铁货 IRC

IRC Limited 鐵江現貨有限公司
(Incorporated in Hong Kong with limited liability)
(Stock code: 1029)

2023 ANNUAL RESULTS
UNDERLYING PROFIT OF US$9 MILLION
NET LOSS OF US$157 MILLION AFTER IMPAIRMENT PROVISIONS

CONFERENCE CALL

A conference call will be held today at 13h00 Hong Kong time to discuss the annual results. The number is +852 2112 1888 and the passcode is 1907627#. Presentation slides to accompany the call are available at www.ircgroup.com.hk. A playback of the teleconference will be available from 28 March 2024 at www.ircgroup.com.hk/en/ir_presentations.php.

Wednesday, 27 March 2024: The Board of Directors ("Board") of IRC Limited ("IRC" or the "Company", together with its subsidiaries, the "Group") is pleased to announce the annual results of the Company for the year ended 31 December 2023.

Financial Highlights

- Revenue decreased by 9.2% to US$253.0 million (2022: US$278.8 million), mainly due to decrease in market 65% iron ore price;
- Cash cost of US$78.9 per tonne remains comparable to last year (2022: US$78.8 per tonne);
- EBITDA excluding non-recurring items and FX reduced to US$45.8 million (2022: US$56.1 million);
- Underlying profit amounted to US$8.7 million (2022: US$25.0 million);
- Loss attributable to shareholders amounted to US$156.8 million (2022: US$87.9 million), mainly due to non-cash impairment of US$163.9 million (2022: US$103.2 million);
- Cash balance increased to US$56.6 million (31 December 2022: US$36.9 million), mainly due to positive operating cash inflow and working capital movements; and
- Net debt reduced to US$11.2 million (31 December 2022: US$41.6 million), following loan repayment and increase in cash balance.

Operating Highlights

- Production volume decreased by 4.0% to 2,467kt (2022: 2,570kt), mainly due to poor ore quality and issues with mining;
- Sales volume maintained at a relatively stable level, only decreased by 1.5% to 2,529kt (2022: 2,566kt);
- More shipments have been made via the Amur River Bridge, alleviating railway congestion issues; and
- Continuous preparation of the Sutara deposit with the aim of starting the mining operation at Sutara in the first half of 2024.

Commenting on the results, Nikolai Levitskii, Chairman of IRC said: *"2023 has proven to be a challenging year for IRC. 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, it is with pleasure to report that the Company recorded an underlying profit of US$8.7 million in 2023. What is more encouraging is the fact that the Group's financial position has strengthened. 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.*

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. 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.

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."

FINANCIAL REVIEW

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 average 65% Platts iron ore price decrease 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%.

US$'000	For the year ended 31 December		
	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.

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

REVENUE

Iron ore concentrate

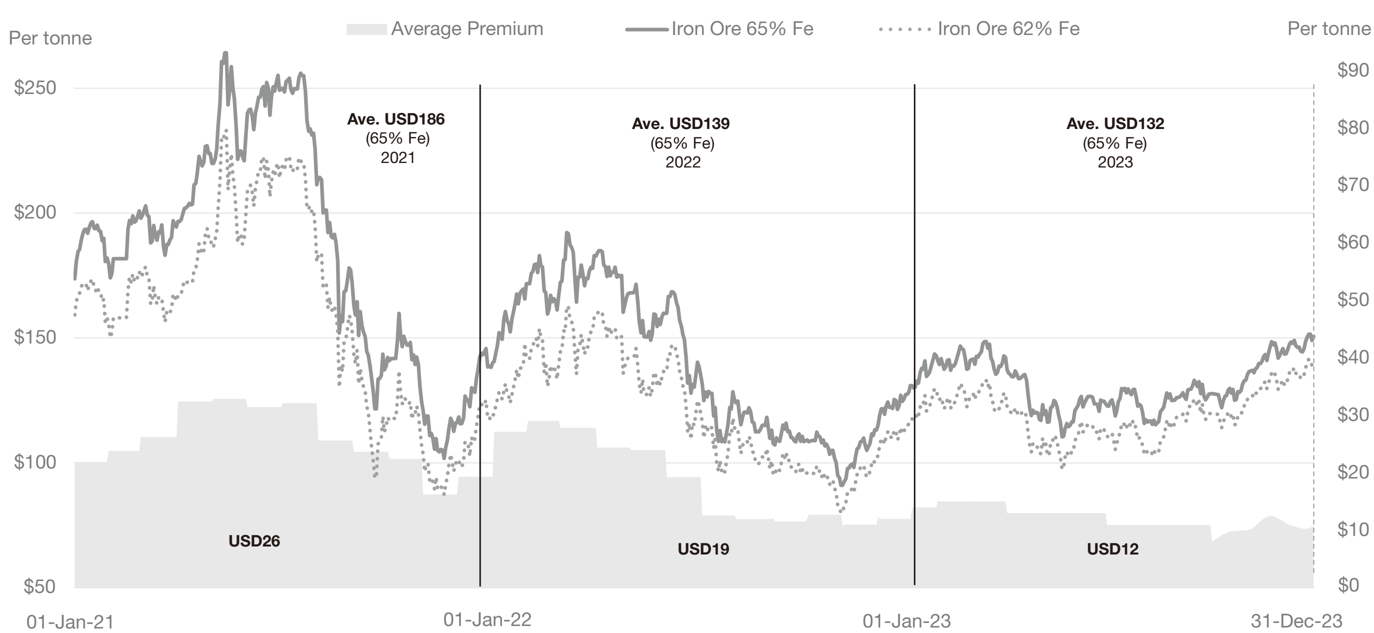
IRC's main revenue source comes from the sales of 65% iron ore concentrate produced at the K&S mine.

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:

Platts 65% Fe vs 62% Fe



* *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	2022
	Cash cost per tonne	Cash cost per tonne
	US$/t	*US$/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.

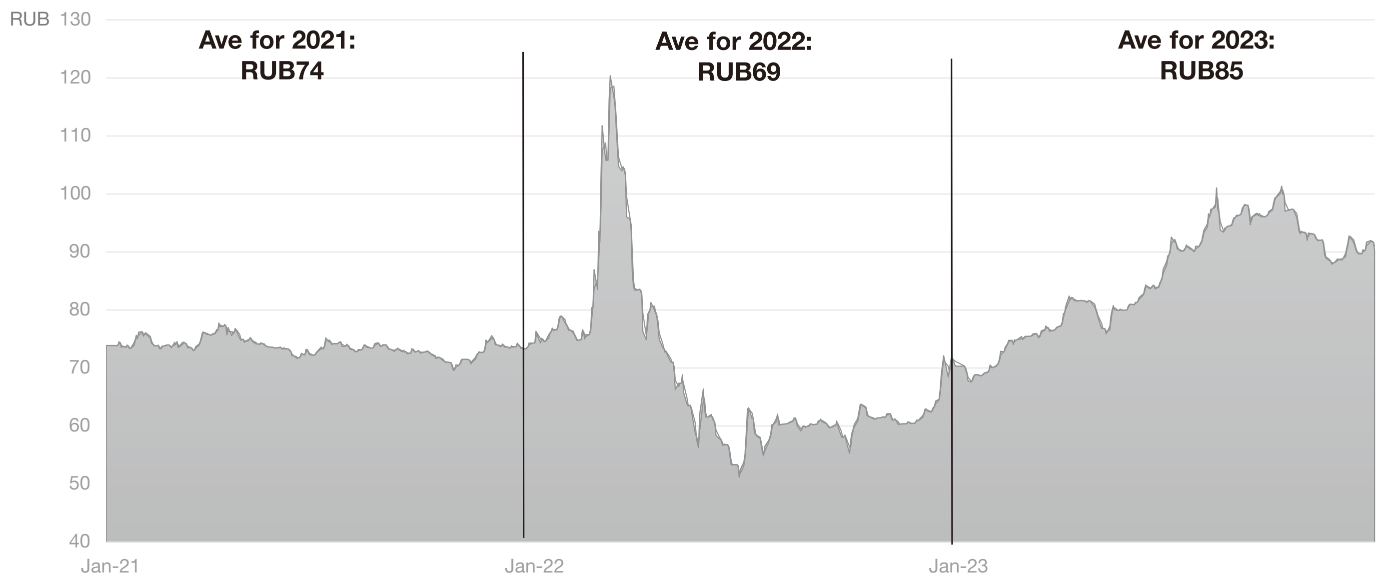
Electricity price has also sharply increased in early 2023, following cancellation of certain subsidies by the local electricity suppliers. Manpower resources has been very scarce in the Far East region of Russia and the labour market is getting increasingly competitive in Russia generally. In response 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.

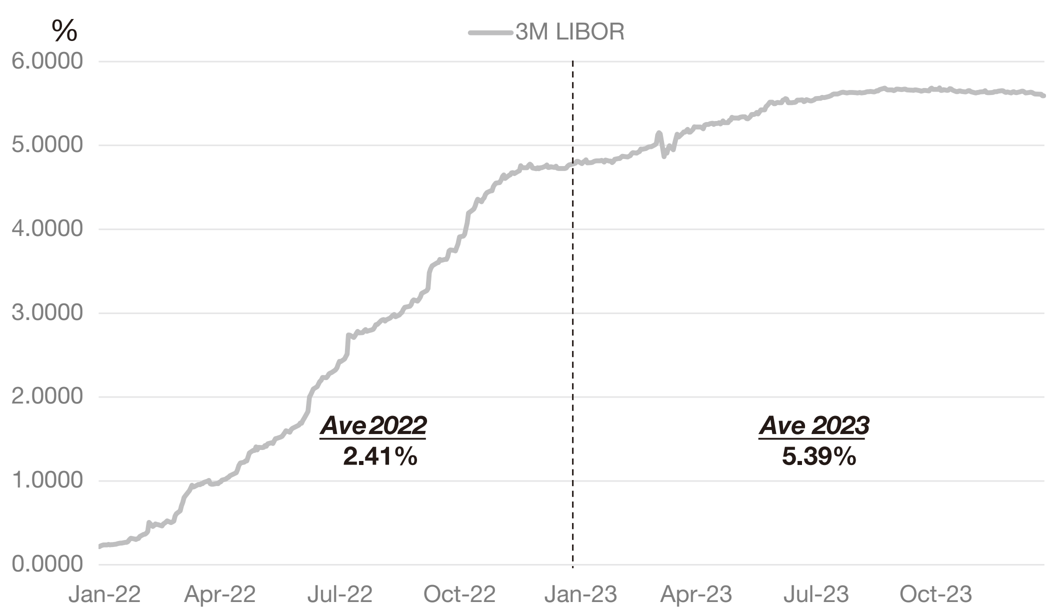
DEPRECIATION

Depreciation charges of US$19.5 million 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 reflect 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



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 (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.

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:

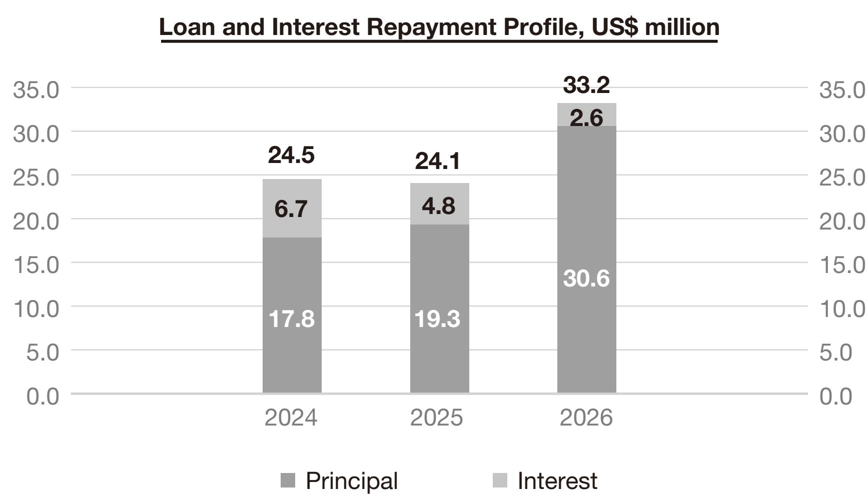
	For the year ended 31 December					
	2023			2022		
US$'m	**Operating expenses**	**Capital expenditure**	**Total**	Operating expenses	Capital expenditure	Total
K&S development	**200.3**	**17.0**	**217.3**	213.1	14.3	227.4
Exploration projects and others	**0.2**	**0.1**	**0.3**	–	0.1	0.1
	200.5	**17.1**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

US$'m	Nature	For the year ended 31 December 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:

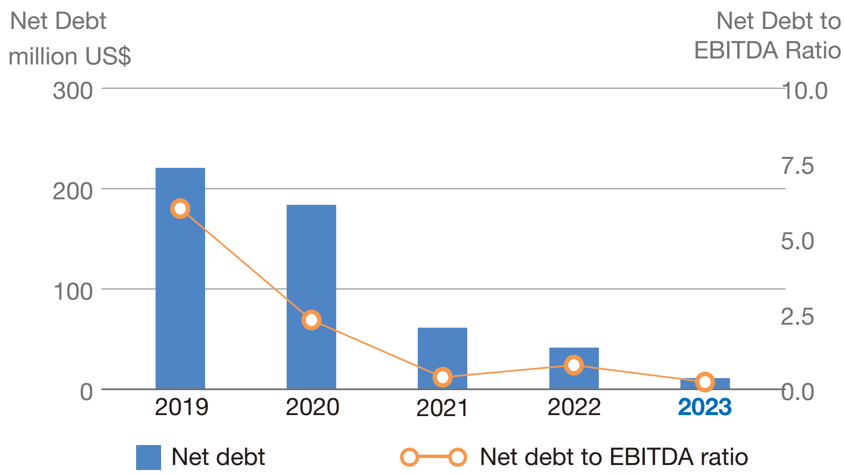


Source: IRC Limited (as of 31 December 2023)

The loan is secured by a charge over the property, plant and equipment with net book value of US$51.9 million.

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. 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.

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, and 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.

CHAIRMAN STATEMENT

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 the 2023 annual report of the Company to be published in due course, 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 this year, 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.

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 ended 31 December 2023 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, an 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 2023 average price level 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 labor 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
Chief Executive Officer

Danila Kotlyarov
Chief Financial Officer

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2023, which have been reviewed by the Company's Audit Committee, comprising of independent non-executive directors, without disagreement and by the external auditor. The Board has authorised the Executive Committee, which comprises of the Executive Director and senior management of the Company, to approve the annual results on its behalf.

2023 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** *US$'000*	2022 *US$'000*
Revenue	*4*	**252,987**	278,757
Operating expenses, excluding depreciation	*6*	**(211,059)**	(227,700)
Depreciation	*6*	**(19,489)**	(23,674)
Net impairment losses	*7*	**(163,890)**	(103,169)
Other income, gains and losses		**3,685**	(3,893)
Allowance for financial assets measured at amortised costs		**(24)**	(331)
Finance costs	*8*	**(8,781)**	(8,530)
Loss before tax		**(146,571)**	(88,540)
Income tax (expense)/credit	*9*	**(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)	*11*		
Basic		**(1.84)**	(1.19)
Diluted		**(1.84)**	(1.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	**2023** **US$'000**	2022 US$'000
ASSETS			
Non-current assets			
Exploration and evaluation assets		**20,496**	20,392
Property, plant and equipment		**269,783**	436,093
Right-of-use assets		**56**	191
Interest in a joint venture		**–**	–
Inventories		**–**	19,616
Total non-current assets		**290,335**	476,292
Current assets			
Inventories		**47,349**	40,710
Trade and other receivables	*12*	**56,792**	39,922
Income tax recoverables		**4**	–
Other financial assets		**–**	127
Time deposits		**468**	626
Bank and cash balances		**56,089**	36,275
Total current assets		**160,702**	117,660
TOTAL ASSETS		**451,037**	593,952

	Notes	**2023** *US$'000*	2022 *US$'000*
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*13*	**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	*14*	**49,454**	67,263
Lease liabilities		**–**	58
Provision for close down and restoration costs		**3,588**	4,547
Deferred tax liabilities		**4,045**	1,829
Total non-current liabilities		**57,087**	73,697
Current liabilities			
Borrowings – due within one year	*14*	**17,867**	10,795
Lease liabilities		**58**	133
Trade and other payables	*15*	**85,951**	61,055
Other financial liabilities		**1,095**	–
Current tax liabilities		**–**	1
Total current liabilities		**104,971**	71,984
TOTAL EQUITY AND LIABILITIES		**451,037**	593,952

Notes

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results 2023 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

– The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 in due course.

– The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's report for the year ended 31 December 2023 was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group meets its day-to-day working capital requirements through its 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 14.

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

(a) Application of new and revised HKFRSs

The Group has applied the following 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 MPF-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 (the "Amendment Ordinance") 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.

(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 other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

Disaggregation of revenue

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

Revenue from contracts with customers within the scope of HKFRS 15	**2023**	2022
	US$'000	*US$'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

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

	Mines in production		**Engineering**		**Total**	
For the year ended 31 December	**2023**	2022	**2023**	2022	**2023**	2022
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'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

5. SEGMENT INFORMATION

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

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

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

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

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.

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**

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

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	2022
	US$'000	*US$'000*
Mines in production		
Customer A	**235,287**	189,825
Customer B	**–**	49,143

6 OPERATING EXPENSES, INCLUDING DEPRECIATION

	2023	2022
	US$'000	*US$'000*
Site operating expenses and service costs	**220,418**	236,548
General administration expenses	**10,130**	14,826
	230,548	251,374

7. 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 taking into consideration the future economic conditions, expected production capacity, ore reserve estimates, iron ore prices and cost of production over the expected life of the mine. Management is also required to choose appropriate discount rates in order to calculate the present values of the cash flows. Changes in the key assumptions on which the recoverable amounts of the assets are based could significantly affect management's assessment.

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.
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 increased substantially year-on-year in 2023, which 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.

8. FINANCE COSTS

	2023	2022
	US$'000	*US$'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

9. INCOME TAX (EXPENSE)/CREDIT

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

	2023	2022
	US$'000	*US$'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	**(2,318)**	498
	(10,318)	700

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.

10. 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.

11. LOSS PER SHARE

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

	2023	2022
Loss	***US$'000***	*US$'000*
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(156,809)**	(87,896)

	2023	2022
Number of shares	***'000***	*'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.

12. TRADE AND OTHER RECEIVABLES

	2023	2022
	US$'000	*US$'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

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

	2023	2022
	US$'000	*US$'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

13. SHARE CAPITAL

	2023		2022	
	Number of shares	**Amount**	Number of shares	Amount
		US$'000		*US$'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 Gazprombank Facility; and (ii) prepay part of the principals of each of the 12 quarterly instalments of the Gazprombank Facility that will fall due and become payable by the Group in each of the year ending 31 December 2023, 2024 and 2025.

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

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

The Option Shares were fully vested in 2017.

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.

14. BORROWINGS

	2023	2022
	US$'000	*US$'000*
Other loans	**67,321**	78,058

The borrowings are repayable as follows:

	2023	2022
	US$'000	*US$'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

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.

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.

15. TRADE AND OTHER PAYABLES

	2023	2022
	US$'000	*US$'000*
Trade payables	**11,421**	10,734
Advances from customers	**20,185**	76
Interest payables	**237**	253
Construction cost payables	**22,694**	22,694
Accruals and other payables	**31,414**	27,298
	85,951	61,055

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

	2023	2022
	US$'000	*US$'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

OTHER INFORMATION

RESOURCES AND RESERVES INFORMATION

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

CORPORATE GOVERNANCE

Throughout the year, the Company has applied the principles and complied with the code provisions set out in Part 2 of the Corporate Governance Code as set out in Appendix 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 unpublished price sensitive information in relation to the Company or its securities.

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

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

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2023.

IMPORTANT EVENTS AFTER THE YEAR UNDER REVIEW

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.

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.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and of the Company (www.ircgroup.com.hk). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be made available to the Company's shareholders and published on the above websites in due course.

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

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

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

Hong Kong, People's Republic of China
Wednesday, 27 March 2024

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

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