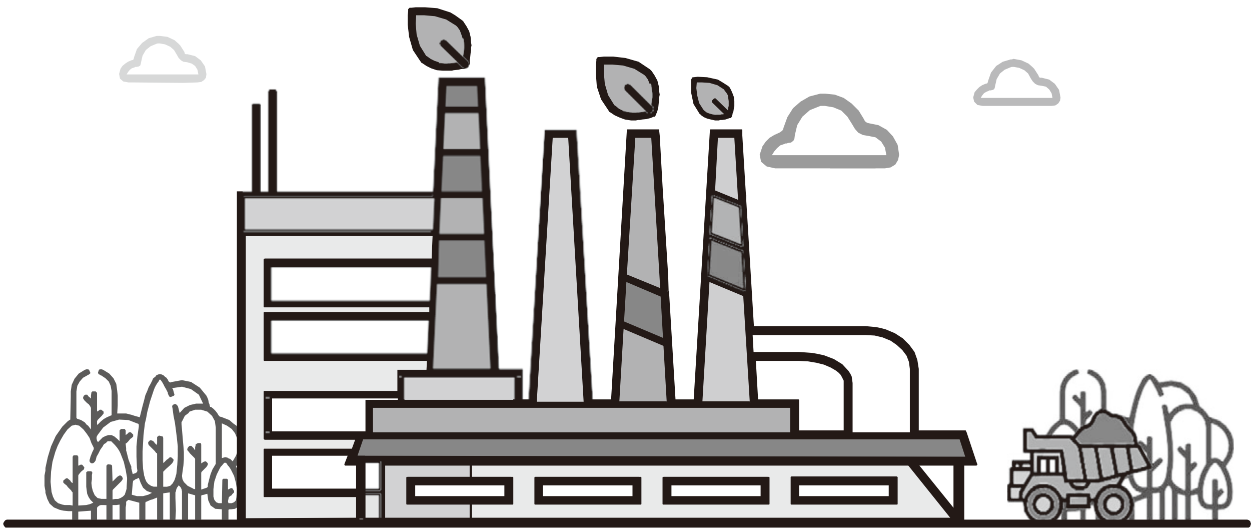
ENVIRONMENTAL, SOCIAL AND GOVERNANCE

INTRODUCTION

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

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

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



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

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

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

REPORTING SCOPE AND BOUNDARY

This ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This ESG report covers the period from 1 January 2023 to 31 December 2023, unless otherwise specified. The information disclosed in this report covers the principal business of the Group, being the production and development of industrial commodities products.

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

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

2. Quantitative: This ESG report presents quantitative information and key performance indicators. Information on the standards, methodologies, assumptions and calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption has disclosed on the page 52.

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

4. Consistency: This ESG report adopts consistent methodologies to allow a fair comparison of the Group’s performance over time. There is no change in the methodologies and key performance indicators used in which relevant data were collected and compiled between this ESG Report and the ESG report prepared for the year ended 31 December 2022.

SUSTAINABLE DEVELOPMENT POLICY

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

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

1. The provision of safe and healthy working condition;

2. The rational use of natural resources; and

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

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

As at 31 December 2023, the HSE Committee consists of three Independent Non-Executive Directors – Natalia Klimentievna Ozhegina (Chairman), Vitaly Georgievich Sheremet and Alexey Mihailovich Romanenko, and is responsible for evaluating the effectiveness of the Group's policies and systems in identifying and managing HSE risks within the Group's operations and ensuring compliance with HSE regulatory requirements. The Committee also assesses the performance of the Group with regards to the impact of health, safety, environmental and community relations, decisions and actions. For details of the committee, please refer to page 102 of this report.

Natalia Klimentievna Ozhegina
Chairman of HSE committee

Vitaly Georgievich Sheremet
Member of HSE committee

Alexey Mihailovich Romanenko
Member of HSE committee

EMPLOYEES – HEALTH & SAFETY

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

In 2023, the Group employed a total of 1,636 employees, with a male to female ratio of 69% to 31%. Aside from these 1,636 employees, the Group also engaged an average of 681 people from external contractors.

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

	2023	2022	2021	2020	2019
Total employees, of which:	**1,636**	1,804	1,767	1,700	1,711
Part-Time	**32**	27	25	12	21
Temporary Contractors	**43**	37	23	24	58
Female – Ratio%	**31**	29.7	30	29	28

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

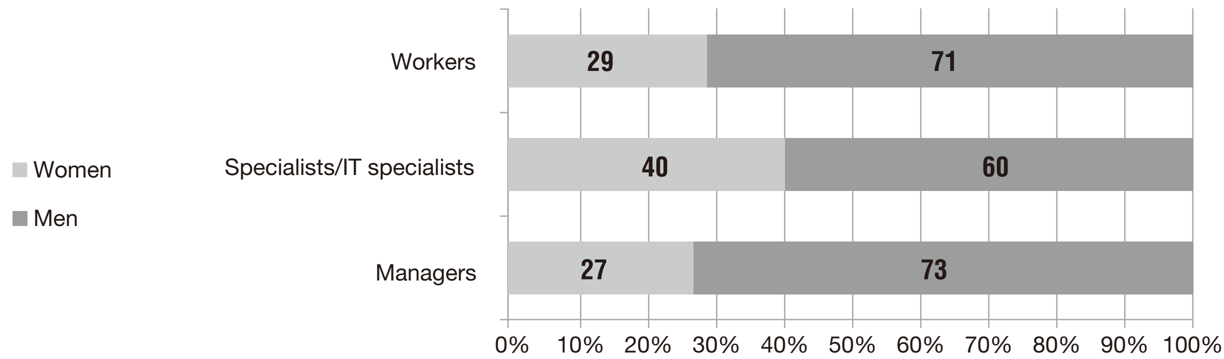
Personnel characteristics

The total number of employees in the Group at the end of 2023 was 1,636, down 9.3% from the previous year, including 1,169 workers (71.5%), 351 specialists (21.5%), and 116 management staff (7.0%).

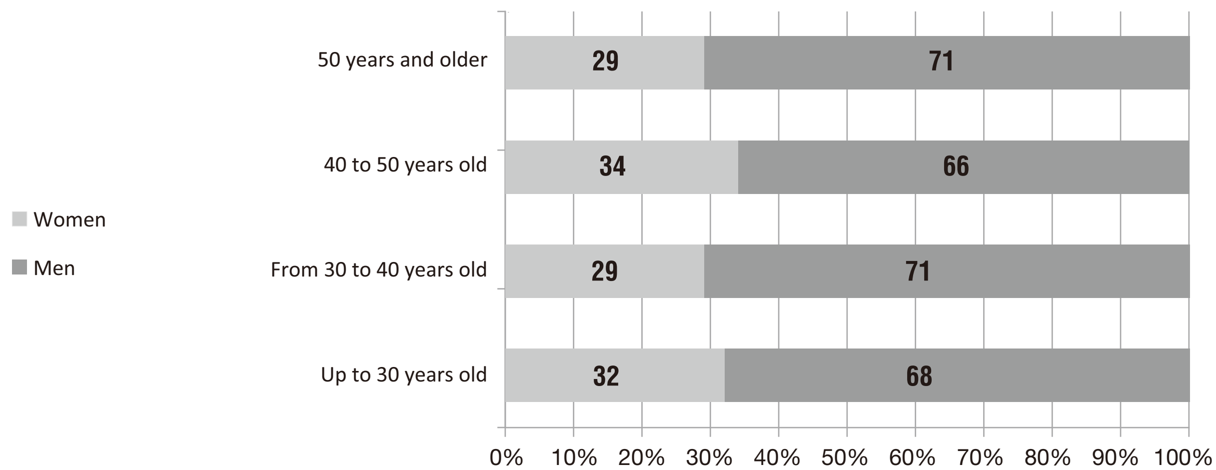
The following table shows the gender distribution of IRC employees by job type and age in 2023:

Indicator	Unit	2023	2022	2021
Men				
		1,128	1,268	1,242
Managers	person	**85**	100	190
Specialists/IT specialists	person	**211**	205	125
Workers	person	**832**	963	927
– Up to 30 years old	person	**178**	183	205
– 30 to 40 years old	person	**287**	301	332
– 40 to 50 years old	person	**337**	410	349
– 50 years and older	person	**326**	374	356
Women				
		508	536	525
Managers	person	**31**	34	40
Specialists/IT specialists	person	**140**	145	153
Workers	person	**337**	357	332
– Up to 30 years old	person	**82**	76	82
– 30 to 40 years old	person	**117**	118	142
– 40 to 50 years old	person	**176**	187	164
– 50 years and older	person	**133**	155	137

Distribution of IRC employees by gender and category in 2023:

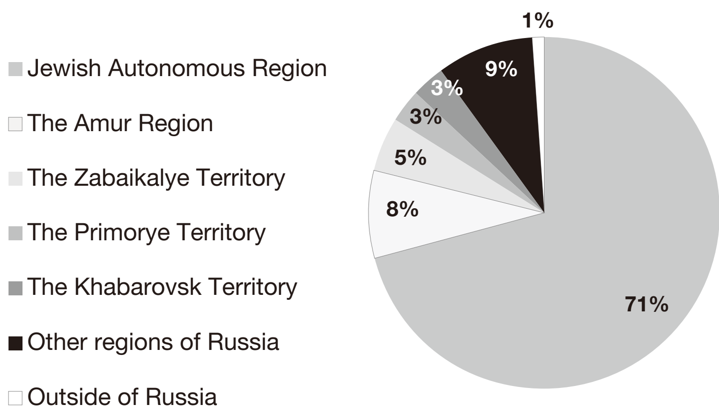


Distribution of IRC employees by gender and age in 2023:



Distribution of IRC employees by region in 2023:

Region	Number of employees
Jewish Autonomous Region (EAO)	1,168
– Birobidzhan,	*412*
– Obluchensky district	*734*
– Other districts of EAO	*22*
The Amur Region	141
The Zabaikalye Territory	79
The Primorye Territory	51
The Khabarovsk Territory	45
Other regions of Russia	141
Outside of Russia	11
Total	1,636



Employees turnover

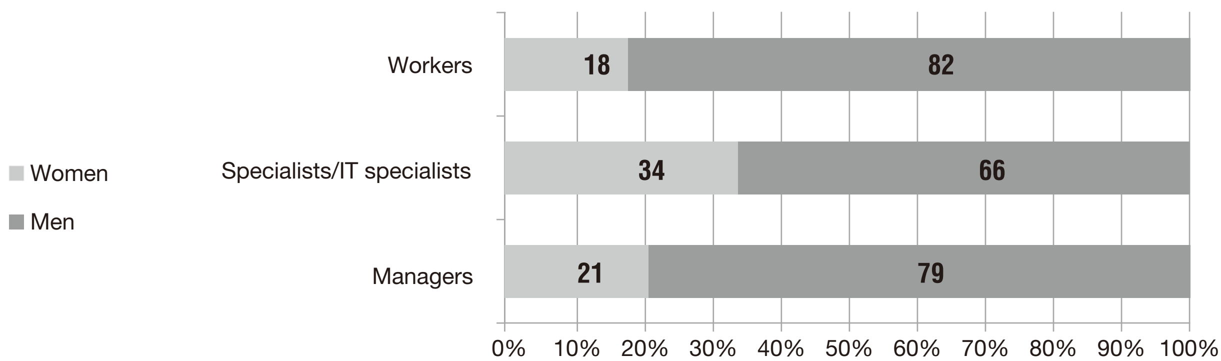
In 2023, IRC had a relatively high employee turnover rate. The number of employees who left the Group reached 448 (employee turnover rate amounted to 28.23%) by the end of 2023, which is higher than the mining industry's average. Competition with other enterprises engaged in mineral mining and processing in the Obluchensky district has contributed to an increase in labour turnover.

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

The following table shows the distribution of IRC employee turnover by gender, age and region in 2023:

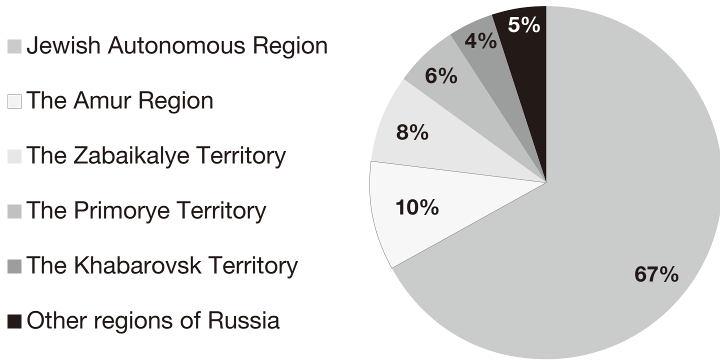
Indicator	Unit	2023	2022	2021
Men		**361**	283	215
Managers	person	**11**	24	–
Specialists/IT specialists	person	**29**	32	–
Workers	person	**321**	227	–
– Up to 30 years old	person	**128**	90	85
– 30 to 40 years old	person	**79**	60	44
– 40 to 50 years old	person	**79**	64	41
– 50 years and older	person	**65**	69	45
Women		**87**	88	86
Managers	person	**3**	2	–
Specialists/IT specialists	person	**15**	20	–
Workers	person	**69**	66	–
– Up to 30 years old	person	**27**	33	35
– 30 to 40 years old	person	**15**	24	21
– 40 to 50 years old	person	**14**	12	15
– 50 years and older	person	**31**	19	15

Distribution of IRC employees turnover by gender and category in 2023:



Distribution of IRC employee turnover by region in 2023:

Region	Number of employees
Jewish Autonomous Region (EAO)	299
– Birobidzhan	*116*
– Obluchensky district	*155*
– Other districts of EAO	*28*
The Amur Region	46
The Zabaikalye Territory	34
The Primorye Territory	28
The Khabarovsk Territory	18
Other regions of Russia	23
Total	448



Analysis of the labour productivity

Production volume in the year of 2023 decreased by 4% compared to the year of 2022 and amounted to 2,446,829 tonnes of iron ore concentrate.

Indicator	Unit	2023	2022	2021	Efficiency % in 2023, YoY
Production volume	t	**2,466,829**	2,569,845	2,557,794	(4.0)
Number of workers	person	**1,636**	1,804	1,767	(9.3)
Labour productivity	t/person	**1,508**	1,425	1,447	5.8

According to the results of the analysis, despite the decrease of the number of employees, the labour productivity per tonne of iron ore concentrate increased by almost 5.8% in 2023 compared to 2022. The increase in labour productivity is due to the staff motivation (an increase in employee wages by 11% compared to 2022).

In 2023, the following measures have been taken to improve operational efficiency and labour productivity, to achieve high production results and to retain highly qualified personnel in the company:

1. **Revision of salaries:**

   – Indexation;

   – Targeted revisions (revision of hourly wage rates taking into account the work scope and equipment capacity);

   – Differentiated salary revisions (the salary increase percentage for each employee is determined individually depending on the ratio of the current salary to the market and assessment of his/her personal performance).

2. Revision of compensation payments:

- Increase in the amount of meals compensation (22% increase);

- The amount of compensation for summer travel was actualized to take into account seasonal changes in Russian Railways tariffs.

3. Annual financial aid:

- As part of the annual campaign “Help to get ready for school”, the company supports employees whose family income is below the minimum wage (24,363 rubles) for each family member. Taking into account the proposals and updates in 2023, an allowance has been paid for each schoolchild to families with many children and children whose fathers are in the special military operation zone. The amount of allowance is 15,000 rubles per one schoolchild.

Employment Mission and Vision

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

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

- Creation of opportunities for the professional and personal growth of employees;

- Encourage all employees to reach their full potential;

- High productivity of labour with full compliance with safety requirements;

- Substantive reward system to encourage high-productivity work;

- Relations between employer and employees are based on the principles of social partnership and mutual responsibility;

- Creating a culture in the workplace that stimulates a high level of achievement.

Training & Development

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

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

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

Training and development of the Group's personnel in 2023 was conducted by external consultants in the following areas:

- Upgrade of professional qualifications in the following areas and specialities:
  - Driver transporting dangerous goods and materials;
  - Front-end engineering design development;
  - Advanced training of accountants;
  - Loading crane operator;
  - Professional retraining of road transport dispatcher transport;
  - Training of health care workers;
  - Training of fitters of signs, limiting devices and recorders of hoisting equipment;
  - Rescue workers on reading and processing of the data of registrars of parameters of lifting facilities (hoisting mechanisms);
  - Operational support specialist for pointers, arresting devices and recorders of lifting devices;
- New occupations: Instrumentation and automation fitter, Pedagogical education;
- Operational and crisis safety training, including labour safety, industrial and fire safety;
- Environmental safety training.

In 2023, 511 employees received training, including:

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

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

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

Employees received training in 2023 by gender and qualifications:

	Number of people	Percentage of employees, %	Average number of training hours per employee	Average number of training hours for all employees
Women	**50**	**10**		
Technical and engineering	8	2	16.75 hours	134 hours
Specialists	30	6	14.6 hours	440 hours
Workers	12	2	21.3 hours	256 hours
Men	**461**	**90**		
Technical and engineering	200	39	15.6 hours	3,119 hours
Specialists	20	4	16.6 hours	332 hours
Workers	241	47	17.4 hours	4,199 hours

For details on the training received by the IRC Board, please refer to page 89 of this Annual Report.

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

In 2020-2023, 27 (full-time students) young specialists successfully obtained their diplomas and were employed by IRC, and 24 specialists (part-time students) received their diplomas and continued working for the Company. As of the end of 2023, 88 students were studying at the university, with their expenses reimbursed by the Group.

To date, 30 full-time students and 7 part-time students continue their studies, one student is on academic leave.

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

Location	2023	2022	2021	2020	2019
K&S Training Centre	**511**	619	518	377	521
Priamursky State University (full-time education)	**12**	26	10	10	10
Priamursky State University (correspondence course)	**–**	27	–	5	12

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

Labour Standards

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

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

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

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

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

The Labour Code also provides for additional protection or favourable treatment for certain categories of employees, such as pregnant women, workers under the age of 18, workers engaged in hazardous working conditions or those working in hostile climatic conditions. According to the Labour Code, it is prohibited to employ, engage in, or use any forced or juvenile labour, and the Federal Authorities regularly carry out field inspections to ensure compliance with the law. To prevent any risk of using child or forced labour, appropriate candidate screening and age-checks are implemented in the Group's recruitment process to ensure no children are hired or contracted by the Group.

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

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

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

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

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

HEALTH AND SAFETY

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

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

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

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

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

– Adherence to all labour legislation-mandated procedures and requirements;

– The need to enforce standards that embody best practices, and to ensure that working conditions are still favourable;

– Conducting required briefings, training, and employee monitoring;

– Advising and educating employees about developments in labour protection;

– Conducting routine risk assessments and operational safety audits to track and enhance the Group's operations.

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

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

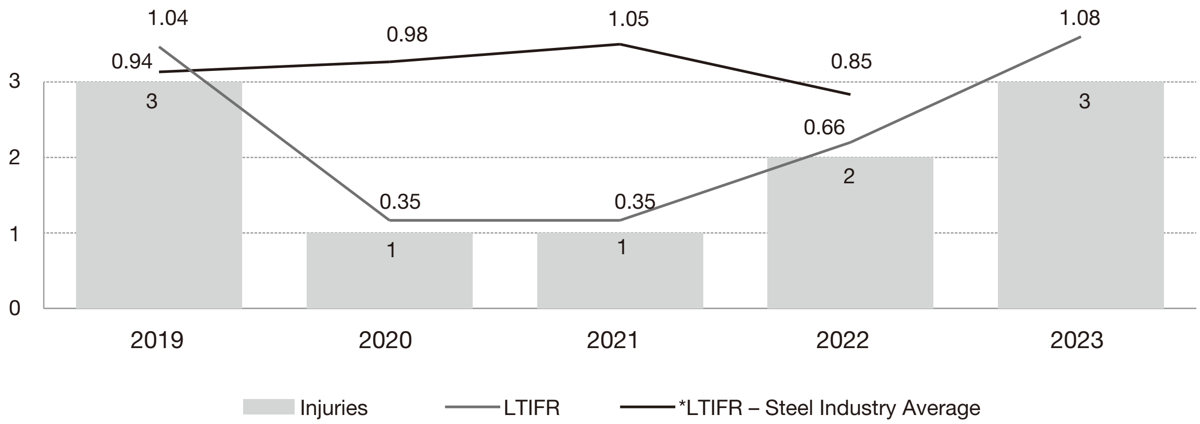
The Federal authorities inspect explosives storage, industrial facilities, labour and environmental aspects, as well as health and safety procedures and documents at each of the Group's operations on a regular basis, ranging from once a year to once every three years.

In 2023, the lost time due to injuries recorded on site was 1.08 per 1,000,000 man-hours. The Group will continue to make efforts in this area in order to achieve a zero injuries rate and safe working conditions.

Safety Statistics 2019–2023 (Russian Standard Scale)

	2023		2022		2021		2020		2019	
	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR	Injuries	LTIFR
K&S	**3**	**1.15**	2	0.70	1	0.35	1	0.36	3	1.07
Other projects	**–**	**0.00**	–	0.00	–	0.00	–	0.00	–	0.00
Group	**3**	**1.08**	2	0.66	1	0.35	1	0.35	3	1.04

Note: LTIFR means Lost Time Injury Frequency Rate.



* Sources: World Steel Association (WSA)

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

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

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

ENVIRONMENTAL MANAGEMENT SYSTEM & ENVIRONMENTAL POLICY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Environmental monitoring of:

   – air pollutants and emissions (including greenhouse gasses);

   – land use and rehabilitation;

   – waste management (including hazardous substances);

   – water management; and

   – energy consumption and conservation.

3. Biodiversity conservation;

4. Community engagement through:

   – stakeholders engagement;

   – public hearings and discussions; and

   – environmental education.

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

CORPORATE ENVIRONMENTAL GOALS, OBJECTIVES, AND MEASURES FOR THE ACHIEVEMENT

In order to implement measures aimed at achieving the environmental goals and objectives set by the Group in 2023 (the environmental goals and objectives are set once a year), the Environmental Protection Action Plan was designed and approved. The Plan is a document that sets out a list of all measures aimed at improving environmental management efficiency, ensuring environmental safety, rational use of natural resources, and saving energy.

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

REQUIREMENTS OF ENVIRONMENTAL LEGISLATION

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

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

– No. 2395-1, 1992 "On Subsoil Law";

– No. 136, 2001 "Land Code";

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

– No. 52, 1995 "On Wild Animals";

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

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

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

– No. 96, 1999 "On Ain Protection";

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

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

– No. 74, 2006 "On Water Code";

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ENVIRONMENTAL MONITORING, CONTROL AND MEASURING

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

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

– Atmospheric air;

– Natural waters (surface and underground);

– Bottom sediments and top soil in stream flow;

– Flora and fauna;

– Aquatic ecosystems; and

– Radiation.

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

The objectives of industrial environmental control are:

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

– Control of hazardous waste management;

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

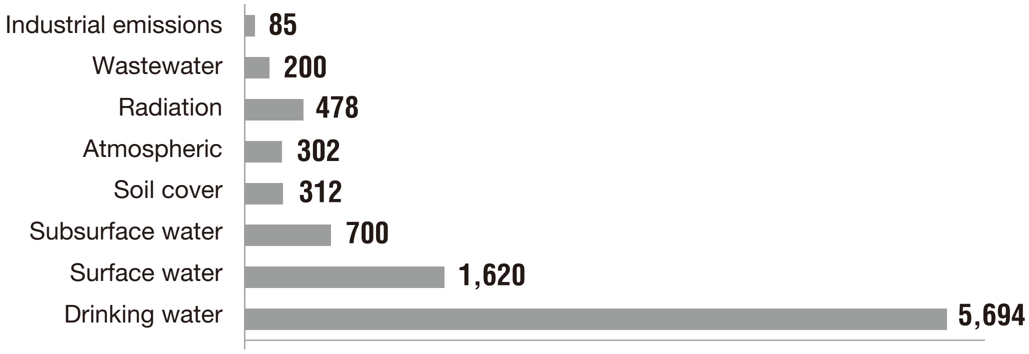
– Control of physical environmental factors (noise and vibration).


Industrial emissions control


Air monitoring


Analysis of water samples

Since 2016, more than 39,000 analyses of various environmental components have been carried out as part of the monitoring programmes including wastewater and industrial discharge tests.



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

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

STATE ENVIRONMENTAL SUPERVISION (CONTROL)

In 2023, one unscheduled inspection was carried out at the K&S enterprise to verify compliance with legal requirements for the protection of subsoil and the environment and the safe conduct of work related to the use of subsoil. No violations have been noted as a result of the inspections.

CLIMATE CHANGE

The corporate objectives in the area of climate change

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

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

Management of greenhouse gas emissions

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

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

Summary of Air Pollutant & Emission Statistics 2019–2023

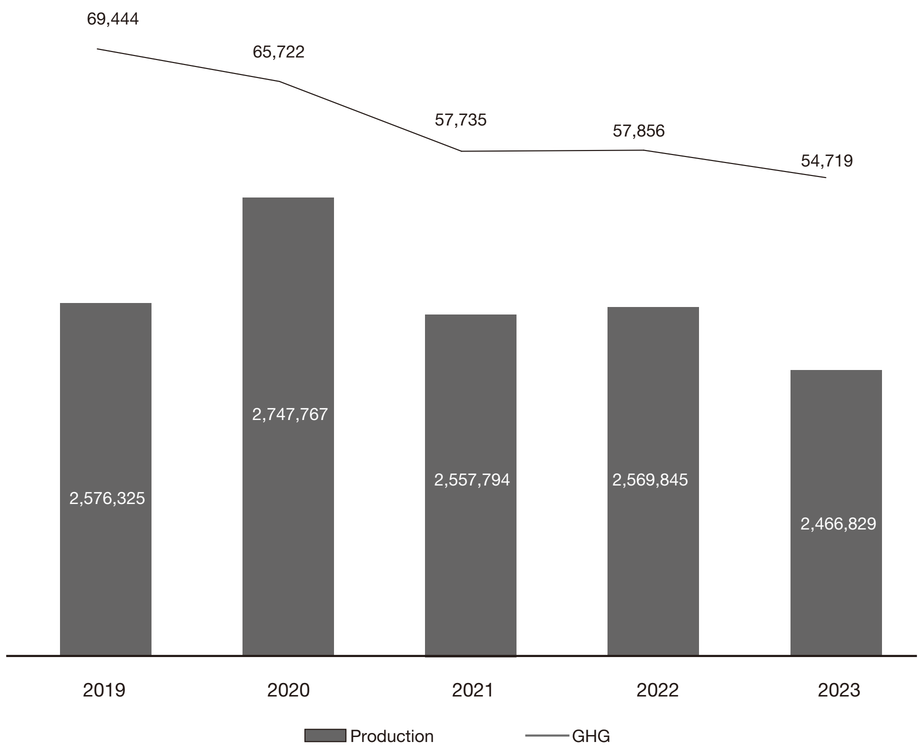
Performance Indices	Unit	2023	2022	2021	2020	2019
Air Pollutants & Emissions						
Greenhouse gases emissions (CO_2):						
Total	t	**54,719**	57,856	57,735	65,722	69,444
Coal combustion	t	**49,660**	52,758	53,031	60,752	64,360
Diesel fuel combustion	t	**4,443**	4,477	4,112	4,304	4,467
Gasoline combustion	t	**616**	621	591	664	616
Kerosene combustion	t	**0.013**	0	1.03	1.55	0.60

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

Indicator	Unit	2023	2022	2021	2020	2019
The volume of production	t	**2,466,829**	2,569,845	2,557,794	2,747,767	2,576,325
Total direct greenhouse gases emissions	t	**54,719**	57,856	57,735	65,722	69,444
– Intensity rate	t/t	**0.0222**	0.0225	0.023	0.024	0.027

Based on the 2023 results, direct greenhouse gas emissions (Scope 1) of the IRC's production activity was 5.4% lower than in 2022 and amounted to 54,719 tonnes of CO_2 equivalent.

Dynamics of greenhouse gas emissions by the Group in 2019-2023, tonnes of CO_2 equivalent vs Production.



During the reporting year, greenhouse gas emissions decreased as a result of the measures to improve energy efficiency and reduce coal consumption in the heating plant of the processing plant.

Indicator	Unit	Actual consumption 2023	2022	Increase /(decrease)
Coal used	t	**28,760**	29,240	(1.64%)
– drying unit	t	**11,989**	10,317	16.21%
– heating plant	t	**16,771**	18,923	(11.37%)

The decrease in coal consumption is mainly attributed to:

- improvement of the combustion regime quality;
- increase in control measurements of fuel balances at the coal storage and, as a consequence, more accurate adjustment of fuel consumption;
- reduction of production in winter;
- weather factor – in 2023 the heating period was shorter than in 2022 due to a warmer winter.

To improve the efficiency of the processing plant while the ore feed quality decreases the following resource-saving measures were implemented in 2023:

– In the drying unit:

  - At drying unit sections SK-1 and SK-2 new filter cloth was fitted on bag filters of FG-770 PTFE (Ecogard) and FBG fiber glass PTFE with membrane was installed.
  - Unloading capacity of drying drums SK-1 and SK-2 was increased by changing the geometry of unloading part of drying drums and increasing the length of augers and auger feeders PSh-500.

– At the processing unit:

  - Two magnetic separators CTN-1550 (with countercurrent vat) with magnetic induction –3500 Gauss (3500 Ersted) have been installed and put into operation at the 1st stage of WMS instead of magnetic separators PBM-P-150/200 with magnetic induction –1600 Ersted. This will allow to reduce Fe_{magn} losses in the tailings of the 1st stage of WMS by 2–3% and increase the recovery (E–%) of Fe_{magn} and $Fe_{(total)}$ in the concentrate of the 1st stage of wet magnetic separation.
  - Further planned replacement of magnetic separators at stages 1, 2, and 3 of wet magnetic separation with CTN separators manufactured in China having a higher magnetic induction of 3000–3500 Ersted will allow to process the initial ore with low Fe_{magn} grade of 12–15%, without large losses of Fe_{magn} and $Fe_{(total)}$ in WMS tailings (transition phase between haematite and magnetite).
  - 4 Derrick-2SG58-60W-5STK five-deck screens with a mesh of 53 microns were installed, which allows increasing the Fe grade in the concentrate up to 0.8%. It will allow to involve in processing complex ores of Kimkanskoye and Sutarskoye deposits.

JSC NNK-Energo (Khabarovsk) has been the independent power supply company for K&S since 2018.

IRC purchases electricity generated at Zeya and/or Bureyskaya hydroelectric power plants (part of PJSC RusHydro). According to public information, in 2023 RusHydro continued to work on determining the carbon balance of HPP reservoirs, so that the results will be recognised by both the international expert community and the authorities responsible for preparing national greenhouse gas emissions registers. Nine large reservoirs of RusHydro HPPs located in different natural and climatic zones of Russia have been selected for measurements: Kolyma, Bureysk, Zeya, Sayano-Shushenskoye, Boguchanskoye, Rybinskoye, Kuibyshev, Volgogradskoye and Chirkeiskoye. The results of the research work will be of great importance to Russia and further, the international community.

Currently, the role of hydropower in the global climate change process and the methodology for estimating emissions and absorption capacity of hydropower reservoirs has not been determined in the Russian Federation. The calculation of indirect greenhouse gas emissions (Scope 2) from water reservoirs is not performed, as there is no calculation methodology.

However, it is important to note that the compensatory reforestation carried out by the company in 2023 on the area of 84.4 ha can be considered as a measure aimed at offsetting the carbon footprint of the company's production activities.

Energy saving and energy efficiency

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

The main objectives of the Group are to:

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

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

According to the analysis of energy consumption in 2023, the consumption of coal (per tonne of dried iron ore concentrate produced) remained close to the 2022's level and was 11.66 kg/t (2022—11.38 kg/t).

Unit power consumption per tonne of concentrate produced was 102.839 kWh in 2023, slightly higher than the 97.748 kWh per tonne of concentrate in 2022.

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

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

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

– Installation of automatic relays for street lightings;

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

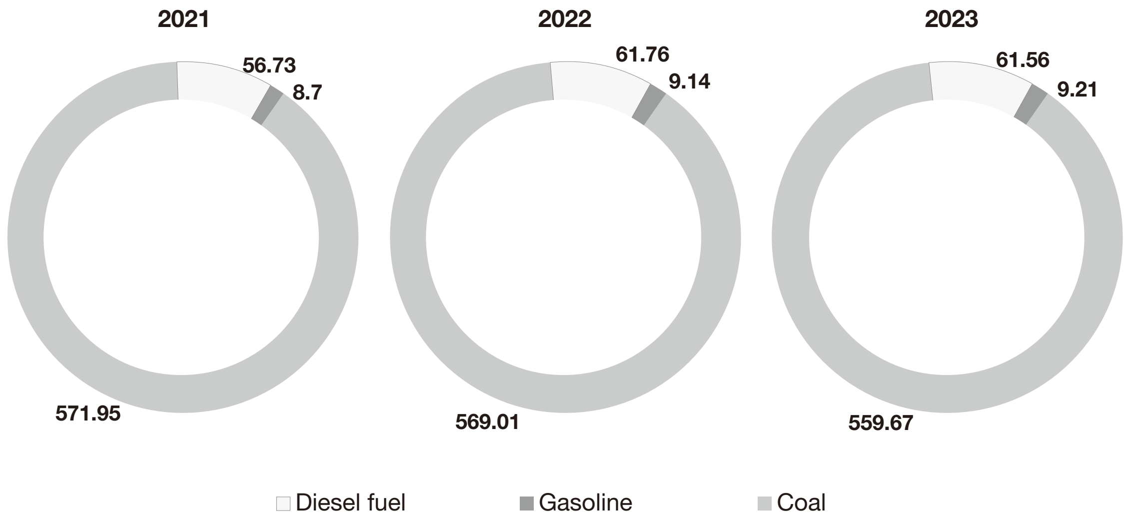
– Thermal insulation of premises in winter.

Summary of Energy Consumption & Conservation Statistics in 2019–2023

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

Performance Indices	Unit	2023	2022	2021	2020	2019
The volume of production	t	**2,466,829**	2,569,845	2,557,794	2,747,767	2,576,325
Energy Consumption & Conservation						
Electricity	kWh	**253,685,806**	251,198,047	251,468,468	266,639,776	250,411,252
– Intensity rate	kWh/t	**102.839**	97.748	98.315	97.039	97.197
Diesel fuel	l	**1,691,336**	1,696,908	1,558,572	1,640,915	1,686,477
– Intensity rate	l/t	**0.686**	0.660	0.609	0.597	0.655
Gasoline	l	**270,469**	268,452	255,476	287,406	263,567
– Intensity rate	l/t	**0.109**	0.104	0.100	0.104	0.102
Coal	t	**28,760**	29,240	29,391	33,670	35,670
– Intensity rate	l/t	**0.012**	0.011	0.012	0.012	0.014
Kerosene	l	**5**	–	407	610	240
– Intensity rate	l/t	**0.000002**	–	0.00016	0.00022	0.00009

Fuel consumption by the Group (TJ)



* Fuel consumption was converted into energy units (TJ).

Risks and opportunities related to climate change

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

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

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

ENVIRONMENTAL PROTECTION

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

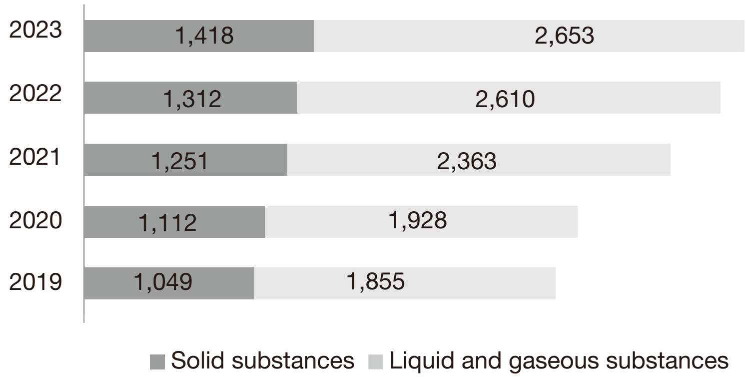
AIR POLLUTANTS AND EMISSIONS

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

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

The gross emissions of pollutants into the atmosphere from stationary sources increased by 3.8% to 4,071 tonnes in 2023. Development of new facilities (in particular, Kimkan West pit), as well as the start of preparation works for the development of the Sutara deposit (construction of external power supply lines, road, a permanent bridge over the Sutara River, an overpass over the Chita-Khabarovsk federal highway, Sotnikovsky stream diversion channel and the industrial site of the Sutara pit) caused an increase in emissions compared to the previous year.

Emissions of Air Pollutants from Stationary Sources, 2019–2023 (tonnes)



In 2021, K&S received a permit for emissions of pollutants into the atmospheric air, valid until the end of 2024. Under the new permit, gross emissions for 2023 did not exceed the established values and amounted to 99.9% of the permitted volume. For the period of construction works, the company obtained a sanitary and epidemiological certificate of compliance of pollutant emissions with the state sanitary and epidemiological rules and standards, and the emissions of pollutants into the atmospheric air have been approved.

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

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

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

– A certified laboratory was used to track the efficiency of the dust and gas catchers. The cleaning efficiency of industrial waste at the processing plant according to measurements was more than 98% in 2023;

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

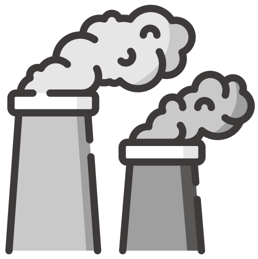
– The Group has implemented the AutoGRAPH system, which allows real-time monitoring of speed, movement/idle time, vehicle location, and deviation from the assigned route. Furthermore, by using the sensors mounted on the vehicles, this multifunctional system is able to track the vehicle's fuel level (refueling,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

– Continuous testing of motor vehicles' exhaust emissions during the technical inspections – 93 vehicles passed technical inspection test in 2023 and the emissions were found to be within acceptable limits;

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

The actual emissions volume did not exceed the limits set in the current permits, according to the results of environmental studies performed at the K&S project site and in the sanitary protection zone in 2023.

Given that no chemical reagents were used in the process cycle from mining operations to concentrate production,the degree of air pollution at the project site, as measured by the integrated index of air pollution in 2023, is "low".



Summary of Air Pollutant & Emission Statistics 2019–2023:

Performance Indices	Unit	2023	2022	2021	2020	2019
Air Pollutants & Emissions						
Mass of emitted hazardous pollutants:						
Total	t	**4,071**	3,923	3,614	3,040	2,904
Solid substances	t	**1,418**	1,312	1,251	1,112	1,049
Liquid and gaseous substances	t	**2,653**	2,610	2,363	1,928	1,855
Percentage of maximum permitted emission:						
Solids	%	**99.88**	99.88	99.6	94	89
Liquid and gases	%	**100**	100	100	94	91
Pollutants removed by gas treatment:						
Total removed, of which,	t	**4,850**	4,850	21,165	45,866	46,565
Solid substance	t	**4,850**	4,850	21,165	45,866	46,565
Liquid and gaseous substances	t	**0.003**	0.003	0.004	0.01	0.11

LAND USE AND REHABILITATION

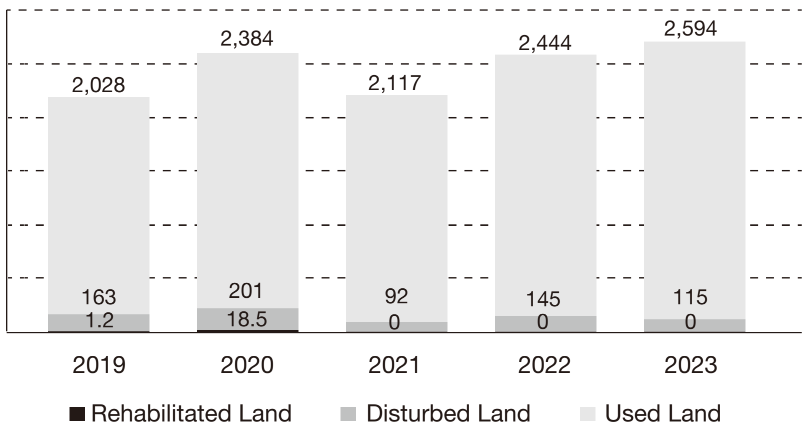
By the end of 2023, the total area of land used by the IRC group was 2,594 hectares, an increase of 150 hectares (6%) from the previous year. The increase in land used was attributable to the signing of new land lease agreements at Kimkan and Sutara for overburden dumps, development of Kimkan West pit and Sutara pit, construction of the power supply facilities and access road to the Sutara pit, construction of a South sediment settling pond.

Land rehabilitation is carried out after the facilities are decommissioned. Rehabilitation volumes and activities are provided in the approved Disturbed Land Recultivation Projects.

Following the land rehabilitation, a natural environment will be made suitable for its further use by future land users.

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

Land Use and Rehabilitation, 2019–2023 (hectares)



Land Use & Rehabilitation Statistics 2019–2023

Performance Indices	Unit	2023	2022	2021	2020	2019
Total area of Land in use	ha	**2,594**	2,444	2,117	2,384	2,028
New surfaces disturbed in the reporting period	ha	**115.28**	144.92	92.23	200.80	162.70
Rehabilitated land						
Area of rehabilitated land	ha	**–**	–	–	18.50	1.20
Topsoil used	m^3	**–**	–	–	–	–
Preservation of topsoil						
Moved to stockpiles	m^3	**–**	–	–	–	–
Total topsoil stored at 31 December	m^3	**1,287,700**	1,287,700	1,287,700	1,287,700	1,287,700
Forest plantation						
Total	ha	**84.4**	82.40	114.10	–	–

WASTE MANAGEMENT

IRC recognizes its responsibility for the environment and takes measures to ensure the rational use of natural resources and safety in waste management. The Company conducts regular operational environmental control in order to comply with applicable legal requirements and manage the impact of waste on environmental components.

In the structure of the Company's generated waste, 99.99% is non-hazardous waste (Class V), which is characterized by a low degree of negative impact on the environment.

Waste generation structure by hazard class, %

Performance Indices	Unit	2023	2022	2021	2020	2019
Hazardous wastes (Class I-III)	t	**0.0001**	0.0001	0.0001	0.0001	0.0001
Low-hazard wastes (Class IV)	t	**0.0004**	0.0004	0.0004	0.0005	0.0005
Practically non-hazardous wastes (Class V)*	t	**99.9995**	99.9995	99.9995	99.9994	99.9994

* including subsoil use waste (inert waste)

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

Most of the waste (99.99%) generated by the company is inert waste (subsoil use waste). Pursuant to the State Standard (GOST R) 56222 "National Standard: Efficiency of resources (Resources saving), Waste Management", "Inert waste" is defined as waste that has no negative impact on humans and the environment. Overburden rock and processing waste (the tailings of dry and wet magnetic separation) belong to inert waste.

Subsoil use waste includes overburden and tailings (dry and wet magnetic separation tailings).

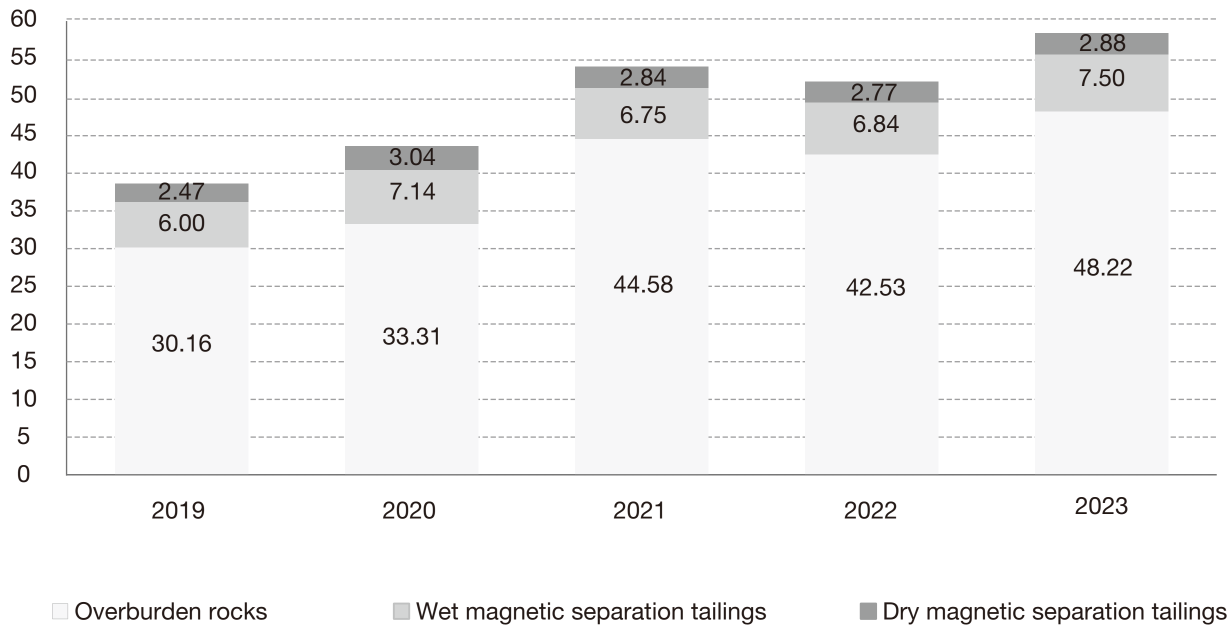
Overburden and DMS tailings are stored in stockpiles in accordance with the approved design solutions and the Land Recultivation Project until their further use for rehabilitation of disturbed lands and filling of the open pits, as well as for road bedding, reinforcement of tailings dams and settling ponds for pit and underground waters. In 2023, 8% of all DMS tailings have been utilized.

Wet magnetic separation tailings are used in the ways specified in the working documentation to develop the deposit, for screening the tailings dam bed and building up the tailings dams by banking the next tier with tailings.

The total amount of inert (non-hazardous) waste generated in 2023 increased by 12% to 58,606,060 tonnes, including: overburden of 48,219,360 tonnes, dry tailings of 2,884,632 tonnes and wet tailings of 7,502,068 tonnes, accounting for approximately 82.3%, 4.9% and 12.8% of total inert waste respectively.

Performance Indices	Unit	2023	2022	2021	2020	2019
Subsoil use waste (inert waste):	t	**58,606,060**	52,143,030	54,171,590	43,485,474	38,634,607
Overburden rocks	t	**48,219,360**	42,528,920	44,581,320	33,310,440	30,162,780
Wet tailings	t	**7,502,068**	6,841,340	6,746,270	7,138,724	6,001,495
Dry tailings	t	**2,884,632**	2,772,770	2,844,000	3,036,310	2,470,332

Inert Waste Volume, 2019–2023, million tonnes



In 2023, the generation of overburden, dry magnetic separation tailings and wet magnetic separation tailings increased by 13%, 10% and 4%, respectively.

The main reason for the increase in the volume of generated tailings was a decrease in the Fe_{magn} grade in the initial ore fed to the processing plant. The grade of Fe_{magn} in the initial ore decreased by 8.8% compared to 2022 (2022 Fe_{magn} –18.2%, 2023 Fe_{magn} –16.6%).

The increase in overburden generation is associated with the complexity of mining operations and a 31% increase in the stripping ratio compared to 2022.

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

Indicator	Unit	2023	2022	2021	2020	2019
The volume of production	t	**2,466,829**	2,569,845	2,557,794	2,747,767	2,576,325
Total hazardous waste	t	**5,616**	3,257	2,711	2,650	3,371
– Intensity rate	t/t	**0.002**	0.001	0.001	0.001	0.001
Total non-hazardous waste (inert)	t	**58,606,060**	52,143,030	54,171,590	43,485,474	38,634,607
– Intensity rate	t/t	**23.758**	19.751	21.179	15.826	14.996

Treatment & Recycling of Waste

Efficient waste management is an integral part of the implementation of the Company's Environmental Policy, which promotes, amongst other things, better interaction with local communities, the government and investors. IRC continuously works on the optimisation of waste treatment and actively re-uses waste in the production process in order to minimise the amount of waste being disposed of, thereby reducing its environmental impact. The progress and achievement of the Environmental Goals and Targets is assessed annually.

In 2023, the Group reused 7,734,248 tonnes of waste, 97% of which was wet tailings waste. The wet magnetic separation waste generated in 2023 was completely used for the formation of tailings bed and the extension of tailings dam embankments. Dry magnetic separation waste and bottom ash waste were used for road maintenance and construction, namely for filling, and preparation of anti-slip mix. In addition, sawdust was used as an absorbent for oil products.

The amount of waste transported to licensed waste treatment facilities for further treatment was 2,197 tonnes.

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

- Reduction in the usage of plain paper in the office; used paper is collected and tallied centrally;
- Use of paper certified by the Forest Stewardship Council (FSC);
- Use of office and electronic equipment complying with the latest version of the Energy Star Standard (energy efficiency requirement);
- Cleaning products must meet the following conditions: the content of anionic and/or nonionic surfactants is restricted, the products have to be classified as class 4 (low-hazard substances), and contain no non-pathogenic microorganisms;
- Use of reusable containers for the storage of materials; use of recyclable materials for packaging; reduction of the amount of packaging;
- Providing drinking water in reusable containers or installing drinking water treatment systems to save the number of containers.

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

In 2023, the following amount of waste was collected and transferred for disposal/recycling:

– 9 tonnes of wastepaper and cardboard;

– 3.7 tonnes of polymer waste were sent for recycling;

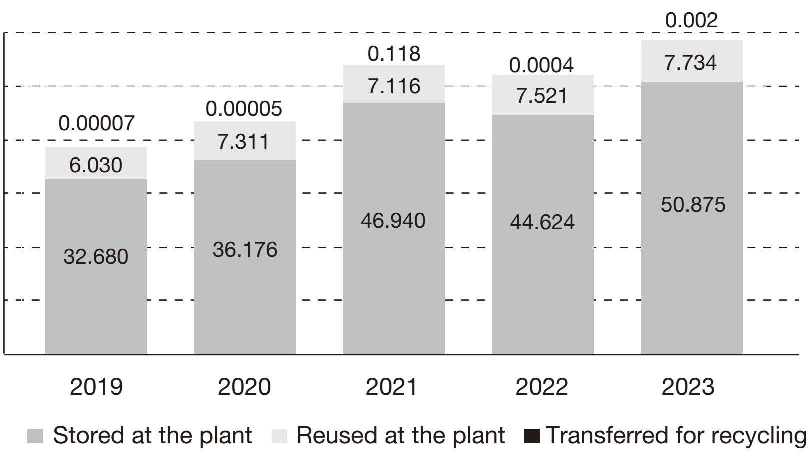
– Over 2,158 tonnes of scrap metal were sold for recycling. The Company's sales revenue was US$403,456.

– 99,755 tonnes of rock fines (crushed stone) were sold for use by third parties. Revenues amounted to –US$130,804.

In 2023, waste collection and recycling will continue.

Transferring of wastepaper and cardboard, used plastic pipes for recycling

Waste Management, 2019–2023, million tonnes



Waste Management Statistics 2019–2023

Performance Indices	Unit	2023	2022	2021	2020	2019
Generated waste:						
Total	t	**58,611,675**	52,146,287	54,174,301	43,488,123	38,637,978
Wastes (excluding waste from operations):	t	**5,616**	3,257	2,711	2,650	3,371
Class I	t	**0.030**	0.323	0.56	0.65	0.75
Class II	t	**–**	0.604	–	–	0.24
Class III	t	**46.627**	40.34	35.48	24.01	47.66
Class IV	t	**207.800**	213.84	212.91	200.89	182.45
Class V	t	**5,361**	3,002	2,462	2,424	3,140
Waste from operations (inert waste):	t	**58,606,060**	52,143,030	54,171,590	43,485,474	38,634,607
Overburden rocks	t	**48,219,360**	42,528,920	44,581,320	33,310,440	30,162,780
Wet tailings	t	**7,502,068**	6,841,340	6,746,270	7,138,724	6,001,495
Dry tailings	t	**2,884,632**	2,772,770	2,844,000	3,036,310	2,470,332
Waste management:						
Stored at the plant*	t	**50,875,230**	44,624,452	46,939,855	36,176,410	32,608,000
Reused at the plant	t	**7,734,248**	7,521,399	7,116,277	7,311,666	6,029,906
Transferred for recycling	t	**2,197**	436.081	118,169	47.88	73.96
Disposed at the plant	t	**–**	–	–	–	–

* For further use in rehabilitation of disturbed lands

WATER MANAGEMENT

In 2023, the Group's water intake increased by 36,197 cubic meters compared to 2022, reaching 1,118,362 cubic meters, of which 1,117,206 cubic meters were drawn from natural water bodies and 1,156 cubic meters of water were drawn from the existing municipal water supply system. A total of 61,976 cubic meters of drinking water was used.

In 2023, potable water consumption decreased by 16,230 m^3 compared to 2022, reaching 61,976 cubic meters. Potable water consumption decreased due to repair and preventive maintenance of water distribution equipment in order to eliminate hidden leaks of potable water. Raising awareness of the Company's employees on the rational use of water resources helped improve control and optimise the consumption of potable water.

A total of 1,055,230 cubic meters of clean water from the "Snarsky" water intake was supplied to the technical system of the processing plant in 2023. Fresh water consumption per tonne of iron ore concentrate produced amounted to 0.453 cubic metres, which was 0.033 cubic metres more than in 2022. The increase in water use is insignificant.

The water disposal volume in 2023 was 527,944 cubic meters, which 192,946 cubic metres more than in 2022. Of this, 472,650 cubic meters were discharged into natural water bodies, and 55,294 cubic meters were discharged into the existing waste water treatment plant and other accumulation reservoirs.

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The increased amount of treated water discharged into natural water courses is associated with an increase in the depth of the pits and consequently of water inflows. Incoming ground and surface water (rainwater and meltwater) is pumped from the pit edge and sent for treatment to the pit water settling ponds (#1, #2 and #3), where it is treated to water quality standards for fishery water courses and then discharged into the nearest water course. All necessary permitting documentation for discharge has been obtained. The volume of discharged wastewater is within the approved limits.

Given that the permissible wastewater discharge volume into natural water bodies in 2023 was 1,154,227 cubic meters, the actual wastewater discharge volume of the Group was only 41% of the permissible discharge volume, which meant that the risk of exceeding the permissible discharge volume was very low.

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

Indicator	Unit	2023	2022	2021	2020	2019
The volume of production	t	**2,466,829**	2,569,845	2,557,794	2,747,767	2,576,325
Total water intake	m^3	**1,118,362**	1,082,165	933,285	996,114	971,335
– Intensity rate	m^3/t	**0.453**	0.421	0.365	0.363	0.377

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

In 2023, K&S’s water supply was normal, and the mine’s industrial and accommodation facilities were all supplied from the “Snarsky” water intake under license BIR 00331BR. The permitted annual water intake was 2.04 million cubic meters (5,600 cubic meters per day), whereas the actual water intake was 1,117,206 cubic meters (3,061 cubic meters per day), accounting for 54.66% of the permitted water intake.

As the processing and production volume of iron ore concentrate will continue to increase, the intake of water is also expected to further increase by 10–20% (1,100–1,200 thousand cubic meters per year). There will be no shortage of fresh water, and no need to find and build up backup sources of water. During 2023, the Group did not experience any issue in sourcing water that is fit for purpose.

As a part of the environmental management system, the Company establishes annual Environmental Goals and Targets for efficient water resources management. The main IRC goal in this area is to prevent pollution of water bodies in the course of the Company’s production activities. In 2023, the share of polluted and insufficiently treated wastewater in the total volume of discharge into surface water bodies was reduced through application of the best available technologies (KSkomplekt II-200 wastewater biological treatment plant, pit water settling tanks) and wastewater quality control. No significant changes in the composition of surface and ground water were detected in the reporting year. The impact of production activities on the condition of the water environment is assessed as “low”.

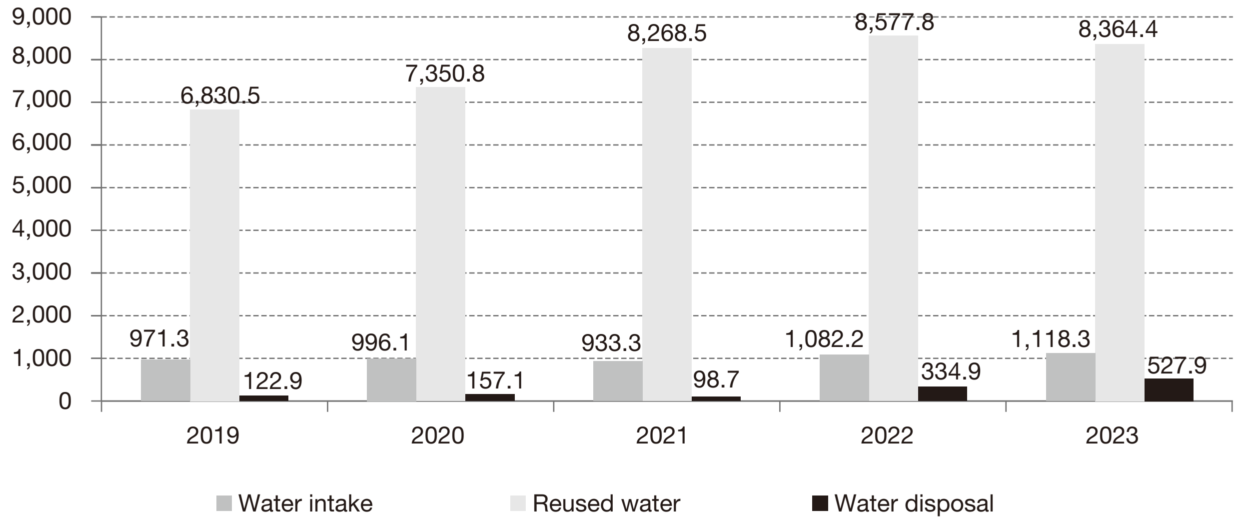
The pit sump of Kimkan Central open pit can be used as an alternative source of technical water supply, as permitted by environmental laws. The use of this water source will reduce the amount of wastewater discharge into the natural water bodies and thus reduce the negative impact on the environment.

The needs of the processing plant in technical water are satisfied by the supply of recycled water from the tailings storage facility. The volume of water in the tailings pond increased to 3.76 million cubic metres, which is 50% more than in 2022. This was done to maintain the required volume of purified water in the tailings pond in winter, taking into account ice formation and minimizing the risk of insufficient volume of purified water entering the processes at the plant.

In 2023, the volume of recirculated water from the tailings storage facility to supply technical water to the processing plant was 8,364,400 thousand m³/year, which is 2.5% less than in 2022.

The decrease in the volume of water recirculated into the process is caused by a reduction in the iron ore concentrate production. Specific consumption of recycled water for the production of 1 tonne of iron ore concentrate was 3.39 m³/t, in 2022 3.34 m³/t.

Water Consumption and Disposal, 2019–2023 (thousand m³)



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

Water Management Statistics 2019–2023

Performance Indices	Unit	2023	2022	2021	2020	2019
Water Management						
Water intake:						
total	m³	**1,118,362**	1,082,165	933,285	996,114	971,335
from natural water bodies (surface and underground)	m³	**1,117,206**	1,080,378	931,975	993,961	967,457
from existing municipal water supply systems of the settlements	m³	**1,156**	1,787	1,310	2,153	3,878
Water disposal:						
total	m³	**527,944**	334,998	98,705	157,144	122,914
into natural water bodies	m³	**472,650**	271,610	34,540	94,190	50,814
into the existing municipal sewerage systems of the settlement	m³	**2,224**	10,048	11,200	12,472	16,396
other accumulation reservoirs	m³	**53,070**	53,340	52,965	50,482	55,704
The volume of recycled water:						
total	m³	**8,364,400**	8,577,800	8,268,500	7,350,790	6,830,525

BIODIVERSITY CONSERVATION

As part of the implementation of measures aimed at preserving and maintaining the biodiversity of the regions in which the Group operates (including measures aimed at protecting key habitats and improving the natural habitats of animals and plants), the following measures for prevention of forest fire were taken in 2023:

- 6 warning notices updated;
- service of fire-fighting mineralized strips (40 km);
- 4 inventory storage racks were installed;
- 1 fire equipment storage unit has been created;
- repair works and cleaning of rainwater drainage channels at the Processing Plant site.

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

In 2023, landscaping works were carried near the office and accommodation buildings at K&S. 30 trees (birch, larch, spruce, maple, rose hip) were planted and flower beds were set up.

Compensation for damages

To fulfill the requirements of the state forestry legislation on restoration of forests cleared in 2019–2022, and to preserve biological diversity, in 2023 K&S engaged a specialized contractor to conduct soil preparation in the area of 84.4 hectares with further planting of 120.932 thousand seedlings of Ayan Spruce in the amount of pieces and 49.712 thousand pieces of Daurian Larch (Gmelin). The total reforestation costs were RUB9.671 million. In total 170,644 thousand trees have been planted on an area of 84.4 hectares.

In addition to the main reforestation works, preventative agrotechnical maintenance of previously planted forest crops (including in 2023) was carried out in the area of 280.90 ha. In addition, 36,347 thousand metres of fire barrier lines (FBL) were cleaned along the perimeter.

Compensatory reforestation, K&S

STAKEHOLDERS ENGAGEMENT

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

In 2023, there were no new complaints or suggestions on environmental issues.

PUBLIC HEARINGS AND DISCUSSIONS

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

In 2023, 3 public hearings were held on the implementation of design documentation for the development of the Kimkanskoye and Sutarskoye iron ore deposits, which is subject to state environmental expertise.

91 people participated in the public discussions, including representatives of the public, management of K&S, as well as representatives of the Obluchensky District and Izvestkovsky Urban Settlement Administrations. No public comments and suggestions regarding the discussion objects were received.

CONTROL BY THE AUTHORITIES

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

In 2023, one unscheduled inspection was carried out at the K&S enterprise to verify compliance with legal requirements for the protection of subsoil and the environment and the safe conduct of work related to the use of subsoil. No violations have been noted as a result of the inspection.

OPERATING PRACTICES

Supply chain management

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

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

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

Interaction with suppliers and contractors

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

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

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

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

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

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

The following mandatory requirements are part of the contracts:

For product suppliers:

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

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

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

For service providers:

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

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

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

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

Local Supplier Support

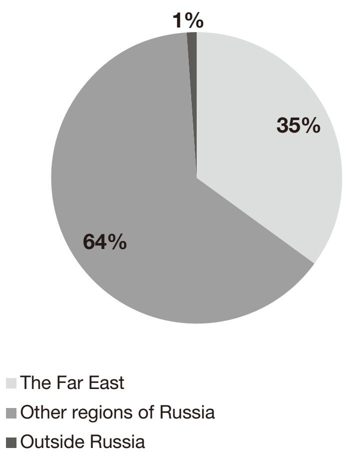
The Group is constantly looking to attract new suppliers and contractors. The main purchases of inventories and services are conducted on the open electronic trading platform B2B-CENTER.RU. The number of procurement procedures on the electronic trading platform B2B-CENTER.RU in 2023 was 171 units. The number of procurement procedures, the amount of which is more than US$11,650, processed by the Tender Committee is 258.

The Group increased revenue of more than 429 suppliers of goods and services in the Far Eastern area. The number of EAO counterparties in 2023 was 126 organisations and individual entities. More than 56 individual entrepreneurs and farms from EAO supply food products (vegetables, meat and dairy products) and other goods to K&S under long-term contracts.

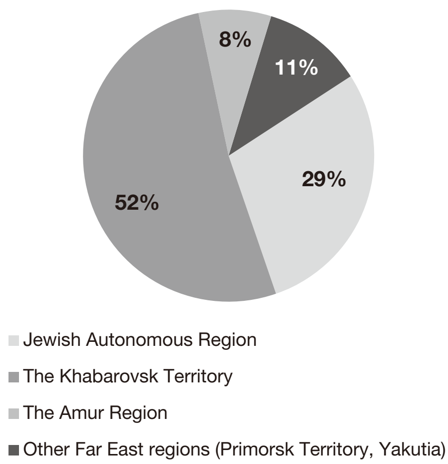
Information about product and service providers in 2023

Suppliers (by geographical region)	Quantity
The Far East including:	429
Jewish Autonomous Region (EAO)	126
The Khabarovsk Territory	221
Amur Region	36
Other Far East regions (Primorsk Territory, Yakutia)	46
Other regions of Russia	776
Outside of Russia	16

Distribution of suppliers by regions of Russia, 2023



Distribution of suppliers in the Far East, 2023



Since 2020, the clothing factory Victoria JSC, Birobidzhan provides the underwear (thermal underwear) for the Company employees. Over the last four years, the Company has purchased more than US$93,200 (in 2023 – US$38,542) worth of this type of clothing.

PRODUCT RESPONSIBILITY

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

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

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

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

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

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

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

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

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

The contract specifies all procedures for interacting with the buyer.

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

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

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

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

Observing and protecting intellectual property rights

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

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

ETHICS AND INTEGRITY

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

Areas covered include but are not limited to:

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

COMMUNITY INVESTMENT

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

The Group carried out the following tasks in 2023:

- The Group provided financial support to children's educational institutions and orphanages – allocated funds for the purchase of furniture, equipment, clothing, purchase of office equipment;
- Gifts were given to children to celebrate the New Year;
- The Group provided financial support to Public organization "Society for the Protection of Animals of the Obluchenskiy District" with maintenance of homeless animals.

The total amount of funding for charitable activities was US$205,300 in 2023.

ANTI-CORRUPTION

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

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

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

– Code of professional ethics for employees;

– Anti-corruption policy.

The Group strives to raise the awareness of its employees on anti-corruption. Although the Group did not formally conduct any anti-corruption training for its employees during the reporting period, mainly due to COVID-19, employees (including Directors) of IRC are provided with and encouraged to study the online materials prepared by the relevant regulatory authorities or consultants on their own. The Group will explore the opportunities of further arranging formal training relating to anti-corruption in the following year.

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

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

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

WHISTLEBLOWING

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

Summary of IRC Environmental Statistics 2019–2023

Performance Indices	Unit	2023	2022	2021	2020	2019
1. AIR POLLUTANTS & EMISSIONS						
Greenhouse gases emissions (CO_2):						
Total	t	**54,719**	57,856	57,735	65,722	69,444
Coal combustion	t	**49,660**	52,758	53,031	60,752	64,360
Diesel fuel combustion	t	**4,443**	4,477	4,112	4,304	4,467
Gasoline combustion	t	**616**	621	591	664	616
Kerosene combustion	t	**0.013**	0.00	1.03	1.55	0.60
Mass of emitted hazardous pollutants:						
Total	t	**4,071**	3,923	3,614	3,040	2,904
Liquid and gaseous substances	t	**1,418**	2,610	2,363	1,928	1,855
Solid substances	t	**2,653**	1,312	1,251	1,112	1,049
Percentage of maximum permitted emission:						
Solids	%	**99.88**	99.88	99.6	94	89
Liquid and gases	%	**100**	100	100	94	91
Pollutants removed by gas treatment:						
Total removed, of which,	t	**4,850**	4,850	21,165	45,866	46,565
Solid substance	t	**4,850**	4,850	21,165	45,866	46,565
Liquid and gaseous substances	t	**0.003**	0.003	0.004	0.01	0.11
2. LAND USE & REHABILITATION						
Total area of land in use	ha	**2,594**	2,444	2,117	2,384	2,028
New surfaces disturbed in the reporting period	ha	**115.28**	144.92	92.23	200.80	162.70
Rehabilitated land						
Area of rehabilitated land	ha	**–**	–	–	18.50	1.20
Topsoil used	m^3	**–**	–	–	–	–
Preservation of topsoil						
Moved to stockpiles	m^3	**–**	–	–	–	–
Total topsoil stored at 31 December	m^3	**1,287,700**	1,287,700	1,287,700	1,287,700	1,287,700
Forest plantation						
Total	ha	**84.4**	82.40	114.10	–	–

Performance Indices	Unit	2023	2022	2021	2020	2019
3. WASTE MANAGEMENT						
Generated waste:						
Total	t	**58,611,675**	52,146,287	54,174,301	43,488,124	38,637,978
Wastes (excluding waste from operations):	t	**5,616**	3,257	2,711	2,650	3,371
Class I	t	**0.030**	0.323	0.56	0.65	0.75
Class II	t	**–**	0.604	–	–	0.24
Class III	t	**46.627**	40.34	35.48	24.01	47.66
Class IV	t	**207.800**	213.84	212.91	200.89	182.45
Class V	t	**5,361**	3,002	2,462	2,424	3,140
Waste from operations (inert waste):	t	**58,606,060**	52,143,030	54,171,590	43,485,474	38,634,607
Overburden rocks	t	**48,219,360**	42,528,920	44,581,320	33,310,440	30,162,780
Wet tailings	t	**7,502,068**	6,841,340	6,746,270	7,138,724	6,001,495
Tailings	t	**2,884,632**	2,772,770	2,844,000	3,036,310	2,470,332
Waste management:						
Disposed at the plant	t	**–**	–	–	–	–
Reused at the plant	t	**7,734,248**	7,521,399	7,116,277	7,311,666	6,029,906
Stored at the plant	t	**50,875,230**	44,624,452	46,939,855	36,176,410	32,608,000
Transferred for recycling	t	**2,197**	436.081	118,169	47.88	73.96
4. WATER MANAGEMENT						
Water intake:						
Total	m^3	**1,118,362**	1,082,165	933,285	996,114	971,335
from natural water bodies (surface and underground)	m^3	**1,117,206**	1,080,378	931,975	993,961	967,457
from existing municipal water supply systems of the settlements	m^3	**1,156**	1,787	1,310	2,153	3,878
Water disposal:						
Total	m^3	**527,944**	334,998	98,705	157,144	122,914
into natural water bodies	m^3	**472,650**	271,610	34,540	94,190	50,814
into the existing municipal sewerage systems of the settlement	m^3	**2,224**	10,048	11,200	12,472	16,396
Other accumulation reservoirs	m^3	**53,070**	53,340	52,965	50,482	55,704
The volume of recycled water:						
Total	m^3	**8,364,400**	8,577,800	8,268,500	7,350,790	6,830,525
5. ENERGY CONSUMPTION & CONSERVATION						
Electricity	kWh	**253,685,806**	251,198,047	251,468,468	266,639,776	250,411,252
Diesel fuel	l	**1,691,336**	1,696,908	1,558,572	1,640,915	1,686,477
Gasoline	l	**270,469**	268,452	255,476	287,406	263,567
Coal	t	**28,760**	29,240	29,391	33,670	35,670
Kerosene	l	**5**	–	407	610	240
Gas	m^3	**–**	–	–	–	–

** Based on the average exchange rate in 2023, the exchange rate for the Environmental, Social and Governance section is RUB85.79 per US Dollar.

HKEX ESG REPORTING GUIDE CONTENT INDEX

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

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CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

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

The Board as a whole is responsible for performing the corporate governance duties and ensuring compliance with the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has applied the principles of the Corporate Governance Code (the "CG Code") as stated in Appendix C1 to the Listing Rules to its corporate governance structure and practices as described in this report. The Board reviews at least annually the corporate governance practices of the Company to ensure its continuous compliance with the CG Code and make appropriate changes if considered necessary. The Board oversaw the work of the Audit Committee, Remuneration Committee, Nomination Committee and Health, Safety and Environment Committee and reviewed the effectiveness of the Group's risk management and internal control systems.

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

CORPORATE CULTURE

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

BOARD OF DIRECTORS

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

Board Size, Composition and Appointments

As at 31 December 2023, the Board comprised six Directors with one Executive Director and five Non-Executive Directors, of which four of them – representing more than half of the Board – are Independent Non-Executive Directors. The names of the Directors, by category, are set out in the Directors' Report. The number of Independent Non-Executive Directors meets the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. Three of the Independent Non-Executive Directors possess the appropriate professional qualifications or related financial management expertise, meeting the requirement under Rule 3.10(2) of the Listing Rules. Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Each Member of the Board ensures that he can give sufficient time and attention to the affairs of the Company and contribute to the development of the Company's strategy and policies through independent, constructive and informed comments. Each member of the Board is required to confirm his other directorships, major appointments and interests to the Company. None of the members of the Board holds seven (or more) directorships in listed companies (including the Company) or holds any cross directorships or has significant links with other members of the Board through involvements in other companies or bodies.

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

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-Executive Directors and the roles and functions of the Directors is maintained on the websites of the Company and the Stock Exchange.

The roles of the Chairman and the Chief Executive Officer are separated and are performed by Nikolai Valentinovich Levitskii and Denis Cherednichenko, respectively.

As at 31 December 2023, a total of four Independent Non-Executive Directors have been appointed. The Board will continue to periodically seek new Independent Non-Executive Directors to join the Board, so as to sustain its source of independent views.

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

Balance, Diversity and Skills

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

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

In terms of gender diversity, while there has already been one female director on the Board as at 31 December 2023, the Company and the Nomination Committee recognise the importance and benefits of gender diversity at the Board level and are committed to continue to identify female candidates and ensure at least one member of the Board shall be female.

As of 31 December 2023, the gender ratio in the workforce (including senior management) is approximately 69% male and 31% female, which is regarded by the Board as satisfactory and in line with the industry which the Group operates its businesses in. The Group provides equal opportunity to all employees regardless of gender, race, age, nationality, religion, sexual orientation, disability, and other aspects of diversity and are against any forms of discrimination.

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

Training and Continuous Professional Development

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

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

A summary of training received by the Directors for the year ended 31 December 2023 is as follows:

Directors	Type of training
Executive Director	
Denis Cherednichenko *(Chief Executive Officer)*	A, B
Non-Executive Director	
Nikolai Valentinovich Levitskii	A, B
Independent Non-Executive Directors	
Dmitry Vsevolodovich Dobryak	A, B
Natalia Klimentievna Ozhegina	A, B
Vitaly Georgievich Sheremet	A, B
Alexey Mihailovich Romanenko	A, B

Notes:

A: Attending briefing sessions and/or seminars

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

Regular Meetings

The Board meets regularly to review the Group's operational performance, financial statements, any material investments, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to Board papers and related materials which are provided in a timely manner, and are able to include matters in the agenda for Board meetings. For the year ended 31 December 2023, the Chairman of the Company held a number of meetings with the Independent Non-Executive Directors without the presence of the Executive Director.

The Board held four meetings in 2023. The attendance of individual Directors at board meetings (as well as committee meetings and the annual general meeting) is set out in the table on page 103.

Company Secretary

Mr. Johnny Shiu Cheong Yuen, the Company Secretary, supports the Chairman, the Board and the Board Committees by ensuring good information flow and that the policies and procedures of the Board are followed. The Company Secretary advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. All Directors may call upon the Company Secretary for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules. The Company Secretary has taken no less than 15 hours of relevant professional training in the year ended 31 December 2023 in accordance with the requirement under Rule 3.29 of the Listing Rules. For the biographical details of Mr. Yuen, please refer to the section headed "Board of Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary" in this annual report.

BOARD COMMITTEES

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

Audit Committee

The Audit Committee consists of three Independent Non-Executive Directors – Alexey Mihailovich Romanenko (Chairman), Dmitry Vsevolodovich Dobryak and Vitaly Georgievich Sheremet. Members of the Audit Committee hold the qualification as required under Rule 3.21 of the Listing Rules. The principal duties of the Committee include the following:

- to review the accounting principles and practices adopted by the Group;
- to review and supervise the Group's financial reporting system, risk management and internal control procedures; and
- to review the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor.

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

Summary of work in 2023

During 2023, the Audit Committee:

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

Review of financial results

The Audit Committee reviewed the Company's 2023 Consolidated Financial Statements in conjunction with the external auditor. Based on its review and discussions with the senior management of the Company, the Audit Committee was satisfied that the Consolidated Financial Statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2023. The Audit Committee therefore recommended the Consolidated Financial Statements for the year ended 31 December 2023 be approved by the Board.

During 2023, the Audit Committee also reviewed the Company's 2023 interim results in conjunction with the external auditor. Based on its review and discussions with the senior management of the Company, the Audit Committee was satisfied that the Group's 2023 interim results were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2023.

For the year ended 31 December 2023, the Audit Committee had a meeting with the external auditor in the absence of the Company's management.

Review of the risk management and internal control systems

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

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

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

The Committee met three times in 2023 and the attendance of Committee members is set out in the table on page 103.

Remuneration Committee

The Remuneration Committee consists of three Non-Executive Directors – Dmitry Vsevolodovich Dobryak (Chairman), Nikolai Valentinovich Levitskii and Natalia Klimentievna Ozhegina. The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management.

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

Summary of work in 2023

During 2023, the Remuneration Committee:

- reviewed the remuneration policy and practices for 2023;
- reviewed the structure of remuneration for the Board of Directors; and
- determined specific remuneration packages and performance bonuses of individual Directors and members of the Executive Committee.

The Company's remuneration policy is designed to attract, retain and motivate the highly talented individuals needed to deliver its business strategy and to maximise shareholder value. Consistent with previous years, the policy for 2023 and so far as practicable, for subsequent years, is framed around the following principles:

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

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

The terms of reference for the Remuneration Committee are maintained on the websites of the Company and the Stock Exchange. The Remuneration Committee adopts the model described in code provision E.1.2(c)(i) of the CG Code, where it has delegated responsibility to determine the remuneration packages of individual Executive Director and senior management. Further details of the Group's remuneration policy and practices in 2023 are set out in a letter from the Remuneration Committee Chairman below.

The Remuneration Committee held two meetings in 2023 and the attendance of Committee members is set out in the table on page 103.

A letter from the Chairman of the Remuneration Committee

Dear Shareholder,

On behalf of the Board and the Remuneration Committee, I present the IRC 2023 Remuneration Report.

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

– clear and transparent;

– conforms to Hong Kong requirements; and

– in line with best practice in the international markets.

Consistent with previous years, the Remuneration Committee has considered and determined all elements of remuneration solely in the context of assessing the Group's achievements and, where relevant, individual performance on a standalone basis during 2023.

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

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

Full details regarding the above activities are set out below.

Members

The Remuneration Committee is chaired by an Independent Non-Executive Director and its composition during 2023 and details of its role, meetings and activities can be found on page 91 under the heading "Remuneration Committee".

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

Remuneration policy

Our remuneration policy and practices aim to attract, retain and motivate the high-performing individuals we rely on to deliver our business strategy and create long-term value. We believe that performance-related pay should incentivise exceptional performance and that rewards should be closely linked to and commensurate with performance. As a result, for 2023, the remuneration of individuals within the Group have been determined on the following basis:

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

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

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

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

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

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

   – the Listing Rules;

   – the CG Code;

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

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

   – feedback received from shareholders.

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

Base salary

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

Salary review for 2023

The remuneration level of the Directors remained unchanged in 2023. The table below summarises the remuneration of the Directors in 2022 and 2023.

	Directors' fees	Salaries and other benefits	Discretionary bonus (j)	Total
	US$'000	US$'000	US$'000	US$'000
Executive Director:				
Denis Cherednichenko (a)	**-**	**858**	**422**	**1,280**
Non-Executive Director:				
Nikolai Levitskii (d)	**210**	**-**	**-**	**210**
Independent Non-Executive Directors:				
Dmitry Dobryak (f)	**114**	**-**	**-**	**114**
Natalia Ozhegina (k)	**114**	**-**	**-**	**114**
Alexey Romanenko (k)	**114**	**-**	**-**	**114**
Vitaly Sheremet (k)(i)	**114**	**-**	**-**	**114**
Total for 2023	**666**	**858**	**422**	**1,946**

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

Notes:

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

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

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

(d) Appointed as Non-Executive Director on 25 March 2022 and started receiving remuneration on 25 May 2022.

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

(f) Appointed as Independent Non-Executive Director on 25 March 2022 and started receiving remuneration on 25 May 2022.

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

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

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

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

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

(l) As there was material increase in the time commitments for the Non-Executive Directors in 2021 in light of various corporate issues, to provide equitable compensation, one-off payments equivalent to 6 months of the directors' monthly fees of the Non-Executive Directors were granted in 2022 to recognise the additional workload. The Remuneration Committee commissioned one of the leading firms of certified public accountants to conduct an independent review and it was considered that the aforesaid inflationary adjustments and one-off fee payments were reasonable.

The remuneration payable to the senior management by band is included in note 14 to the consolidated financial statements.

Executive Committee Bonus Plan

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

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

Bonus review for 2023

Apart from a discretionary bonus paid to Denis Cherednichenko, an Executive Director, no bonuses were paid to other Directors in 2023.

Long-term incentive arrangements

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

The Company adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on 20 November 2015 (the "Share Option Scheme") which is valid and effective for a period of 10 years from the date of adoption. The remaining life of the Share Option Scheme is approximately 1.5 years. Any employee, Director and any person or entity acting in their capacities as consultants of the Group may be granted share options under the Share Option Scheme.

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

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

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

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

The following share options (the "Options") were outstanding as of 31 December 2023:

Name or category of participant	Number of Options: At 1 January 2023	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2023	Date of grant	Exercise period	Exercise price per share
Former Directors of the Company									
George Jay Hambro	24,401,086	–	–	–	–	24,401,086	20 November 2015	10 years from the date of grant	HK$0.296
Yury Makarov	24,401,086	–	–	–	–	24,401,086	20 November 2015	10 years from the date of grant	HK$0.296
Danila Kotlyarov	24,401,086	–	–	–	–	24,401,086	20 November 2015	10 years from the date of grant	HK$0.296
Other employees of the Group	105,686,370	–	–	–	–	105,686,370	20 November 2015	10 years from the date of grant	HK$0.296
Total	178,889,628	–	–	–	–	178,889,628			

Subject to certain vesting conditions, one-third of the Options granted to each grantee shall vest on 19 November 2016, one-third of the Options granted to each grantee shall vest on 19 November 2017 and one-third of the Options granted to each grantee shall vest on 19 November 2018. For further details on relation to the vesting conditions of the Options granted, please refer to note 34, Share-Based Payment, to the Consolidated Financial Statements.

On 22 February 2024, all outstanding Options of 178,889,628 were cancelled or lapsed upon completion of the mandatory conditional cash offers. For details, please refer to the paragraph "Mandatory Conditional Cash Offers" in the Directors' Report on page 113. No Options were granted during the year ended 31 December 2023.

Pursuant to the refreshed mandate limit ("Refreshed Mandate") as approved by the shareholders of the Company on 10 August 2018, the mandate limit of the share option scheme is 10% of the shares of the Company in issue as at the date of passing of the resolution approving the Refreshed Mandate, being 709,338,638 shares. Therefore the number of Options available for grant under the Share Option scheme was 709,338,368 as at 1 January 2023 and 31 December 2023.

As all outstanding Options were cancelled or lapsed on 22 February 2024, as at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is equivalent to the limit of the Refreshed Mandate, being 709,338,368 shares, representing approximately 8.34% of the total issued shares of the Company.

Retirement benefits

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

	For the year ended 31 December	
US$'000	**2023**	2022
Denis Cherednichenko *(appointed as Executive Director and Chief Executive Officer on 1 July 2022)*	**105**	53
Yury Makarov *(resigned as Executive Director and Chief Executive Officer on 25 May 2022)*	**–**	148
Danila Kotlyarov *(as an Executive Director during 4 March 2022 to 25 May 2022)*	**–**	16
	105	217

Approved by the Board and issued on its behalf by

Dmitry Vsevolodovich Dobryak
Remuneration Committee Chairman

27 March 2024

NOMINATION COMMITTEE

The Nomination Committee is chaired by the Non-Executive Chairman of IRC, Nikolai Valentinovich Levitskii. Its other members are Dmitry Vsevolodovich Dobryak and Natalia Klimentievna Ozhegina, both are Independent Non-Executive Directors. The Committee meets at least once a year.

The Committee met two times in 2023 and the attendance of Committee members is set out in the table on page 103.

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

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

Board Diversity Policy

The Board, through the Nomination Committee, has also adopted a Board diversity policy which sets out the approach taken to diversify the members of the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Ultimately, all Board appointments are based on merit and candidates are considered against objective criteria, but due regard is given for the benefits of a diverse Board. The Board reviews the board diversity policy annually and for the year ended 31 December 2023, the Company has achieved the following measurable objectives that the Board has set for implementing the Board Diversity Policy:

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

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

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

The Board is therefore of the view that the board diversity policy has been properly implemented and is effective.

Independence of Independent Non-Executive Directors

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

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

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

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

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

(iv) declaration of conflicts of interest (if any) in their roles as independent non-executive Directors;

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

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

Summary of work in 2023

During 2023, the Nomination Committee:

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

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment Committee consists of three Independent Non-Executive Directors – Natalia Klimentievna Ozhegina (Chairman), Alexey Mihailovich Romanenko and Vitaly Georgievich Sheremet and is responsible for evaluating the effectiveness of the Group's policies and systems for identifying and managing health, safety and environmental risks within the Group's operations and for ensuring compliance with health, safety and environmental regulatory requirements. The Committee also assesses the performance of the Group with regards to the impact of health, safety, environmental and community relations, decisions and actions.

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

Summary of work in 2023

During 2023, the Health, Safety and Environment Committee:

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

For the year ended 31 December 2023, the Committee met once and the attendance of Committee members is set out in the table below.

BOARD, COMMITTEE AND SHAREHOLDER MEETINGS AND ATTENDANCE

The number of meetings the Board and other Board Committees held during 2023 is shown below together with attendance details. The table also shows the Directors' attendance at the general meeting of the Company held in 2023:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Health, Safety and Environment Committee	2023 AGM
Chairman and Non-Executive Director						
Nikolai Valentinovich Levitskii	4/4	–	2/2	2/2	–	1/1
Executive Director						
Denis Cherednichenko	4/4	–	–	–	–	1/1
Independent Non-Executive Directors						
Dmitry Vsevolodovich Dobryak	4/4	3/3	2/2	2/2	–	1/1
Natalia Klimentievna Ozhegina	4/4	–	2/2	2/2	1/1	1/1
Vitaly Georgievich Sheremet	4/4	3/3	–	–	1/1	1/1
Alexey Mihailovich Romanenko	4/4	3/3	–	–	1/1	1/1

DIVIDEND POLICY

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

AUDITORS' INDEPENDENCE AND REMUNERATION

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

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

Fees for services rendered by the external auditors, RSM Hong Kong, of the Company for audit and non-audit services for the year ended 31 December 2023 and the comparative figures for the year ended 31 December 2022 are set out below:

	For the year ended 31 December	
US$'000	**2023**	2022
Audit	**500**	490
Non-audit*	**105**	–
Total	**605**	490

* Non-audit services mainly represent the review of the Group's Interim Results Announcement for the six months ended 30 June 2023.

SHAREHOLDER RELATIONS

The Board has established a shareholders' communication policy which sets out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communications with the shareholders and other investors are timely, transparent, accurate and open. Information is communicated to the shareholders and other investors are mainly through the Company's corporate communications (such as quarterly trading updates, interim and annual reports, announcements and circulars), at the annual general meetings ("AGM") and other general meetings, as well as disclosure on the website of the Company. The Board reviewed the shareholders' communication policy and shareholders and investor engagement and communication activities conducted in 2023 and, taking into consideration the basis set out in the paragraph below, the Board was satisfied with the implementation and effectiveness of the shareholders' communication policy.

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

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

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

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

The most recent AGM was held on 29 June 2023 and the attendance of the Directors is set out in the table on page 103. At the AGM, separate resolutions were proposed for each issue and were voted on by way of poll. All of the resolutions proposed at the AGM were passed. The matters discussed and the percentage of votes cast in favour of the resolutions were:

Matters being voted upon	Votes
To receive and consider the reports of the Directors and the Auditor together with the Statement of Accounts for the year ended 31 December 2022.	99.99%
To re-appoint RSM Hong Kong as auditor and authorise the Board of Directors to fix their remuneration.	99.99%
To elect Mr Denis Cherednichenko as an Executive Director	99.99%
To authorise the Board to fix the Directors' remuneration	99.99%
To give a general mandate to the Directors to repurchase shares in the Company not exceeding 10% of the number of Shares of the Company in issue.	99.99%
To give a general mandate to the Directors to allot, issue and deal with additional shares in the Company not exceeding, except in certain specific circumstances, the sum of 20% of the number of Shares of the Company in issue.	95.36%
To add shares repurchased to the general mandate to issue new shares.	95.36%

SHAREHOLDERS' RIGHTS

Procedures for convening a general meeting

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

Procedures for putting forward proposals at an annual general meeting

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

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

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

Constitutional document

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND MODEL CODE

Throughout the year, the Company has applied the principles and complied with the code provisions set out in Part 2 of the CG Code as set out in Appendix C1 to the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "Model Code"). The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code during the year and they have confirmed their full compliance with the required standard set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and holding companies, who are considered to be likely in possession of inside information in relation to the Company or its securities. The Company has internal controls for handling and dissemination of inside information whereby the Chairman of the Board, the Executive Director and the Company Secretary work closely, seeking advice from legal advisors from time to time, if needed, with proper reporting of and approval from the Board, for proper handling and dissemination of inside information in accordance with relevant laws and regulations.

DIRECTORS' RESPONSIBILITY STATEMENT, INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interests of shareholders. The Company improves its business and operational activities by identifying the areas of significant business risks via a regular review, examining and evaluating business processes to determine the adequacy and efficiency of financial and operating controls, and taking appropriate measures to control and mitigate these risks. In accordance with the applicable laws and regulations, the Group has established risk management and internal control systems, covering areas such as corporate governance, risk management, operations, management, legal matters, finance and audit. The management identifies the risk areas (covering areas such as finance, operations, compliance and ESG) and reviews all significant control policies and procedures in those areas and highlights all significant matters to the Board and Audit Committee annually. The Company also has an internal audit function. The Board and the Audit Committee review the effectiveness of the Group's risk management and internal control systems annually by reviewing the work of the internal audit function and the Group's external auditor, and considering reports from management on risk management and internal control. For any weaknesses of internal controls and accounting procedures of the Group which the external auditor have identified and reported to the Company, the Company would pay full attention to the recommendations made by the external auditor and make appropriate improvements as and when appropriate. The Health, Safety and Environment Committee and the Board review the Company's ESG performance and reporting. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss. Where necessary, independent consultants are hired to assist the Board to perform a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. For the year ended 31 December 2023, the Board has reviewed the effectiveness of the risk management and internal control systems and considers the risk management and internal control systems effective and adequate.

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

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

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance. The Group's annual results and interim results are announced in a timely manner, and the consolidated financial statements of the Group and the Independent Auditor's Report are set out on pages 119 to 202.

Sanctions

The Company has reviewed the UK, EU and US sanctions (the "Sanctions"). As of 27 March 2024, being the date of issuing this corporate governance report, so far as the Board is aware, based on its current assessment and the information currently available to it, the Sanctions have no material direct impact on the Group nor its operations. The Group's operations and activities in Russia, and elsewhere, are continuing as usual. The Company will continue to closely monitor sanctions developments.

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

On behalf of the Board

Nikolai Valentinovich Levitskii
Chairman

27 March 2024

DIRECTORS' REPORT

The Directors present their Report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

The analysis of the principal activities and geographical locations of the operation of the Group for the year ended 31 December 2023 is set out in note 21 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Company is provided in the Chairman Statement, CEO and CFO Report, and Results of Operations on pages 3 to 5, 6 to 9 and 10 to 21 respectively. Discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position and particulars of important events affecting the Group that have occurred since the end of the financial year are provided throughout this Annual Report, particularly in the Chairman Statement, CEO and CFO Report, and Results of Operations sections on pages 3 to 5, 6 to 9 and 10 to 21. Descriptions of the principal risks and uncertainties facing the Group can be found throughout this Annual Report, particularly in the Risk Factors & Disclaimer section on pages 209 to 211. The future development of the Company's business is discussed throughout this Annual Report including in the Chairman Statement and CEO and CFO Report on page 3 to 5 and 6 to 9 respectively. An analysis of the Group's business and operations using financial key performance indicators can be found in the Key Performance Indicators section on pages 22 to 23 while an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact, on the Company and on which the Company's success depends, is provided throughout this Annual Report, particularly in the Remuneration Committee section of the Corporate Governance Report on pages 87 to 107 and the Directors' Report on pages 108 to 115. In addition, details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact to the Group, are provided in the Environmental, Social and Governance section on pages 36 to 86.

DIVIDEND

The Board does not recommend the distribution of a dividend for the year ended 31 December 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2023 are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

There were no changes in the share capital of the Company in 2023.

RESERVES

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

DIRECTORS

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

Executive Director

Denis Vitalievich Cherednichenko

Chairman and Non-Executive Director

Nikolai Valentinovich Levitskii

Independent Non-Executive Directors

Dmitry Vsevolodovich Dobryak
Natalia Klimentievna Ozhegina
Vitaly Georgievich Sheremet
Alexey Mihailovich Romanenko

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS OF SUBSIDIARIES

The list of Directors who have served on the board(s) of the subsidiaries of the Company during the year and up to the date of this report are shown on the Company's website.

PERMITTED INDEMNITY PROVISIONS

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

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

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS

As at 31 December 2023, the interests or short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) of the Directors and Chief Executives of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, were as follows:

Long positions in shares of the Company

Name of Director	Nature of interest	Number of shares in the Company	Percentage of issued shares in the Company at 31 December 2023
Nikolai Levitskii	Interest of a controlled corporation	2,607,712,360 (Note)	30.61%

Note: These shares are held by AXIOMA CAPITAL FZE LLC, (“Axioma”) which is wholly, ultimately and beneficially owned by Nikolai Levitskii. He is therefore deemed to be interested in the shares of the Company held by Axioma under the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors or Chief Executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and the Model Code, or as recorded in the register required to be kept by the Company under Section 352 of the SFO.

DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

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

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2023.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONTRACT OF SIGNIFICANCE

During the Year, there was no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year ended 31 December 2023.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to any Director or Chief Executive of the Company, as at 31 December 2023, the Company's shareholders (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of shares in the Company	Percentage of issued shares in the Company as at 31 December 2023
Axioma	Beneficial interest	2,607,712,360	30.61%
MIC Invest Limited Liability Company (a)	Beneficial interest	1,419,942,876	16.67%
Kolesnikova Marina Alexeevna (a)	Interest of a controlled corporation	1,419,942,876	16.67%

Note:

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

Save as disclosed above, the Company is not aware any persons who have interests or short position in shares or underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 December 2023. As at 31 December 2023, the Company is not aware of any short positions being held by any substantial shareholder in shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

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

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

EMOLUMENT POLICY

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

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

Detailed information on the remuneration policy and practices of IRC in 2023 are set out in the Corporate Governance Report on page 91 under the heading "Remuneration Committee".

The key element of senior management remuneration is the Share Option Scheme, which is designed to align the interests of management with those of shareholders, and to incentivise performance. Please refer to the paragraph "Remuneration Committee" in the Corporate Governance Report on page 91 to 100 and Note 34 to the consolidated financial statements under "Share-Based Payments" for more details.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for about 100% of the total revenue for the year. The largest of them accounted for 93% of the total revenue. Also, the aggregate purchases attributable to the Group's five largest suppliers taken together represented 64% of the Group's total purchases for the year. The largest supplier represented 33% of the Group's total purchases for the year.

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 87 to 107 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTIONS

During the Year, the Group had not conducted any connected transactions or continuing connected transactions that were not exempt from the annual reporting requirement under Chapter 14A of the Listing Rules.

A summary of related party transaction is disclosed in note 37 to the consolidated financial statements, and such transaction conducted during the Year does not fall under the definition of connected transaction in Chapter 14A of the Listing Rules.

MANDATORY CONDITIONAL CASH OFFERS

On 1 November 2023, the Company was informed by Axioma that Axioma and OIKKU FINANCE LIMITED ("Oikku") had entered into a sale and purchase agreement pursuant to which Oikku had agreed to sell, and Axioma had agreed to purchase 401,812,360 shares of IRC, representing approximately 4.72% of the total issued share capital of the Company, at a consideration of HK$47,413,858.48, which is equivalent to HK$0.118 per share. The acquisition was completed on 1 November 2023 (the "Completion").

Immediately prior to the Completion, Axioma was interested in 2,205,900,000 shares in IRC, representing approximately 25.89% of the total issued share capital of the Company. Immediately after the completion of the acquisition, Axioma was interested in 2,607,712,360 shares of IRC, representing approximately 30.61% of the total issued share capital of the Company.

Pursuant to the relevant requirements under the Hong Kong Code on Takeovers and Mergers, Axioma made a mandatory conditional cash offer (the "Share Offer") of HK$0.118 per share for all the issued shares of IRC (the "Offer Shares"), other than those already owned and/or agreed to be acquired by Axioma. Axioma also made a cash offer (the "Option Offer") of HK$0.0001 per share option (the "Offer Options") to cancel all outstanding share options (collectively, the "Offers"). The first closing date of the offer was 12 January 2024.

On 12 January 2024, Axioma received (i) valid acceptances in respect of a total of 439,794,283 Offer Shares under the Share Offer, representing approximately 5.16% of the entire issued share capital of the Company; and (ii) valid acceptance in respect of a total of 91,714,426 Offer Options under the Option Offer, representing approximately 51.27% of the Offer Options. Following these acceptances, Axioma was interested in an aggregate of 3,047,506,643 shares, representing approximately 35.77% of the entire issued share capital of the Company. Axioma decided to extend the closing date to 20 February 2024 in order to provide additional time for the shareholders and optionholders to consider the Offers.

As at 8 February 2024, Axioma received (i) valid acceptances in respect of a total of 1,861,159,159 Offer Shares under the Share Offer, representing approximately 21.85% of the entire issue share capital of the Company; and (ii) valid acceptances in respect of a total of 91,714,426 Offer Options under the Option Offer, representing approximately 51.27% of the Offer Options. Following these acceptances, Axioma was interested in an aggregate of 4,468,871,519 Shares, representing approximately 52.45% of the entire issued share capital of the Company. Accordingly, the Offers had become unconditional on 8 February 2024 and the Offers remained open for acceptances until 22 February 2024.

As at 22 February 2024, Axioma had received (i) valid acceptances in respect of a total of 2,228,445,577 Offer Shares under the Share Offer, representing approximately 26.15% of the entire issue share capital of the Company; and (ii) valid acceptances in respect of a total of 91,714,426 Offer Options under the Option Offer, representing approximately 51.27% of the Offer Options. Following these acceptances, Axioma was interested in an aggregate of 4,836,157,937 shares, representing approximately 56.76% of the entire issued share capital of the Company. The remaining 43.24% shareholding is held by public shareholders. The Offers closed on 22 February 2024.

Under the Option Offer, the Share Options which were not accepted would (to the extent not exercised) automatically lapse upon the close of the Offers. Accordingly, on 22 February 2024 upon the close of the Offers, all outstanding Share Options lapsed and the Company has no outstanding Share Options.

The table below sets out the shareholding structure of the Company (i) immediately after the Completion and before the commencement of the Offers; and (ii) immediately upon the close of the Offers (i.e. on 22 February 2024):

	Immediately after the Completion and before the commencement of the Offers		Immediately upon the close of the Offers and as at the date of this announcement	
Shareholders	**Number of Shares**	**Approximate %** (Note 1)	**Number of Shares**	**Approximate %** (Note 1)
Axioma (Note 2)	2,607,712,360	30.61	4,836,157,937	56.76
MIC	1,419,942,876	16.67	–	–
Public Shareholders	4,492,002,021	52.72	3,683,499,320	43.24
Total	8,519,657,257	100.00	8,519,657,257	100.00

Notes:

1. The percentage had been calculated on the basis of 8,519,657,257 issued shares of IRC as at the date of this report.

2. Axioma is wholly, ultimately and beneficially owned by Nikolai Levitskii, being a non-executive Director and the chairman of the Board. As such, Mr. Levitskii is deemed or taken to be interested in the Shares held by the Offeror by virtue of the SFO.

3. Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

AUDITOR

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

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

During the year, RSM was reappointed as the auditor of the Company. A resolution to reappoint RSM as the auditor of the Company will be proposed at the forthcoming Annual General Meeting.

REVIEW BY THE AUDIT COMMITTEE

The audited financial statements for the year ended 31 December 2023 have been reviewed, without disagreement, by the Audit Committee of the Company, which comprises three Independent Non-Executive Directors, namely Alexey Mihailovich Romanenko, Vitaly Georgievich Sheremet and Dmitry Vsevolodovich Dobryak. Alexey Mihailovich Romanenko is the Chairman of the Audit Committee.

On behalf of the Board

Nikolai Valentinovich Levitskii
Chairman

27 March 2024

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

As at 31 December 2023, the Board composes of the following Directors with a collective expertise covering the resource sector and complementary industries, in addition to deep experience in the geographical regions where IRC operated. The Board formally meets at least four times a year. In addition, numerous sub-committee meetings, information events and director training sessions are held, including site visits to IRC's operations and regional offices. The strategic leadership of IRC is the responsibility of a unitary and balanced Board, which comprises a healthy composition of Executive Director, Non-Executive Directors and Independent Non-Executive Directors.

NON-EXECUTIVE CHAIRMAN

Nikolai Valentinovich Levitskii
Chairman

Mr. Levitskii, aged 51, is the general director of AXIOMA CAPITAL FZE LLC ("Axioma"). Axioma is the largest shareholder of the Company and is wholly-owned by Mr. Levitskii. Mr. Levitskii has spent more than 30 years in the sectors of mining, oil and gas and banking in Russia. Mr. Levitskii was the President and Co-Founder of JSC "Geotech Holding" from 2007 to 2016 and the General Director of CJSC "Mineral and chemical company 'EuroChem'" from 2001 to 2003. Mr. Levitskii received a bachelor's degree in Business Administration in Economic Sciences from the Voznesenski Leningrad Institute of Economics and Finance (renamed as Saint Petersburg State University of Economics and Finance).

EXECUTIVE DIRECTOR

Mr. Cherednichenko, aged 46, has more than 25 years of experience in management at oil and gas and medical technology groups and acted also as an in-house legal counsel as well as the Vice President of Medical Systems, a pharmaceutical and medical equipment supplies company in Russia, and the CEO of a medical equipment company. He was the CEO of JSC Rusatom Healthcare, Enterprise of State Corporation Rosatom, a radiopharmaceuticals company in Russia. He holds a Law degree from the Ural State Law Academy in Russia, a Master of Laws from the University of Manchester in the United Kingdom and a Master Degree from the Academy of National Economy under the Government of the Russian Federation.

Denis Vitalievich Cherednichenko
Chief Executive Officer

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dmitry Vsevolodovich Dobryak

Mr. Dobryak, aged 55, has 30 years of financial management, accounting, business development and administrative experience. His previous roles include CFO of Impulse M, a Moscow based start-up from 2019 to 2020 and CFO of Titan Automotive Solutions, an automotive communications solutions company in Belgium from 2020 to 2021. He is a US qualified certified public accountant, holds a BA in Foreign Trade and International Economics from the Moscow State Institute of International Relations in Russia and a Master of Business Administration from the Crummer Graduate School of Business at Rollins College in the United States.

Mr. Alexey Mihailovich Romanenko, aged 46, is the Senior Partner and Chairman of the Board of Directors of NEO Center. Mr. Romanenko has more than 20 years of experience in management consulting, auditing, and financial management. His previous roles include Managing Director of Alvarez and Marshal LLP, Partner and Head of Management Consulting of KPMG Russia and CIS and Audit Partner of KPMG Russia and CIS. Mr. Romanenko is a fellow member of the ACCA.

Alexey Mihailovich Romanenko

Vitaly Georgievich Sheremet

Mr. Vitaly Georgievich Sheremet, aged 47, has more than 20 years of extensive experience in auditing and risk management. His previous roles include Audit and Advisory Partner of KPMG Russia and CIS and Audit and Risk Management Partner of BDO Russia. Mr. Sheremet also served as an independent director on several boards in the Russian Federation.

Ms. Natalia Klimentievna Ozhegina, aged 53, is the Deputy Director of the International Institute for Energy Policy and Innovation Management, MGIMO Ministry of Foreign Affairs of the Russian Federation. Ms. Ozhegina has more than 30 years of experience in public administration, law and human resources. Her previous roles include the Deputy General Director of PJSC Russian Grids for Human Resources Management and the Deputy Chairman of the Management Board of PJSC Federal Grid Company. Ms. Ozhegina is a lawyer qualified in Russia.

Natalia Klimentievna Ozhegina

CHIEF FINANCIAL OFFICER

Danila Kotlyarov

Mr. Kotlyarov, aged 45, joined the Group (previously known as LLC Petropavlovsk-Iron Ore, and LLC Aricom) in 2005 as Finance Director, a role which transferred to IRC in 2010. He worked in various senior management positions at IRC until February 2020 when he joined Petropavlovsk PLC, a substantial shareholder of IRC at that time, as CFO and became a Non-Executive Director of IRC. In early 2022, Mr. Kotlyarov relinquished the Petropavlovsk CFO position to become an advisor of Petropavlovsk PLC. In May 2022, Mr. Kotlyarov resigned as an Executive Director of the Company but remained as the CFO of the Company. Mr. Kotlyarov is a fellow of the ACCA and a holder of the Chartered Financial Analyst.

FINANCE DIRECTOR (HK) & COMPANY SECRETARY

Mr. Yuen, aged 50, is the Finance Director (Hong Kong) and Company Secretary of the Company. He is also the Authorised Representative of the Company. Mr. Yuen joined IRC in 2010 before the listing of the Company and has been serving in various senior positions of the Company. He headed up the finance function of the Group from the beginning of 2020, and in May 2022 was redesignated as Finance Director (HK) and Company Secretary. Mr. Yuen began his career in KPMG and has over 25 years of financial management, accounting, auditing and administration experience, including working in various senior positions of listed companies in Hong Kong. He is a fellow member of the HKICPA and the ACCA. He holds a MBA from the Manchester Business School of University of Manchester. He is an Independent Non-Executive Director of G-Vision International (Holding) Limited (stock code: 00657).

Johnny Shiu Cheong Yuen

INDEPENDENT AUDITOR'S REPORT

RSM

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

OPINION

We have audited the consolidated financial statements of IRC Limited (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 202, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

1. Impairment of property, plant and equipment

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

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment (continued)	
Changes in key assumptions on which the recoverable amount of the K&S Assets are based could significantly affect the Group's assessment resulting in changes to the impairment losses recognised. As stated in note 9 to the consolidated financial statements, the Group performed an impairment assessment of property, plant and equipment which resulted in the recognition of impairment losses of US$156,276,000 in the current year.	• Involving our engaged external valuation specialists and external mining experts to assess the appropriateness of the mining plan, ore reserves, revenue and expenditure assumptions, discount rate, the valuation methodology, technical information provided by the management and the key assumptions used in the valuation model against external benchmarks; • Checking the underlying calculations used in the Group's assessment and performing sensitivity testing of the inputs used; and • Evaluating the sensitivity analysis performed by the management on the inputs used to evaluate the extent of impact on the estimated future cash flows.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tam Shing Yu.

RSM Hong Kong
Certified Public Accountants
27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 US$'000	2022 US$'000
Revenue	7	**252,987**	278,757
Operating expenses, excluding depreciation	8	**(211,059)**	(227,700)
Depreciation	8	**(19,489)**	(23,674)
Net impairment losses	9	**(163,890)**	(103,169)
Other income, gains and losses	10	**3,685**	(3,893)
Allowance for financial assets measured at amortised costs		**(24)**	(331)
Finance costs	12	**(8,781)**	(8,530)
Loss before tax		**(146,571)**	(88,540)
Income tax (expense)/credit	13	**(10,318)**	700
Loss for the year		**(156,889)**	(87,840)
Attributable to:			
Owners of the Company		**(156,809)**	(87,896)
Non-controlling interests		**(80)**	56
		(156,889)	(87,840)
Loss per share (US cents)	17		
Basic		**(1.84)**	(1.19)
Diluted		**(1.84)**	(1.19)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 **US$'000**	2022 US$'000
Loss for the year	**(156,889)**	(87,840)
Other comprehensive (expense)/income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,181)**	620
Fair value (loss)/gain on hedging instruments designated in cash flow hedges	**(1,095)**	4,703
Release of fair value gain on hedging instruments in cash flow hedges	**(127)**	(4,576)
Other comprehensive (expense)/income for the year, net of tax	**(2,403)**	747
Total comprehensive expense for the year	**(159,292)**	(87,093)
Attributable to:		
Owners of the Company	**(158,987)**	(87,202)
Non-controlling interests	**(305)**	109
	(159,292)	(87,093)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 US$'000	2022 US$'000
ASSETS			
Non-current assets			
Exploration and evaluation assets	18	**20,496**	20,392
Property, plant and equipment	19	**269,783**	436,093
Right-of-use assets	20	**56**	191
Interest in a joint venture	22	**–**	–
Inventories	24	**–**	19,616
Total non-current assets		**290,335**	476,292
Current assets			
Inventories	24	**47,349**	40,710
Trade and other receivables	25	**56,792**	39,922
Income tax recoverables		**4**	–
Other financial assets	23	**–**	127
Time deposits	26	**468**	626
Bank and cash balances	26	**56,089**	36,275
Total current assets		**160,702**	117,660
TOTAL ASSETS		**451,037**	593,952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED...)

At 31 December 2023

	Notes	2023 US$'000	2022 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	27	**1,304,467**	1,304,467
Other reserves		**34,460**	36,638
Accumulated losses		**(1,049,306)**	(892,497)
Equity attributable to owners of the Company		**289,621**	448,608
Non-controlling interests		**(642)**	(337)
Total equity		**288,979**	448,271
LIABILITIES			
Non-current liabilities			
Borrowings – due more than one year	29	**49,454**	67,263
Lease liabilities	30	**–**	58
Provision for close down and restoration costs	31	**3,588**	4,547
Deferred tax liabilities	32	**4,045**	1,829
Total non-current liabilities		**57,087**	73,697
Current liabilities			
Borrowings – due within one year	29	**17,867**	10,795
Lease liabilities	30	**58**	133
Trade and other payables	33	**85,951**	61,055
Other financial liabilities	23	**1,095**	–
Current tax liabilities		**–**	1
Total current liabilities		**104,971**	71,984
TOTAL EQUITY AND LIABILITIES		**451,037**	593,952

Approved and authorised for issue by the Board of Directors on 27 March 2024 and are signed on its behalf by:

Nikolai Levitskii	**Denis Cherednichenko**
Name of Director	*Name of Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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
At 1 January 2022	1,285,482	17,984	17,582	(23,388)	–	23,766	(804,601)	516,825	(446)	516,379
(Loss)/profit for the year	–	–	–	–	–	–	(87,896)	(87,896)	56	(87,840)
Other comprehensive income	–	–	–	567	127	–	–	694	53	747
Total comprehensive income/(expense) for the year	–	–	–	567	127	–	(87,896)	(87,202)	109	(87,093)
New shares issued (note 27)	18,985	–	–	–	–	–	–	18,985	–	18,985
At 31 December 2022	1,304,467	17,984	17,582	(22,821)	127	23,766	(892,497)	448,608	(337)	448,271
At 1 January 2023	1,304,467	17,984	17,582	(22,821)	127	23,766	(892,497)	448,608	(337)	448,271
Loss for the year	–	–	–	–	–	–	(156,809)	(156,809)	(80)	(156,889)
Other comprehensive expense	–	–	–	(956)	(1,222)	–	–	(2,178)	(225)	(2,403)
Total comprehensive expense for the year	–	–	–	(956)	(1,222)	–	(156,809)	(158,987)	(305)	(159,292)
At 31 December 2023	1,304,467	17,984	17,582	(23,777)	(1,095)	23,766	(1,049,306)	289,621	(642)	288,979

Notes:

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

(b) The amounts arose from 1) acquisition of non-controlling interests and deemed contribution arising from the group restructuring for the Company's listing on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"); 2) transfer of share-based payment reserve upon vesting of share-based awards resulted from difference between the cost of the treasury shares and fair value at grant date of the awarded shares; 3) deemed contribution from General Nice Development Limited, a former shareholder of the Company, for accrued interests on outstanding capital contribution; and 4) direct expenses in relation to the right to subscribe for shares of the Company granted to Tiger Capital Fund (as defined in note 27).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 US$'000	2022 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(146,571)**	(88,540)
Adjustments for:			
Depreciation of property, plant and equipment	8, 19	**19,354**	20,138
Depreciation of right-of-use assets	8, 20	**135**	3,536
Finance income	10	**(1,403)**	(369)
Finance costs	12	**8,781**	8,530
Net (gain)/loss on disposal of property, plant and equipment	10	**(1,883)**	390
Gain from vessel disposal	10	**(585)**	–
Excess over the carrying amount of assets related to decommissioning and restoration liability	8	**–**	627
Net impairment losses	9	**163,890**	103,169
Net foreign exchange (gain)/loss		**(2,398)**	10,115
Inventory written down	8	**530**	628
Provision for slow moving inventories	10	**94**	–
Other provision	10	**4,142**	4,142
Other non-cash adjustments		**(764)**	(670)
Operating profit before working capital changes		**43,322**	61,696
Decrease/(increase) in inventories		**13,912**	(5,689)
Increase in trade and other receivables		**(20,520)**	(14,629)
Increase/(decrease) in trade and other payables		**26,544**	(8,702)
Net cash generated from operations		**63,258**	32,676
Income tax paid		**(8,003)**	(937)
Net cash generated from operating activities		**55,255**	31,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and exploration and evaluation assets		**(17,267)**	(14,448)
Purchase of vessel		**(22,415)**	–
Net time deposits withdrawn/(placed)		**158**	(40)
Interest received		**1,403**	369
Proceeds on disposal of property, plant and equipment		**64**	–
Proceeds on disposal of vessel		**23,000**	–
Net cash used in investing activities		**(15,057)**	(14,119)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		**(140)**	(4,308)
Repayment of borrowings		**(10,784)**	(34,732)
Interest expenses paid		**(8,324)**	(7,602)
Proceeds from shares issued		**–**	18,985
Loan guarantee fees paid		**–**	(2,883)
Net cash used in financing activities		**(19,248)**	(30,540)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**20,950**	(12,920)
Effect of foreign exchange rate changes		**(1,136)**	(2,348)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**36,275**	51,543
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**56,089**	36,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

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

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

The principal activity of the Company is investment holding. The Group is principally engaged in the production and development of industrial commodities products including iron ore concentrate that are used in industry across the world. The main activities of the Group are carried out in Russia and the Group predominantly serves the Russian and Chinese markets. The activities of the Company's principal subsidiaries are set out in note 21.

2. BASIS OF PREPARATION

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

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

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group meets its day-to-day working capital requirements through its facilities and borrowings. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank and other finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information on the Group's borrowings is given in note 29.

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

(a) Application of new and revised HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

In July 2023, the HKICPA published "Accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP.

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

For the year ended 31 December 2023

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

(b) Revised HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company anticipate that the application of all amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair values).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

(b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars ("US$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Foreign currency translation (continued)

(iii) Translation on consolidation (continued)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(d) Exploration and evaluation assets

Exploration and evaluation expenditure incurred in relation to those projects where such expenditure is considered likely to be recoverable through future extraction activity or sale, or where the exploration activities have not reached a stage which permits a reasonable assessment of the existence of reserves, is capitalised and recorded on the consolidated statement of financial position within exploration and evaluation assets for mining projects at the exploration stage.

Exploration and evaluation expenditure comprise costs directly attributable to:

– Researching and analysing existing exploration data;

– Conducting geological studies, exploratory drilling and sampling;

– Examining and testing extraction and treatment methods;

– Compiling pre-feasibility and feasibility studies; and

– Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Mineral rights acquired through a business combination are capitalised separately from goodwill if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. Exploration and evaluation expenditure capitalised and mining rights acquired are subsequently valued at cost less impairment. In circumstances where a project is abandoned, the cumulative capitalised costs related to the project are written off in the period when such decision is made. Exploration and evaluation expenditure capitalised and mining rights within exploration and evaluation assets are not depreciated. These assets are transferred to mine development costs within property, plant and equipment when a decision is taken to proceed with the development of the project.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

(i) Non-mining assets

Non-mining assets are initially valued at cost, being the purchase price and the directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by the Group, and are subsequently valued at cost less accumulated depreciation and impairment, if any.

(ii) Mine development costs and mining assets

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure includes costs directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as "mine development costs", this includes any property, plant and equipment acquired to undertake mining activities. Mine development costs are reclassified as "mining assets" at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. Depreciation policy for mining assets are set out below in note 4(e)(v). Mine development costs are tested for impairment as stated in note 4(u).

(iii) Deferred stripping cost in development phase

In open pit operations the removal of overburden and waste materials, referred to as stripping, is required to obtain access to the ore body. Such costs when incurred during the development of the mine are deferred in the consolidated statement of financial position as part of mine development costs, and charged to the profit or loss over the life of the mine on a unit of production basis.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Property, plant and equipment (continued)

(iv) Deferred stripping costs in production phase

During production phase, cost incurred in relation to stripping activity is capitalised and recorded on the consolidated statement of financial position to the extent the stripping activity improved access to ore, which is when the following conditions are satisfied:

– it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;

– the entity can identify the component of the ore body for which access has been improved; and

– the costs relating to the stripping activity associated with that component can be measured reliably.

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for the costs of that stripping activity in accordance with the accounting policy of inventories (see note 4(f)).

When the costs relating to improve access to ore (i.e. a stripping activity asset) and the costs of the inventory produced are not separately identifiable, production stripping costs are allocated between the stripping activity asset and inventory using a relevant production measure (i.e. actual vs. expected volume of waste extracted).

Production stripping costs capitalised as mine development costs and are subsequently carried at cost and depreciated on a unit of production basis over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, less any impairment losses.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Property, plant and equipment (continued)

(v) Depreciation

Property, plant and equipment are depreciated using a units of production method or straight-line basis as set out below.

Mining assets which are plant and machineries acquired to undertake mining activities are depreciated on a straight-line basis based on estimated useful lives of 2 to 20 years. Other mining assets for which economic benefits from the asset are consumed in a pattern linked to the production level, are depreciated using a units of production method based on ore reserves, which in turn results in a depreciation charge proportional to the depletion of reserves.

Non-mining assets are depreciated on a straight-line basis based on estimated useful lives.

Mine development costs and construction in progress are not depreciated, except for that property, plant and equipment used in the development of a mine. Such property, plant and equipment are depreciated on a straight-line basis based on estimated useful lives and depreciation is capitalised as part of mine development costs.

Estimated useful lives of non-mining assets normally vary as set out below.

– Buildings	Over the shorter of the term of the lease, and 15-50 years
– Plant and machinery	2–20 years
– Vehicles	5–7 years
– Leasehold improvements	2 years
– Fixtures and equipment	2 years
– Office equipment	2–10 years
– Computer equipment	3–5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of raw materials and consumables is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution, include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale. Inventories include: stores and spares, represented raw materials consumed in the production process as well as spare parts and other maintenance supplies; ore stockpiles and other partly processed materials; deferred stripping costs; and iron ore concentrate, presented as finished goods. Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to if, and/or when the stockpiled ore will be processed, the ore is expensed as mined. If the ore will not be processed within 12 months after the reporting date, it is included within non-current assets and net realisable value is calculated on the discounted cash flow basis.

(g) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(w) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Recognition and derecognition of financial instruments (continued)

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Financial assets (continued)

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(p) Derivative financial instruments and hedge accounting (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other income, gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in hedging reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in hedging reserve is reclassified immediately to profit or loss.

(q) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of iron ore concentrate is recognised at a point of time when the control of the goods has been transferred to the customers, being when the iron ore concentrate has been delivered to the agreed location. Customers have to make a deposit by means of letter of credit or direct payment ranging from 90% to 100% of the invoiced amount before the delivery with the remaining amount to be paid after delivery and on receipt of the final assay results based on the average market price of the month of shipment. Upon delivery of the goods, the customers have control over the usage of the products and bear the risk of loss in relation to the goods.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) Revenue and other income (continued)

The Group provides a delivery service associated with the sale of iron ore concentrate as a performance obligation separate to the sale of goods. The Group allocates the price of the relevant sale transaction between the goods sold and the distinct performance obligations related to the delivery of the goods and recognises the corresponding revenue over the period of the performance obligation if the amount is significant. Allocation of transaction price to delivery services is based on the best estimate of a similar stand-alone service.

Revenue from provision of engineering services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligation

The Group does not operate a pension scheme. However, payments are made to defined contribution retirement benefit arrangements for certain employees and these are charged as an expense as they rendered services entitling them to the contributions.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(u) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(v) Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 “Impairment of Assets” whenever one of the following events or changes in circumstances indicates that the carrying amount may not be recoverable:

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

(w) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, other receivables, time deposits and bank and cash balances. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For all other financial assets, except for trade receivables which are measured at fair value, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(w) Impairment of financial assets and contracts assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(w) Impairment of financial assets and contracts assets (continued)

(i) Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

– the financial instrument has a low risk of default,

– the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

– adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(w) Impairment of financial assets and contracts assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(w) Impairment of financial assets and contracts assets (continued)

(v) Measurement and recognition of ECL (continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(x) Close down and restoration costs

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided for in the accounting period when the legal or constructive obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provision for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

The unwinding of the discount applied in establishing the net present value of provision is charged to profit or loss for the year. The unwinding of the discount is shown as a financing cost, rather than as an operating cost. Other movements in the provision for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at the end of each reporting period. All costs of continuous rehabilitation are charged to profit or loss as incurred.

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(y) Provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the existing facilities and other borrowings available at a level sufficient to finance the working capital requirements of the Group.

(b) Deferred tax for unremitted earnings of subsidiaries

For the purposes of measuring the deferred tax liabilities in respect of withholding tax that would be payable on the unremitted earnings associated with the investments in subsidiaries, the directors have assessed that the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment and cash generating units ("CGU")

The Group reviews the carrying value of its property, plant and equipment to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU. The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs of disposal and value in use.

Management necessarily applies its judgement in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation.

Changes to the assumptions underlying the assessment of the recoverable value may result in changes to impairment charges, either through further impairment charges or reversal of previously recognised impairments, which could have a significant impact on the financial information in future periods. In addition, changes to iron ore prices, ore reserve estimates, operating costs, production capacity and increases in the total forecast cost of planned projects or negative outcomes to exploration and evaluation activities could lead to further impairment charges or reversals in the future. Due to drop in the spot iron ore price in the current year, management has revisited the assessment of the recoverable amount of the magnetite development project in the Group's portfolio consisting of the Kimkan deposit and the Sutara deposit ("the K&S Project") and further impairment charge of US$156,276,000 being recognised in the statement of profit or loss for the year ended 31 December 2023 (2022: US$94,621,000).

(b) Ore reserve estimates

The Group estimates its ore reserves and mineral resources based on the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the "JORC Code") or Canadian Institute of Mining, Metallurgy and Petroleum valuation standards ("CIM"). The JORC Code and CIM require the use of reasonable investment assumptions when reporting reserves, including future production estimates, expected future commodity prices and production cash costs.

Ore reserve estimates are used in the calculation of depreciation of mining assets using a units of production method, impairment charges and for forecasting the timing of the payment of closedown and restoration costs. Also, for the purpose of impairment review and the assessment of life of mine for forecasting the timing of the payment of close down and restoration costs, the Group may take into account mineral resources in addition to ore reserves where there is a high degree of confidence that such resources will be extracted.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(b) Ore reserve estimates (continued)

Ore reserve estimates may change from period to period as additional geological data becomes available during the course of operations or economic assumptions used to estimate reserves change. Such changes in estimated reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values due to changes in estimated future cash flows;
- Depreciation charged in the consolidated statement of profit or loss where such charges are determined by using a units of production method or where the useful economic lives of assets are determined with reference to the life of the mine;
- Provisions for close down and restoration costs where changes in estimated reserves affect expectations about the timing of the payment of such costs; and
- Carrying value of deferred tax assets and liabilities where changes in estimated reserves affect the carrying value of the relevant assets and liabilities.

(c) Exploration and evaluation costs

The Group's accounting policy for exploration and evaluation expenditure results in such expenditure being capitalised for those projects for which such expenditure is considered likely to be recoverable through future extraction activity or sale, or for which the exploration activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether the Group will proceed with development based on existence of reserves or whether an economically viable extraction operation can be established. Such estimates and assumptions may change from period to period as new information becomes available. If, subsequent to the exploration and evaluation expenditure capitalised, a judgement is made that recovery of the expenditure is unlikely or the project is to be abandoned, the relevant capitalised amount will be written off to profit or loss. Management is confident that the carrying amount of the assets will be recovered in full. For the year ended 31 December 2022, one of the exploration and evaluation assets amounting to US$196,000 has been fully impaired due to the revocation of the exploration license. As at 31 December 2023, the carrying amount of the exploration and evaluation is US$20.5 million (2022: US$20.4 million).

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of processing and selling products of similar nature. It could change significantly as a result of changes in customer's preference and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period. Inventories written down to net realisable value of US$0.5 million (2022: US$0.6 million) was made for the year ended 31 December 2023.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, other price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central finance department and all key risk management decisions are approved by the board of directors. The Group identifies and evaluates financial risks in close cooperation with the Group's operating units.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities US$, Euros, Hong Kong Dollars ("HK$"), Renminbi, Arab Emirates Dirhams and Russian Roubles.

Foreign currency risks are mitigated to the extent considered necessary by the board of directors of the Company, through holding the relevant currencies for future settlement. During both years, other than the Group used currency zero-cost collars contracts to minimise the risks associated with foreign currency fluctuations related to the operating costs, the Group does not undertake any foreign currency transaction hedging.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in currencies other than the functional currencies of the relevant group entities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
Russian Roubles	**10,822**	12,791	**19,058**	18,814
US$	**13**	13	**–**	–
Renminbi	**12,224**	4,989	**25**	–
Arab Emirates Dirhams	**–**	–	**1,175**	77
Euro	**–**	–	**21**	163
HK$	**55**	121	**58**	193

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

The Group is mainly exposed to exchange rate movements between US$ and Russian Roubles. The following table details the Group's sensitivity to a 25% (2022: 25%) change in exchange rate of functional currency (i.e. US$) of the group entities against the relevant foreign currency (i.e. Russian Roubles) for the year. The percentage change analysed represents management's assessment of a reasonably possible change in foreign currency rates. No sensitivity analysis is presented for foreign currency fluctuation between US$ against HK$ because HK$ is pegged to US$. The exposure to other currencies are limited, hence no sensitivity analysis is presented.

A positive number below indicates a decrease in post-tax loss (2022: a decrease in post-tax loss) where the functional currency of the group entities strengthen 25% against Russian Roubles. For a 25% weakening of functional currency of the group entities against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss.

	Russian Rouble currency impact	
	2023 US$'000	2022 US$'000
Profit or loss	**1,647**	1,205

The Group's policy is to hold a portion of its cash equivalents in Russian Roubles to cover its exposure arising on capital and operational expenditures incurred in Russian Roubles.

(b) Other price risk

The Group's trade receivables and derivative financial instruments are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to commodity price risk in relation to the trade receivables and derivative financial instruments. The Group's exposure to other price risk arising from the trade receivables and derivative financial instrument is not significant.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure and the credit ratings of the counterparties are monitored by the directors of the Company, and limits have been established to ensure that the aggregate value of transactions is spread amongst approved counterparties.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, except for trade receivables measured at FVTPL, the Group performs impairment assessment for financial assets and other items under the ECL model using a provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 99.9% (2022: 99.8%) of the total trade receivables as at 31 December 2023.

The Group's exposure to credit risk arising from bank deposits, bank balances and derivative financial assets is limited because the counterparties are banks and financial institutions with satisfactory credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk. The table below details the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount 2023 US$'000	2022 US$'000
Financial assets at amortised cost					
Other receivables (Note)	N/A	Low	12 month ECL	**1,674**	1,435
Bank balances	Range from AA + (Ru) to BB - (Ru)	N/A	12 month ECL	**56,089**	36,275
Short-term time deposits	AAA (Ru)	N/A	12 month ECL	**468**	626

Note: For the purpose of internal credit risk management, the Group uses both publicly available and past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due US$'000	Not past due/no fixed repayment terms US$'000	Total US$'000
2023			
Other receivables	**–**	**1,674**	**1,674**
2022			
Other receivables	–	1,435	1,435

The following table shows the reconciliation of loss allowances that have been recognised for other receivables.

	2023 US$'000	2022 US$'000
At 1 January	**331**	5
Impairment losses of financial instruments recognised	**24**	331
Write-off	**(331)**	(5)
At 31 December	**24**	331

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Weighted average effective interest rate %	On demand or less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
At 31 December 2023						
Trade and other payables	**–**	**12,274**	**–**	**–**	**12,274**	**12,274**
Borrowings	**8.68**	**17,828**	**19,236**	**30,645**	**67,709**	**67,321**
Construction costs payable	**8.16**	**22,694**	**–**	**–**	**22,694**	**22,694**
Lease liabilities	**5.00**	**58**	**–**	**–**	**58**	**58**
At 31 December 2022						
Trade and other payables	–	12,420	–	–	12,420	12,420
Borrowings	8.48	10,784	17,828	49,882	78,494	78,058
Construction costs payable	8.16	22,694	–	–	22,694	22,694
Lease liabilities	5.00	140	58	–	198	191

As at 31 December 2023, the commodity swap contracts has been drawn up less than one year based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis amounted to US$1,095,000 (2022: Nil).

(e) Interest rate risk

The Group is exposed to fair value interest rate risk mainly in relation to fixed rate construction costs payable and lease liabilities and cash flow interest rate risk in relation to variable-rate borrowings. It is the Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on LIBOR arising from the Group's US$ denominated borrowings. The Group is also exposed to interest-rate risk arises from the holding of cash and cash equivalents and bank deposits. These deposits bear interests at variable rates that vary with the then prevailing market condition. The Group did not enter into any interest rate swaps to hedge against its exposure to cash flow interest risk.

At 31 December 2023, if interest rates had been 100 basis points higher/lower with all other variables held constant, consolidated loss after tax for the year would have been US$221,000 (2022: US$137,000) higher/lower.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Categories of financial instruments

	2023 US$'000	2022 US$'000
Financial assets:		
Financial assets at FVTPL	**27,384**	20,534
Financial assets measured at amortised cost	**58,207**	38,005
Derivative instruments designated in cash flow hedge relationships	**–**	127
Financial liabilities:		
Financial liabilities at amortised cost	**102,288**	113,171
Derivative instruments designated in cash flow hedge relationships	**1,095**	–

(g) Fair values

The fair value of other financial assets and financial liabilities at amortised cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The fair value of trade receivables are measured using quoted market index. The fair value of derivative instruments are measured using quoted swap price and discounted using applicable yield rates for the duration of the instruments.

7. REVENUE

Disaggregation of revenue

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

Revenue from contracts with customers within the scope of HKFRS 15	2023 US$'000	2022 US$'000
Disaggregated by major products or service lines		
– Sale of iron ore concentrate	**252,935**	274,598
– Delivery services	**–**	3,976
– Engineering services	**52**	183
	252,987	278,757

7. REVENUE (CONTINUED)

Disaggregation of revenue (continued)

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

For the year ended 31 December	Mines in production		Engineering		Total	
	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
Primary geographical markets						
– People's Republic of China ("PRC")	248,016	251,198	–	–	248,016	251,198
– Russia	4,919	27,376	52	183	4,971	27,559
Revenue from external customers	252,935	278,574	52	183	252,987	278,757
Timing of revenue recognition						
Products transferred at a point in time	252,935	274,598	–	–	252,935	274,598
Products and services transferred over time	–	3,976	52	183	52	4,159
Total	252,935	278,574	52	183	252,987	278,757

For the year ended 31 December 2023

8. OPERATING EXPENSES, INCLUDING DEPRECIATION

	2023 US$'000	2022 US$'000
Site operating expenses and service costs		
Subcontracted mining costs and engineering services	**77,716**	82,150
Freight and shipment costs	**40,033**	65,388
Staff costs	**21,785**	23,991
Depreciation	**19,246**	23,508
Materials usage	**13,214**	16,183
Movement in finished goods and work in progress	**12,383**	(4,706)
Mineral extraction tax	**10,680**	8,462
Electricity	**8,802**	7,596
Other expenses	**6,006**	8,600
Property tax	**4,193**	2,320
Temporary export duties	**2,717**	–
Fuel	**2,551**	2,196
Professional fees (Note)	**2,200**	1,166
Inventory written down	**530**	628
Expenses relating to short-term leases and leases of low value assets	**304**	452
Excess over the carrying amount of assets related to decommissioning and restoration liability	**–**	627
Mine development costs capitalised in property, plant and equipment	**(1,942)**	(2,013)
	220,418	236,548
General administration expenses		
Staff costs	**6,979**	11,723
Professional fees (Note)	**2,032**	2,062
Other expenses	**761**	633
Depreciation	**243**	166
Expenses relating to short-term leases and leases of low value assets	**115**	242
	10,130	14,826
	230,548	251,374

Note: Professional fees comprise audit fees, legal fees, consulting fees, management services fees and engineering consultancy fees. Auditor's remuneration for the audit services provided by the external auditor of the Company for the year amounted to US$500,000 (2022: US$490,000) which including a recharge of the audit fee by a component auditor.

9. 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 no longer exist or may have decreased. If any such indication exists, the management is required to estimate the recoverable amount of the asset which requires significant judgement. In making this judgement, management considers factors including improvements in production volumes, changes in the cash costs of production, available ore reserves, purity of the iron ore concentrate, forecasted iron and ilmenite prices and exchange rates.

The recoverable amount of the K&S Project has been determined based on value-in-use calculations. These calculations require the use of estimates of future cash flows based on projected income and expenses of the business and working capital needs that have taken 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.

In determining the recoverable amount of the value of the K&S Project as at 31 December 2023 and 2022 respectively, the Group used certain key assumptions and parameters, details of which are stated below:

	For the year ended 31 December		
	2023	2022	**Basis and reason(s) for changes**
Methodology	**Income Approach**	Income Approach	Consistent valuation approach has been applied.
Key Assumptions			
1. Average production volume per annum over the life of mine (per wet metric tonnes)	**3,067 kt**	3,126 kt	Determined based on the latest production plan and mining schedules. As at 31 December 2023, the long-term mining and production plans were adjusted based on the recent results of operations, leading to the decrease of the concentrate yield from ore processed compared to the plans as at 31 December 2022.
2. Platts 65% iron ore price (US$ per dry metric tonne)	**2024 (Year 1): 144.1 2025 (Year 2): 116.2 2026-2028 (Year 3-5): average 107.3 2029 and thereafter (Year 6 and onwards): 108.1 growing in line with the implicit GDP deflator in the United States with the nominal discount rate being applied.**	2023 (Year 1): 127.5 2024 (Year 2): 120.7 2025-2027 (Year 3-5): average 112.6 2028 and thereafter (Year 6 and onwards): 112.5 growing in line with the implicit GDP deflator in the United States with the nominal discount rate being applied.	For Year 1-5: Price is determined based on either iron ore forward curve or adjusted consensus iron ore price forecast, as appropriate. For Year 6 and onwards: Price determined based on the latest forward-looking analysts' consensus on iron ore for future years available as at the end of the respective reporting periods, growing in line with implicit GDP deflator in the United States.

9. NET IMPAIRMENT LOSSES (CONTINUED)

	For the year ended 31 December 2023	2022	Basis and reason(s) for changes
3. Russian Rouble exchange rate (to 1 US$)	**2024 (Year 1): 93 2025 (Year 2): 96 2026-2028 (Year 3-5) average: 97 2029 and thereafter (Year 6 and onwards): 100**	2023 (Year 1): 68 2024 (Year 2): 77 2025-2027 (Year 3-5) average: 85 2028 and thereafter (Year 6 and onwards): 88	Determined based on consensus economics' forecast.
4. Rouble costs	**Based on the latest actual costs and forecasts available**	Based on the latest actual costs and forecasts available	Rouble-denominated actual costs, including but not limited to mining contractors' rates, wages, electricity and fuel, which increased substantially year-on-year in 2023, resulted in the increase of the cost base in the long-term forecast.
5. Forecast inflation rate	**1.98%**	2.27%	Determined based on forecast of the implicit GDP deflator in the United States applicable as at the end of the respective reporting periods.
6. Discount rate			
– nominal, pre-tax	**14.02%**	15.66%	Determined based on the weighted average cost of capital as calculated using the then prevailing market data, namely risk-free rate, equity risk premium, country risk premiums of Russia and China and cost of debt. The decrease in discount rate was mainly due to the decrease in developed market equity risk premium as well as country risk premiums for Russia and China.
– real, pre-tax	**12.38%**	13.39%	

As at 31 December 2023, the recoverable amount of the property, plant and equipment and right-of-use assets of the K&S Project is approximately US$269.2 million (2022: US$433.3 million) resulting in an impairment loss totaling to US$156.3 million (2022: US$94.6 million) being recognised in the year. The nominal pre-tax discount rate used was 14.02% (2022: 15.66%).

During the year ended 31 December 2023, certain impairment previously recognised for construction-in-progress mining assets amounting to US$0.7 million were reversed as a result of the further review and assessment of the latest plan. On the other hand, certain construction-in-progress mining assets amounting to US$8.3 million (2022: US$8.4 million) has been fully impaired for the year due to unplanned construction in the future.

In addition, one of the exploration and evaluation assets amounting to US$0.2 million has been fully impaired during the year ended 31 December 2022 due to the revocation of the exploration license.

For the year ended 31 December 2023

10. OTHER INCOME, GAINS AND LOSSES

	2023 US$'000	2022 US$'000
Net foreign exchange gain/(loss)	**2,525**	(5,539)
Interest income on cash and cash equivalents	**1,403**	369
Rental income	**592**	4,809
Net gain/(loss) on disposal of property, plant and equipment	**1,883**	(390)
Gain from vessel disposal	**585**	–
Income from provision for procurement services	**145**	–
Provision for slow moving inventories	**(94)**	–
Other provision	**(4,142)**	(4,142)
Others	**788**	1,000
	3,685	(3,893)

11. SEGMENT INFORMATION

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

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

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

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

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

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

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment results represent the results generated by each segment without the allocation of general administration expenses, general depreciation, other income, gains and losses, allowance for financial assets measured at amortised cost and finance costs.

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

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

- all assets are allocated to reportable segments other than central cash and cash equivalents; and

- all liabilities are allocated to reportable segments other than deferred tax liabilities and borrowings.

11. SEGMENT INFORMATION (CONTINUED)

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

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Year ended 31 December 2023					
Revenue from external customers	252,935	–	52	–	252,987
Segment loss	(130,413)	(189)	(706)	(13)	(131,321)
General administrative expenses					(9,887)
General depreciation					(243)
Other income, gains and losses					3,685
Allowance for financial assets measured at amortised costs					(24)
Finance costs					(8,781)
Loss before tax					(146,571)
Other material non-cash items					
Depreciation	19,161	–	85	–	19,246
Net impairment losses	163,890	–	–	–	163,890
Additions to segment non-current assets					
– Capital expenditure on property, plant and equipment and right-of-use assets	17,086	–	1	–	17,087
– Exploration and evaluation expenditure capitalised	–	104	–	–	104
As at 31 December 2023					
Segment assets	364,870	20,729	2,780	16,165	404,544
Central cash and cash equivalents					46,493
Consolidated total assets					451,037
Segment liabilities	69,608	192	185	20,707	90,692
Borrowings					67,321
Deferred tax liabilities					4,045
Consolidated total liabilities					162,058

11. SEGMENT INFORMATION (CONTINUED)

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

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

11. SEGMENT INFORMATION (CONTINUED)

Geographical information:

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

	Revenue		Non-current assets	
	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
PRC	**248,016**	251,198	**–**	–
Hong Kong	**–**	–	**100**	191
Russia	**4,971**	27,559	**290,235**	476,101
Consolidated total	**252,987**	278,757	**290,335**	476,292

Revenue from major customers:

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

	2023 US$'000	2022 US$'000
Mines in production		
Customer A	**235,287**	189,825
Customer B	**–**	49,143

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12. FINANCE COSTS

	2023 US$'000	2022 US$'000
Interest expense on borrowings	**8,355**	7,834
Interest expense on lease liabilities	**6**	61
Unwinding of discount on environmental obligation	**420**	635
	8,781	8,530

13. INCOME TAX (EXPENSE)/CREDIT

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

	2023 US$'000	2022 US$'000
Current tax:		
Russian Corporate tax	**(5,147)**	(32)
Russian Windfall tax	**(2,853)**	–
	(8,000)	(32)
Overprovision/(underprovision) in prior years:		
United Kingdom Corporate tax	**–**	(15)
Hong Kong Profits tax	**–**	249
	–	234
Deferred tax (charge)/credit (note 32)	**(2,318)**	498
	(10,318)	700

13. INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

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

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

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

During the year ended 31 December 2023, the Russian authorities implemented a windfall tax, being a one-off tax payment on the profits of Russian companies for the years ended 31 December 2021 and 2022. The windfall tax rate is 10% of the difference between a company's average profit for 2021-2022 years and average profit for 2018-2019 years. The Group had got a 50% discount as the windfall tax payment was made before 30 November 2023.

No provision for Hong Kong Profits Tax has been made in the financial statements since the Group has no assessable profit for both years.

The reconciliation between the income tax (expense)/credit and the loss before tax is as follows:

	2023 US$'000	2022 US$'000
Loss before tax	**146,571**	88,540
Tax at the Russian Corporate tax rate of 20% (2022: 20%)	**29,314**	17,708
Tax effect of income that is not taxable	**22,407**	10,183
Tax effect of expenses that are not deductible	**(41,497)**	(19,253)
Tax effect of tax exemption	**–**	(1,898)
Tax effect of utilisation of temporary differences not previously recognised	**13**	(22)
Tax effect of of tax losses not recognised	**(1,027)**	(160)
Tax effect of utilisation of tax losses not previously recognised	**197**	(172)
Effect of different tax rates of subsidiaries	**(2,844)**	(5,367)
Tax effect arising from exchange adjustments on non-monetary assets	**(14,028)**	(553)
Russian Windfall tax	**(2,853)**	–
Overprovision in respect of prior years	**–**	234
	(10,318)	700

14. EMPLOYEE BENEFITS EXPENSE

	2023 US$'000	2022 US$'000
Employee benefits expense (including directors' emoluments):		
Wages and salaries	**21,033**	26,409
Social security and other benefits	**6,872**	7,968
Retirement benefit contributions	**859**	1,337
	28,764	35,714

(a) Pensions – defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in Hong Kong.

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

During the years ended 31 December 2023 and 2022, the Group had no forfeited contributions under the MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2023 and 2022 under the MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

14. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2022: two) director(s) whose emoluments is reflected in the analysis presented in note 15. The emoluments of the four (2022: three individuals and the emoluments of two resigned directors after resignation) individuals are set out below:

	2023 US$'000	2022 US$'000
Salaries and other benefits	**1,744**	1,894
Retirement benefit scheme contribution	**673**	1,064
	2,417	2,958

The emoluments fell within the following bands:

	2023	2022
Below HK$500,000 (equivalent to approximately US$64,103)	**–**	1
HK$2,500,001 to HK$3,000,000 (equivalent to approximately US$320,513 to US$384,614)	**–**	1
HK$3,000,001 to HK$3,500,000 (equivalent to approximately US$384,615 to US$448,718)	**1**	–
HK$3,500,001 to HK$4,000,000 (equivalent to approximately US$448,719 to US$512,820)	**1**	–
HK$4,500,001 to HK$5,000,000 (equivalent to approximately US$576,923 to US$641,026)	**1**	2
HK$7,000,001 to HK$7,500,000 (equivalent to approximately US$897,436 to US$961,538)	**1**	–
HK$10,000,001 to HK$10,500,000 (equivalent to approximately US$1,282,051 to US$1,346,153)	**–**	1
	4	5

In both years, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group. Save for the chief executive and five directors who resigned received payment in lieu of notice in 2022 as further set out in note 15(a) below, none of the chief executive or directors or the five highest paid individuals received any compensation in both years for the lose of office. None of the chief executive or directors, or the five highest paid individuals, waived or agreed to waive any emoluments during the year (2022: nil).

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15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
	Directors' fees US$'000	Salaries and other benefits US$'000	Discretionary bonus US$'000	Employer's contribution to a retirement benefit scheme US$'000	2023 Total US$'000
Executive director:					
Denis Cherednichenko (a)	–	858	422	105	1,385
Non-executive director:					
Nikolai Levitskii (c)	210	–	–	–	210
Independent non-executive directors:					
Dmitry Dobryak (d)	114	–	–	–	114
Natalia Ozhegina (e)	114	–	–	–	114
Alexey Romanenko (e)	114	–	–	–	114
Vitaly Sheremet (e)	114	–	–	–	114
Total for 2023	666	858	422	105	2,051

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15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

The remuneration of every director is set out below (continued):

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
	Directors' fees US$'000	Salaries and other benefits US$'000	Discretionary bonus US$'000	One-off additional fees (l) US$'000	Employer's contribution to a retirement benefit scheme US$'000	Payment in lieu of notice US$'000	2022 Total US$'000
Executive directors:							
Denis Cherednichenko (a)	–	429	–	–	53	–	482
Yury Makarov (f)	–	338 (i)	492 (k)	–	148	843	1,821
Danila Kotlyarov (b)	–	127	–	–	16	–	143
Non-executive directors:							
Nikolai Levitskii (c)	126	–	–	–	–	–	126
Peter Charles Percival Hambro (g)(j)	123	–	–	153	–	306	582
Danila Kotlyarov (b)	25	–	–	71	–	–	96
Independent non-executive directors:							
Dmitry Dobryak (d)	69	–	–	–	–	–	69
Natalia Ozhegina (e)	69	–	–	–	–	–	69
Alexey Romanenko (e)	69	–	–	–	–	–	69
Vitaly Sheremet (e)	69	–	–	–	–	–	69
Daniel Rochfort Bradshaw (h)	97	–	–	123	–	123	343
Jonathan Eric Martin Smith (h)(j)	79	–	–	99	–	197	375
Martin Joseph Davison (h)	63	–	–	78	–	156	297
Raymond Woo (h)	73	–	–	92	–	92	257
Total for 2022	862	894	492	616	217	1,717	4,798

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors’ emoluments (continued)

Notes:

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

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

(c) Appointed as Non-Executive Director on 25 March 2022;

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

(e) Appointed as Independent Non-Executive Director on 25 May 2022;

(f) Resigned as Executive Director on 25 May 2022;

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

(h) Resigned as Independent Non-Executive Director on 25 May 2022;

(i) Included in salaries was US$19,000 paid by subsidiaries;

(j) Director’s fee was paid to an independent service company which is classed as an affiliated company to the director; and

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

(l) As there was material increase in the time commitments for the Non-Executive Directors in 2021 in light of various corporate issues, to provide equitable compensation, one-off payments were granted in 2022 to recognise the additional workload.

Mr Yury Makarov and Mr Denis Cherednichenko are also the former and current Chief Executive of the Company, respectively, and their emoluments disclosed above include those for services rendered by themselves as the Chief Executive.

(b) Directors’ material interests in transactions, arrangements or contracts

Save as disclosed in note 15(a), no significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company and the director’s connected party had a material interest, whether directly or indirectly, subsisted at the end of both years or at any time during both years.

16. DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during both years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

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17. LOSS PER SHARE

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

Loss	2023 US$'000	2022 US$'000
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(156,809)**	(87,896)

Number of shares	2023 '000	2022 '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**8,519,657**	7,414,825

The computation of weighted average number of shares for the purpose of diluted loss per share for the years ended 31 December 2023 and 31 December 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.

18. EXPLORATION AND EVALUATION ASSETS

	2023 US$'000	2022 US$'000
At 1 January	**20,392**	20,426
Additions	**104**	162
Impairment loss recognised	**–**	(196)
At 31 December	**20,496**	20,392

As at 31 December 2023, Garinskoye and Bolshoi Seym Deposits are classified as exploration and evaluation assets. Additions mainly related to capitalised costs incurred on exploration and evaluation activities. Kostenginskoye Deposit has been fully impaired during 2022 due to the revocation of the exploration license.

19. PROPERTY, PLANT AND EQUIPMENT

	Mine development costs US$'000	Mining assets US$'000	Non-mining assets US$'000	Construction in progress US$'000	Total US$'000
Cost					
At 1 January 2022	388,981	976,948	54,798	14,452	1,435,179
Additions	14,298	53	11	–	14,362
Close down and restoration costs capitalised	–	(6,834)	–	–	(6,834)
Transfers	(2,766)	2,745	21	–	–
Disposals	–	(712)	(494)	–	(1,206)
Exchange differences	–	–	236	–	236
At 31 December 2022 and 1 January 2023	400,513	972,200	54,572	14,452	1,441,737
Additions	16,466	620	1	–	17,087
Close down and restoration costs capitalised	–	180	–	–	180
Reclassification to inventories	–	(1,560)	–	–	(1,560)
Transfers	(9,096)	8,975	121	–	–
Disposals	–	(2,832)	(11)	–	(2,843)
Exchange differences	–	–	(989)	–	(989)
At 31 December 2023	407,883	977,583	53,694	14,452	1,453,612
Accumulated depreciation and impairment					
At 1 January 2022	357,252	476,985	34,583	14,452	883,272
Charge for the year	–	19,530	608	–	20,138
Transfers	–	17	(17)	–	–
Disposals	–	(352)	(464)	–	(816)
Impairment losses	–	102,973	–	–	102,973
Exchange differences	–	–	77	–	77
At 31 December 2022 and 1 January 2023	357,252	599,153	34,787	14,452	1,005,644
Charge for the year	–	18,765	589	–	19,354
Disposals	–	(4,646)	(15)	–	(4,661)
Impairment losses, net	–	163,890	–	–	163,890
Exchange differences	–	–	(398)	–	(398)
At 31 December 2023	357,252	777,162	34,963	14,452	1,183,829
Carrying amount					
At 31 December 2023	50,631	200,421	18,731	–	269,783
At 31 December 2022	43,261	373,047	19,785	–	436,093

At 31 December 2023 and 2022, the Group did not have any material contractual commitments for the acquisition of property, plant and equipment.

20. RIGHT-OF-USE ASSETS

	Mining assets US$'000	Non-mining assets US$'000	Total US$'000
At 1 January 2022	3,386	72	3,458
Additions	–	269	269
Depreciation	(3,386)	(150)	(3,536)
At 31 December 2022 and 1 January 2023	–	191	191
Depreciation	–	(135)	(135)
At 31 December 2023	–	56	56

Lease liabilities of US$58,000 (2022: US$191,000) are recognised with related right-of-use assets of US$56,000 (2022: US$191,000) as at 31 December 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

During the year ended 31 December 2023, the Group leased an office (2022: leased an office, equipment and vehicles for its operations). These lease contracts are entered into for fixed term up to 2 years, and do not have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

	2023 US$'000	2022 US$'000
Total cash outflows for lease payments	**666**	5,002

21. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of company	Place and date of incorporation/ establishment/operation	Issued and fully paid share capital/ registered capital[c]	Equity interest attributable to the Group		Principal activities
			2023[b]	2022[b]	
Ariti HK Limited	Hong Kong 11 February 2008	HK$98,250,664	100%	100%	General trading
LLC IRC Group	Russia 25 August 2004	RUB25,800,000	100%	100%	Business services for the Group
LLC KS GOK	Russia 2 August 2004	RUB14,943,755,727	100%	100%	Exploration and mining – K&S Project
JSC Giproruda[a]	Russia 8 December 1992	RUB23,195,000	70.28%	70.28%	Engineering services
LLC GMMC	Russia 26 June 2006	RUB780,000,000	99.58%	99.58%	Exploration and mining – Garinskoye project
LLC Kostenginskiy GOK	Russia 16 February 2007	RUB18,400,000	100%	100%	Exploration and mining – Kostenginskoye project
LLC Garinskaya Infrastructure	Russia 14 December 2007	RUB2,100,000	100%	100%	Transportation services for Garinskoye project
LLC Uralmining	Russia 12 October 2008	RUB11,000	100%	100%	Exploration and mining – Bolshoi Seym project

(a) JSC Giproruda is an open joint stock company in Russia. Shares issued by JSC Giproruda can be freely traded.

(b) As at 31 December 2023 and 2022 all of the interests in remaining subsidiaries are indirectly attributable to the Company.

(c) Class of shares held is ordinary shares.

None of the subsidiaries had issued any debt securities at the end of the year.

At the end of the reporting period, the Company did not have subsidiaries that have material non-controlling interests.

22. INTEREST IN A JOINT VENTURE

In past years, as a result of one of the Group's project being put under care and maintenance and subsequently liquidated, the interest in a joint venture had been impaired in full.

23. OTHER FINANCIAL (LIABILITIES)/ASSETS

	2023 US$'000	2022 US$'000
Derivative financial assets		
Derivatives under hedge accounting		
Cash flow hedges – foreign currency forward	–	127

	2023 US$'000	2022 US$'000
Derivative financial liabilities		
Derivatives under hedge accounting		
Cash flow hedges – commodity swap contracts	**(1,095)**	–

Cash flow hedges

At 31 December 2023, the Group had no outstanding currency zero-cost collars contracts (2022: US$127,000) designated as highly effective hedging instruments in order to minimise the exchange rate exposure in relation to operating costs.

Currency zero-cost collars contracts in 2022 have a monthly maturity with the total notional amount of US$34,000,000.

During the year ended 31 December 2023, nil (2022: US$4,703,000) net 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 amounting to US$127,000 (2022: US$4,576,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss upon the settlement.

23. OTHER FINANCIAL (LIABILITIES)/ASSETS (CONTINUED)

At 31 December 2023, the Group had the following commodity swap contracts designated as highly effective hedging instruments in order to manage the Group's exposure in relation to iron ore procurement services.

The terms of the commodity swap contracts have been negotiated to match the terms of the respective designated hedged items.

Major terms of these contracts are as follows:

Notional amount	Maturity	Deal price
59,000 tonnes SGX Iron Ore TSI 62% Futures NLT	January 2024	US$123.10
25,000 tonnes SGX Iron Ore TSI 62% Futures NLT	March 2024	US$135.00
10,000 tonnes SGX Iron Ore TSI 62% Futures NLT	March 2024	US$135.10
10,000 tonnes SGX Iron Ore TSI 62% Futures NLT	March 2024	US$135.20
6,000 tonnes SGX Iron Ore TSI 62% Futures NLT	March 2024	US$136.20

During the year ended 31 December 2023, US$1,095,000 (2022: nil) net loss on change in fair value of the commodity swap contracts under cash flow hedges has been recognised in other comprehensive income.

24. INVENTORIES

	2023 US$'000	2022 US$'000
Current		
Stores and spares	**15,922**	17,544
Ore in stockpiles and work in progress	**29,170**	17,644
Deferred stripping costs	**1,560**	–
Finished goods	**697**	5,522
	47,349	40,710
Non-current		
Ore in stockpiles (Note)	**–**	19,616

Note: Ore in stockpiles that is not planned to be processed within twelve months after the reporting period is shown as non-current.

No inventories had been pledged as security during the years ended 31 December 2023 and 2022.

No current inventories were written down or recovered to its net realisable value during the years ended 31 December 2023 and 2022. Non-current inventories were written down by US$530,000 (2022: US$628,000) to its net realisable value during the year ended 31 December 2023.

The cost of inventory, excluding iron ore concentrate, charged to the consolidated statement of profit or loss and included in site operating expenses and service costs was approximately US$14,056,000 (2022: US$16,283,000) for the year ended 31 December 2023.

No inventories is expected to be recovered after more than twelve months from 31 December 2023, other than ore in stockpiles, presented as non-current, for the year ended 31 December 2022.

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25. TRADE AND OTHER RECEIVABLES

	2023 US$'000	2022 US$'000
Trade receivables	**27,384**	20,534
Value-added tax recoverable	**11,075**	13,376
Prepayments to suppliers	**16,683**	4,908
Amounts due from customers under engineering contracts	**5**	5
Other receivables	**1,645**	1,099
	56,792	39,922

Trade receivables are amounts owed from iron ore concentrate sales and services performed under engineering contracts and measured at fair value.

Amounts due from customers under long-term engineering contracts in progress are expected to be billed and settled within one year.

The Group allows credit period of 34 to 49 days (2022: 14 to 52 days) to individual third party customers. The directors of the Company considered that the carrying value of trade and other receivables is approximately equal to their fair value.

The Group has a concentration of credit risk at 31 December 2023 as 99.9% (2022: 99.8%) of the total trade receivables was due from the Group's largest customer. The Group has implemented policies that require appropriate credit checks on potential customers before granting credit. The Group has adopted a policy of only dealing with creditworthy counterparties and minimising its risk by receiving substantial upfront payments. The Group's exposure and credit ratings of its counterparties are monitored closely by management. The maximum credit risk of such financial assets is represented by the carrying value of the asset.

In determining recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

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

	2023 US$'000	2022 US$'000
Less than one month	**17,913**	20,163
One month to three months	**6,771**	371
Over three months to six months	**2,700**	–
	27,384	20,534

At 31 December 2023, 99.9% and 0.1% (2022: 99.8% and 0.2%) of the carrying amounts of the Group's trade receivables are denominated in the US$ and Russian Roubles respectively.

26. TIME DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2023, the Group had short-term Russian Roubles denominated bank time deposits with an original maturity of three to twelve months and bore interest at prevailing market rates that ranged from 6.50% to 15.22% (2022: 6.16% to 19.00%) per annum.

Bank and cash balances comprised cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Cash at banks carry interest at prevailing market rates ranging from 0.10% to 15.50% (2022: 1.40% to 18.90%) per annum as at 31 December 2023.

As at 31 December 2023, the bank balances of US$56,089,000 (2022: US$36,275,000) include US$9,458,000 (2022: US$16,834,000) held by LLC KS GOK, a wholly owned subsidiary of the Group.

27. SHARE CAPITAL

	2023		2022	
	Number of shares	Amount US$'000	Number of shares	Amount US$'000
At 1 January	**8,519,657,257**	**1,304,467**	7,099,714,381	1,285,482
New shares issued (Note)	**–**	**–**	1,419,942,876	18,985
At 31 December	**8,519,657,257**	**1,304,467**	8,519,657,257	1,304,467

Note: 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 represented 20.0% of the then existing issued share capital of the Company and approximately 16.7% of the total issued share capital of the Company as enlarged by the Subscription Shares. On 12 October 2022, all conditions of the subscription agreement have been fulfilled and the Subscription Shares have been allotted and issued to MIC invest LLC, resulting in MIC invest LLC becoming a substantial shareholder of the Company.

The net proceeds from the subscription amounted to approximately HK$151,096,000 (equivalent to US$18,985,000), which was fully applied to (i) pay the principal amount of the fourth quarter of 2022 of the Facility (as defined in note 29); and (ii) prepay part of the principals of each of the 12 quarterly instalments of the Facility that will fall due and become payable by the Group in each of the year ending 31 December 2023, 2024 and 2025.

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

27. SHARE CAPITAL (CONTINUED)

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

The Option Shares were fully vested in 2017.

Two tranches of Option Shares granted expired and lapsed in December 2021 and 2022 respectively. No Option Shares granted were exercised.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

Based on information available to the Company, the Company is in compliance with the 25% public float requirement throughout the year. As at 31 December 2023, 52.7% (2022: 58.5%) of the shares were in public hands.

28. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the consolidated financial statements.

(iii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges in note 4(p) to the consolidated financial statements.

29. BORROWINGS

	2023 US$'000	2022 US$'000
Other loans	**67,321**	78,058

The borrowings are repayable as follows:

	2023 US$'000	2022 US$'000
Within one year	**17,867**	10,795
More than one year, but not exceeding two years	**19,072**	17,710
More than two years, but not exceeding five years	**30,382**	49,553
	67,321	78,058
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(17,867)**	(10,795)
Amount due for settlement after 12 months (shown under non-current liabilities)	**49,454**	67,263

29. BORROWINGS (CONTINUED)

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

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

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

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

As at 31 December 2023 and 31 December 2022, the full credit facility amount of US$240,000,000 has been fully drawn down.

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

The Facility is secured by (i) a charge over the property, plant and equipment with net book value of US$51,922,000; (ii) 100% equity share of Kapucius Services Limited in LLC KS GOK; and (iii) from 28 January 2022 till 28 February 2023, pledged of 2,120,000,000 ordinary shares of the Company held by Axiomi Consolidated Ltd ("Axiomi Share Charge"), the then substantial shareholder of the Company.

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.

As of 31 December 2023, the total borrowings of US$67,321,000 (2022: US$78,058,000) was borne by LLC KS GOK, a wholly owned subsidiary of the Group.

29. BORROWINGS (CONTINUED)

The drawn down of the 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 on 30 June 2022, of less than 3.0 times

   Where:

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

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

   ii) Debt Service Coverage Ratio (DSCR):

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

   where DSCR is defined as:

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

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

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

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

For the twelve months period ended 30 June 2022, LLC KS GOK has complied with the Net Debt/EBITDA ratio covenant, as 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.

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30. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
Within one year	**58**	140	**58**	133
More than one year, but not exceeding two years	**–**	58	**–**	58
	58	198	**58**	191
Less: Future finance charges	**–**	(7)	**N/A**	N/A
Present value of lease obligations	**58**	191	**58**	191
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(58)**	(133)
Amount due for settlement after 12 months (shown under non-current liabilities)			**–**	58

The incremental borrowing rate applied to lease liabilities was 0.41% (2022: weighted average incremental borrowing rates applied range from 0.41% to 21.16%).

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2023 US$'000	2022 US$'000
HK$	**58**	191

31. PROVISION FOR CLOSE DOWN AND RESTORATION COSTS

	2023 US$'000	2022 US$'000
At 1 January	**4,547**	6,745
Unwinding of discount	**420**	635
Exchange differences	**(1,012)**	564
Change in estimate	**(367)**	(3,397)
At 31 December	**3,588**	4,547

The provision represents amounts recognised in relation to mine closure, site and environmental restoration costs which are based on estimates provided by in-house engineers and geologists.

The amount represents the obligation recognised for the K&S Project, which is located in the Jewish Autonomous Region (EAO) of the Russian Federation. The related obligation for the K&S Project has been recognised using an effective interest rate of 11.6% (2022: 11.0%) per annum with the expected timing of cash outflows on the closure of mining operation currently estimated to be after 2056.

32. DEFERRED TAX

The following are the deferred tax (liabilities) and assets recognised by the Group and movements thereon during the year.

	Property, plant and equipment US$'000	**Engineering contracts** US$'000	**Tax losses** US$'000	**Foreign exchange movements** US$'000	**Other temporary differences** US$'000	**Total** US$'000
At 1 January 2022	(496)	10	39,989	(41,790)	(4)	(2,291)
Credit/(charge) to profit or loss for the year	19	7	(91)	553	10	498
Exchange differences	(29)	–	–	–	(7)	(36)
At 31 December 2022 and 1 January 2023	(506)	17	39,898	(41,237)	(1)	(1,829)
Credit/(charge) to profit or loss for the year	15	25	(16,386)	14,028	–	(2,318)
Exchange differences	107	(5)	–	–	–	102
At 31 December 2023	(384)	37	23,512	(27,209)	(1)	(4,045)

At 31 December 2023, the Group had unused tax losses of approximately US$137,974,000 (2022: approximately US$215,755,000).

32. DEFERRED TAX (CONTINUED)

On 30 November 2016, an amendment to the Russian Tax Code was enacted that, effective from 1 January 2017 (i) the limitation regarding the utilisation of loss carry forwards up to 50% of taxable profit in the tax period will expire beginning in 2021; and (ii) the current 10-year carry forward period for losses will be eliminated, hence, it will be possible to fully utilise loss carry forwards against the corporate tax base in a given year from 2021 onwards. Further losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

In relation to these unused tax losses, deferred tax assets of US$16,386,000 have been utilised in 2023 in respect of approximately US$117,560,000 of unused tax losses and US$91,000 have been utilised in 2022 in respect of approximately US$199,490,000 of unused tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately US$20,414,000 (2022: approximately US$16,265,000) due to the unpredictability of future taxable profit streams.

At 31 December 2023, the Group had deductible temporary difference of approximately US$1,387,000 (2022: approximately US$1,451,000), in respect of temporary differences arising on the sale of iron ore concentrate and certain costs capitalised in “Mine development costs” under property, plant and equipment when they were under development in prior years. No deferred tax asset has been recognised in respect of these deductible temporary differences as they are insignificant.

The Group did not record a deferred tax liability in respect of withholding tax that would be payable on the unremitted earnings associated with investments in its subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and did not intend to reverse them in the foreseeable future. These subsidiaries are incorporated in Russia and subject to the Russian Corporate tax rate of 20%. Unremitted earnings that would be subject to withholding tax amount to approximately US$73,859,000 at 31 December 2023 (2022: approximately US$96,128,000). Temporary differences arising from the Group’s interests in a joint venture are insignificant.

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33. TRADE AND OTHER PAYABLES

	2023 US$'000	2022 US$'000
Trade payables	**11,421**	10,734
Advances from customers	**20,185**	76
Interest payables	**237**	253
Construction cost payables (Note)	**22,694**	22,694
Accruals and other payables	**31,414**	27,298
	85,951	61,055

Note: Construction cost payables are amounts owed arising from the Engineering Procurement and Construction Contract (the "EPC Contract") entered into between the Group and China National Electric Engineering Corporation ("CNEEC") on 6 December 2010.

The EPC Contract was amended on 14 March 2016 such that LLC KS GOK shall issue a taking-over certificate for the process plant works ("Taking-Over Certificate") on 30 June 2016 to confirm the status of completion of the processing plant. However, the Group had to complete certain works itself, and the time for completion of the K&S Project was extended from 30 June 2016 to 26 July 2016.

Under the EPC Contract, CNEEC is subject to delay penalties on demand basis for the period between the completion date of the process plant works and the date of the issuance of the Taking-Over Certificate for the process plant works at US$150,000 per day and the Group may recover the same from CNEEC as a debt.

On 27 December 2016, LLC KS GOK and CNEEC entered into an additional agreement (the "Additional Agreement") to the EPC Contract that the Taking-Over Certificate would be issued on 31 December 2016.

On 25 January 2021, LLC KS GOK sent a Notice of Adjudication to the Dispute Adjudication Board ("DAB") under the EPC Contract procedure with the claim for the total amount of US$75,372,000, constituting of: (i) delay penalties in respect of the period from 26 July 2016 until 31 December 2016; (ii) performance penalties; and (iii) reimbursement of the costs of remedial works against CNEEC.

On 7 January 2022, LLC KS GOK specified its claim to the DAB proceedings of at least US$38,207,000 and RUB1,036,846,000, made up as follows:

- delay penalties for the delayed completion of the process plant works, amounting to US$1,006,000. Such an amount is calculated on the basis of set-off performed by LLC KS GOK in respect of the principal amount US$22,694,000 claimed by CNEEC, as against LLC KS GOK's entitlement to delay penalties. Such set-off was performed by way of notice to CNEEC dated 23 August 2021. To the extent CNEEC is held not to be entitled to the principal amounts, LLC KS GOK claims the full amount of delay penalties in respect of the delayed completion of the process plant works, amounting to US$23,700,000;

- reimbursement of the costs of remedial works carried out by LLC KS GOK in relation to defects in the process plant works, amounting to at least RUB123,590,000 and US$230,000;

- performance penalties, amounting to US$30,335,000;

- delay penalties for the delayed completion of the drying unit, amounting to US$6,635,000;

- reimbursement of the costs of remedial works carried out by LLC KS GOK in relation to the quantified defects in the drying unit works, amounting to RUB9,652,000; and

- reimbursement of the costs of remedial works carried out by LLC KS GOK in relation to the ongoing defects in the drying unit works, amounting to RUB903,605,000.

On 6 October 2023, CNEEC issued its response and supporting evidence in the DAB proceedings, in response to the claims pursued by LLC KS GOK. According to its response, CNEEC rejected the various claims pursued by LLC KS GOK and denied all liability for the amounts sought by LLC KS GOK.

CNEEC counterclaimed an entitlement to certain deferred payments totalling US$22,694,000 plus interest (at a daily rate of 0.05% and stated to amount to US$18,541,190 as of 6 October 2023). CNEEC also sought further financing charges at a rate of US$11,347.22 per day from 7 October 2023 to the date it receives full payment of the deferred payments.

33. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2023 US$'000	2022 US$'000
Less than one month	**9,924**	10,380
One month to three months	**1,358**	145
Over three months to six months	**1**	203
Over six months	**138**	6
	11,421	10,734

The average credit period on purchases of goods and services for the year was 22 days (2022: 25 days). The directors of the Company consider that the carrying amount of trade creditors and other payables approximates their fair value.

At 31 December 2023, 86.3%, 3.0%, 0%, and 10.0% (2022: 94.3%, 3.4%, 1.5% and 0.7%) of the carrying amounts of the Group's trade payables are denominated in Russian Roubles, US$, Euros and Arab Emirates Dirhams respectively.

34. SHARE-BASED PAYMENTS

On 20 November 2015, the Company adopted a share option scheme ("Share Option Scheme") that will expire on 19 November 2025. The remaining life of the Share Option Scheme is approximately 1.8 years. Pursuant to the Share Option Scheme, any employee, director and any person or entity acting in their capacities as consultants of the Group ("Eligible Persons") may be granted share options under the Share Option Scheme.

The Share Option Scheme is designed to incentivise, reward and retain key Eligible Persons in the Group by providing a reward for long term performance of the Eligible Persons and of the Group, and which aligns the interests of the Eligible Persons with those of the Company's long-term shareholders.

Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options (the "Options") to Eligible Persons to subscribe for shares of the Company at a price which shall be at least the higher of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant. The Board shall specify in an offer letter a date by which a grantee must accept the offer, being a date no later than 28 days after the date on which the option is offered or the date on which the conditions for the offer are satisfied. Payment of an option price of HK$1.00 shall be made upon acceptance of the offer. The options may be exercised in whole or in part before the expiry of the option period, being a period during which the Option may be exercised ("Option Period"). The Option Period is to be determined by the Board and to be specify in the offer letter, in any event, such period shall not be longer than 10 years commencing from the date of offer.

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

34. SHARE-BASED PAYMENTS (CONTINUED)

The total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue on the date of shareholders' approval of the refreshed mandate limited, being 10 August 2018, unless the Company obtains further approval from the shareholders.

The number of shares issued and to be issued in respect of which Options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

As at the date of this annual report, the total number of Shares available for issue upon the exercising of the outstanding Options as at 31 December 2023 under the Share Option Scheme was 178,889,628, representing 2.1% of the total issued shares of the Company as at the date of this report.

The number of options available for grant (and therefore total number of shares available for issue) under the refreshed mandate limit of the Share Option Scheme was 709,338,638 as at 1 January 2023 and 31 December 2023 respectively. The Company did not grant any share options during the year ended 31 December 2023.

Share Options granted in 2015

On 20 November 2015, 228,000,000 Options were granted to the Company's selected employees and directors. The exercise price is HK$0.315 per share, which was higher than the closing price of the Company's shares on the date of grant of HK$0.246 per share.

Of the total 228,000,000 Options, 87,000,000 Options were granted to directors of the Company, and 141,000,000 Options were granted to certain employees of the Group. The Options are valid for a period of 10 years from the date of grant and are subject to the vesting periods as follows:

– one-third of the Options granted to each Grantee shall vest on 19 November 2016;

– one-third of the Options granted to each Grantee shall vest on 19 November 2017; and

– one-third of the Options granted to each Grantee shall vest on 19 November 2018.

34. SHARE-BASED PAYMENTS (CONTINUED)

Share Options granted in 2015 (continued)

Each one-third tranche of the Options granted in 2015 are subject to the following vesting conditions:

– 25% of the tranche vesting relates to the achievement of certain production targets;

– 25% of the tranche vesting relates to profitability;

– 25% of the tranche vesting relates to the growth and development of the Group; and

– 25% of the tranche vesting relates to the meeting of certain health, safety and environmental requirements.

To address the dilutive effect of the Company's share placement which completed on 30 December 2016 (please refer to note 27 for details of the placement), the exercise price and the aggregate number of Options granted on 20 November 2015 have been adjusted to HK$0.296 and 242,328,035, respectively. One-third of the Options granted (80,776,011 Options) were due to vest in 2016, subject to the achievement of certain performance targets during the vesting period. However, as the K&S Project was not in commercial production so the grantees were not in the position to deliver on certain performance targets, the board of directors has determined that 50% of the Options that were due for vesting in 2016 (i.e. 40,388,008 Options) vested in 2017. As such, 40,388,003 Options vested in 2016 and became exercisable. However, in 2017, 15,499,783 Options were forfeited due to cessation of employment. One-third (37,288,055 Options) of the remaining Options (111,864,152 Options) due to vest in 2017 have been cancelled as approved by the remuneration committee of the Company and the effect of accelerating the expense is not significant. On 19 November 2018, the vesting period for share option granted in 2015 ended. 74,576,097 Options granted were due to vest. Other than 9,322,016 Options were cancelled as approved by the remuneration committee of the Company, the remaining 65,254,081 Options were fully vested.

An option granted in 2015 may be exercised by the grantee in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of grant of option under the Share Option Scheme.

As at 31 December 2023, the number of exercisable Options under the scheme is 178,889,628 (2022: 178,889,628), representing 2.10% of the issued number of shares of the Company (2022: 2.10%). During the year ended 31 December 2023, nil (2022: nil) Options granted in 2015 were exercised and nil (2022: 553) options were forfeited.

Share Options granted in 2017

On 29 September 2017, 296,400,000 Options were granted to the Company's selected employees and directors. The exercise price is HK$0.2728 per share, which was higher than the closing price of the Company's shares on the date of grant of HK$0.248 per share.

Of the total 296,400,000 Options, 111,600,000 Options were granted to directors of the Company, and 184,800,000 Options were granted to certain employees of the Group. The share options are valid for a period of 5 years from the date of grant and are subject to the vesting periods as follows:

– one-third of the Options granted to each Grantee shall vest on 28 September 2018;

– one-third of the Options granted to each Grantee shall vest on 28 September 2019; and

– one-third of the Options granted to each Grantee shall vest on 28 September 2020.

34. SHARE-BASED PAYMENTS (CONTINUED)

Share Options granted in 2017 (continued)

Each one-third tranche of the Options granted in 2017 are subject to the following vesting conditions:

– 25% of the tranche vesting relates to the achievement of certain production targets;

– 25% of the tranche vesting relates to profitability;

– 25% of the tranche vesting relates to the growth and development of the Group; and

– 25% of the tranche vesting relates to the meeting of certain health, safety and environmental requirements.

In 2018, one-third of the Options granted (98,800,000 Options) were due to vest, subject to the achievement of certain performance targets during the vesting period. After assessing the level of achievement of the performance targets, 12,350,000 Options have been cancelled and 86,450,000 Options were vested.

In 2019, 24,800,000 Options were forfeited due to cessation of employment. Half of the remaining Options granted (86,400,000 Options) were due to vest. After assessing the level of achievement of the performance targets, 43,200,000 Options have been vested, and 43,200,000 Options have been cancelled. The effect of accelerating the expense was not significant.

In 2020, the vesting period for Options granted in 2017 ended and the Company assessed that all the vesting conditions were fulfilled. The remaining 86,400,000 Options granted have been fully vested.

An option granted in 2017 may be exercised by the grantee in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 5 years from the date of grant of option under the Share Option Scheme.

At 28 September 2022, all 211,050,000 Options granted in 2017 expired. During the year ended 31 December 2022, nil Options granted in 2017 were exercised.

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings US$'000	Amount due to Petropavlovsk PLC included in other payables US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2022	112,604	2,876	3,684	119,164
Financing cash flow	(42,334)	(2,883)	(4,308)	(49,525)
Interest expense	7,834	–	61	7,895
New leases entered	–	–	269	269
Other payables	(46)	7	–	(39)
Exchange differences	–	–	485	485
At 31 December 2022 and 1 January 2023	78,058	–	191	78,249
Financing cash flow	(19,108)	–	(140)	(19,248)
Interest expense	8,355	–	6	8,361
Other payables	16	–	–	16
Exchange differences	–	–	1	1
At 31 December 2023	67,321	–	58	67,379

36. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group earned property rental income of approximately US$592,000 (2022: US$4,809,000) during the year ended 31 December 2023, relating to the sub-let of part of the floor space of buildings owned by JSC Giproruda (2022: (i) the sub-let of part of the floor space of buildings owned by JSC Giproruda and (ii) wagons subleased by LLC KS GOK, both subsidiaries of the Group). At 31 December 2023 and 2022, the Group had contracted with tenants for minimum lease payments due within eleven months.

Minimum lease payments receivable on leases are as follows:

	2023 US$'000	2022 US$'000
Within one year	**502**	618

37. RELATED PARTY TRANSACTIONS

(a) As disclosed in note 27, during the fourth quarter of 2022, the Company entered into and completed the conditional subscription agreement with MIC invest LLC, pursuant to which MIC invest LLC has become a substantial shareholder of the Company.

At 31 December 2023 the Group's borrowings from MIC invest LLC amounted to US$67,321,000 (2022: US$78,058,000). The interest expense payable to MIC invest LLC is US$237,000 as at 31 December 2023 (2022: US$253,000).

(b) The Group had the following transactions with its related parties during the year:

	2023 US$'000	2022 US$'000
Interest expenses incurred to MIC invest LLC	**8,355**	1,741

(c) The remuneration of directors and other members of key management during the year was as follows:

	2023 US$'000	2022 US$'000
Short-term benefits	**3,689**	6,475
Post-employment benefits	**779**	1,281
	4,468	7,756

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

For the year ended 31 December 2023

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2023 US$'000	2022 US$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**374,288**	524,734
Right-of-use assets	**56**	191
Property, plant and equipment	**45**	8
Total non-current assets	**374,389**	524,933
Current assets		
Prepayment and other receivables	**316**	378
Amounts due from subsidiaries	**1,289**	1,161
Bank and cash balances	**384**	18,111
Total current assets	**1,989**	19,650
TOTAL ASSETS	**376,378**	544,583

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Statement of financial position of the Company (continued)

	Note	2023 US$'000	2022 US$'000
EQUITY			
Capital and reserves			
Share capital	27	**1,304,467**	1,304,467
Other reserves		**20,824**	20,824
Accumulated losses		**(1,036,312)**	(877,020)
Total equity		**288,979**	448,271
LIABILITIES			
Non-current liabilities			
Loan from a subsidiary		**58,312**	56,247
Lease liabilities		**–**	58
Total non-current liabilities		**58,312**	56,305
Current liabilities			
Amounts due to subsidiaries		**27,482**	38,229
Accruals and other payables		**1,547**	1,645
Lease liabilities		**58**	133
Total current liabilities		**29,087**	40,007
TOTAL EQUITY AND LIABILITIES		**376,378**	544,583

Approved and authorised for issue by the Board of Directors on 27 March 2024 and are signed on its behalf by:

Nikolai Levitskii	**Denis Cherednichenko**
Name of Director	*Name of Director*

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Capital reserve US$'000	Share-based payment reserve US$'000	Other reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2022	592	6,473	13,759	(789,927)	(769,103)
Loss and total comprehensive expense for the year	–	–	–	(87,093)	(87,093)
At 31 December 2022 and 1 January 2023	592	6,473	13,759	(877,020)	(856,196)
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(159,292)**	**(159,292)**
At 31 December 2023	**592**	**6,473**	**13,759**	**(1,036,312)**	**(1,015,488)**

39. EVENTS AFTER THE REPORTING PERIOD

Mandatory Conditional Cash Offers

On 1 November 2023, the Company was informed by an existing shareholder, AXIOMA CAPITAL FZE LLC ("Axioma") that Axioma and OIKKU FINANCE LIMITED ("Oikku") had entered into a sale and purchase agreement pursuant to which Oikku had agreed to sell and Axioma had agreed to purchase 401,812,360 shares of the Company, representing approximately 4.72% of the total issued share capital of the Company, at a consideration of HK$47,413,858.48, which is equivalent to HK$0.118 per share. The acquisition was completed on 1 November 2023 (the "Completion").

Immediately prior to the Completion, Axioma was interested in 2,205,900,000 shares of the Company, representing approximately 25.89% of the total issued share capital of the Company. Immediately after the Completion, Axioma was interested in 2,607,712,360 shares of the Company, representing approximately 30.61% of the total issued share capital of the Company.

Pursuant to Rule 26 under the Hong Kong Code on Takeovers and Mergers, Axioma made a mandatory conditional cash offer (the "Share Offer") of HK$0.118 per share for all the issued shares of the Company (the "Offer Shares"), other than those already owned and/or agreed to be acquired by Axioma. Axioma also made a cash offer (the "Option Offer") of HK$0.0001 per share option (the "Offer Options") to cancel all outstanding share options (collectively, the "Offers"). The first closing date of the offer was 12 January 2024.

39. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Mandatory Conditional Cash Offers (continued)

On 12 January 2024, Axioma received (i) valid acceptances in respect of a total of 439,794,283 Offer Shares under the Share Offer, representing approximately 5.16% of the entire issued share capital of the Company; and (ii) valid acceptance in respect of a total of 91,714,426 Offer Options under the Option Offer, representing approximately 51.27% of the Offer Options. Following these acceptances, Axioma was interested in an aggregate of 3,047,506,643 shares, representing approximately 35.77% of the entire issued share capital of the Company. Axioma decided to extend the closing date to 20 February 2024 in order to provide additional time for the shareholders and optionholders to consider the Offers.

As at 8 February 2024, Axioma received (i) valid acceptances in respect of a total of 1,861,159,159 Offer Shares under the Share Offer, representing approximately 21.85% of the entire issue share capital of the Company; and (ii) valid acceptances in respect of a total of 91,714,426 Offer Options under the Option Offer, representing approximately 51.27% of the Offer Options. Following these acceptances, Axioma was interested in an aggregate of 4,468,871,519 Shares, representing approximately 52.45% of the entire issued share capital of the Company. Accordingly, the Offers was declared unconditional on 8 February 2024 and the Offers remained open for acceptances until 22 February 2024.

As at 22 February 2024, Axioma had received (i) valid acceptances in respect of a total of 2,228,445,577 Offer Shares under the Share Offer, representing approximately 26.15% of the entire issue share capital of the Company; and (ii) valid acceptances in respect of a total of 91,714,426 Offer Options under the Option Offer, representing approximately 51.27% of the Offer Options. Following these acceptances, Axioma was interested in an aggregate of 4,836,157,937 shares, representing approximately 56.76% of the entire issued share capital of the Company. The remaining 43.24% shareholding of the Company is held by public shareholders. The Offers closed on 22 February 2024.

The Share Options under the Option Offer which were not accepted would (to the extent not exercised) automatically lapse upon the close of the Offers. Accordingly, on 22 February 2024 upon the close of the Offers, all outstanding Share Options lapsed and the Company has no outstanding Share Options.

FINANCIAL SUMMARY

	Results of the Group for the year ended 31 December				
	2019 US$'000	2020 US$'000	2021 US$'000	2022 US$'000	**2023** **US$'000**
Revenue	177,164	224,591	371,279	278,757	**252,987**
Profit/(loss) attributable to owners of the Company	(38,669)	100,551	134,069	(87,896)	**(156,809)**

	Assets and liabilities of the Group as at 31 December				
	2019 US$'000	2020 US$'000	2021 US$'000	2022 US$'000	**2023** **US$'000**
Total assets	607,430	681,121	709,146	593,952	**451,037**
Less: Total liabilities	(329,429)	(298,835)	(192,767)	(145,681)	**(162,058)**
Total net assets	278,001	382,286	516,379	448,271	**288,979**

GLOSSARY

This glossary contains definitions of certain terms used in this report in connection with the Group and its business. Some of these may not correspond to standard industry definitions.

ASP	Achieved selling price
Axiomi	Axiomi Consolidation Ltd, a wholly-controlled company of Mr Nikolai Levitskii
Board	The Board of Directors
Cayiron	Cayiron Limited, a wholly owned subsidiary of Petropavlovsk and the immediate controlling shareholder of the Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFR	INCOTERM Cost and Freight
CIM	The Canadian Institute of Mining, Metallurgy and Petroleum
CNEEC	China National Electric Engineering Company Limited, the principle EPC contractor at the K&S Project
Concentrate	The clean product recovered from a treatment plant
COVID-19	Infectious disease caused by a newly discovered coronavirus
DAP	INCOTERM Delivery at Place
Deposit	Mineral deposit or ore deposit is used to designate a natural occurrence of a useful mineral, or an ore, in sufficient extent and degree of concentration
Directors	The directors of the Company
DSO	Direct shipping ores. Ores that are economic due to their high grades and therefore limited requirement for upgrading and processing before sale to end users. Raw material for iron ore concentrate, isometric mineral, Fe
EAO	Jewish Autonomous Region, an oblast of the Russian Federation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPC	Engineering, Procurement and Construction contract
Exploration	Method by which ore deposits are evaluated
Fe	The chemical symbol for iron
Feasibility study	An extensive technical and financial study to assess the commercial viability of a project
Flotation	A mineral process used to separate mineral particles in a slurry, by causing them to selectively adhere to a froth and float to the surface
FOB	INCOTERM Free on Board
Gazprombank	Gazprombank, is a private-owned Russian bank, the third largest bank in Russia by assets
GDP	Gross domestic product
General Nice	General Nice Development Limited is a Hong Kong incorporated holding company which trades and produces steel raw material commodities in China and globally
Geophysical	Prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc.) of rocks and define anomalies for further testing
Geotechnical	Referring to the use of scientific methods and engineering principles to acquire, interpret, and apply knowledge of earth materials for solving engineering problems
Grade	Relative quantity or the percentage of ore mineral or metal content in an ore body
HK$	Hong Kong Dollar, the lawful currency of Hong Kong
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong	The Hong Kong Special Administrative Region of the PRC
HSE	Health, Safety and Environment
ICBC	Industrial and Commercial Bank of China Limited, a company listed on the Stock Exchange (Stock code: 1398)
Ilmenite	Iron titanium oxide; a trigonal mineral, chemical formula $FeTiO_3$
JORC code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time
K&S	A magnetite development project in the Company's portfolio consisting of the Kimkan deposit and the Sutara deposit
LTIFR	Lost time injury frequency rate, the number of lost time injuries per million man hours worked

Magnetite	Fe_3O_4; major mineral in banded iron formations, generally low grade (1.5%-40% iron)
Metallurgical	Describing the science concerned with the production, purification and properties of metals and their applications
MIC	MIC invest Limited Liability Company, a wholly-controlled company of Marina Alexeevna Kolesnikova
Micon	Micon International Limited has provided consulting services to the international mining industry since 1988, with particular focus upon mineral resource estimations, metallurgical services, mine design and production scheduling, preparation of pre-feasibility and feasibility studies, independent reviews of mining and mineral properties, project monitoring, independent engineer roles, financial analysis and litigation support. Micon's resource estimate complies with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required by Canadian National Instrument 43-101 (NI 43-101)
Mill	Equipment used to grind crushed rocks to the desired size for mineral extraction
Mineralisation	Process of formation and concentration of elements and their chemical compounds within a mass or body of rock
NI 43-101	Also referred to as National Instrument 43-101, the (Canadian) Standards of Disclosure for Mineral Projects, including Companion Policy 43-101 as amended from time to time
NRI	Non-recurring items
Open-pit	A large scale hard rock surface mine; mine working or excavation open to the surface
Optimisation	Co-ordination of various mining and processing factors, controls and specifications to provide optimum conditions for technical/economic operation
Ore	Material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives
Ore-field	A zone of concentration of mineral occurrences
Ore body	Mining term to define a solid mass of mineralised rock which can be mined profitably under current or immediately foreseeable economic conditions
Ore Reserves	The parts of a Mineral Resource that can at present be economically mined
Petropavlovsk	Petropavlovsk PLC, the London Stock Exchange quoted, Russian gold mining company
Precious metal	Gold, silver and platinum group minerals
Primary	Characteristic of or existing in a rock at the time of its formation; pertains to minerals, textures and etc.; original
Processing	Methods employed to clean, process and prepare materials or ore into the final marketable product
Recovery	Proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
Resources	The concentration of material of economic interest in or on the earth's crust
ROM	Run-of-mine. This is recovered ore, as mined with dilution, before any pre-concentration or other form of processing
Rospotrebnadzor	The federal service for surveillance on consumer rights protection and human wellbeing
Russian Far East	Refers to the Far Eastern Federal district of the Russian Federation, which covers the area of Russia between Lake Baikal in Siberia and the Pacific Ocean
Rouble or RUB	Russian Rouble
Shareholder(s)	Holder of the Share(s)
SRP	Steel/Slag Reprocessing Project
Stock Exchange	The Stock Exchange of Hong Kong Limited
Tailings	Material that remains after all metals/minerals considered economic have been removed from the ore
TiO_2	Titanium dioxide. A fine white powder. Used in paints, plastics or paper, it provides for maximum whiteness and opacity
Titanomagnetite	Concentrate which is a variation of a magnetite concentrate typically with a high vanadium and titanium content
Tonne/t	1 wet metric tonne (1,000 kg)
Treatment plant	A plant where ore undergoes physical or chemical treatment to extract the valuable metals/minerals
US Dollar or US$	United States Dollar

LIST OF ABBREVIATIONS

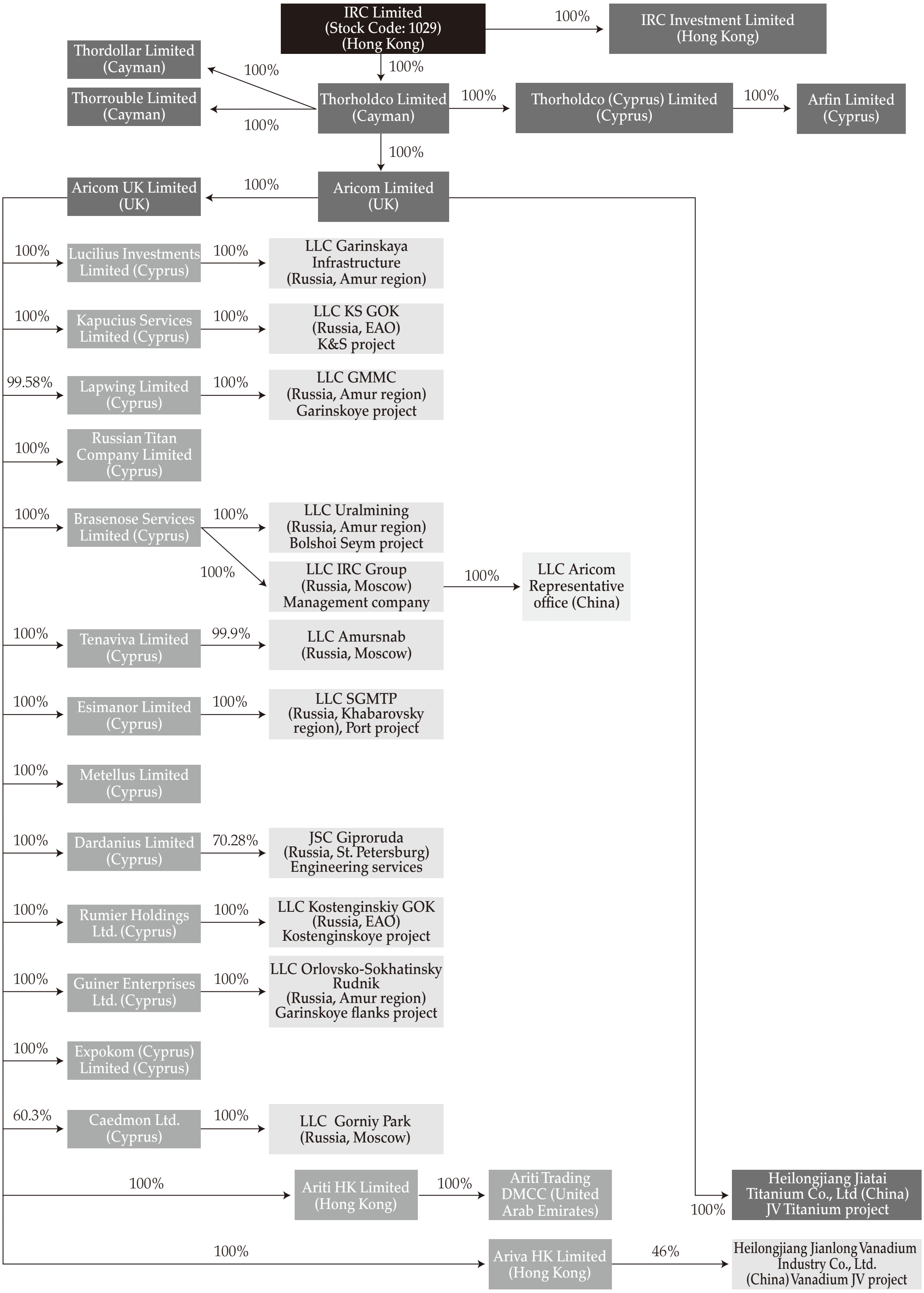
°C	degrees Celsius, a thermal unit equivalent to Kelvin+273.15
CaO	chemical symbol for calcium oxide or quicklime
dmt	dry metric tonne, a unit of mass equivalent to 1,000 kg
Fe	chemical symbol for iron
Fe_{magn}	total iron in the ore originating from magnetite
$Fe_{(total)}$	total amount of iron content
ha	hectares
kg	kilogramme, the SI unit of mass
km	kilometres, a unit of length equivalent to 1,000 m
km^2	square kilometres, a unit of area equivalent to 1,000,000 m^2
Kt	thousand tonnes
Ktpa	thousand tonnes per annum
kV	kilovolts, one thousand volts, a unit of electromotive force
Kwh	kilowatt hour, a unit of energy
m	metres, the SI unit of length
m^3	cubic meter, a unit of volume
mm	millimetres, unit of length equivalent to 0.001 m
Mt	million tonnes
Mtpa	million tonnes per annum
mWt	megawatt, one million watts, a unit of power
nm	not measured
t	a wet metric tonne, a unit of mass equivalent to 1,000 kg
tpa	tonnes per annum
TiO_2	chemical symbol for titanium dioxide
V_2O_5	chemical symbol for vanadium pentoxide
wmt	wet metric tonne, a unit of mass equivalent to 1,000 kg

Figures in this annual report may not add up due to rounding. All volume of tonnage used in this annual report, unless specified, refer to wet metric tonne. All dollars refer to United States Dollars unless otherwise stated.

All maps and diagrams in this report are for illustration purposes only and are not to scale.

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

CORPORATE STRUCTURE



CORPORATE INFORMATION

IRC LIMITED — 鐵江現貨有限公司

Stock Exchange of Hong Kong: 1029

As at 31 December 2023

CORPORATE INFORMATION

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

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Hong Kong Special Administrative Region
of the People's Republic of China

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Facsimile: +852 2772 0329
Corporate Website: www.ircgroup.com.hk

Hong Kong Business Registration number: 52399423

PRINCIPAL PLACE OF BUSINESS IN RUSSIA

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CHAIRMAN

N.V. Levitskii

NON-EXECUTIVE DIRECTOR

N.V. Levitskii

EXECUTIVE DIRECTOR

Chief Executive Officer: D.V. Cherednichenko

INDEPENDENT NON-EXECUTIVE DIRECTORS

D.V. Dobryak
N.K. Ozhegina
A.M. Romanenko
V.G. Sheremet

COMMITTEES OF THE BOARD

Audit Committee

A.M. Romanenko *(Chairman)*
V.G. Sheremet
D.V. Dobryak

Remuneration Committee

D.V. Dobryak *(Chairman)*
N.V. Levitskii
N.K. Ozhegina

Health, Safety and Environment Committee

N.K. Ozhegina *(Chairlady)*
A.M. Romanenko
V.G. Sheremet

Nomination Committee

N.V. Levitskii *(Chairman)*
D.V. Dobryak
N.K. Ozhegina

AUTHORISED REPRESENTATIVES FOR THE PURPOSES OF THE STOCK EXCHANGE OF HONG KONG LIMITED

D.V. Cherednichenko
J.S.C. Yuen

COMPANY SECRETARY

J.S.C. Yuen

AUDITOR

RSM Hong Kong, *Certified Public Accountants*
Registered public interest entity auditors

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners

RISK FACTORS & DISCLAIMER

RISK FACTORS

The Group is exposed to a variety of risks and uncertainties that could have significant impact on its business and financial results. The Group seeks to undertake a pro-active approach that anticipates risk, seeks to identify them, measure their impacts and thereby avoid, reduce, transfer or control such risks.

The factors set out below are those that the Group believes could result in a material difference between the Group's financial condition or the results of its operations and the expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risk of iron ore price volatility and foreign exchange movements

The Group's revenues rely on the iron ore prices, while the operating costs are sensitive to the inflation in Russia and foreign exchange movements of Russian Rouble. These parameters are subject to changes in global economic environment, political landscape and market supply disruptions. The volatility in iron ore price, inflation, and foreign exchange may also result in the need to provide for assets impairments in the Group's financial statements.

To address the risks, if appropriate, various hedging instruments have been taken to protect against the downside risk of the iron ore price and the appreciation risk of the Russian Rouble. The Group could use different hedge strategies from time to time depending on the market situation of iron ore price and Russian Rouble.

Risk of customers concentration

Currently, the Group's iron ore business only has a limited number of major customers. This essentially creates a buyers' market and gives the customers a higher level of bargaining power.

In light of this risk, the Group has been expanding its customer base by selling to other customers, such as seaborne customers, although the transportation costs could be higher. The Group is also levering on the fact the major customers are in different geographical locations and jurisdictions, so that there is a certain level of competition for better terms of sales and prices. External consultant has been engaged to provide advices and explore new market opportunities.

Risk of suppliers' concentration

The Group currently have two main mining contractors who are doing a majority of the mining works at K&S. In case these mining contractors have any technical/financial difficulties and decide to pull out of the project, K&S could face an adverse situation with ore mining and supply, and consequently could affect production. Besides, this gives these mining contractors higher level of bargaining power on mining fees which might adversely affect K&S's profitability.

To mitigate this risk, the Group has ongoing discussions with a number of other mining contractors for risk diversification. Moreover, one of the current mining contractors has a long-established relationship with IRC and this provides a certain level of comfort, while another mining contractor is planning to increase the scale of mining operation. K&S is also considering to set up its own in-house mining fleet to reduce the level of reliance on external mining contractors.

Risk of delay in the capital investment program to develop the Sutara pit due to technical or financial difficulties

If the Sutara deposit is not ready for operation when the Kimkan deposit starts depleting, K&S would not have adequate supply of ore for production and would result in decrease in production capacity.

To mitigate this risk, the Sutara development program is closely monitored by IRC. With the help of external consultants, IRC is adopting revised mining plan to increase the mineable reserves in Kimkan to extend its mine life. The Sutara development program is ongoing and with the aim of starting the mining operation at Sutara in 2024.

Risk of going concern

The Group may not have adequate funding to meet its debts as they fall due.

Cash flow forecasts are prepared on a regular basis and any potential funding gaps are identified and addressed timely. IRC has already repaid a significant amount of the loan to reduce the liquidity risk. Debt-equity swap, if considered appropriate, could also mitigate liquidity issues.

Risk of fixed assets damage resulting in downtime in production or fluctuation in production volume

Fixed assets play an important role in the Group's iron ore concentrate production. With only a single project in operation, any production downtime or delay in production ramp up would have direct impact to the Group.

The K&S site team is experienced and is technically competent. The plant has been in commercial production since 2017 and production is currently at relatively high capacities indicating that most of the operating issues have been resolved. The current production bottlenecks are mainly due to short-term factors such as ore quality and issues with mining contractors.

Risk of products' competitiveness

The Group's revenue stream is mainly derived from the sale of a single product (iron ore concentrate) from a single project (K&S) and there could be a risk of high product concentration.

K&S is focusing on the production and sale of the 65% iron ore concentrate which is a premium product. It is essentially a different market segment to the 62% iron ore concentrate and is more preferred by the market. As the quantity produced by K&S only represents a small percentage of the global market share, the risk of not being able to sell the product is relatively low. Revenue from the operation of the Vanadium joint venture and the potential of developing the Bolshoi Seym project for ilmenite may also lower the risk.

Risk of conducting business in Russia

IRC is listed on the Hong Kong Stock Exchange but the majority of the Group's assets and business operations are located in Russia. Sanctions from other countries as well as the local economic political and social conditions, including taxation policies, could affect the business of the Group.

The Group closely monitors the economic, political, legal and social developments in Russia and maintains close relationship with local authorities and seeks assistance where necessary. The Company continues to review and consider the impact, if any, of the UK, EU and US sanctions. As of now, and so far as the Board is aware, based on its current assessment and the information currently available, the sanctions have no material direct impact on the Group or its operations.

Although the Group's operations and activities in Russia and elsewhere are currently continuing as usual, as the geopolitical situation continues to develop, there is a risk of supply chain disruptions affecting K&S's operation, the purchase of mining fleet and the development of the Sutara pit. The Company will continue to closely monitor sanctions developments and address the risks, if any, accordingly.

Risk of loss of key management

There is a risk that IRC may find it difficult to attract and/or retain key personnel.

Directors and key management of IRC have resignation notification periods providing IRC time to find suitable replacements. Reliever staff on key operating areas are appointed to ensure smooth transition in case of staff departure. Share options, which are vested over a period of time, are granted to key personnel. Discretionary bonuses are offered to reward exceptional performance and salary levels are being reviewed regularly to ensure that they are competitive and on market levels.

Risk of non-compliance with rules and regulations

IRC is a listed company in Hong Kong and needs to comply with the relevant rules and regulations such as the listing rules, accounting standards and company ordinances. The operations in Russia also need to comply with the relevant requirements under the local jurisdictions.

To control this risk, the Board and the senior management of IRC possess the relevant experience and knowledge for the compliance with the relevant rules and regulations. Besides, advices from independent legal counsels and professional advisors are sought where necessary. Formal training is provided to the board annually. Continuing professional development seminars and rules and regulations updates are attended by senior management.

MILESTONES

Our Future	K&S	Full capacity to 3.2Mt per year Doubling production (Phase II)
	Garinskoye	Iron ore concentrate production
	Bolshoi Seym	Iron ore concentrate and ilmenite production
2023	IRC	Recording underlying profit despite challenging operating environment
	K&S	Upgrades allowing processing of lower quality ore Development of Sutara on track
2022	IRC	Recording underlying profit despite challenging operating environment Completion of a partial debt to equity swap
	K&S	Development of Sutara on track
2021	IRC	Underlying profit reached new high Significant reduction in net debt
	K&S	Development of Sutara on track
2020	IRC	Maiden underlying profit
	K&S	Successful diversion of sales to new Chinese customers via seaborne routes
2019	IRC	ICBC refinancing completed
	K&S	Operated at 100% of designed capacity in October
	SRP	Vanadium joint venture recommenced operation
2018	K&S	Entry into refinancing facility with Gazprombank Operated at 105% of designed capacity during a 24-hour run Produced over 2.2 million tonnes in 2018
2017	K&S	Commercial production (Phase I) 90%-capacity loading test Produced over 1.5 million tonnes in 2017
2016	IRC	Tiger Capital shares subscription
	K&S	Trial production commenced and ramp-up First iron ore concentrate production Final hot commissioning and testing
2015	IRC	Completed fully underwritten Open Offer
	K&S	Ongoing commissioning and testing
2014	K&S	Commissioning programme commenced
2013	IRC	General Nice strategic alliance
	K&S	Ongoing construction
2012	Kuranakh	Ilmenite production full capacity
	Garinskoye	DSO operation announced
	Exploration	Ilmenite & Molybdenum Exploration acquisitions
2011	IRC	Group reserves increase threefold
	Kuranakh	Full year production targets exceeded
	K&S	First drawdown ICBC facility Optimisation study to double K&S production
2010	IRC	HKEX listing
	Kuranakh	Commissioned
	K&S	US$340m ICBC facility US$400m CNEEC EPC contract
	SRP	First production

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