Aricom Limited

Annual Report and Audited Financial Statements
for the year ended 31 December 2021

Registered Number: 4897906

ARICOM LIMITED
Annual Report and Financial Statements for the year ended 31 December 2021

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ARICOM LIMITED
Directors and Advisers

Directors

Shiu Cheong Johnny YUEN
Danila KOTLYAROV (appointed on 25 May 2022)
Yury MAKAROV (appointed on 26 March 2021 and resigned on 31 May 2022)

Registered Office
55 Ludgate Hill,
London, England,
EC4M 7JW

Auditor
MHA MacIntyre Hudson
Chartered Accountants & Statutory Auditor
2 London Wall Place,
London
EC2Y 5AU

ARICOM LIMITED
Directors' Report

The Directors present their annual report on the affairs of Aricom Limited (the Company), together with the financial statements and Auditor's Report, for the year ended 31 December 2021. The Company acts as an investment holding company. The principal activities of its investment are set out in note 8. The Company intends to continue its current activity in the foreseeable future

The Directors' Report has been prepared in accordance with the provisions of the Companies Act 2006 applicable to companies entitled to the small companies exemption.

Review of Activities

The Company has no employees at this stage, as it is believed that the Directors have the necessary skills and knowledge to fulfil the aimed activities of the Company.

The Company does not have any social and community issues or environmental matters due to the scope of its activities. The Company has taken exemption from preparing consolidated financial statements under s401 of the Companies Act 2006. The information relevant to the Company's subsidiaries is disclosed in IRC Limited 2021 Report and Accounts which are publicly available at www.ircgroup.com.hk.

The Company's Directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

These financial statements have been prepared for the year ended 31 December 2021. The main activities of the Company during the year were those of a holding company.

No dividend was paid during the year (2020: no dividend paid during the year).

No charitable or political donations were made during the year.

The Directors are not aware of any significant events since the date of Statement of Financial Position.

Going Concern Basis

The Directors have considered the use of the going concern basis in the preparation of the financial statements and concluded that it is appropriate. In reaching this conclusion, the Directors have specifically considered the Company's relationship with its ultimate parent company and subsidiaries of IRC Group. The Company has also received a letter of financial support from IRC Limited for a one-year period from the date when these financial statements are authorised and issued. Further details are set out in note 2 to the financial statements.

The Directors have reviewed the Company's financial position as at 31 December 2021, and operating projections as part of his consideration of going concern. As at 31 December 2021, the Company has net current assets of US$56,003 thousand (2020: US$47,296 thousand). The future cash flow and operating projections are primarily subject to the financing activity with the subsidiaries, joint ventures and associates of the IRC group, these arrangements allow the Company to generate sufficient cash flows to cover its on-going expenses.

As IRC Group are offering support to the entity, the performance of IRC Group is relevant to the users of these financial statements. As explained in annual report of IRC Ltd the Group performed an assessment of the forecast cash flows for the period of 15 months from the period ended 31 December 2021. As 31 December 2021, the Group had sufficient liquidity headroom and is also satisfied that it has sufficient headroom under a base case scenario for the period to March 2023.

As at 31 December 2021, the Group has outstanding amounts owed to Gazprombank. The outstanding loan principal was US$113 million as at 31 December 2021 after US$70 million early principal repayment during the year. The assessment of whether there is any material uncertainty that IRC will be able to repay this facility as it falls due is another key element of the Group's overall going concern assessment. IRC projections demonstrated that IRC expects to have sufficient liquidity over the next 12 months and expects to meet its obligations under the Gazprombank Facility. If a missed repayment under debt occurs which, if not remedied by the Group, would result in events of default which could cause the Group's debt arrangements to become repayable on demand.

Going Concern Basis (continued)

If the market conditions turn out to be significantly less favourable to the Group than predicted, the Group may not have sufficient working capital to finance its operations and loan repayments resulting in its financial liquidity being adversely impacted. The Group would need to carry out contingency plans including entering into negotiations with banks or other investors for additional debt or equity financing. The Group believes it has sufficient liquidity based upon the expected cash to be generated from operations to meet its financial obligations as they fall due for the coming twelve months.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing the accounts. In view of the above, the Directors continue to adopt the going concern basis in preparing these financial statements.

The Directors of the Company have considered the developments since the date of signing of the Group consolidated interim financial statements, and reasonably possible downside scenarios including the potential impacts of Covid-19, and concluded that there has been no significant change in circumstances.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company would consider using foreign exchange forward contracts and interest rate swap contracts to hedge these exposures but it currently has not hedged any of these exposures.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its other receivables. The Company performs impairment assessment under expected credit loss ("ECL") model of IFRS9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The amount of impairment recognised as at 31 December 2021 has no material impact to the Company.

Liquidity risk

Details regarding the liquidity risk can be found in the Statement of accounting policies in note 2 of the financial statements.

Results

The profit for the year before taxation amounted to US$10,973 thousand (2020 profit: US$11,041 thousand).

ARICOM LIMITED
Directors' Report

The Directors who served throughout the year except as noted, were as follows:

Shiu Cheong Johnny YUEN
Danila KOTLYAROV *(appointed on 25 May 2022)*
Yury MAKAROV (appointed on 26 March 2021 and resigned on 31 May 2022)

Directors' indemnities

The Company has not made any qualifying third-party indemnity provisions for the benefit of its Directors during the period or which remain in force at the date of this report other than the Directors' and Officers' insurance policy maintained by IRC Limited.

Auditor

Each of the persons who is a Director of the Company at the date of approval of this report confirms:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- *the Director has taken all the steps that he ought to have taken as a Director to make himself aware* of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditors, MHA MacIntyre Hudson, were appointed on 21 July 2021 and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Approval

This report was approved by the Board of Directors of Aricom Limited and signed on its behalf by:

Johnny YUEN

Director

23 September 2022

ARICOM LIMITED
Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MHA MacIntyre Hudson

Independent Auditor's Report to the Members of Aricom Limited

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Aricom Limited (the 'Company') for the year ended 31 December 2021, which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related Notes 1 to 15, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;

- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and revieing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Moyser (Senior Statutory Auditor)
for and on behalf of MHA MacIntyre Hudson
Statutory Auditor
London, United Kingdom
23 September 2022

ARICOM LIMITED
Statement of Comprehensive Income
For the year ended 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Net operating expenses	3	(711)	(643)
Operating loss		**(711)**	(643)
Finance income	4	11,684	11,684
Profit (Loss) on ordinary activities before taxation		**10,973**	11,041
Tax expense	7	(2,266)	(2,220)
Profit (Loss) for the year		**8,707**	8,821
Other comprehensive income for the year		-	-
Total comprehensive income (loss) for the year		**8,707**	8,821

All gains and losses are recognised in the profit and loss account in both the current and previous year, and therefore no separate statement of other comprehensive income has been presented.

All results relate to continuing activities.

ARICOM LIMITED
Statement of Financial Position
As at 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Fixed assets			
Investments	8	104,198	104,030
		104,198	104,030
Current assets			
Debtors: due within one year	9	87,354	76,305
Cash at bank and in hand		-	-
		87,354	76,305
Current liabilities			
Creditors: amounts falling due within one year	10	(31,351)	(29,009)
		(31,351)	(29,009)
Net current assets		**56,003**	47,296
Total assets less current liabilities		**160,201**	151,326
Net assets		**160,201**	151,326
Capital and Reserves			
Called up share capital	11	2,485	2,485
Share premium	12	303,589	303,421
Other reserves	12	242,871	242,871
Accumulated losses	12	(388,744)	(397,451)
Shareholders' Funds		**160,201**	151,326

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements of Aricom Limited, registered number 4897906 were approved by the Board of Directors and authorised for issue on 23 September 2022 and signed on their behalf by

Johnny YUEN
Director

ARICOM LIMITED
Statement of Changes in Equity
For the year ended 31 December 2021

	Share Capital US$'000	Share Premium US$'000	Profit and loss account US$'000	Other reserves US$'000	Total US$'000
Balance at 1 January 2020	2,484	290,655	(406,272)	242,871	129,738
Total comprehensive loss	-	-	8,821	-	8,821
Issue of ordinary shares (note 11)	1	12,766	-	-	12,767
Balance at 31 December 2020	2,485	303,421	(397,451)	242,871	151,326
Balance at 1 January 2021	2,485	303,421	(397,451)	242,871	151,326
Total comprehensive loss	-	-	8,707	-	8,707
Issue of ordinary shares (note 11)	-	168	-	-	168
Balance at 31 December 2021	**2,485**	**303,589**	**(388,744)**	**242,871**	**160,201**

1 General information

Aricom Limited (the "Company") is a private company, limited by shares, incorporated and domiciled in United Kingdom (England and Wales) on 12 September 2003. The address of the registered office is 55 Ludgate Hill, London, England, EC4M 7JW. The Company's immediate holding company is Thorholdco Limited, a company incorporated in Cayman Islands.

At 31 December 2021, the Company's ultimate holding company was IRC Limited, a Company incorporated and listed in Hong Kong with registered office at 6H, 9 Queen's Road Central, Central, Hong Kong (note 13 & 15). IRC Limited and its subsidiaries are hereinafter referred to as the "IRC group".

The Company is a wholly owned subsidiary of IRC group, and is included in the consolidated financial statements of IRC Limited, which are publicly available at www.ircgroup.com.hk. The Company has taken advantage of the exemption from preparing consolidated financial statements under s401 of the Companies Act 2006

The Company acts as an investment holding company. The principal activities of its investments is set out in note 8.

These financial statements are presented in United States dollars, which is also the functional currency of the ultimate holding company and rounded to the nearest $1,000 dollars.

2 Summary of significant accounting policies

Basis of preparation

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, related party transactions, the statement of compliance with Adopted IFRSs and disclosures in respect of capital management.

A summary of the principal accounting policies is set out below. These accounting policies have been applied consistently throughout the reporting period.

These financial statements have been prepared on the historical cost basis.

Going concern

The Director has reviewed the Company's financial position as at 31 December 2021, and operating projections as part of his consideration of going concern. As at 31 December 2021, the Company has net current assets of US$56,003 thousand (2020: US$47,296 thousand). The future cash flow and operating projections are primarily subject to the financing activity with the subsidiaries, joint ventures and associates of the IRC group, these arrangements allow the Company to generate sufficient cash flows to cover its on-going expenses. The Company has also received a letter of financial support from IRC Limited for a one year period from the date when these financial statements are authorised and issued.

Going concern (continued)

As IRC Group are offering support to the entity, the performance of IRC Group is relevant to the users of these financial statements. As explained in annual report of IRC Ltd the Group performed an assessment of the forecast cash flows for the period of 15 months from the period ended 31 December 2021. As 31 December 2021, the Group had sufficient liquidity headroom and is also satisfied that it has sufficient headroom under a base case scenario for the period to March 2023.

As at 31 December 2021, the Group has outstanding amounts owed to Gazprombank. The outstanding loan principal was US$113 million as at 31 December 2021 after US$70 million early principal repayment during the year. The assessment of whether there is any material uncertainty that IRC will be able to repay this facility as it falls due is another key element of the Group's overall going concern assessment. IRC projections demonstrated that IRC expects to have sufficient liquidity over the next 12 months and expects to meet its obligations under the Gazprombank Facility. If a missed repayment under debt occurs which, if not remedied by the Group, would result in events of default which could cause the Group's debt arrangements to become repayable on demand.

If the market conditions turn out to be significantly less favourable to the Group than predicted, the Group may not have sufficient working capital to finance its operations and loan repayments resulting in its financial liquidity being adversely impacted. The Group would need to carry out contingency plans including entering into negotiations with banks or other investors for additional debt or equity financing. The Group believes it has sufficient liquidity based upon the expected cash to be generated from operations to meet its financial obligations as they fall due for the coming twelve months.

After making enquiries, the Directors concluded there was a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing the consolidated interim accounts.

The directors of the Company have considered the developments since the date of signing of the Group consolidated interim financial statements and concluded that there has been no significant change in circumstance. In view of the above, together with the Group's most recent forecasts to 31 March 2023 and the assessment of reasonable downside scenarios, including the possible impacts of Covid-19, the Director continues to adopt the going concern basis in preparing these financial statements.

Interest expense

Interest expense is determined by using the effective interest rate method and recognised in the profit and loss account.

Finance income and expense

Interest is accounted when the financial assets are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

Foreign currencies

Transactions denominated in currencies other than the functional currency, including the issue of shares, are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities that are denominated in currencies other than the functional currency are re-translated at the rates prevailing on the balance sheet date. Upon settlement, monetary assets and liabilities are re-translated at the date ruling on the settlement date. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

Foreign currencies (continued)

The rates of exchange used to translate monetary assets and liabilities denominated in foreign currencies into US Dollars are set out below.

	31 December 2021	31 December 2020
GB Pounds Sterling	0.74	0.73

Financial assets and liabilities

Financial assets and financial liabilities are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

From 1 January 2018, the Company assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company recognises an impairment loss in profit and loss account with a corresponding adjustment to carrying amount of financial assets.

Debtors

Debtors are measured on initial recognition at fair value, and are subsequently measured at cost less allowances for estimated irrecoverable amounts. From 1 January 2018, the Company assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company recognises an impairment loss in profit and loss account with a corresponding adjustment to carrying amount of financial assets.

Investments

Investments in subsidiary undertakings are initially measured at cost, including transaction costs, and subsequently carried at cost less provision for impairment. Investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss is recognised if the carrying amount of the investment exceeds the higher of net realisable value and the discounted future earnings from the investment.

Cash at bank and in hand

Cash at bank and in hand comprises cash on hand held by the Company and short-term bank deposits with an original maturity of three months or less.

Taxation including deferred taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the date of financial position.

2 Summary of significant accounting policies (continued)

<u>New and amended standards adopted in the financial year</u>

The Company has applied the following new and amendments to the IFRSs issued for the first time in the current year:

IAS/IFRS Standard	Subject	Effective Date
IFRS 17 Insurance Contracts	Requirements for measurement and presentation of insurance contracts	1 January 2021
Amendment to IFRS 16	Covid-19 related rent concessions beyond 30 June 2021	12 May 2021
Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform – phase 2	6 January 2021
Amendment to IFRS 4	*Extension of the temporary exemption from* applying IFRS 9	6 January 2021

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

Critical accounting judgements and key sources of estimation uncertainty

The company has no critical accounting judgements and one key source of estimation uncertainty for the above in relation to the recoverability of its loans and investments in subsidiaries of the IRC Group. At *each balance sheet date, the Company reviews the carrying amounts of its equity investments and* financial assets to determine whether there is any indication that those have suffered an impairment loss in respect of the equity investment or expected credit loss for the loan investment. Aricom Ltd's investments of $104m and amounts owed by group companies of $87m, are both ultimately in relation to the K&S mine. The estimation uncertainty for those assets is based on the estimation uncertainty for the value of the underlying K&S mine as disclosed in the IRC Consolidated Financial Statements (note 4) with the key assumptions being the forecast iron ore price, ore reserve estimates and forecast production costs.

3 Net operating expenses

	2021 US$'000	2020 US$'000
Impairment loss (note)	-	-
Movement in expected credit losses	(635)	(644)
Professional expenses	(76)	
Foreign exchange (loss) gain	-	1
Net operating expenses	**(711)**	**(643)**

The Company had no employees for the year ended 31 December 2021 (none for the year ended 31 December 2020).

4 Finance income

	2021 US$'000	2020 US$'000
Investment income:		
Interest earned on amounts lent to subsidiaries of IRC group	11,684	11,684
Net finance income	**11,684**	11,684

5 Directors' emoluments

The Directors received no emoluments in respect of their services as Directors of the Company for the years ended 31 December 2021 and 2020.

6 Auditor's remuneration

For the year ended 31 December 2021, fee payable to the Company auditor is GBP15 thousand. (2020: GBP15 thousand)

7 Taxation

The tax charge comprises:

	2021 US$'000	2020 US$'000
Current tax on profits for the year	**2,206**	2,220
Underprovision in prior year	**60**	-
Deferred tax charge	**-**	-
	2,266	2,220

7 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2020 - the same as) the standard rate of corporation tax in the UK of 19% (2020 - 19%) as set out below:

	2021 US$'000	2020 US$'000
(Loss) / Profit on ordinary activities before tax	**10,973**	11,041
Tax charge at the UK corporation tax rate of 19% (2020: 19%)	2,085	2,098
Effects of:		
Underprovision in prior year	60	-
Non-deductible expenses	121	122
Total tax charge for the period	**2,266**	2,220

Factors that may affect future tax charges

There were no factors that may affect future tax charges

8 Investments

	Investments in IRC group subsidiaries US$'000	**Other Investments US$'000**	**Total US$'000**
At 1 January 2020	91,263	-	91,263
Additions [a]	12,767	-	12,767
Impairment (note 3)	-	-	-
At 31 December 2020	104,030	-	104,030
At 1 January 2021	104,030	-	104,030
Additions [a]	168	-	168
Impairment	-	-	-
At 31 December 2021	104,198	-	104,198

(a) During 2021, the Company contributed US$168 thousand (2020: US$121,767 thousand) to Aricom UK Limited by subscribing for 1,216 ordinary shares (2020: 100,566 ordinary shares) of Aricom UK Limited.

The Company has invested in the following IRC Limited group subsidiaries:

	***Country of* incorporation**	**Principal activity**	***Proportion of* shares held**
Aricom UK Limited [a]	England and Wales	Holding company	100% ordinary
Heilongjiang Jiatai Titanium Co., Limited [b]	People's Republic of China	Titanium project	100% ordinary

(a) registered office: 55 Ludgate Hill, London, England, EC4M 7JW
(b) registered office: No.668, Chongqing Street, Dongfeng District, Jiamusi City, Heilongjiang Province, China

ARICOM LIMITED
Notes to the Financial Statements
For the year ended 31 December 2021

9 Debtors

	2021 US$'000	2020 US$'000
Debtors: amounts falling due within one year		
Amounts due from subsidiaries of IRC group	87,989	76,949
Other receivable	-	-
Movement in expected credit losses (note 3)	(635)	(644)
Debtors: amounts falling due within one year	**87,354**	76,305

10 Creditors

	2021 US$'000	2020 US$'000
Other creditors	56	1
Accrual	36	-
Amounts due to subsidiaries of IRC group	31,259	29,008
	31,351	29,009

The Directors estimate that the carrying amount of creditors approximates their fair value.

11 Share Capital

	31 December 2021 No. of shares '000	US$'000	31 December 2020 No. of shares '000	US$'000
Authorised				
Ordinary shares of £0.0001 each	20,000,000	-	20,000,000	-
Allotted, called up and fully paid				
Ordinary shares of £0.0001 each	13,357,609	2,485	13,357,487	2,485

Details of the ordinary shares in issue at the commencement of the year, ordinary shares issued during the year and ordinary shares in issue at the year-end are given in the table below:

Date	Description	Price GBP	No. of shares
1 January 2021	Number of ordinary shares in issue at the commencement of the year		13,357,487,542
19 October 2021	Ordinary shares issued at a premium	1.00000016436	121,687
31 December 2021	Number of ordinary shares in issue at the end of the year		13,357,609,229

12 Reserves

Share Premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Other Reserves

This reserve relates to capital contributions made by group companies.

Accumulated losses

Includes all current and prior year retained profits and losses less dividends paid.

13 Related party transactions

The Company applied the exemption available under FRS 101 in relation to non-disclosure of transactions with wholly-owned subsidiaries of the IRC group.

Petropavlovsk PLC, which was a substantial shareholder of IRC group, and its subsidiaries were considered to be related parties until the completion of the disposal of its entire shareholding in IRC Group on 3 December 2021. Dr. Pavel Maslovskiy, shareholder of Petropavlovsk PLC, is close family member of director of the Company and IRC Group, Mr. Yury Makarov. Dr. Pavel Maslovskiy resigned on 30 June 2020.

14 Subsequent event

In the period subsequent to 31 December 2021, the UK, EU and US sanctions have no material impact on the Group nor its operations. The Group's operations and activities in Russia, and elsewhere, are continuing as usual.

Further details are set out in the annual report for IRC Limited for the year ended 31 December 2021. The annual report is publicly available at www.ircgroup.com.hk.

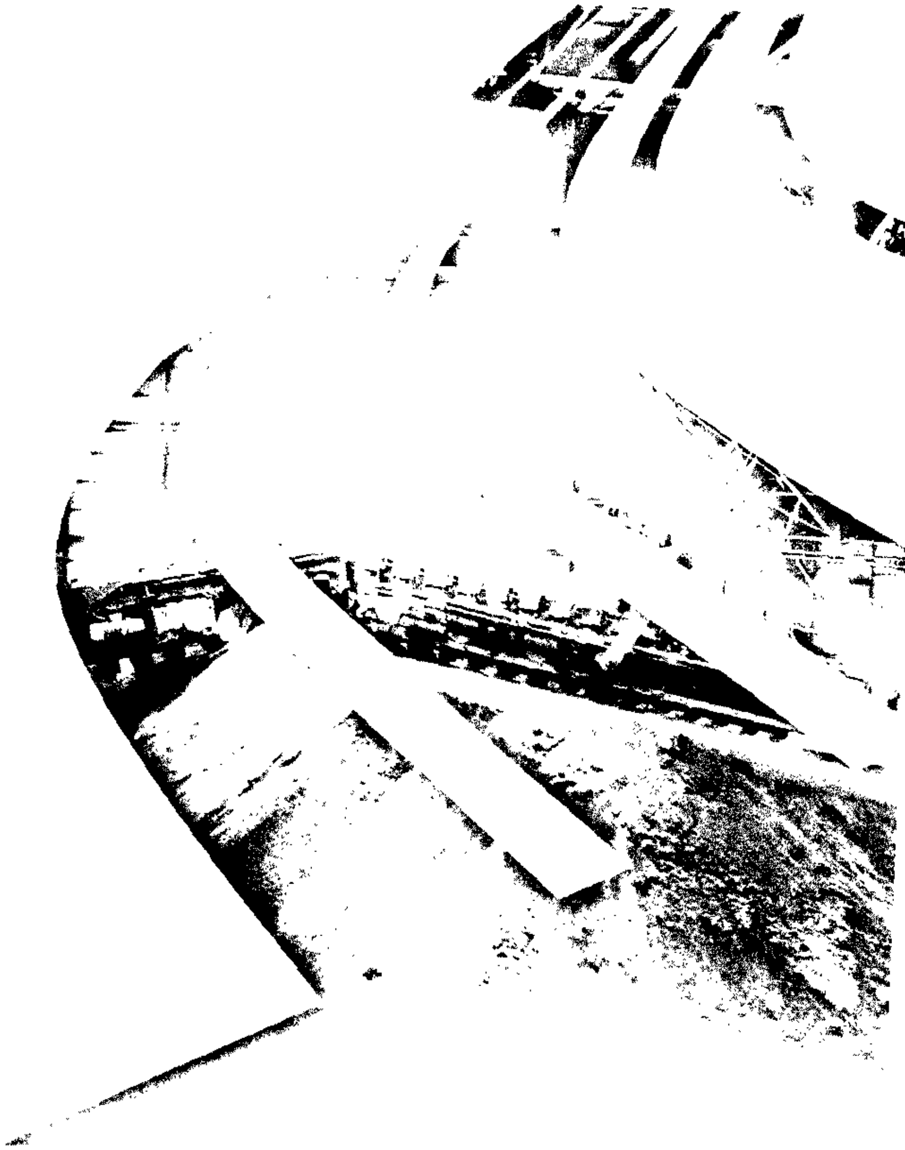
15 Parent undertaking

The Company's immediate parent is Thorholdco Limited, a company incorporated in Cayman Islands, and the ultimate controlling party is IRC Limited, a company incorporated in Hong Kong and registered office at 6H, 9 Queen's Road Central, Central, Hong Kong. The 2021 consolidated accounts of IRC group are publicly available at www.ircgroup.com.hk.

铁货 IRC

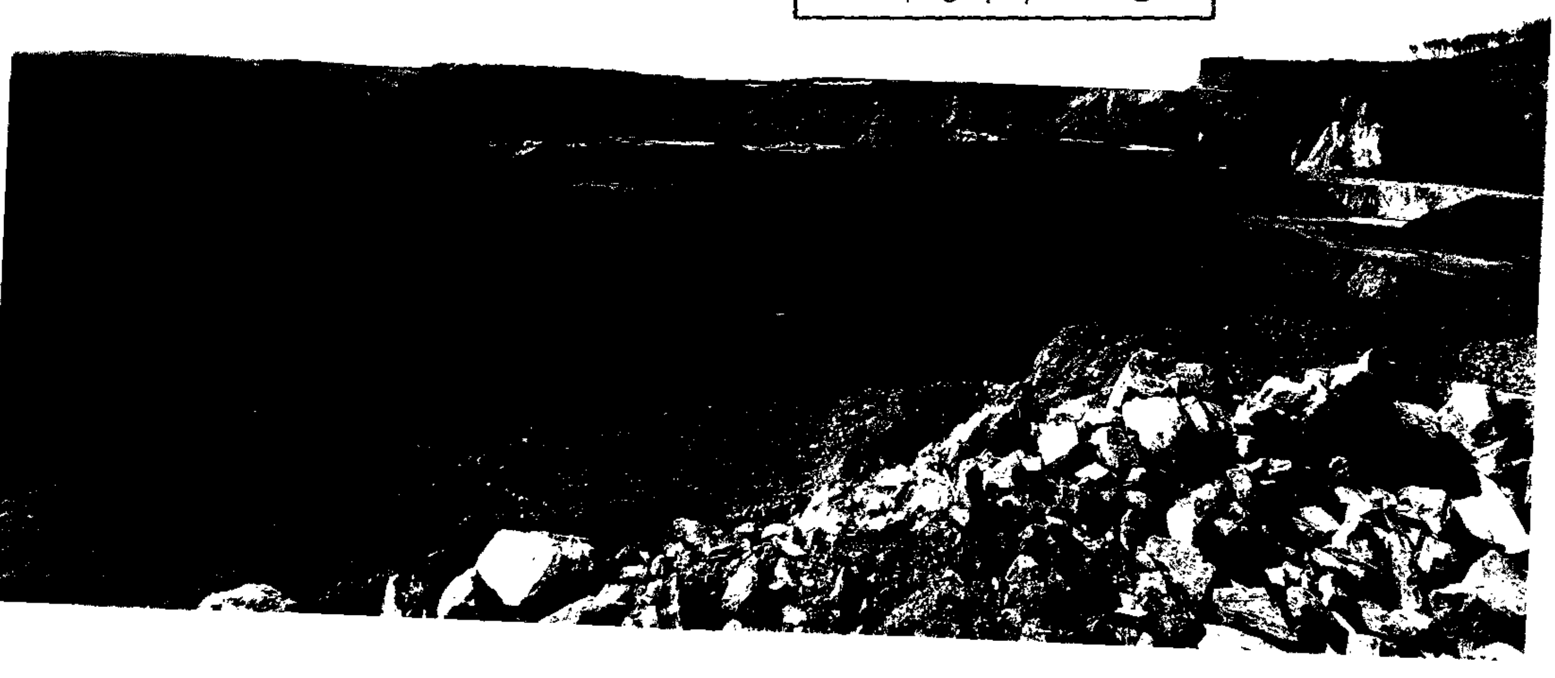
IRC Limited

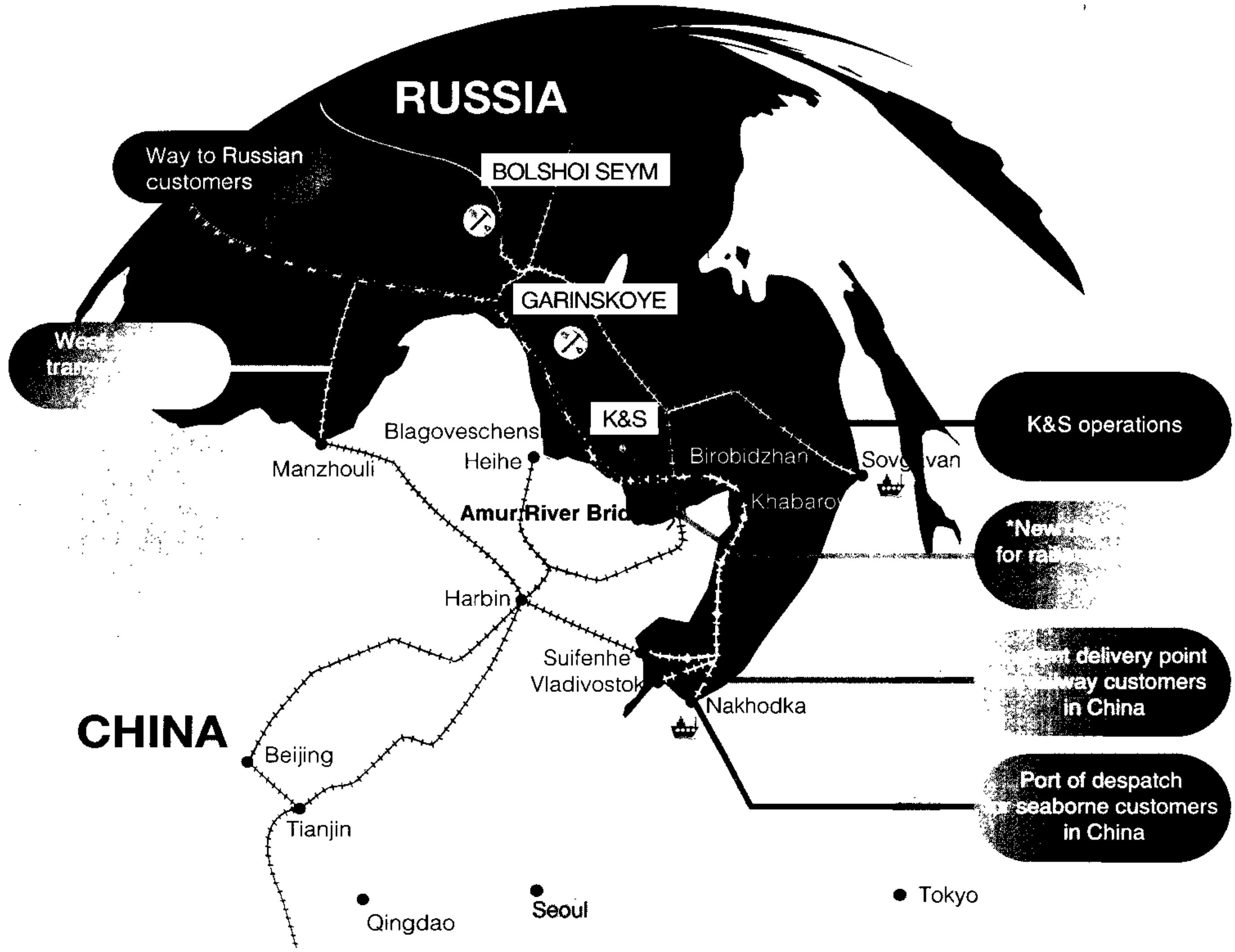
HONG KONG STOCK CODE: 1029



ANNUAL REPORT

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 4897906





BAM Railway

Trans-Siberian Railway

Amur River Bridge

Railway in China

* The Amur River Bridge, which will shorten the transportation distance, is expected to be operational in 2022.

ABOUT US

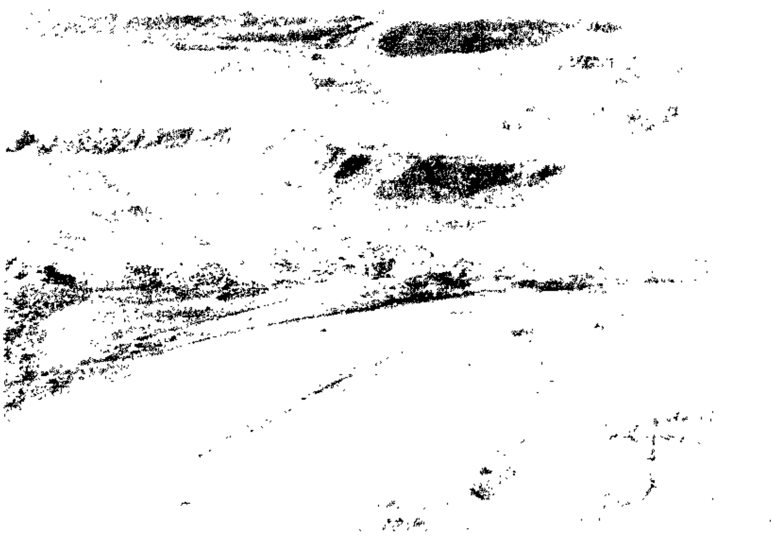
IRC is the largest iron ore mining operator in the Russian Far East. Our long-term relationships with customers in China and Russia, as well as our world-class operations, enable us to focus on producing high-quality iron ore concentrates.

WHY IRC

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

2022 AND BEYOND

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



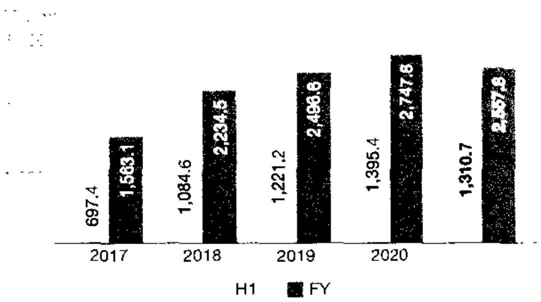
Revenue (before hedging)
^ 61.6%

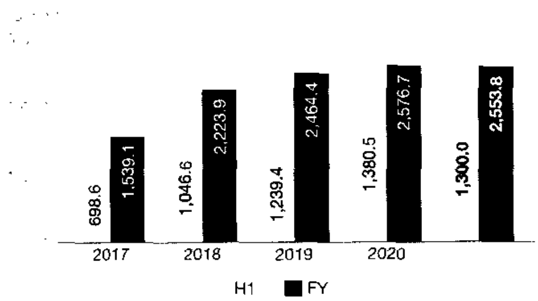
Underlying EBITDA – excluding NRI and FX
^ 114.1%

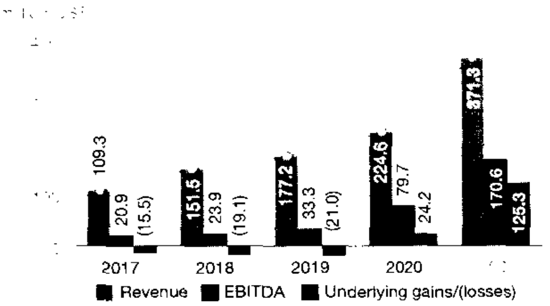
Net cash generated from operations
^ 164.6%

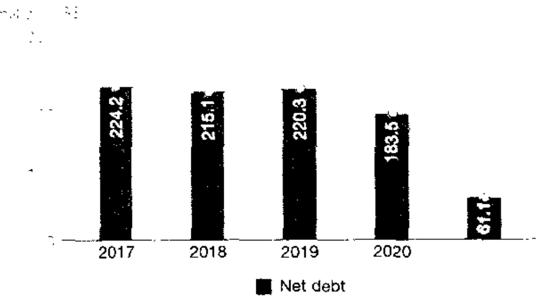
Underlying Profits ^ 418.7%

Profit for the year ^ 33.3%









BALANCE SHEET

US$**52.1** million
Cash and deposit:
^ 155.9%

US$**61.1** million
Net debt:
v 66.7%

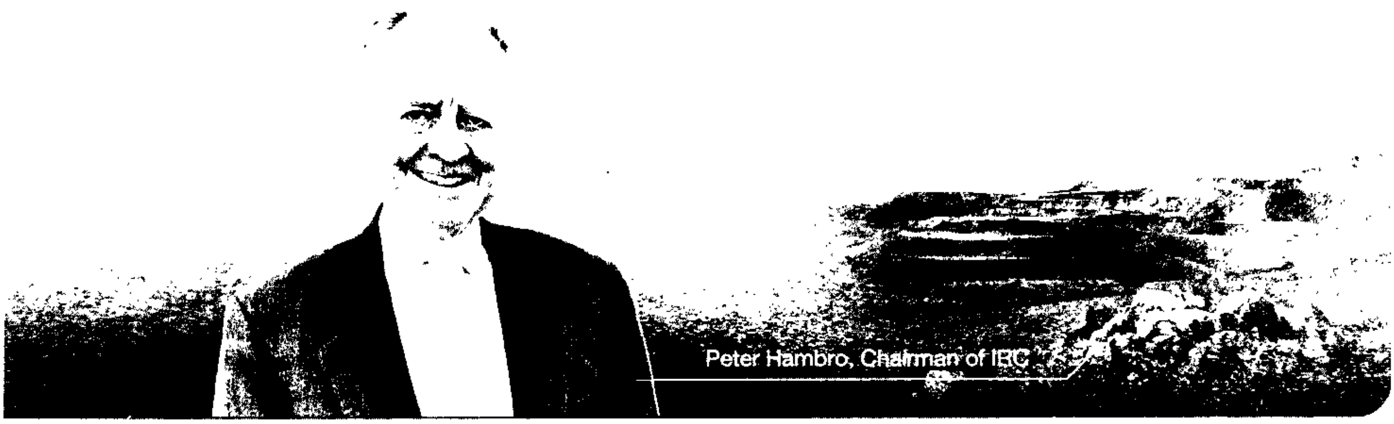
HK$**0.57**
Net asset value per share:
^ 35.7%

ENVIRONMENTAL & SOCIAL RESPONSIBILITIES

0.35
LTIFR unchanged

Greenhouse gas emissions: v 12.2%

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



Dear Shareholders and Stakeholders,

We hope that you might forgive all of us at IRC for being proud of what we have accomplished in today's turbulent business environment. Not only have we achieved outstanding financial and operating results, but we have also maintained a sustainable operation while conserving and supporting our employees and communities. In so doing, we have demonstrated our ability promptly and effectively to respond to adversities and in achieving this, and we must give thanks for the efforts of our battle-hardened workforce and the management systems that have enabled us to achieve the goals, that we have set ourselves in the past.

We believe that this success is something that we can continue to replicate in the immediate future and 2022 has started well for IRC.

Outstanding Financial Results in 2021

2021 was an extremely good year for IRC in terms of financial results, evidenced by our 114% increase in EBITDA to US$171 million. We managed to produce and sell 2.6 million tonnes of high-grade iron ore concentrate amid a number of short-term challenges.

Our underlying gains increased five-fold to US$125 million which is almost two-thirds of the Company's current market capitalisation. We acknowledge that these superior numbers were mostly driven by the exceptional price environment of iron ore in the year and a weak exchange value for our operation subsidiary's costs, but at the same time believe that our ability to operate effectively in the face of a variety of adversities was also a critical factor.

The improvement in our profitability translated to positive cash flows, allowing IRC to reduce the Gazprombank loan by US$91 million, of which US$70 million was voluntary early principal repayment. We have significantly strengthened our balance sheet with the net debt reduced from US$184 million at the previous year end to US$61 million at the 2021 year-end.

Strong momentum into 2022 and beyond

IRC achieved excellent financial results in 2021 and we are carrying the strong momentum into 2022 and beyond. Our performance is subject to three main drivers:– iron ore price, production capacity, and Russian Rouble exchange rate, and these parameters continue to work in our favour.

Robust Iron Ore Price – As previously stated, the cornerstone to IRC's success in 2021 was mostly attributable to the outstanding iron ore prices with the 2021 average price of Platts 65% iron ore climbed by about 53% year-on-year to US$186 per tonne. However, price volatility was also exceptional. During the year, the strong iron ore demand from China and an increase in COVID-19 infections in Brazil pushed the Platts 65% iron ore price index to a new high of about US$260 per tonne in May 2021. But in the second half of the year, as China tightened production curbs at its steel mills to meet its climate change targets, the index plummeted to its yearly low of US$102 per tonne in November before seeing some recovery by the end of 2021.

The Beijing Winter Olympics were a catalyst for the rebound of the iron ore price. Following the conclusion of the Winter Olympics in February 2022, Chinese steelmakers gradually resumed steel production after almost six months of production curbs. In addition to the widespread market expected boost in China's infrastructure spending to achieve the "economic stability" aim outlined by the Chinese Premier, the external factors such as Western Australia's cyclone season and ongoing conflict in Ukraine also contributed to tighter iron ore supplies to China. Both domestic and external backdrops of China look constructive for the iron ore market. Since the beginning of 2022, the Platts 65% iron ore index has gained by over 20% to the current level of about US$170 per tonne, giving K&S a good start to the year.

The icing on IRC's cake is the price premium of the high-grade iron ore. For pollution-control reasons, the quality of iron ore has become one of the most important factors for Chinese steel mills, resulting in ongoing strong demand for premium product. The price spread between 65% and 62% iron ore keeps widening in early 2022 with the average premium climbing to US$28 per tonne. Mining operators producing high-grade iron ore, like IRC, are well placed to capitalise on this business opportunity.

Increasing production volume – Operating a sizeable mine like K&S is not all plain sailing, and our experience in 2021 was no exception. Ore quality, mining volume lag, and railway logistics issues remained the oft-cited production bottlenecks, but we are pleased to be able to report that, as usual, measures have been taken to mitigate their impacts to the extent possible.

K&S comprises of two separate pit sites: – "Kimkan" and "Sutara" and so far, mining has been solely carried out at Kimkan and its resources are gradually being depleted. As Kimkan slowly comes to the end of its mine life, the Sutara pit is scheduled to go online by the end of 2022 or early 2023. Ore in Sutara is expected to have higher iron magnetic properties to support higher levels of production.

Mining at K&S is performed by external contractors but their performance has fallen short of our expectations. To increase mining efficiency at K&S, we are pushing the existing contractors to increase their work rate, searching for new contractors and considering setting up our own mining fleet as soon as practicable to catch up the mining volume lag.

Towards the end of 2021, K&S experienced railway congestion issues which affected both sales and production capacity. While the impact has been mitigated by exploring the seaborne market, the long-term solution lies with the Amur River Bridge. Key infrastructure works of the Bridge have been completed with traffic expected to begin in mid-2022. Apart from alleviating the railway congestion, both K&S and its Chinese customers will benefit from the Bridge with reduced transportation distance and shipment time.

The aforesaid bottlenecks are short-term challenges and are expected to gradually subside in 2022 and going forward, allowing K&S to ramp up its production volume.

Devaluation of Russian Rouble – Cost control has always been an important element in improving profitability. While K&S is making more seaborne sales, the transportation costs also increase accordingly. Besides, with surging mining cost, higher mineral extraction tax, and the general inflation in Russia, controlling production costs is becoming increasing challenging. Fortunately, the weak Rouble helps our course to reduce operating costs.

One of the key positive factors to IRC have been the Russian Rouble depreciation. Rouble was weak in 2021 with an average exchange rate of RUB74 to the US Dollar. Following the recent geopolitical situation, the currency has further devalued by about 30% and is currently trading at about RUB100 to the US Dollar. As our operating costs are primarily denominated in

Russian Rouble while our revenue is in US Dollar, the weaker Rouble will have a significant positive impact on our operating margin in 2022.

Safe Work Environment

Our people are the key differentiator in our business, the basic ingredient of our success, and the driving force behind everything we do. Creating a harm-free work environment has always been our top priority and we are pleased to report that we achieved our target of zero fatalities in 2021. We also maintained the LTIFR, a key indicator of the effectiveness of our safety management system, at a low level of 0.35. Safety is at the forefront of our thoughts and we strive to eliminate all work-related injuries.

The emergence of COVID-19 has had an impact on our way of living over these years. To combat the spread of the virus, K&S has setup an emergency response office. Our employees are not only being tested frequently for infection but are also encouraged to be vaccinated. We will make every effort to implement the necessary measures to support the prevention of COVID-19 at our operations. From our pits to our headquarter, safety is ingrained in everything we do.

Outlook and Conclusion

In 2022, we will endeavour to achieve three main objectives:– reducing gearing, developing Sutara and, most importantly, rewarding our shareholders with dividends. We shall undergo a capital reduction exercise in the first half of 2022 to offset previous years' losses, paving the way for the Company to pay dividends. We hope that the operating environment will remain stable, allowing IRC to pay its maiden dividend soonest.

Obviously, we are aware of the conflict between Russia and Ukraine and can feel that the geopolitical tectonic plates are in motion. Based on our analysis, so far, K&S has not been subject to any material direct legal sanctions implications. The Board is taking a cautious approach and will continue to identify and analyse potential risks to IRC's business.

Talent management is one of the key pillars for the continuous growth of IRC and we are pleased by Danila Kotlyarov's redesignation as an Executive Director to bolster our human capital. With his wealth of experience in mining and knowledge in Russia, he will be a welcome addition to our management team. We would also like to take this opportunity to express our gratitude to each and every member of the IRC family for their ongoing dedication and commitment to pursuing higher standards. We are appreciative for the support of our Board of Directors, Shareholders and Stakeholders. 2021 was a good year for IRC, but we are confident that the best is yet to come.

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

The table below shows the results of the Group for the years ended 31 December 2021 and 2020:

	For the year ended 31 December		
	2021	2020	Variance
Key Operating Data			
Iron Ore Concentrate			
— Production volume (tonnes)*	**2,557,794**	2,747,767	(6.9%)
— Sales volume (tonnes)*	**2,553,804**	2,576,722	(0.9%)
Achieved Selling Price (US$/tonne)			
— based on wet metric tonne	**145**	87	66.7%
— based on dry metric tonne	**159**	95	67.4%
— based on dry metric tonne before hedging	**163**	100	63.0%
Platts 65% iron ore average price	**186**	122	52.5%
Cash Cost (US$/tonne)*			
— excl. transportation to customers	**47.9**	36.0	33.1%
— incl. transportation to customers	**71.7**	51.2	40.0%
Consolidated Income Statement (US$'000)			
Revenue before hedging losses	**382,072**	236,442	61.6%
Hedging losses	**(10,793)**	(11,851)	(8.9%)
Revenue	**371,279**	224,591	65.3%
Site operating expenses and service costs before depreciation and amortisation	**(192,513)**	(139,810)	37.7%
General administration expenses before depreciation and amortisation	**(10,273)**	(9,217)	11.5%
Other income, gains and losses, and other allowances	**2,121**	4,132	(48.7%)
EBITDA – excluding non-recurring items and foreign exchange	**170,614**	79,696	114.1%
Depreciation and amortisation	**(27,021)**	(28,818)	(6.2%)
Financial costs	**(18,238)**	(25,157)	(27.5%)
Income tax expense & non-controlling interests	**(34)**	(1,561)	(97.8%)
Underlying gains – excluding non-recurring items and foreign exchange	**125,321**	24,160	418.7%
Gain on liquidation of Kuranakh project	**12,186**	–	N/A
Net foreign exchange gains	**704**	7,674	(90.8%)
Other provisions	**(4,142)**	(7,115)	(41.8%)
Reversal of impairment losses	**-**	75,832	(100.0%)
Profit attributable to the owners of the Company	**134,069**	100,551	33.3%

* Wet metric tonne

THE UNDERLYING RESULTS OF THE GROUP

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

EBITDA – excluding non-recurring items and foreign exchange

The Group's EBITDA, excluding non-recurring items and foreign exchange, increased by 114.1% to US$170.6 million (31 December 2020: US$79.7 million) for the year ended 31 December 2021. The significant growth was mainly driven by higher achieved selling price.

Despite the fact that ore quality, mining contractors' performance, and railway logistics issues remained the oft-cited bottlenecks, limiting production and shipping volumes for K&S in 2021, the Company was still able to sell 2,553,804 tonnes of iron ore concentrate which was in line with that of the previous year (31 December 2020: 2,576,722 tonnes). IRC's 2021 achieved selling price after hedging was US$159 per dry metric tonne, up 67.4%, mainly supported by the strong iron ore price.

K&S endeavours to keep operating and administrative costs under strict control. During the reporting period, the Group's operating expenses and general administration costs increased by 36.1% which is significantly lower than the 65.3% growth in revenue. Cash cost per tonne increased to US$71.7, mainly driven by:

- higher transportation costs, due to the increased share of sales via the seaborne route, which results in higher handling and sea freight costs; and
- higher mining costs due to
    - Increased stripping ratio (how much waste is mined per unit of ore); and
    - Increased third-party mining contractors' fees.

It is worth noting that the achieved selling prices of seaborne sales are generally higher than those via the railway route, offsetting part of the higher transportation costs. Venturing into the seaborne market not only allows K&S to mitigate the impact of the railway congestion but also broaden its customer base.

Stable productivity in a strong iron ore price environment, along with a weak Rouble and prudent cost control in the face of rising mining expenses, transportation charges, and general inflation in Russia, resulted in a substantial increase in EBITDA of 114.1%.

	For the year ended 31 December		
US$'000	**2021**	2020	Variance
EBITDA – excluding non-recurring items and foreign exchange	**170,614**	79,696	114.1%

Results of Operations

Underlying gains – excluding non-recurring items and foreign exchange

The Group's income statement sometimes includes certain material non-recurring and non-operating items which should be considered separately:

- IRC recognised a non-cash gain from the close down of the Kuranakh project amounting to US$12.2 million (31 December 2020: Nil) arising from the deconsolidation of a subsidiary on liquidation;

- a non-cash foreign exchange gain of US$0.7 million was recorded in 2021 (31 December 2020: US$7.7 million), mainly due to exchange rate movements in Russian Rouble;

- a non-cash provision of US$4.1 million (31 December 2020: US$7.1 million) was made for expenses relating to deferred contract payments. The Group initiated legal proceedings against the said contract counter-party and IRC believes that these expenses will not be payable. However, being prudent and to comply with the accounting requirements, this provision has been made.

- in 2020, a reversal of assets impairment in relation to the K&S mine of US$75.8 million was made. No such impairment reversal was booked in 2021.

The underlying gains, being a good indicator of IRC's true performance, increased five-fold from the last year to US$125.3 million, demonstrating the Company's outstanding progress in 2021:

	For the year ended 31 December		
US$'000	**2021**	2020	Variance
Underlying gains – excluding non-recurring items and foreign exchange	**125,321**	24,160	418.7%

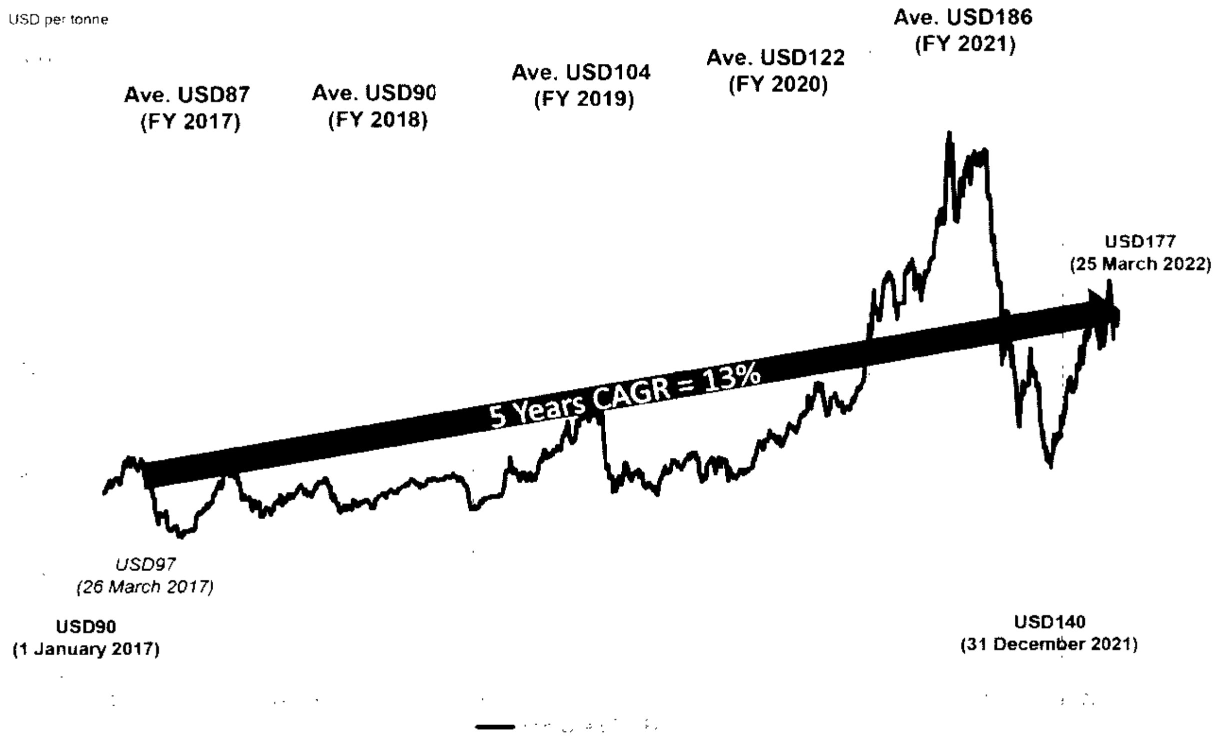
REVENUE

Iron ore concentrate

IRC's main revenue source comes from the sales of 65% iron ore concentrate produced at the K&S mine. Owing to underperformance of third-party mining contractors, poorer ore quality at Kimkan West deposit which K&S started mining in 2021, and substantial inventories of finished goods accumulated due to temporary shipment constraints in December, K&S's iron ore production in 2021 was lower than 2020 at 2,557,794 tonnes, or c.81% of its capacity. Despite short-term border closures between Russia and China due to adverse weather and anti-pandemic measures imposed by China, K&S sold 2,553,804 tonnes of iron ore concentrate in 2021 which was comparable with that of the previous year.

The selling price of K&S's iron ore concentrate is determined with reference to the international spot price of Platts iron ore benchmark index. Iron ore prices were exceptionally volatile in 2021, mainly attributable to fluctuating demand for iron ore in China, with the Platts 65% iron ore index attaining a 52-week high of around US$260 per tonne in May 2021 and softening to a low of about US$102 per tonne in the last quarter of the year. In 2021, average index value was US$186 per tonne, up roughly 52.5% from 2020.

The chart below shows the movements of Platts 65% Fe index from 2017:



Source: Platts (as of 25 March 2022)

Although K&S is strategically located at the doorstep of its Chinese market, most of the major Chinese steel mills nearby are owned or controlled by the same corporate organisation. This means that in the north-eastern part of China, IRC is operating in a semi-captive market, where low transportation costs play an important positive role on the delivered cost of its product but its bargaining power in price negotiations is negatively affected. This means that IRC's Chinese customers expect a discount to the benchmark Platts price and IRC have relatively little power to resist these monopolistic requests. IRC understands that this has been the case for other Russian producers as well, with discounts being commonly offered to customers in the region. For this reason, sales have also been made by K&S to customers in Russia, but this market is not without its challenges in light of the market competition from other local producers. As the purchase prices offered by the Russian customers of K&S were not attractive, minimal shipments were made to Russia in 2021 in favour of diverting more sales to Chinese seaborne market, which offered better sales terms. K&S is also exploring the west-bound transportation route to China with trial shipments going via the Zaibalkalsk/Manzhouli border crossing. K&S will continue monitoring the situation and adjusting its sales and marketing strategy accordingly.

In 2021, the achieved selling price of K&S's iron ore concentrate before hedging was US$163 per dry metric tonne (31 December 2020: US$100), an increase of 63.0% over previous year.

Iron ore hedging is used to manage the downside risks associated with iron ore price movements and is not speculative in nature. As market iron ore price had been growing during the reporting period, hedging results were negative. Hedging reduced IRC's revenue by US$10.8 million (31 December 2020: US$11.9 million) during the reporting period. The net revenue for the year 2021, after taking into account the effect of iron ore hedging, was US$371.3 million, a 65.3% increase over the same period last year.

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

Engineering Services

Revenue from Giproruda, the Group's small-scale engineering services division, was not material but diversified the Group's revenue. Revenue from the segment was US$216,000 in the year (31 December 2020: US$209,000).

SITE OPERATING EXPENSES AND SERVICE COSTS BEFORE DEPRECIATION AND AMORTISATION

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

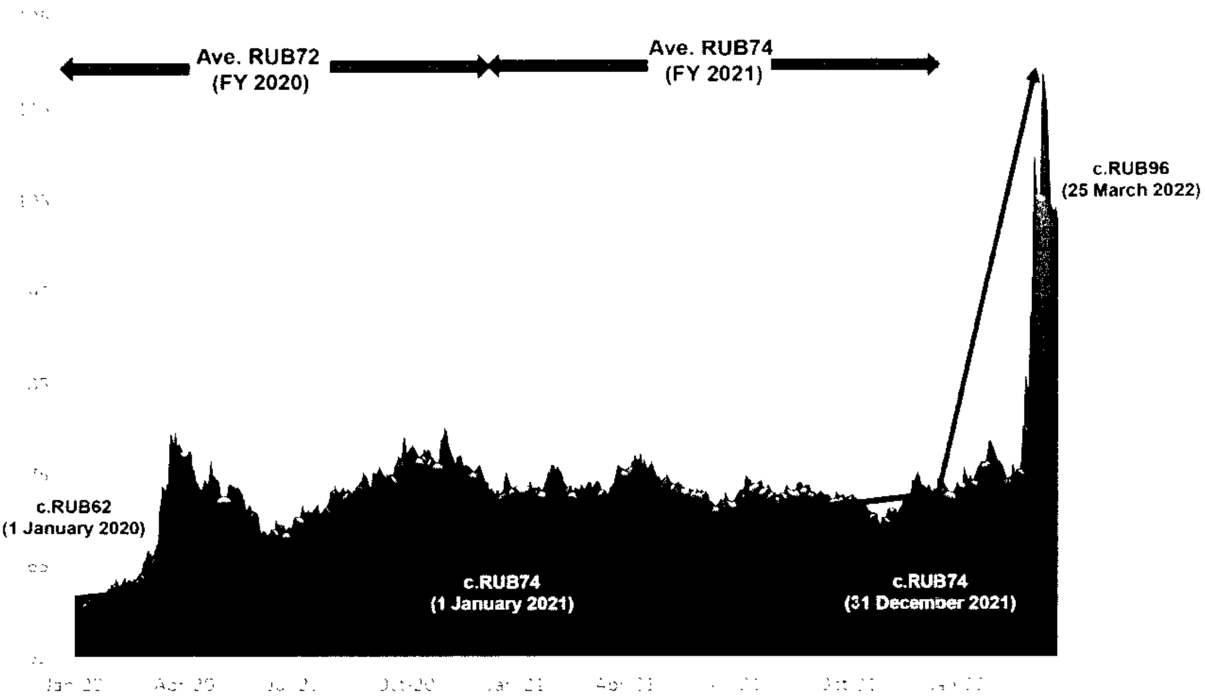
The table below illustrates the details of the key cash cost components per wet metric tonne of iron ore concentrate sold:

	For the year ended 31 December	
	2021 Cash cost per tonne US$/t	2020 Cash cost per tonne US$/t
Mining	**21.5**	17.1
Processing and drying	**12.1**	10.8
Production overheads, site administration and related costs	**11.4**	10.0
Mineral extraction tax	**2.1**	0.2
Movements in inventories and finished goods	**0.9**	(1.8)
Currency hedge results	**(0.1)**	(0.3)
Net cash cost before transportation to customers	**47.9**	36.0
Transportation to customers	**23.8**	15.2
Net cash cost	**71.7**	51.2

The unit cash cost per wet metric tonne of concentrate sold in 2021 was US$71.7, up 40.0% from the previous year. Transportation costs increased as a result of the increased share of sales in the seaborne market and higher railway tariffs and wagons use fees. Despite higher transportation cost of the sales via the seaborne route, realised price is also higher when compared to sales by rail to the customers in the North-Eastern China. Another component of the increase in unit cash cost was the cost of mining, which was driven up by the increased strip ratio due to the start of works at Kimkan West deposit and higher costs for third-party mining contractors. Once the mining works at Sutara has ramped up and the pit becomes fully operational, it is expected that better ore quality will result in a higher yield of the concentrate from ore, and hence a higher production capacity of the processing plant. The increase in the government's mineral extraction tax, Russia's high inflation rate of 6.7%, together with higher energy costs all contributed to overall cost increases.

The Russian Rouble did not depreciate sharply as it did in 2020 but it remained weak during 2021 with an average exchange rate of around RUB74 per US Dollar. While the Group's revenues are mainly denominated in US dollars and therefore unaffected by Rouble weakness, the Group's operating costs, which are mostly denominated in Roubles, would be reduced in US dollar terms as Rouble depreciates. It is worth noting that the Russian Rouble has depreciated significantly to above RUB100 per US Dollar in February 2022 as a result of the geopolitical situation.

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



Source: Bank of Russia (as of 25 March 2022)

GENERAL ADMINISTRATION EXPENSES BEFORE DEPRECIATION AND AMORTISATION

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

OTHER INCOME, GAINS AND LOSSES, AND OTHER ALLOWANCES

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

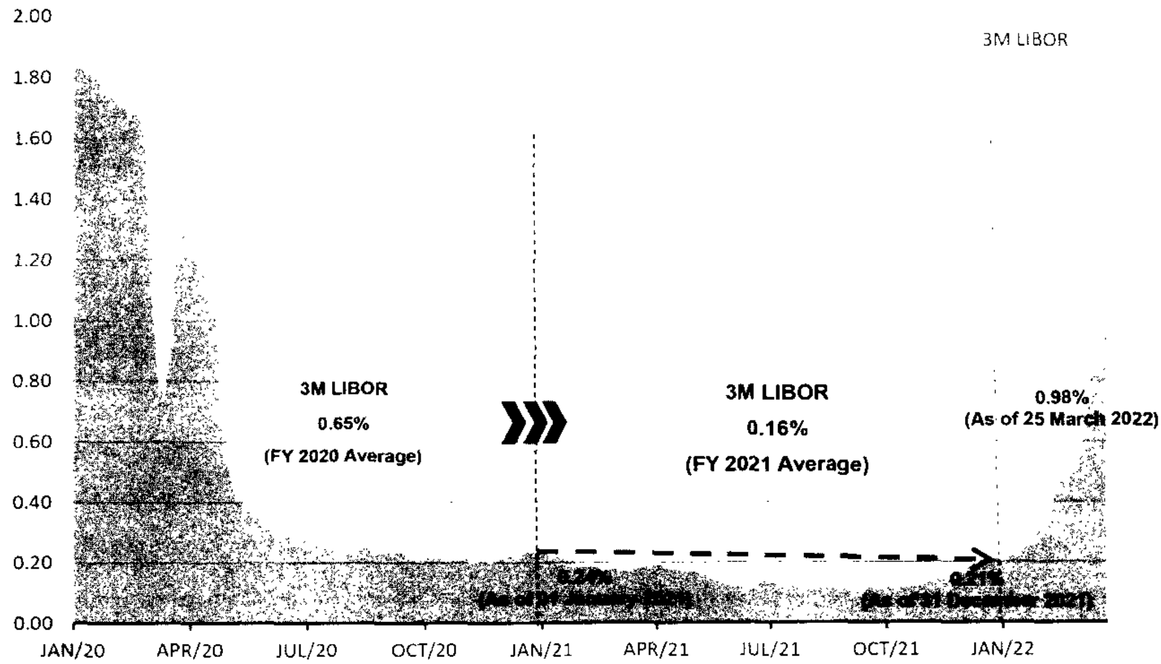
DEPRECIATION AND AMORTISATION

Depreciation and amortisation charges of US$27.0 million in 2021 was 6.2% lower than last year (31 December 2020: US$28.8 million), mainly due to changes in accounting estimates and some assets having been fully depreciated.

FINANCIAL COSTS

Financial costs reflect primarily the interest expenses on loans from Gazprombank and guarantee fee accrued for Petropavlovsk PLC. Financial costs reduced by 27.5% to US$18.2 million in 2021, primarily due to reduction on market interest rates, as well as the lower outstanding balances of the Gazprombank loan after loan repayment of US$91 *million in 2021*, of which *US$70 million was voluntary early principal repayment.*

The chart below shows the decreasing LIBOR since 2020:



Source: Bloomberg (as of 25 March 2022)

INCOME TAX EXPENSE AND NON-CONTROLLING INTERESTS

The income tax expense and non-controlling interests of US$0.034 million (31 December 2020: US$1.6 million) mainly reflects income tax charges offset by deferred tax movements.

GAIN ON LIQUIDATION OF KURANAKH PROJECT

Gain on liquidation of Kuranakh project, a non-operating and non-recurring non-cash item, amounted to US$12.2 million. This is related to the deconsolidation of the project from the Group's financial statements following the sale of Kuranakh assets by the administrators. *The gain is mostly related to the write-back of provisions for restoration costs,* foreign exchanges and other payables.

NET FOREIGN EXCHANGE GAINS

The foreign exchange gains of US$0.7 million in 2021 was mainly attributable to the movements in exchange rate of Russian Rouble.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Improving EBITDA has resulted in positive operating results for the Group. The Group reported a profit of US$134.1 million in 2021 (31 December 2020: US$100.6 million) after accounting for the gain on liquidation of Kuranakh project of US$12.2 million, net foreign exchange gains of US$0.7 million, and lower finance costs.

SEGMENT INFORMATION

The mines in production segment represents the K&S mine's production and sales. This segment made a profit of US$152.8 million for the year, after taking into account the depreciation and amortisation costs. Mines in development, engineering and other segments were not material to the total revenue, and the reporting period saw a total loss of US$0.9 million.

CASH FLOW STATEMENT

The following table summarises the key cash flow items of the Group for the years ended 31 December 2021 and 31 December 2020:

	For the year ended 31 December	
US$'000	**2021**	2020
Net cash generated from operations	**166,327**	62,871
Repayment of borrowings	**(90,681)**	(20,658)
Loan guarantee fees paid	**(14,311)**	(5,000)
Capital expenditure	**(13,204)**	(5,812)
Interest expenses paid	**(11,245)**	(15,978)
Repayment of lease liabilities	**(3,887)**	(3,832)
Income tax paid, interest received and other adjustments, net	**(1,241)**	465
Proceeds on disposal of property, plant and equipment	**–**	4,023
Net movement during the year	**31,758**	16,079
Cash and bank balances (including time deposits)		
– At 1 January	**20,371**	4,292
– At 31 December	**52,129**	20,371

For the year ended 31 December 2021, net cash generated from operations was US$166.3 million, up from US$62.9 million from the prior year and representing an increase of 1.6 times. The significant growth in revenue from the K&S mine gave rise to stronger cash flow generated from operating activities. The receivable balance increased along with an increase in prepayments to suppliers and recoverable amount on value-added tax. With lower financing costs and loan balances, interest payments decreased from US$16.0 million to US$11.2 million. The capital expenditure of US$13.2 million was incurred mainly by the K&S mine for the development of the Sutara project and maintenance of the K&S mine. During the year of 2021, the Group made principal repayments to Gazprombank totalling US$90.7 million, including a voluntary principal loan repayment of US$70.0 million, and settled guarantee fees with Petropavlovsk PLC of US$14.3 million.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Share capital

During the year of 2021, the Company issued 1,328,000 and 5,000,000 new shares following the exercising of share options pursuant to the Company's employees' share option schemes with an exercise price of HK$0.2960 and HK$0.2728 per share respectively. The Company received approximately US$0.2 million following the issuance of the shares.

Cash Position and Capital Expenditure

As at 31 December 2021, the carrying amount of the Group's cash, deposits and bank balances amounted to approximately US$52.1 million (31 December 2020: US$20.4 million). The cash balance increased significantly in 2021 as a result of the Group's improved profitability for the year.

Exploration, Development and Mining Production Activities

For the year ended 31 December 2021, US$205.7 million (31 December 2020: US$145.6 million) was incurred on development and mining production activities. No material exploration activity was carried out in 2021 and 2020. The following table details the operating and capital expenditures in 2021 and 2020:

	For the year ended 31 December					
	2021			2020		
US$'m	Operating expenses	Capital expenditure	Total	Operating expenses	Capital expenditure	Total
K&S development	**191.5**	**13.0**	**204.5**	137.6	5.6	143.2
Exploration projects and others	**1.0**	**0.2**	**1.2**	2.2	0.2	2.4
	192.5	**13.2**	**205.7**	139.8	5.8	145.6

The table below sets out the details of material new contracts and commitments entered into throughout 2021 on a by-project basis. The amount was increased to US$8.1 million, mainly attributable to the development of the Sutara project and the hiring of an additional mining contractor during the period.

		For the year ended 31 December	
US$'m	Nature	2021	2020
K&S	Purchase of property, plant and equipment	**0.9**	0.1
	Sub-contracting for mining works	**7.2**	0.1
	Sub-contracting for railway and related works	**-**	1.0
Others	Other contracts and commitments	**-**	1.2
		8.1	2.4

Borrowings and Charges

As at 31 December 2021, the Group had gross borrowings of US$113.2 million (31 December 2020: US$203.9 million), representing a long-term borrowing drawn from the Gazprombank loan facility. The facility was guaranteed by Petropavlovsk PLC until 3 December 2021, when Petropavlovsk PLC announced disposal of its 31.1% of the entire issued share capital of the Company resulted in the irrevocable release of Petropavlovsk PLC from all loan guarantees given to Gazprombank. The interest of the Gazprombank facility is determined with reference to LIBOR. The three-month LIBOR fell from an average of 0.65% in 2020 to 0.16% in 2021. Lower LIBOR allowed the Group to reduce its financing cost. During the year, K&S made loan repayments of approximately US$91 million to Gazprombank, lowering the Group's weighted average interest rate to 7.0% (31 December 2020: 7.6%).

Risk of Exchange Rate Fluctuation

The Group undertakes certain transactions denominated in foreign currencies, principally Russian Rouble, and is therefore exposed to exchange rate risk associated with fluctuations in relative values of US Dollars. Exchange rate risks are mitigated to the extent considered necessary by the Board of Directors, primarily by holding the relevant currencies. The Group hedged about 10% of the Group's 2021 expected Rouble expenditure using zero-cost collars with puts' strike varying in the mid-70s and calls' strike in the mid-90s, to provide protection against the appreciation of currency. For the first half of 2022, the Group has hedged about 10% of the Group's expected Rouble expenditure using zero-cost collars with Puts' strike varying in the low-70s and Calls' strike in the high-70s. Additionally, another 10% of the Group's expected Rouble expenditure for the period from February 2022 to January 2023 inclusive were hedged using zero-cost collars with Puts' strike in the mid-70s and Calls' strike in the mid-90s.

If deemed appropriate, the Group may consider entering into further foreign exchange hedging contracts. The hedging is not of a speculative nature and is for purposes of risk management.

Employees and Emolument Policies

As of 31 December 2021, the Group employed approximately 1,696 people (31 December 2020: 1,665 people). Total staff costs amounted to US$28.3 million during the reporting period (31 December 2020: US$26.6 million). The emolument policy of the Group is set up by the Remuneration Committee and the remuneration is determined on the basis of the merits, qualifications and competence of the employees with regard to market conditions and trends.

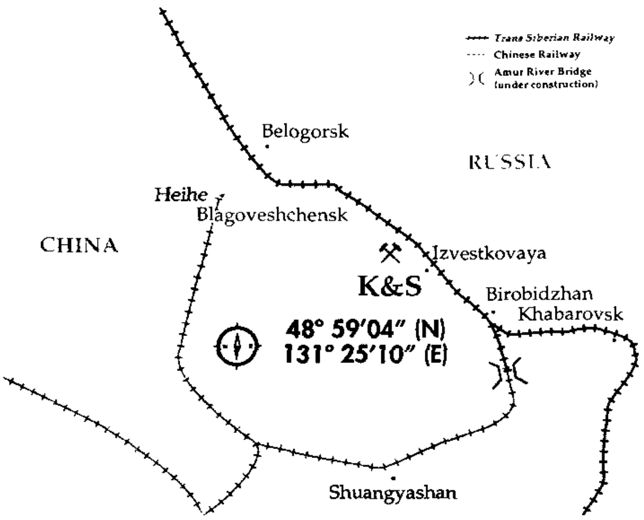
A Key Performance Indicator ("KPI") is a measurable value that demonstrates how effective a company is achieving its key business objectives. IRC uses KPIs at multiple levels to evaluate its success at reaching targets. The following indicators enable management to evaluate IRC's performance against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

KPI	CONTEXT	2021 DEVELOPMENT	2021 PERFORMANCE
Safety	Our aim is to create a culture of zero-harm and to adhere to strict safety policies and standards for the safety and well-being of the employees.	K&S has developed and implemented various systems and standards which lay foundation for the Group's compliance with labour protection, and industrial and fire safety regulations.	**Safety – Outstanding Level** LTIFR 2021 [redacted] 2020 0 0.5 1.0 1.5
Profitability	Profitability focuses on financial performance over medium to long term; EBITDA is a primary and accurate measure of IRC's success.	K&S took advantage of the robust iron ore price, weak Russian Rouble, and stable production rate to generate substantial EBITDA.	**Profitability – Significant improvement** Group underlying EBITDA – excluding NRI and FX US$ million 2021 [redacted] 2020 79.7 0 100 200
Production	IRC primarily produces high-quality iron ore concentrate, and K&S's production capacity is critical to the Group's success.	To make up for the mining volume lag, K&S engaged an additional mining contractor. The Sutara project has begun development and is expected to be come online by 2023.	**Production – Maintained at a high level** Iron Ore Concentrate Produced million tonnes 2021 [redacted] 2020 2.7 0 0.7 1.4 2.1 2.8
Efficiencies & Cash Cost	"Cash Cost" shows the cost of running a mine to produce a given amount of product. It is a benchmark for operating performance. Cash cost disregards general administration expenses, depreciation and amortisation.	Despite increasing energy costs, mineral extraction tax, third-party mining contractor costs and general inflation in Russia, K&S has gradually ramped up to closed to full production capacity and continued to implement effective cost control policies. K&S is also considering to setup its own mining fleet to optimise costs.	**Cash Cost – Stringent cost management** Cash Cost Per Tonne US$ 2021 [redacted] 2020 51.2 0 20 40 60 80
Administrative Overheads	Administrative overheads measure the costs of supporting units for the business to carry out profit making activities.	Special attention continues to be paid to the control of administrative costs. Efficient implementation of cost control measures, together with delay in spending due to COVID-19, continued to deliver benefits.	**Administrative Overheads – Stringent control** General Administration Expenses excluding Depreciation and Amortisation US$ million 2021 [redacted] 2020 9.2 0 3.7 7.4 11
Exploration & Development	Our exploration programmes aim to add value through the discovery of new resources, and to increase and confirm the mineable reserves.	The Group has been focusing on ramping up of K&S and developing Sutara project. No significant exploration activity was carried out during 2021.	**Exploration & Development – Abundant resources and reserves base** Reserves Resources million tonnes 2021 [redacted] 2020 390 1,353 0 500 1,000 1,500 2,000
ESG & Community	ESG is measured by adhering to the legislation and best practices in the jurisdictions and the community in which IRC operates.	The integrated Environmental Management System ("EMS") allows IRC to reduce its environmental impact.	**Extensive ESG statistics are given in the Environmental, Social and Governance section.**

	2020 PERFORMANCE	FUTURE OPPORTUNITIES
Compared to 2020, the Group maintained high safety standards with a LTIFR of 0.35, which is lower than industry level. There was no fatality and only 1 injury.	The Group has setup an Emergency Response Office to prevent the spread of COVID-19. The LTIFR decreased 66% to 0.35, with zero fatality and 1 injury.	IRC will endeavour to maintain high safety standards and adopt a zero-harm policy throughout its operations. Educational programmes for employees and contractors will continue to be conducted in order to provide them with the relevant safety knowledge.
The Group's underlying EBITDA, excluding non-recurring items and foreign exchange, increased by more than double to US$170.6 million. Underlying profit of US$125.3 million (2020: US$24.2 million).	The underlying EBITDA of the Group (excluding non-recurring items and foreign exchange) raised to US$79.7 million. Maiden underlying profit of US$24.2 million.	Strong iron ore prices were supported by China's ongoing high demand for high-quality iron ore concentrate. Russian Rouble remains weak due to the geopolitical turmoil. There are options for the expansion of K&S to increase production volume for economies of scales.
Despite short-term challenges such as lower ore quality, underperformance of mining contractors and logistical issues, K&S maintained a high level of production capacity at 81%.	The production performance of K&S was encouraging, achieving an average production capacity of 87% in 2020. In the reporting period, the plant produced 2.7 million tonnes of high-grade 65% iron ore concentrate, a rise of 10.1% over the previous year.	Newly hired mining contractor is increasing amount of mining equipments and K&S is considering to set up its own mining fleet. Ore quality will improve when Sutara has become fully operational.
Despite K&S's stringent cost management, the cash cost increased to US$71.7 in 2021 due to higher mining and transportation costs. Higher transportation costs as a result of increasing seaborne sales, as well as higher mining costs as a result of increased stripping ratio.	Due to the further depreciation of Russian Rouble, economies of scale and the strict cost management, cash cost was further reduced to US$51.2 in 2020.	Ore in Sutara is expected to support higher levels of production for economies of scale. The weakness of Rouble can benefit IRC's production cash cost, as its operating costs are mainly denominated in Rouble. The Amur River Bridge, expected to be operational in 2022, will further improve transportation efficiency for both IRC and its Chinese customers.
General administration expenses before depreciation and amortisation increased by US$1.1 million compared to 2020 mainly attributable to certain administrative activities and expenditures were deferred last year due to COVID-19 and the payment of discretionary remunerations.	The Group's 2020 general administration expenses before depreciation and amortisation decreased by 13.6% compared to 2019. Due to COVID-19, certain administrative and travelling activities have been deferred.	The Group will continue to carry out tight cost saving measures to minimise the administrative overheads.
Commercial production activities and Kimkan geological information update with actual ore grades and processing plant performance level achieved have resulted in a reduction of the Group's total resources and reserves.	As a result of some resources being converted to reserves in 2020, including the commercial production activities and minor oxidation at K&S, the Group reported a total of 1,353 million tonnes of resources and 390 million tonnes of reserves by the end of the year.	Exploration and development activities will resume after strategic evaluations.
For two consecutive years, greenhouse gas emissions have been reduced. Total coal used reduced by 13%. Both water intake and disposal reduced by 6% and 37%, respectively, while water recycled increased by 12%. Stringent measures to control the spread of COVID-19.	In response to COVID-19, the Group has set up an Emergency Response Office and formulated a contingency plan. In addition, necessary organisational and administrative measures have been taken and the Group has issued an order on preventive measures to prevent the spread of coronavirus.	The Group will continue its efforts to reduce energy consumption and water usage, control air pollution and apply waste management measures.

K&S

100% owned



Key facts:

65%
Fe grade (concentrate)

3.2Mtpa
Production capacity

10Mtpa
Ore process capacity

240km
To Chinese border

595Mt
Total resources

338Mt
Total reserves

30 years +
Mine life

OVERVIEW

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

The Phase I Processing Plant was built by CNEEC and funded through a project finance facility provided by ICBC. In 2018, IRC successfully entered into a refinancing facility agreement with the leading Russian bank, Gazprombank, to fully replace the ICBC's finance facility and the refinancing was completed in 2019. The principal repayment of the Gazprombank facility was weighted towards the latter part of the loan term, so that the repayment pattern better aligned with the ramp-up programme of K&S. In 2021, due to the outstanding profitability and improved cash flow of IRC, the Group not only repaid the principal and interest on time but also voluntarily early repaid the principal of US$70 million in 2021.

K&S enjoys tremendous geographical advantage. The Trans-Siberian Railway is directly linked to the mine site, making it easy to deliver its product to customers. With the use of the Amur River Bridge, which is expected to open to traffic in 2022, the products shipping distance for IRC and its customers can be further reduced. K&S's operation is situated 4 kilometres from the Izvestkovaya town and railway station, through which the Trans-Siberian Railway passes. It is also on a federal highway 130 kilometres away from the regional capital Birobidzhan and 300 kilometres from Khabarovsk, the principal city of the Russian Far East.

STEADY OPERATING PERFORMANCE IN 2021

Despite certain logistical challenges related to the railway capacity on the eastward direction and temporary closure of the border crossing points at Grodekovo – Suifenhe and Zabaikalsk – Manzhouli due to the anti-epidemic measures imposed by China, K&S demonstrated steady operating performance throughout 2021, which made possible for IRC to benefit from the high iron ore price, generate substantial cash, and make US$70 million early repayment under the existing loan facility.

ADVERSE WEATHER AND CHINESE-RUSSIAN BORDER ISSUES

The mining industry might face a variety of issues as a result of extreme weather events. During the fourth quarter 2021, K&S's railway shipments to China were hampered by adverse weather in the region, and the Russian Railways suspended all shipments to China for 5 days in late November. Furthermore, due to COVID-19, K&S's railway shipments to Chinese customers were temporarily halted in December, as Chinese authorities prohibited import of bulk commodities via the Chinese-Russian railway border crossings. Despite the fact that the restriction measures on railway border crossing points have been eased, cross-border railway traffic may take some time to improve.

SALES AND MARKETING

To alleviate the logistical issue at the Chinese-Russian railway border crossing, IRC has delivered and shipped more products to Chinese customers via sea, as well as trail shipments with the west-bound transportation route. As a result, sales volume of K&S was in line with last year to 2,553,804 tonnes during the reporting period.

SUTARA PIT, MINING AND OTHER UPDATES

The Kimkan operation covers an area of approximately 50 km^2 and comprises two key ore zones – Central and West. Open pit mining is currently carried out at both zones. As the development of the Kimkan Central pit advances, K&S started to mine at the Kimkan West pit, which has lower grades of iron ore magnetic properties than Kimkan Central. Beneficiation properties of the ore blend fed to the processing plant have resulted in a lower yield of commercial concentrate from the ore than designed. In the short and medium term, K&S's production capacity will be affected, and cash cost is expected to rise. In 2023, mining will be expected to begin at Sutara deposit, while the amount mined at Kimkan deposit will be gradually reduced. Sutara deposit is located approximately 15 km away from Kimkan operation with the deposit covering an area of 27 km^2. Sutara deposit has a total resource of about 491Mt and the mining life of over 30 years. The Group is actively preparing the Sutara deposit for operation, construction permits for the major infrastructure works of the Sutara project have been obtained and the construction works are ongoing. Because Sutara ore has higher average grade of Fe magnetic than Kimkan ore, same amount of ore processed would yield more iron ore concentrate. Therefore, production capacity of K&S is expected to improve when the Sutara pit becomes operational.

Another bottleneck during the year 2021 was the performance of mining contractors. It was below expectations due to capacity and equipment availability. In order to mitigate the issue, K&S successfully hired an additional mining contractor in the first half of the year. The newly hired mining contractor has been increasing the amount of on-site mining equipment and intends to put additional mining fleet on the ground in 2022. To catch up the volume lag, K&S is aggressively seeking new mining contractors and is considering setting up its own mining fleet. However, given the area captive market of mining contractors, finding capable and cost-effective mining contractors may require some time.

During the reporting period, the third-party mining contractors mined 9,733,800 tonnes, in line with same period last year. Drilling and blasting volumes were 607,113 metres and 17,812,611 cubic metres, 35.8% and 31.5% increased respectively. Finally, 19,392,100 cubic metres of rock mass were moved to stockpiles ready for processing.

The Drying Unit, which extracts excessive moisture from the iron ore concentrate to prevent the product from freezing in winter, is a vital part of K&S's production process during cold weather. The Drying Unit had been performing satisfactorily during winter as a result of maintenance and improvement works performed by the site team.

PRODUCTION

In the year 2021, 8,735,500 tonnes of ore were fed to primary processing and 5,891,460 tonnes of pre-concentrate were produced. These figures were 5.6% and 5.3% respectively lower than the same period of the year 2020. Due to the impact of the shipment constraints, underperformance of mining contractors and lower ore quality, 2,557,794 tonnes of iron ore concentrate were produced, a decline of 6.9% over the year 2020.

UNIT CASH COST

K&S's cash cost is likely to rise in the short and medium term, due to the higher stripping ratio (the ratio of the amount of waste removed to ore mined) and increases in mining contractors' rates, mineral extraction tax, as well as general inflation in Russia. In 2021, the unit cash cost per tonne of K&S increased to US$71.7. In view of the fact that K&S has not yet reached full production capacity and that the Rouble may depreciate further, there is room for K&S to keep costs under control.

SAFETY

LTIFR is a calculation of the number of lost-time injuries per one million hours man-worked. During the reporting period, K&S maintained a high level of safety with 1 injuries (2020 injuries: 1), 0 fatalities (2020 fatalities: 0), and a LTIFR of just 0.35 (2020 LTIFR: 0.36).

COVID-19

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

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

ADMINISTRATIVE OFFENCE PROCEEDING AGAINST K&S

Construction of K&S was carried out based on the original project design, which received the necessary approvals of the Russian authorities before the construction works began. However, for various reasons, including improvement of technology, production efficiency, cost saving considerations and correction of the construction deficiencies of the main contractor, some equipment and machinery were replaced and/or added. As a result, some of the actual production facilities deviated from the approved project design. The Company believes that this is not an uncommon occurrence when a relatively complex production facility is put into operation. Thus, the design documentation should have been updated and submitted to the Russian State authorities for approval.

While K&S was in the process of updating the design documents and preparing the application for approvals, Russian Federal Service for Environmental, Technological, and Nuclear Supervision ("RTN") made an inspection of K&S during which it determined the deviations from the approved design as non-compliant. An administrative offence proceeding (the "First Proceeding") was brought against K&S by RTN in the Obluchensky District Court of the Jewish Autonomous Region, the Republic of Russia (the "Court") for not registering the K&S facility as hazardous (the "Non-Registration"). The registration is not possible without completion of the above-mentioned design documents update and application for approvals. The Court deemed the case to be outside its jurisdiction and the matter was returned to RTN. RTN therefore made a ruling to impose an administrative penalty on K&S of RUB200,000 (equivalent to approximately US$3,000) in respect of the Non-Registration. K&S had paid the administrative penalty and continues to operate as usual.

RTN requested K&S to resolve the Non-Registration by 31 December 2021. While the Group has tried to resolve the matter as quickly as practicable, due to the COVID-19 pandemic and the fact that it is an extensive process, the required works were not completed by the due date. In early December 2021, K&S requested RTN to extend the deadline but the request was not accepted.

Given that the Non-Registration was not resolved by the deadline, in February 2022, RTN conducted an unscheduled inspection of K&S. Two administrative offence proceedings were issued to K&S in late March 2022, being:

- the K&S project is operating without the proper operating permit. Similar to the Non-Registration, the operating permit cannot be obtained without completion of the above-mentioned design documents update, which K&S is working on. RTN imposed an administrative penalty on K&S of RUB500,000 (equivalent to approximately US$6,000).

- K&S failed to comply with the legal orders issued by RTN on time. As with the First Proceeding, RTN has brought this offence at the local court (the "Second Proceeding"). The date of the court hearing will be on 17 May 2022 and in the intervening period, K&S will continue to operate to the highest possible standard as usual.

The potential outcome of the Second Proceeding is unclear. The Board understands that if K&S is found to have committed an offence, a fine may be imposed by the court. K&S may also be required to suspend its operations for up to 90 days, although the Company understands that RTN has not requested this penalty.

At the end of March 2022, a meeting was held between K&S, RTN, and the local and federal authorities. In the meeting, in addition to explaining the reasons for the delay in updating the design documents, K&S also presented the progress that had been made in preparing the required documents and the necessary procedures for the application of the operating permit. The Company considers that the meeting was constructive, and K&S will continue to work closely with the local and federal authorities to resolve the matter promptly.

The Company considers that the underlying reason for the both Proceedings is K&S's inability to complete the updating of the design documents within the tight timeframe prescribed by RTN, mainly due to COVID-19 and other practical reasons. RTN refused to grant an extension of the deadline even though K&S has been acting in good faith and endeavouring to resolve the matter as soon as practicable. The Company will defend its position in the court hearing accordingly.

AMUR RIVER BRIDGE/TONGJIANG BRIDGE

The project to build a railway bridge across the Amur River border between Russia and China was first launched by IRC in 2006. The project was sold to Russian and Chinese development funds in November 2014. In early June 2016, the regional government of the Jewish Autonomous Region announced that the Russian part of the Amur River Bridge would commence construction.

According to the reports in the media, the construction of the Amur River bridge has been completed, and the Russian Siberian Railway is now connected with China's Northeast railway network. The bridge is expected to be put into use in 2022. The railway bridge is expected to enhance the region's economic development by providing a more efficient transportation alternative on top of the existing ferries and railway routes.

K&S Mine is situated approximately 240 kilometres from the bridge site and IRC's nearest customer within China is approximately 180 kilometres away from the bridge. Thus, IRC as well as its customers will benefit from the project with the reduced transportation distance and shipment time. The railway bridge can also alleviate the railway congestion in the region. Shipping time to customers in China will be reduced from 3-5 days to 1-3 days.

Garinskoye

99.6% owned

Key facts:

68%
Fe grade

>3,500km²
Total iron ore licence area

4.6Mtpa
Fe production capacity

260Mt
Total resources

26Mt
Total reserves

20 years +
Mine life

OVERVIEW

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

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

CURRENT DEVELOPMENT

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

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

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

Other Projects

EXPLORATION PROJECTS & OTHERS

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

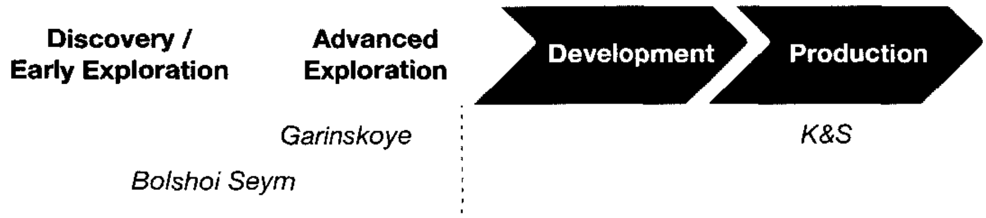
Project	Products/Service	Location
Bolshoi Seym (100% owned)	Ilmenite	Amur Region, Russian Far East
SRP (46% owned)	Vanadium Pentoxide	Heilongjiang, China
Giproruda (70% owned)	Technical mining research and consultancy services	St. Peterburg, Russia

EXPLORATION OVERVIEW

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

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

The portfolio is divided into production and exploration projects.



OPERATIONS

Over 2021, no material exploration activities were carried out. Changes in resources and reserves were mainly due to the commercial production activities and Kimkan geology information being updated with actual ore grades and processing plant performance level achieved. In the light of these changes, the Group's resources and reserves as at 31 December 2021 are as follows:

31 December 2021		
IRON ORE	RESOURCES	1,147.4 million tonnes
		28.8% Fe
	RESERVES	364.5 million tonnes
		30.6% Fe

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

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

The table below details the Group's Mineral Resources and Ore Reserves as at 31 December 2021 (after application of geological losses). All figures are prepared in accordance with the guidelines of the JORC Code (2012) for a consistent basis of presentation. On the following pages, a further breakdown by project is available detailing cut-off grades and changes during 2021. Rounding-off of numbers may result in minor computational discrepancies. Where this occurs, such discrepancies are deemed to be insignificant.

Resources Summary

Project	Category	Tonnage Mt	Fe Grade %	Fe Mt	TiO_2 Grade %	TiO_2 Mt
RESOURCES						
K&S	Measured	17.7	31.1%	5.5	–	–
	Indicated	322.3	31.4%	101.2	–	–
	Inferred	255.1	31.9%	81.5	–	–
	Total	595.1	31.6%	188.2	–	–
Garinskoye	Measured	–	–	–	–	–
	Indicated	210.9	35.5%	74.9	–	–
	Inferred	48.6	30.9%	15.0	–	–
	Total	259.5	34.6%	89.9	–	–
Bolshoi Seym	Measured	–	–	–	–	–
	Indicated	270.8	17.8%	48.2	7.7%	20.8
	Inferred	22.0	16.8%	3.7	7.7%	1.7
	Total	292.8	17.7%	51.9	7.7%	22.5
Group	**Total Measured**	**17.7**	**31.1%**	**5.5**	**–**	**–**
	Total Indicated	**804.0**	**27.9%**	**224.3**	**7.7%**	**20.8**
	Total Inferred	**325.7**	**30.8%**	**100.2**	**7.7%**	**1.7**
	Total	**1,147.4**	**28.8%**	**330.0**	**7.7%**	**22.5**

Reserves Summary

Project	Category	Tonnage Mt	Fe Grade %	Fe Mt
RESERVES				
K&S	Proven	18.3	29.5%	5.4
	Probable	320.0	29.3%	93.9
	Total	338.3	29.4%	99.3
Garinskoye	Proven	–	–	–
	Probable	26.2	46.9%	12.3
	Total	26.2	46.9%	12.3
Group	**Total Proven**	**18.3**	**29.5%**	**5.4**
	Total Probable	**346.2**	**30.7%**	**106.2**
	Total	**364.5**	**30.6%**	**111.6**

Kimkan and Sutara

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

The current mining plan of K&S was based on a feasibility study completed in 2015. The geological model assumes a steep deepening of the tabular ore body. Mining activities begin with the Kimkan deposit first, then the Sutara deposit at a later stage. K&S total resources and reserves decreased in 2021, due to the production activities, and changes to Kimkan geological information, which has been updated with actual ore grades and achieved levels of processing plant performance.

Previously, K&S resources included c.179.4Mt of ore from the Kostenginskoye deposit. However, because the deposit was not developed by the Group according to the timeline stipulated in the licence agreement, Kostenginskoye licence was invalidated in April 2022. Although the Group is going to challenge the decision of the authorities, Kostenginskoye resources were excluded from the current resources statement for prudency.

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

K&S Mineral Resources & Ore Reserves

	Tonnage Mt	Fe Grade %	Fe Mt
Resources			
Measured	17.7	31.1%	5.5
Indicated	322.3	31.4%	101.2
Inferred	255.1	31.9%	81.5
Total	**595.1**	**31.6%**	**188.2**
Reserves			
Proven	18.3	29.5%	5.4
Probable	320.0	29.3%	93.9
Total	**338.3**	**29.4%**	**99.3**

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

Garinskoye

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

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

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

Current geological exploration works has been conducted at Garinskoye since 2007. No new exploration was carried out in 2021. The resources and reserves of Garinskoye have been prepared on the basis of a new set of estimates based on revised geological surveys and a feasibility study in 2015. As no exploration has been carried out and based on last year's iron ore prices as assumptions, the resources and reserves of Garinskoye remained the same in 2021 compared to 2020.

The following table details the resources and reserves of Garinskoye:

Garinskoye Mineral Resources & Ore Reserves

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

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

Bolshoi Seym

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

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

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

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

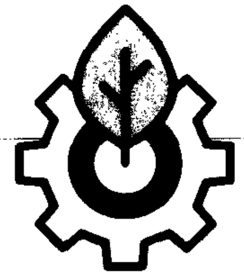
The following table details the resources of Bolshoi Seym.

Bolshoi Seym Ore Resources

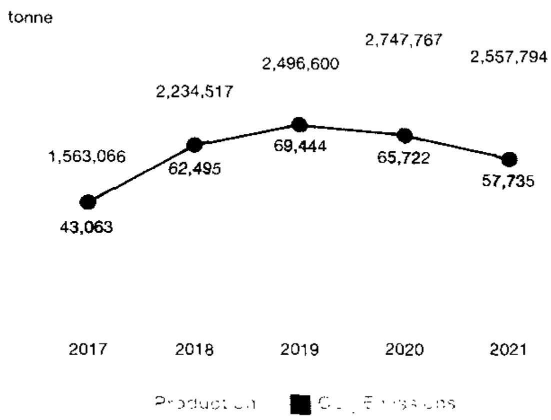
	Tonnage Mt	Fe Grade %	Fe Mt	TiO_2 Grade %	TiO_2 Mt
Resources					
Measured	—	—	—	—	—
Indicated	270.8	17.8%	48.2	7.7%	20.8
Inferred	22.0	16.8%	3.7	7.7%	1.7
Total	**292.8**	**17.7%**	**51.9**	**7.7%**	**22.5**

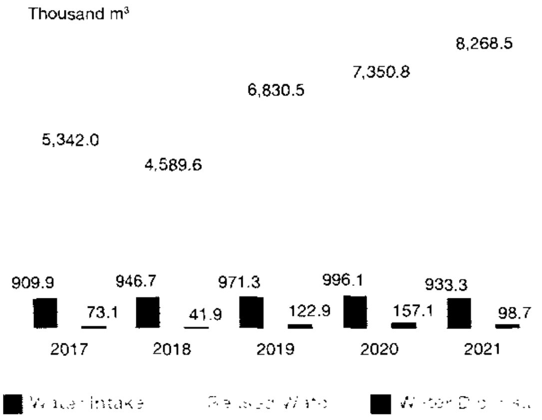
Assumed Bolshoi Seym TiO_2 average cut-off grade: 8%

FY2021 HIGHLIGHTS

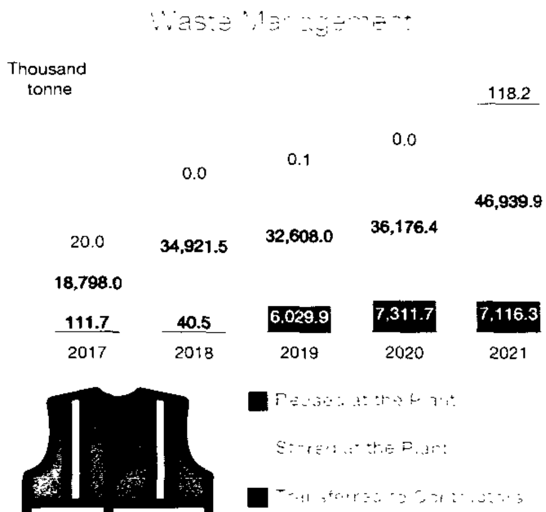


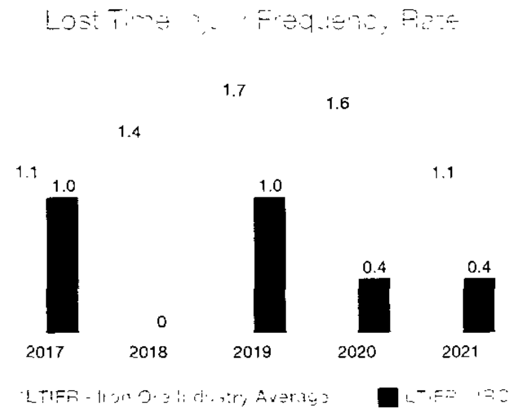
Environment





Health and Safety





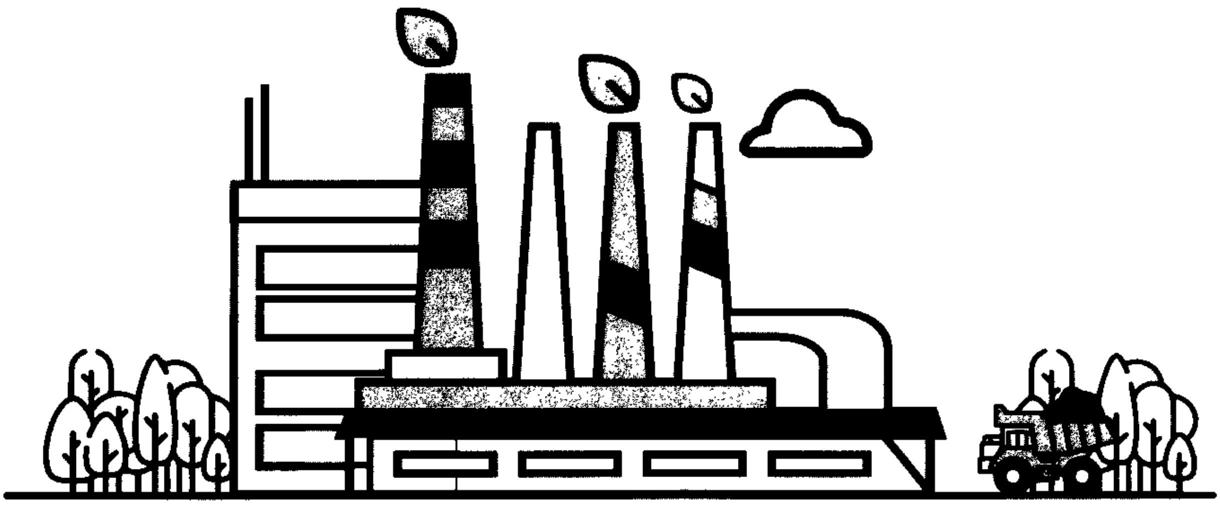
Sources: Department of Mines, Industry Regulation and Safety - Government of Western Australia

INTRODUCTION

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

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

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



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

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

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

REPORTING SCOPE AND BOUNDARY

This ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This ESG report covers the period from 1 January 2021 to 31 December 2021, unless otherwise specified. The information disclosed in this report covers the principal business of the Group, being the production and development of industrial commodities products.

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

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

2. Quantitative: This ESG report presents quantitative information and key performance indicators. Information on the standards, methodologies, assumptions and calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption has disclosed on the page 47.

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

4. Consistency: This ESG report adopts consistent methodologies to allow a fair comparison of the Group's performance over time.

SUSTAINABLE DEVELOPMENT POLICY

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

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

1. The provision of safe and healthy working condition;

2. The rational use of natural resources; and

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

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment Committee consists of three Independent Non-Executive Directors – Daniel Rochfort Bradshaw (Chairman), Jonathan Eric Martin Smith and Raymond Kar Tung Woo, and is responsible for evaluating the effectiveness of the Group's policies and systems in identifying and managing health, safety and environmental risks within the Group's operations and ensuring compliance with health, safety and environmental regulatory requirements. The Committee also assesses the performance of the Group with regards to the impact of health, safety, environmental and community relations, decisions and actions. For details of the committee, please refer to page 94 of this report.

Daniel Rochfort Bradshaw
Chairman of HSE committee

Jonathan Eric Martin Smith
Member of HSE committee

Raymond Kar Tung Woo
Member of HSE committee

EMPLOYEES – HEALTH & SAFETY

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

In 2021, the Group employed a total of 1,767 employees, with a male to female ratio of 70.3% to 29.7%. Aside from these 1,767 employees, the Group also engaged an average of 519 people from external contractors.

The Group employs people not only from the Russian Far East, but also from other regions of Russia and the Commonwealth of Independent States ("CIS"), and participates in the state programme of compatriots resettlement. The programme provides preferential conditions for gaining citizenship as well as the reimbursement of relocation costs. During the reporting period, 67 employees of the plant came from the neighbouring countries.

	2021	2020	2019	2018	2017
Part-Time	**25**	12	21	15	18
Temporary Contractors	**23**	24	58	61	541
Female – Ratio%	**30**	29	28	28	42

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

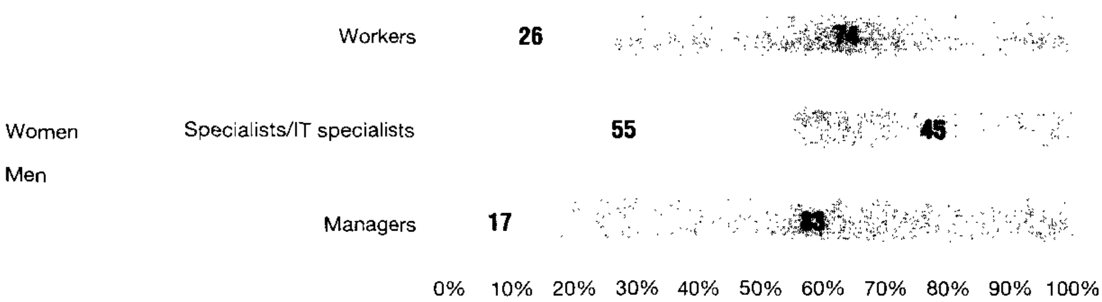
Personnel characteristics

The total number of employees in the Group was 1,767 in 2021, up 4% from the previous year, including 1,259 workers (71.2%), 278 specialists (15.8%), and 230 management staff (13%).

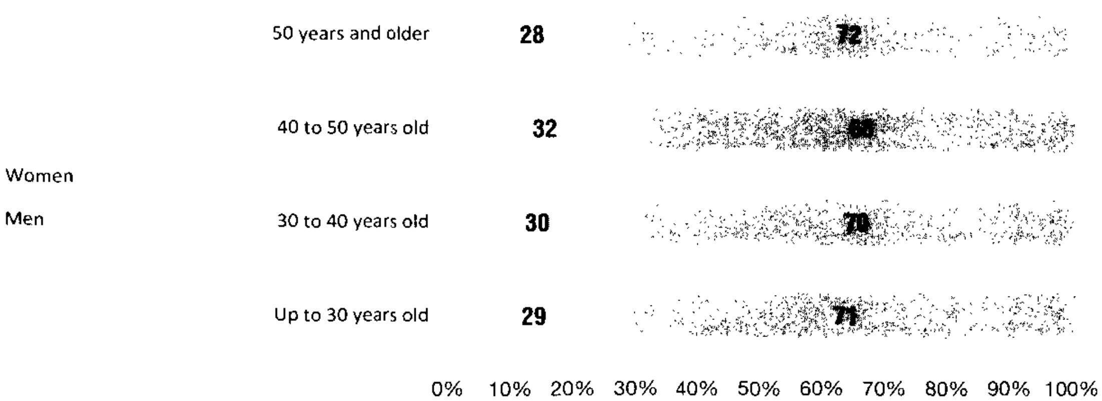
The following table shows the gender distribution of IRC employees by job type and age in 2021:

Indicator	Unit	2021	2020
Men			
		1,242	1200
Managers	person	**190**	51
Specialists/IT specialists	person	**125**	198
Workers	person	**927**	951
– Up to 30 years old	person	**205**	221
– 30 to 40 years old	person	**332**	337
– 40 to 50 years old	person	**349**	326
– 50 years and older	person	**356**	316
Women			
		525	500
Managers	person	**40**	19
Specialists/IT specialists	person	**153**	134
Workers	person	**332**	347
– Up to 30 years old	person	**82**	85
– 30 to 40 years old	person	**142**	158
– 40 to 50 years old	person	**164**	153
– 50 years and older	person	**137**	104

Distribution of IRC employees by gender and category in 2021:

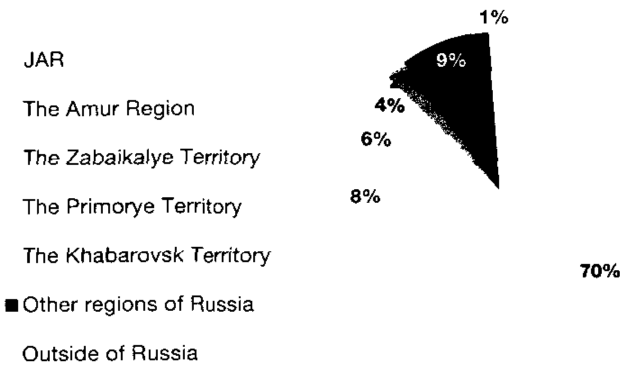


Distribution of IRC employees by gender and age in 2021:



Distribution of IRC employees by region in 2021:

Region	**Number of employees**
Jewish Autonomous Region (EAO)	*1,227*
– Birobidzhan,	*420*
– Obluchensky district	*769*
– Other districts of EAO	*38*
The Amur Region	142
The Zabaikalye Territory	113
The Primorye Territory	72
The Khabarovsk Territory	40
Other regions of Russia	159
Outside of Russia	14
Total	1,767



In 2021, IRC had a relatively high employee turnover rate. The number of employees left the Group reached 301 (17% of the total employees) by the end of 2021, which is higher than the mining industry's average. Competition with other enterprises in the Obluchensky district engaged in mineral mining and processing has contributed to an increase in labour turnover.

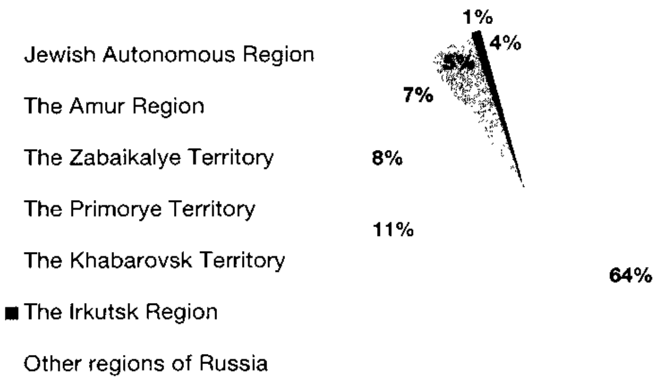
Staff turnover is calculated as the ratio of the number of employees dismissed under Article 77.3, 6, 7, 9 of the Labour Code of the Russian Federation to the average headcount.

The following table shows the distribution of IRC employee turnover by gender, age and region in 2021:

Indicator	Unit	2021
Men		**215**
– Up to 30 years old	person	85
– 30 to 40 years old	person	44
– 40 to 50 years old	person	41
– 50 years and older	person	45
Women		**86**
– Up to 30 years old	person	35
– 30 to 40 years old	person	21
– 40 to 50 years old	person	15
– 50 years and older	person	15

Distribution of IRC employee turnover by region in 2021

Region	Number of employees
Jewish Autonomous Region (EAO)	192
– Birobidzhan	*57*
– Obluchensky district	*123*
– Other districts of EAO	*12*
The Amur Region	32
The Zabaikalye Territory	24
The Primorye Territory	20
The Khabarovsk Territory	16
The Irkutsk Region	4
Other regions of Russia	13
Total	301



Analysis of the labour productivity

Production volume in the year of 2021 decreased by 6.9% compared to the year of 2020 and amounted to 2,557,794 tonnes of iron ore concentrate.

Indicator	Unit	2021	2020	Efficiency % in 2021, YoY
Production volume	t	**2,557,794**	2,747,767	(6.9)
Number of workers	person	**1,767**	1,700	4.0
Labour productivity	t/person	**1,447**	1,616	(10.5)

According to the results of the analysis, despite the increase of the number of employees, the labour productivity per tonne of iron ore concentrate decreased by almost 10.5% in 2021 compared to 2020. The decrease in labour efficiency is mainly attributable to certain logistical challenges related to the railway capacity on the eastward direction and temporary closure of the border crossing points at Grodekovo-Suifenhe and Zabaikalsk-Manzhouli due to the anti-epidemic measures imposed by China.

Employment Mission and Vision

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

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

- Creation of opportunities for the professional and personal growth of employees;
- Encourage all employees to reach their full potential;
- High productivity of labour with full compliance with safety requirements;
- Substantive reward system to encourage high-productivity work;
- Relations between employer and employees are based on the principles of social partnership and mutual responsibility;
- Creating a culture in the workplace that stimulates a high level of achievement.

Training & Development

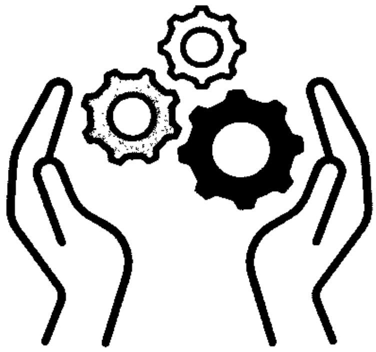
Efficiency in production largely depends on the qualifications of workers, their professional and personal skills. The corporate training system focuses on the Group's strategic plans and needs for staff with certain qualifications and necessary competencies. Training programmes are a tool for improving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

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

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

Training and development of the Group's personnel in 2021 was conducted by external consultants in the following areas:

- Upgrade of professional qualifications in the following areas and specialities:
    - Driver transporting dangerous goods and materials;
    - Chemical laboratory assistant;
    - Ore blending specialist;
    - Construction safety;
    - Fuel delivery operator;
    - Safety of work at height;
    - Maintenance fitter;
    - Calibration of electrical measuring instruments;
    - Conveyor operator;
    - Slinger signaller;
    - Beneficiation product controller;



- Learning new vocational skills;
- Operational and crisis safety training, including labour safety, industrial and fire safety.

In 2021, 518 employees received training, including:

- 430 employees were sent to study in educational institutions of the Khabarovsk Territory, Birobidzhan, and Moscow;
- 88 employees received training at the training centre of the Group.

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

Employees received training in 2021 by gender and qualifications:

	Number of people	Average number of training hours per employee	Average number of training hours for all employees
Women	**60**		
Technical and engineering	10	72 hours	720 hours
Specialists	33	17 hours	561 hours
Workers	17	85 hours	1,445 hours
Men	**458**		
Technical and engineering	206	5 hours	1,030 hours
Specialists	10	8 hours	80 hours
Workers	242	13 hours	3,146 hours

For details on the training received by the IRC Board, please refer to page 83 of this Annual Report.

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

In 2020-2021, 12 young specialists successfully obtained their diplomas and were employed by IRC. As of the end of 2021, 49 students were studying at the university, with their expenses reimbursed by the Group.

Number of employees received training in "Mineral Processing" specialty at the expenses of IRC since 2018:

Location	2021	2020	2019	2018
K&S Training Centre	**518**	377	521	829
Priamursky State University (full-time education)	**10**	10	10	10
Priamursky State University (correspondence course)	–	5	12	14

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

Labour Standards

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

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

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

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

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

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

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

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

The Group complies with all federal legislation regarding working hours and conditions, worker protection, remuneration, social security and paid leave. Social benefits are provided to all employees of the Company and certain categories in accordance with the legislation of the Russian Federation.

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

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

HEALTH AND SAFETY

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

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

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

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

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

- Adherence to all labour legislation-mandated procedures and requirements;
- The need to enforce standards that embody best practices, and to ensure that working conditions are still favourable;
- Conducting required briefings, training, and employee monitoring;
- Advising and educating employees about developments in labour protection;
- Conducting routine risk assessments and operational safety audits to track and enhance the Group's operations.

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

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

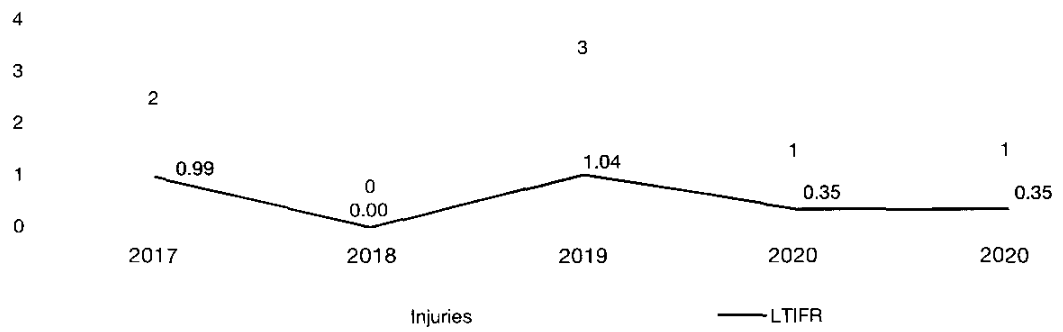
The Federal authorities inspect explosives storage, industrial facilities, labour and environmental aspects, as well as health and safety procedures and documents at each of the Group's operations on a regular basis, ranging from once a year to once every three years.

In 2021, the lost time due to injuries recorded on site was only 0.35 per 1,000,000 man-hours. The Group will continue to make efforts in this area in order to achieve a zero injuries rate and safe working conditions.

Safety Statistics 2017–2021 (Russian Standard Scale)

	2021		2020		2019		2018		2017	
	Injuries	***LTIFR***	*Injuries*	LTIFR	*Injuries*	LTIFR	*Injuries*	LTIFR	*Injuries*	LTIFR
K&S	**1**	**0.35**	1	0.36	3	1.07	–	0.00	2	1.50
Other projects	**–**	**0.00**	–	0.00	–	0.00	–	0.00	–	0.00
Group	**1**	**0.35**	1	0.35	3	1.04	–	0.00	2	0.99

Note: LTIFR means Lost Time Injury Frequency Rate.



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

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

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

ENVIRONMENTAL MANAGEMENT SYSTEM & ENVIRONMENTAL POLICY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Compliance with the requirements of local environmental law and international standards of best practice;
2. Environmental monitoring of:
   - air pollutants and emissions (including greenhouse gasses);
   - land use and rehabilitation;
   - waste management (including hazardous substances);
   - water management; and
   - *energy consumption and conservation.*
3. Biodiversity conservation;
4. Community engagement through:
   - stakeholders engagement;
   - public hearings and discussions; and
   - environmental education.

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

CORPORATE ENVIRONMENTAL GOALS, OBJECTIVES, AND MEASURES FOR THE ACHIEVEMENT

In order to implement measures aimed at achieving the environmental goals and objectives set by the Group in 2021 (the environmental goals and objectives are set once a year), the Environmental Protection Action Plan was designed and approved. The Plan is a document that sets out a list of all measures aimed at improving environmental management efficiency, ensuring environmental safety, rational use of natural resources, and saving energy.

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

REQUIREMENTS OF ENVIRONMENTAL LEGISLATION

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

- No. 7, 2002 "On Environmental Protection";
- No. 2395-1, 1992 "On Subsoil Law";
- No. 136, 2001 "Land Code";
- No. 33, 1995 "On Specially Protected Natural Territories";
- No. 52, 1995 "On Wild Animals";
- No. 116, 1997 "On Industrial Safety of the Dangerous Industrial Objects";
- No. 89, 1998 "On Production and Consumption of Waste";
- No. 52, 1999 "On Sanitary – Epidemiological Welfare of the Population";
- No. 96, 1999 "On Ain Protection";
- No. 190, 2004 "Urban Development Code of the Russian Federation";
- No. 166, 2004 "On Fisheries and Conservation of Aquatic Biological Resources";
- No. 74, 2006 "On Water Code";
- No. 416, 2011 "On Water Supply and Water Disposal";
- No. 174, 1995 "On Ecological Expertise";
- No. 99, 2011 "On Licensing Certain Types of Activities";
- No. 442, 2003 "On the Transboundary Movement of Waste";
- No. 200, 2006 "Forest Code of the Russian Federation";

- No. 1458, 2014 "On the Procedure for Determining Technology as the Best Available Technique, as well as the *Development, Updating and Publishing of Informational Technical Guides on the Best Available Technique*";
- No. 219, 2014 "On Amendments to the Federal Law 'On Environment Protection' and Certain Acts of the Russian Federation";
- Sanitary and Epidemiological Rules and Norms ("SanPiN") 1.2.3685-21 "Hygienic standards and requirements for ensuring safety and (or) harmlessness to humans from environmental factors";
- Resolution of the Government of Russia No. 800, 2018 "On carrying out rehabilitation and conservation of land";
- GOST R 56062-2014 "Industrial Ecology Control. General Principles";
- GOST R 56061-2014 "Industrial Ecology Control. Requirements for Programme Industrial Ecology Control";
- GOST R 56059-2014 "Industrial Environmental Monitoring. General Principles";
- GOST R 56060-2014 "Industrial Environmental Monitoring. Monitoring of the State and Pollution of the Environment on the Territories of Wastes Disposal facilities";
- GOST R 56063-2014 "Industrial Environmental Monitoring. Requirements to Programmes of Industrial Environmental Monitoring";
- *GOST R 56828.24-2017 "Best Available Techniques. Energy Saving. Guidance on the Application of the Best* Available Techniques for Increasing the Energy Efficiency Energy Saving";
- GOST R 56828.27-2017 "Best Available Techniques. Resources Saving. The Methodology for the Treatment of Waste to Produce Material Resources";
- GOST R 55100-2012 "Resources Saving. Best Available Techniques for the Management of Tailings and Waste-rock in Mining Activities. Aspects of Good Practice";
- GOST R 54298-2010 "Environmental Management System. Certification of Environmental Management System for Compliance GOST P 14001-2007";
- RD 52.08.18-84 "Conservation of Nature. Hydrosphere. Methodical Instructions. Rules for Keeping Records of Surface Waters. General Provisions".

ENVIRONMENTAL MONITORING, CONTROL AND MEASURING

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

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

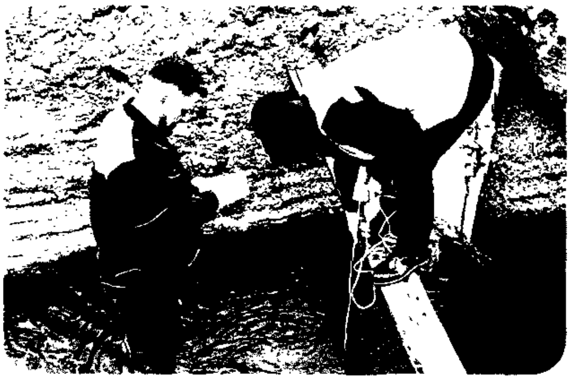
- Atmospheric air;
- Natural waters (surface and underground);
- Bottom sediments and top soil in stream flow;
- Flora and fauna;
- Aquatic ecosystems; and
- Radiation.

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

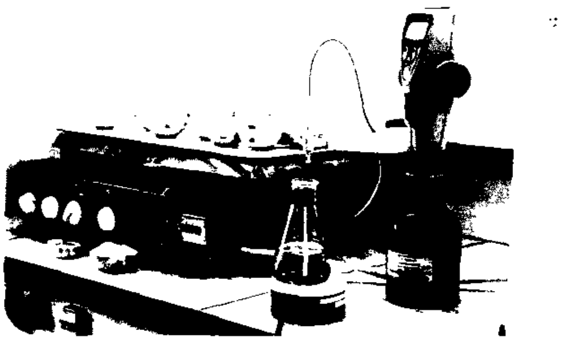
The objectives of industrial environmental control are:

- Check the conformity of the technological process to the design;
- Control of hazardous waste management;
- Control of environmental protection measures of atmospheric air, land and water bodies; and
- Control of physical environmental factors (noise and vibration).


Monitoring the quality of topsoil




Water sampling

Analysis of water samples

Since 2016, more than 20,000 analyses of various environmental components have been carried out as part of the monitoring programmes and more than 2,000 wastewater and industrial discharge tests have been made.

According to instrumental measurements carried out in 2021, the level of sound pressure and vibration at the Group's sanitary protection zone (SPZ) border did not exceed the established standard and had no negative impact on the residents of the surrounding residential areas. In 2021, 14 measurements of the sound pressure level and 6 *measurements of the degree of vibration were carried out.*

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

As part of the preparation of design documentation for development of the Sutara iron ore deposit, in 2021 engineering and environmental surveys for the construction of a protective dam, diversion channel for the Sotnikovsky stream, and the Sutara open pit were carried out. During the surveys, more than 7,500 analyses of various environmental components and 10,000 measurements of radiation level were carried out in 2021.

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

STATE ENVIRONMENTAL SUPERVISION (CONTROL)

In 2021, two unscheduled inspections were carried out at K&S to check the compliance with legislation in the field of production and consumption waste management, water legislation and legislation in the field of atmospheric air protection. No violations have been noted as a result of the inspections.

In 2021, the Priamursky Regional Department of the Federal Service for Supervision of Natural Resources (Rosprirodnadzor) conducted a scheduled field inspection of K&S. One non-compliance was identified. K&S and the Chief Engineer of K&S were administratively liable for the absence of approved waste generation and disposal limits. Penalties in the amount of c.US$3,000 were paid.

CLIMATE CHANGE

The corporate objectives in the area of climate change

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

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

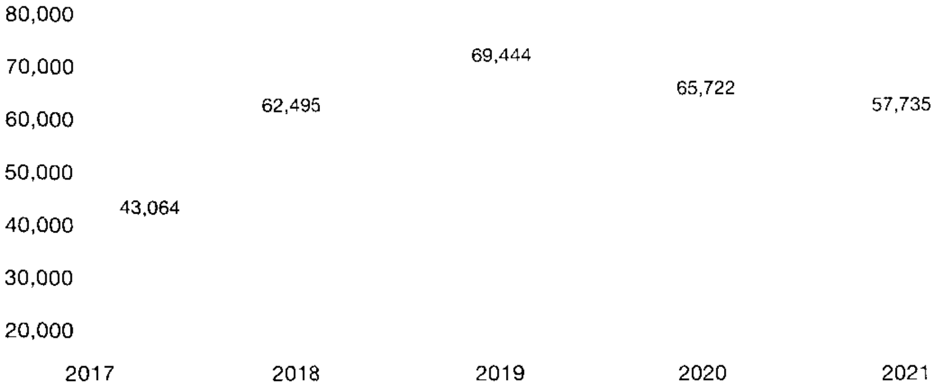
Management of greenhouse gas emissions

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

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

Based on the 2021 results, the actual carbon footprint of the IRC's production activity was 12.2% lower than in 2020 and amounted to 57,735 tonnes of CO_2 equivalent.

Dynamics of greenhouse gas emissions by the Group in 2017-2021, tonnes of CO_2 equivalent.



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

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

Indicator	**Unit**	**2021**	2020	2019	2018	2017
The volume of production	t	**2,557,794**	2,747,767	2,576,325	2,234,517	1,563,066
Total direct greenhouse gases emissions	t	**57,735**	65,722	69,444	62,495	43,064
– Intensity rate	t/t	**0.023**	0.024	0.027	0.028	0.028

The following measures were implemented:

- Use of long-flame coal of D grade (long-flame D R) with a higher calorific value instead of brown coal at the heating plant and at the drying unit since November 2020 (hard coal 5,188 – 7,684 kcal/kg, brown coal 4,100 – 7,100 kcal/kg) allowed reducing the operation time of the coal loading equipment (as this coal does not get frozen in winter), make cleaning of heating equipment easier and decrease the area for ash dumping. The coal consumption rate per tonne of dried concentrate remained almost at the same level as in 2020;

- Screw conveyors have been installed at the discharge of the dryer drums in the drying unit, reducing cold air infiltration and increasing the efficiency of the drying drum bag filters;

- The use of chemicals to prevent the concentrate from freezing in winter time increased the speed of loading wagons and consequently reduced the outdoor storage area of concentrate at the loading unit;

- A potable water supply system was installed in the beneficiation, crushing and drying areas, reducing the number of mobile vehicles used to transport potable water to these areas.

Indicator	Unit	Actual consumption 2021	2020	Reductions % in 2021, YoY
Coal used	t	**29,391**	33,670	(12.7%)
– drying unit	t	**9,867**	10,710	(7.9%)
– heating plant	t	**19,524**	22,960	(15.0%)

In 2021, coal consumption per Gcal was 407 kg (2020: 419 kg).

Summary of Air Pollutant & Emission Statistics 2017–2021

Performance Indices	Unit	2021	2020	2019	2018	2017
Air Pollutants & Emissions						
Greenhouse gases emissions (CO_2):						
Total	t	**57,735**	65,722	69,444	62,495	43,064
Coal combustion	t	**53,031**	60,752	64,360	58,280	39,585
Diesel fuel combustion	t	**4,112**	4,304	4,467	3,634	2,939
Gasoline combustion	t	**591**	664	616	580	539
Kerosene combustion	t	**1.03**	1.55	0.60	0.60	0.59

IRC purchases electricity generated at Zeya and/or Bureyskaya hydroelectric power plants (part of PJSC RusHydro). According to public information, RusHydro is currently working on determining the carbon balance of HPP reservoirs, which will last for three years — this is necessary for the results to be recognised by both the international expert community and the authorities responsible for preparing national greenhouse gas emissions registers. Nine large reservoirs of RusHydro HPPs located in different natural and climatic zones of Russia have been selected for measurements: Kolyma, Bureysk, Zeya, Sayano-Shushenskoye, Boguchanskoye, Rybinskoye, Kuibyshev, Volgogradskoye and Chirkeiskoye. The results of the research work will be not only of Russian, but also of international importance.

Currently, the role of hydropower in the global climate change process and the methodology for estimating emissions and absorption capacity of hydropower reservoirs has not been determined in the Russian Federation. The calculation of indirect greenhouse gas emissions from water reservoirs is not performed, as there is no calculation methodology. However, it is important to note that the compensatory reforestation carried out by the company in 2021 on the area of 114.1 ha can be considered as a measure aimed at offsetting the carbon footprint of the company's production activities.

Energy saving and energy efficiency

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

The main objectives of the Group are:

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

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

According to the analysis of energy consumption in 2021, the consumption of coal (per tonne of dried iron ore concentrate produced) was slightly higher than 13 kg/t.

Unit power consumption per tonne of concentrate produced was 98.315 kWh in 2021, slightly higher than the 97.039 kWh per tonne of concentrate in 2020.

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

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

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

- Installation of automatic relays for street lightings;

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

- Thermal insulation of premises in winter.

Summary of Energy Consumption & Conservation Statistics in 2017–2021

Performance Indices	Unit	2021	2020	2019	2018	2017
Energy Consumption & Conservation						
Electricity	kWh	**251,468,468**	266,639,776	250,411,252	260,200,769	230.602,592
Diesel fuel	l	**1,558,572**	1,640.915	1,686,477	1,376,983	1.121,079
Gasoline	l	**255,476**	287,406	263,567	250,818	233,004
Coal	t	**29,391**	33.670	35,670	32.300	22,379
Kerosene	l	**407**	610	240	234	231
Gas	m^3	**–**	–	–	–	–

Risks and opportunities related to climate change

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

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

Since 2020, K&S engaged a specialised organisation to identity and compile a list of emission sources and to develop Maximum Allowable Emission Targets. Measures to reduce the emission of pollutants into the air under adverse weather conditions have also been formulated in accordance with the corresponding Russian Legislation. In 2021, within the framework of the current legislation, the regulatory authorities approved and issued to K&S a permit for emissions of pollutants into the atmospheric air; measures to reduce emissions of pollutants into the atmospheric air during periods of unfavourable meteorological conditions have been approved.

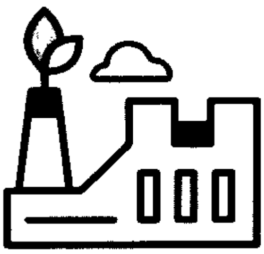
ENVIRONMENTAL PROTECTION

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

AIR POLLUTANTS AND EMISSIONS

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

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



The gross emissions of pollutants into the atmosphere from stationary sources increased by 18.9% to 3,614 tonnes in 2021. Development of new facilities (in particular, Kimkan West pit), as well as the start of preparation works for the development of the Sutara deposit (construction of external power supply lines, diversion of the Sutara riverbed from the open pit) caused an increase in emissions compared to the previous year.

To ensure access to the Sutara ore deposit, construction of essential facilities such as a road, a permanent bridge over the Sutara River, an overpass over the Chita-Khabarovsk federal highway, Sotnikovsky stream diversion channel and the industrial site of the Sutara pit is planned.

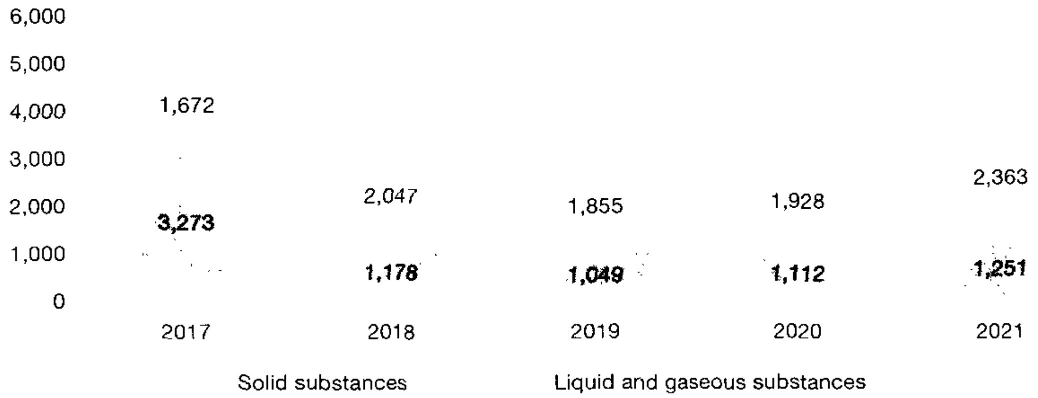
In 2021, K&S received a permit for emissions of pollutants into the atmospheric air, valid until the end of 2024. Under the new permit, gross emissions for 2021 did not exceed the established values and amounted to 99.85% of the permitted volume. For the period of construction works, the company obtained a sanitary and epidemiological certificate of compliance of pollutant emissions with the state sanitary and epidemiological rules and standards, and the emissions of pollutants into the atmospheric air have been approved.

Due to the successful implementation of the following measures, the values remain within the permitted limits:

- Implementation of measures to reduce the amount of fuel (coal) burned in the drying unit of the processing plant (upgrade of the drying unit, transition to the use of long flame hard coal);

- Energy-saving measures at the 10 MW heating plant at the accommodation camp (installation of the "Termanik Boiler-250" induction heating unit, which allows heating water for hot water supply without the use of coal boilers in summer, reducing the use of coal in summer and minimise greenhouse gas emissions).

Emissions of Air Pollutants from Stationary Sources, 2017–2021 (tonnes)



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

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

- At the heating plants, the efficiency of dust and gas catchers is systematically controlled according to the approved manuals to prevent overflow of the bunker collecting dust and ash particles. Industrial emissions treatment efficiency at the heating plant was 97%;

- At the processing plant, industrial emission sampling sites were installed at the inlets and outlets of dust and gas catchers in 2020. A certified laboratory was used to track the efficiency of the dust and gas catchers. The cleaning efficiency of industrial waste at the processing plant according to measurements was more than 97% in 2021;

- In order to secure obtaining of the required permit for emission of pollutants in a timely manner, work on identification and systematisation of sources of hazardous (polluting) substances finished at the 2021, in compliance with the new requirements of environmental legislation in the field of air protection;

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

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

- Continuous testing of motor vehicles' exhaust emissions during the technical inspections – 128 vehicles passed technical inspection test in 2021 and the emissions were found to be within acceptable limits;

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

The actual emissions volume did not exceed the limits set in the current permits, according to the results of environmental studies performed at the K&S project site and in the sanitary protection zone in 2021.

Given that no chemical reagents were used in the process cycle – from mining operations to concentrate production – the degree of air pollution at the project site, as measured by the integrated index of air pollution in 2021, is "low".

Summary of Air Pollutant & Emission Statistics 2017–2021:

Performance Indices	Unit	2021	2020	2019	2018	2017
Air Pollutants & Emissions						
Mass of emitted hazardous pollutants:						
Total	t	**3,614**	3,040	2,904	3,225	4,945
Solid substances	t	**1,251**	1,112	1,049	1,178	3,273
Liquid and gaseous substances	t	**2,363**	1,928	1,855	2,047	1,672
Percentage of maximum permitted emission:						
Solids	%	**99.6**	94	89	100	97
Liquid and gases	%	**100**	94	91	100	87
Pollutants removed by gas treatment:						
Total removed, of which,	t	**21,165**	45,866	46,565	46,565	25,470
Solid substance	t	**21,165**	45,866	46,565	46,565	24,617
Liquid and gaseous substances	t	**0.004**	0.01	0.11	0.11	853.00

LAND USE AND REHABILITATION

By the end of 2021, the total area of land used by the IRC group was 2,117 hectares, a decrease of 267 hectares (11.2%) from the previous year. The reduction of the area is related to the exclusion of the Olekminsky mine from the Group. Overall, there has been an increase of 163 hectares (8.5%) in land used at K&S compared to 2020.

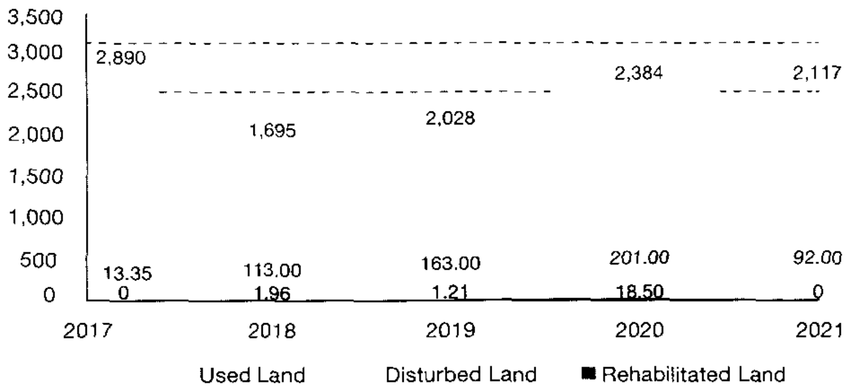
In 2021, the increase in land used was attributable to the signing of new land lease agreements at Kimkan and Sutara for overburden dumps, development of Kimkan West pit, tailing storage facility, construction of the power supply facilities and access road to the Sutara pit, construction of a production site at Sutara pit.

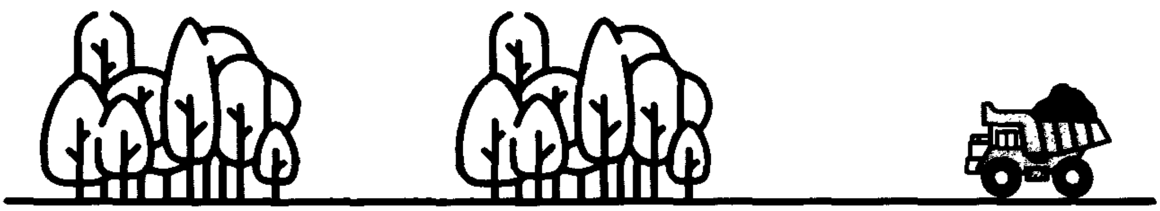
Any disturbed land will be restored to its former state by means of various engineering and biological solutions. Land rehabilitation is carried out in accordance with the environmental regulations and shall respect the natural environment of the site. One of the main components of the rehabilitation work is removal and preservation of the fertile topsoil, which will eventually be restored at the site.

As part of updating the design documentation for K&S in 2021, the disturbed land rehabilitation project was updated to comply with environmental protection legislation.

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

Land Use and Rehabilitation, 2017–2021 (hectares)





Land Use & Rehabilitation Statistics 2017–2021

Performance Indices	Unit	2021	2020	2019	2018	2017
Total area of Land in use	ha	**2,117**	2,384	2,028	1,695	2,890
New surfaces disturbed in the reporting period	ha	**92.23**	200.80	162.70	113.00	13.40
Rehabilitated land						
Area of rehabilitated land	ha	–	18.50	1.20	2.00	–
Topsoil used	m^3	–	–	–	13,876	5,280
Preservation of topsoil						
Moved to stockpiles	m^3	–	–	–	–	–
Total topsoil stored at 31 December	m^3	**1,287,700**	1,287,700	1,287,700	1,287,700	1,301,576
Forest plantation						
Total	ha	**114.1**	–	–	–	–

WASTE MANAGEMENT

IRC uses five internationally recognised categories to classify hazardous waste:

Class I (extremely hazardous wastes) – approximately **0.02%** of all wastes, e.g. mercury-filled lamps.
Class II (highly hazardous wastes) – **0%** of all waste. This includes used sulphuric battery acid and waste batteries. During the year, waste of this class was not generated.
Class III (moderately hazardous wastes) – approximately **1.31%** of all waste. This includes oil contaminated wastes.
Class IV (low-hazard wastes) – approximately **7.85%** of all waste. This class of waste includes both solid and liquid domestic waste.
Class V (practically non-hazardous wastes) – more than **90.82%** of all waste. This class of waste includes inert construction wastes, ferrous metal, scrap paper, plastic and other types of inert waste.

The total volume of industrial and consumer wastes of all classes of hazard generated in 2021 increased by 2.3% and amounted to 2,711 tonnes.

The increase in hazard waste generation was due to:

- Class III – increased number of technical inspections of vehicles and equipment;

- Class IV-V – increased volume of solid and liquid domestic waste due to the increase in the number of employees at K&S.

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

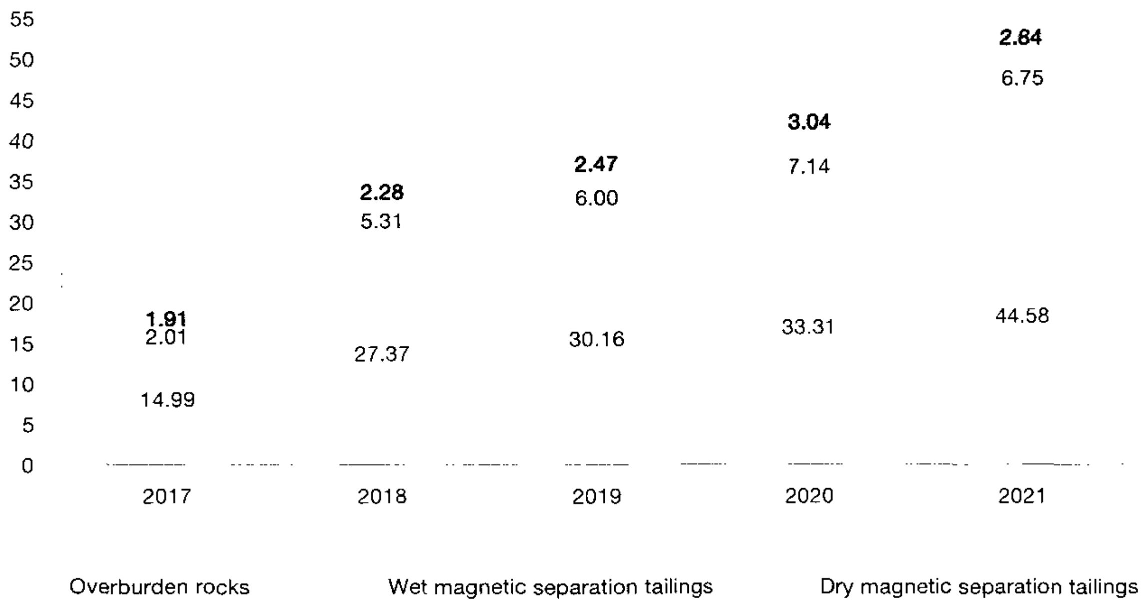
Pursuant to the State Standard 30772-2001 "International Standard: Efficiency of resources, Waste Management", "Inert waste" is defined as waste that has no negative impact on humans and the environment. Overburden rock and processing waste (the tailings of dry and wet magnetic separation) belong to inert waste.

Overburden and dry magnetic separation tailings should be stored in the allocated area, in particular until the pits are depleted, and then may be used for rehabilitation of disturbed land and soil covering.

Wet magnetic separation tailings are used in the ways specified in the working documentation to develop the deposit.

The total amount of inert (non-hazardous) waste generated in 2021 increased by 24.6% to 54,171,590 tonnes, including: overburden of 44,581,320 tonnes, dry tailings of 2,844,000 tonnes and wet tailings of 6,746,270 tonnes, accounting for approximately 82.3%, 5.2% and 12.5% of total inert waste respectively.

Inert Waste Volume, 2017–2021, million tonnes



The increase of inert waste volumes is directly related to the increase in the mining volume of iron ore at Kimkan open pit in accordance with the mine development plan.

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

Indicator	**Unit**	**2021**	2020	2019	2018	2017
The volume of production	t	**2,557,794**	2,747,767	2.576,325	2.234,517	1.563,066
Total hazardous waste	t	**2,711**	2,650	3,371	3,140	24,823
– Intensity rate	t/t	**0.001**	0.001	0.001	0.001	0.016
Total non-hazardous waste (inert)	t	**54,171,590**	43,485,474	38.634,607	34.958,897	18.907,770
– Intensity rate	t/t	**21,179**	15,826	14,996	15,645	12,097

Treatment & Recycling of Waste

IRC continuously works on the optimisation of waste treatment and actively re-uses waste in the production process in order to minimise the amount of waste being disposed of, thereby reducing its environmental impact.

In 2021, the Group recycled 7,116,277 tonnes of waste, 94.8% of which was tailings waste. The wet magnetic separation waste generated in 2021 was completely used for the formation of tailings bed and the extension of tailings dam embankments. Dry magnetic separation waste and bottom ash waste were used for road maintenance and construction, namely for filling, and preparation of anti-slip mix. In addition, sawdust was used as an absorbent for oil products.

The amount of waste transported to licensed waste treatment facilities for further treatment was 118,169 tonnes. This is mainly related to the increased share of wet magnetic separation tailings waste treatment that have been outsourced.

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

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

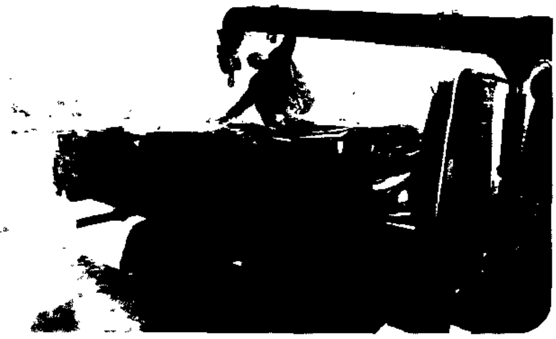
The Group placed collection boxes in specific locations to collect waste aluminium, glass, plastic, paper, used batteries, office equipment and other materials generated by our employees, and then transfer it to specialised organisations for disposal, recycling or re-use.

In 2021, the following amount of waste was collected and transferred for disposal/recycling:

- 7.9 tonnes of wastepaper and cardboard, which is equivalent to prevention of 79 trees from being felled, reduction of 13.4 tonnes of carbon dioxide emission, saving of 158,000 liters of water and 7,900 kilowatt-hours of electricity;
- 29 kg of used batteries, which prevented heavy metal contamination of about 25,900 m^2 of soil and 5,180,000 liters of water.
- Over 1.5 tonnes of ferrous metal chips were outsourced for further processing and sale.

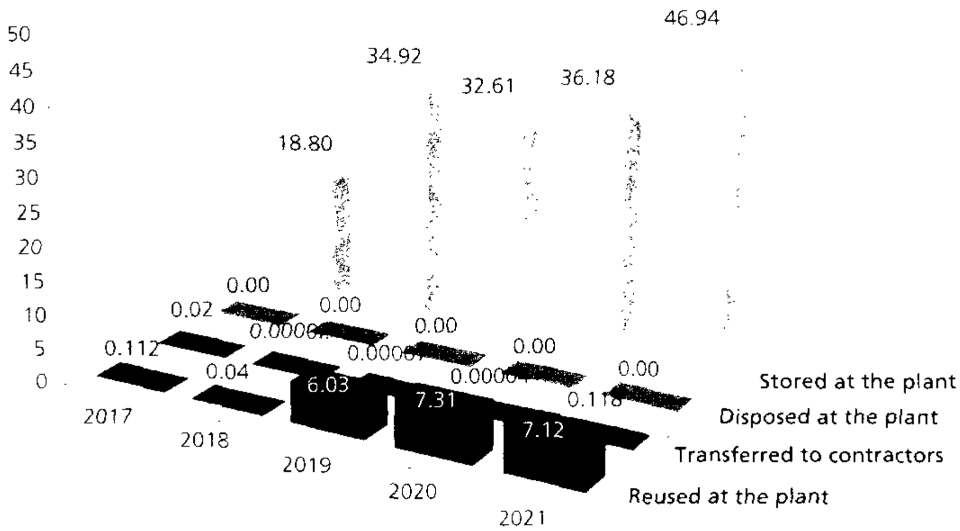
Efficient waste management is an integral part of the implementation of the Company's Environmental Policy, which promotes, among other things, better interaction with local communities, the government and investors. IRC's main objective in the area of waste management in 2021, as stated, was to reduce the impact on the environment by reducing the share of waste sent to landfill and using it in construction as recycled material. The achievement of the Environmental Goals and Targets is assessed annually. In 2021, for example, the amount of dry magnetic separation *waste used/reused as recycled material increased by 11% compared to the previous year. According to the results of* the reporting year, the target has been achieved.

In 2021, waste collection and recycling will continue.



Transferring scrap metal, wastepaper and cardboard for recycling

Waste Management, 2017–2021, million tonnes



Waste Management Statistics 2017–2021

Performance Indices	Unit	2021	2020	2019	2018	2017
Generated waste:						
Total	t	**54,174,301**	43,488,123	38,637,978	34,962,037	18,932,593
Wastes (excluding waste from operations):	t	**2,711**	2,650	3,371	3,140	24,823
Class I	t	**0.56**	0.65	0.75	0.39	0.36
Class II	t	**–**	–	0.24	0.04	1.59
Class III	t	**35.48**	24.01	47.66	18.48	68.52
Class IV	t	**212.91**	200.89	182.45	196.57	2,582.74
Class V	t	**2,462**	2,424	3,140	2,925	22,170
Waste from operations (inert waste):	t	**54,171,590**	43,485,474	38,634,607	34,958,897	18,907,770
Overburden rocks	t	**44,581,320**	33,310,440	30,162,780	27,370,170	14,989,050
Wet tailings	t	**6,746,270**	7,138,724	6,001,495	5,306,664	2,007,880
Tailings	t	**2,844,000**	3,036,310	2,470,332	2,282,063	1,910,840
Waste management:						
Stored at the plant	t	**46,939,855**	36,176,410	32,608,000	34,921,456	18,797,987
Reused at the plant	t	**7,116,277**	7,311,666	6,029,906	40,453	111,721
Transferred to contractors	t	**118,169**	47.88	73.96	26.77	20,032
Disposed at the plant	t	**–**	–	–	–	–

WATER MANAGEMENT

In 2021, the Group's water intake decreased by 62,829 cubic meters compared to 2020, reaching 933,285 cubic meters, of which 931,975 cubic meters were drawn from natural water bodies and 1,310 cubic meters of water were drawn from the existing municipal water supply system. A total of 63,424 cubic meters of drinking water were used.

As a result of anti-epidemic measures to combat the new coronavirus infection – COVID-19, including the transfer of some workers to remote work, drinking water consumption has been reduced by 49,900 cubic metres compared to previous year.

A total of 868,551 cubic meters of clean water from the "Snarsky" water intake was supplied to the technical system of the processing plant. In 2021, fresh water consumption per tonne of iron ore concentrate produced amounted to 0.356 cubic metres, which was 0.004 cubic metres less than in 2020. Given the reduction in iron ore concentrate production, fresh water consumption in 2021 decreased by 57,000 m^3 compared to 2020.

The water disposal volume in 2021 was 98,705 cubic meters, which 58,439 cubic metres less than in 2020. Of this, 34,540 cubic meters were discharged into natural water bodies, and 64,165 cubic meters were discharged into the existing sewer system of the settlement and other accumulation reservoirs.

The decrease in the quantity of treated water discharged into natural water bodies was mainly due to reduction in the amount of precipitation. Incoming underground and surface water (rainwater and melt water) is pumped out of the boundary of the open pit and then discharged into a catchment reservoir, where it is cleaned to meet the quality standards for fisheries and then discharged into the water body.

Given that the permissible wastewater discharge volume into natural water bodies in 2021 was 381,380 cubic meters, the actual wastewater discharge volume of the Group was only 9.06% of the permissible discharge volume, which meant that the risk of exceeding the permissible discharge volume was very low.

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

Indicator	Unit	2021	2020	2019	2018	2017
The volume of production	t	**2,557,794**	2,747,767	2,576,325	2,234,517	1,563,066
Total water intake	m^3	**933,285**	996,114	971,335	946,734	909,902
– Intensity rate	m^3 /t	**0.365**	0.363	0.377	0.424	0.582

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

In 2021, K&S's water supply was normal, and the mine's industrial and accommodation facilities were all supplied from the "Snarsky" water intake under license BIR 00331BR. The permitted annual water intake was 2.04 million cubic meters (5,600 cubic meters per day), whereas the actual water intake was 931,975 cubic meters (2,553 cubic meters per day), accounting for 45.59% of the permitted water intake.

As the processing and production volume of iron ore concentrate will continue to increase, the intake of water is also expected to further increase by 10–20% (1,100–1,200 thousand cubic meters per year). There will be no shortage of fresh water, and no need to find and build up backup sources of water. During 2021, the Group did not experience any issue in sourcing water that is fit for purpose.

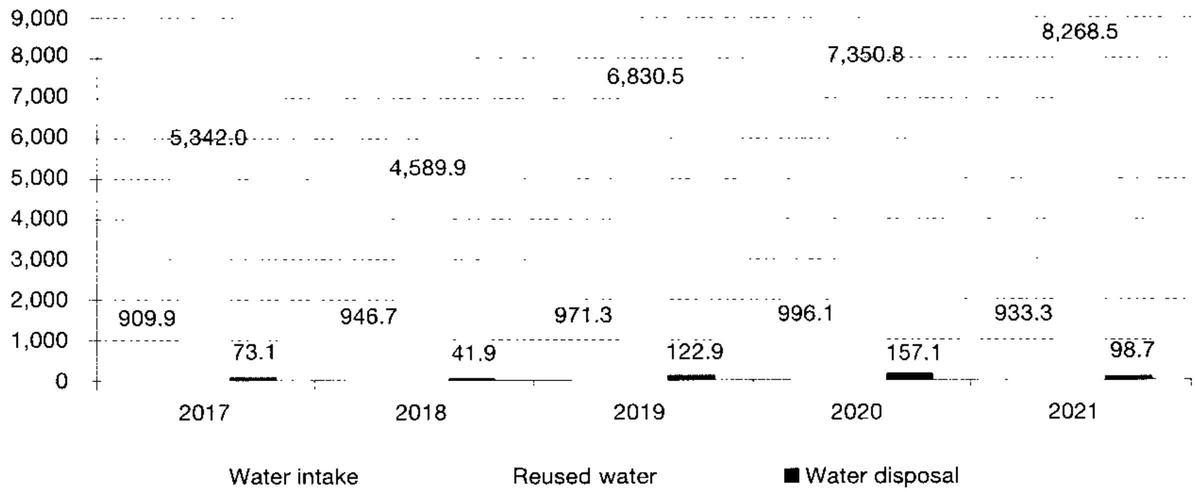
As a part of the environmental management system, the Company establishes annual Environmental Goals and Targets for efficient water resources management. The main IRC goal in this area is to prevent pollution of water bodies in the course of the Company's production activities. In 2021, the share of polluted and insufficiently treated wastewater in the total volume of discharge into surface water bodies was reduced through application of the best available technologies (KSkomplekt II-200 wastewater biological treatment plant) and wastewater quality control. No significant changes in the composition of surface and ground water were detected in the reporting year. The impact of production activities on the condition of the water environment is assessed as "low".

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

The needs of the processing plant in technical water are satisfied by the supply of recycled water from the tailings storage facility. The water volume in the tailings storage facility is maintained at 2.4 million cubic meters.

In 2021, the volume of recirculated water from the tailings storage facility to supply technical water to the processing plant was 8,268,500 thousand m^3/year, which is 12.48% more than in 2020.

Water Consumption and Disposal, 2017–2021 (thousand m^3)



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

Water Management Statistics 2017–2021

Performance Indices	Unit	2021	2020	2019	2018	2017
Water Management						
Water intake:						
total	m^3	**933,285**	996,114	971,335	946,734	909,902
from natural water bodies (surface and underground)	m^3	**931,975**	993,961	967,457	943,873	900,737
from existing municipal water supply systems of the settlements	m^3	**1,310**	2,153	3,878	2,861	9,165
Water disposal:						
total	m^3	**98,705**	157,144	122,914	41,916	73,128
into natural water bodies	m^3	**34,540**	94,190	50,814	13,856	44,223
into the existing municipal sewerage systems of the settlement	m^3	**11,200**	12,472	16,396	28,060	23,791
other accumulation reservoirs	m^3	**52,965**	50,482	55,704	–	5,114
The volume of recycled water:						
total	m^3	**8,268,500**	7,350,790	6,830,525	4,589,575	5,342,000

Environmental, Social and Governance

BIODIVERSITY CONSERVATION

As part of the implementation of measures aimed at preserving and maintaining the biodiversity of the regions in which the Group operates (including measures aimed at protecting key habitats and improving the natural habitats of animals and plants), the following measures for prevention of forest fire were taken in 2021:

- access to a water source for the fire truck to refill water has been arranged;
- 5 information boards installed;
- *5 warning notices updated.*

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

In 2021, landscaping works were carried near the office and accommodation buildings at K&S. 164 trees (birch, larch, spruce, lilac, and sea-buckthorn) were planted and flower beds were set up. The paving of kerb stones and concrete technological passes at the Processing Plant was also carried out.

The expenses on landscaping were US$25,200 in 2021.

For compensatory reforestation, as stipulated by the forest legislation of the Russian Federation, to compensate for the cuttings carried out in 2019-2020, K&S prepared more than 250 ha of forest areas for reforestation. This includes planting of trees on the area of 114.1 ha, including 171 thousands seedlings of Korean pine with open root system on the area of 57 ha and 144 thousand seedlings of Dahurian larch with closed root system on the area of 57.1 ha in 2021.

The reforestation costs in 2021 amounted to US$254,500.

Compensatory reforestation, K&S

To identify the current status of fauna and habitats within the Kimkan and Sutara licence areas, a specialised organisation carried out research work to monitor fauna objects and assess negative impacts on fauna. Based on the monitoring results, it can be concluded that the Company's operations do not affect the fauna species composition and migration routes of birds in the area of operation.

The expenses on monitoring were US$5,200 in 2021

STAKEHOLDERS ENGAGEMENT

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

In 2021, there were no new complaints or suggestions on environmental issues.

PUBLIC HEARINGS AND DISCUSSIONS

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

In May 2021, as part of public engagement, public hearings were conducted related to changes in the design documentation for the first stage of construction of K&S. The hearings were attended by K&S management, representatives of the Obluchensky District Administration, Izvestkovsky urban settlement and 28 residents of the district. In addition, a live broadcast of the hearing was held on the official Instagram account of the Izvestkovsky urban settlement, which was watched by 75 people. Members of the public were able to ask all their questions about the project and discuss them with the Company's management.

ENVIRONMENTAL EDUCATION

One of the main principles of the Group's environmental policy is to educate IRC employees and those who live in and around the Group's operations. IRC regularly organises environmental education for employees of the Group, contractors and local residents.

Since 2009, IRC has provided financial support to STS, an educational television programme in the Jewish Autonomous Region (EAO). These programmes highlight the unique ecological and environmental nature of the region and the challenges it faces.

With the financial support of the Group, three episodes of "Ecological Bulletin" were broadcast in 2021 covering the following topics:

- monitoring of emissions of harmful substances into the atmospheric air;
- compensatory reforestation for cutting of forest vegetation on leased forest areas;
- diversion of the Sutara river to a new channel.

The total funding for environmental education in 2021 was US$4,000.

As part of the "Batteries 2.0" project in 2021, jointly with the Administration of Birobidzhan, K&S participated in the eco-festival called "The banks of Bira and Bijan" and at its own expense transported collected used batteries and wastepaper to the recycling facilities.

Participants could not only place waste in special containers when engaging in environment protection activities, but also learn about waste sorting and collection policies. It generated approximately 210 kg of used batteries for disposal/recycling, thereby avoiding heavy metals from polluting about 210,000 square meters of soil and 4,200,000 liters of water.

In 2021, there were no complaints or suggestions on environmental issues from internal and external stakeholders.

CONTROL BY THE AUTHORITIES

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

A planned on-site inspection of K&S was carried out by the office of the State Construction Supervision Inspectorate for the Jewish Autonomous Region in 2021, and a violation of the law was found. The violation has been rectified.

In 2021, the Federal Service for Environmental, Technological and Nuclear Supervision (Rostechnadzor) and the State Labour Inspectorate of the Jewish Autonomous Region have carried out inspections at K&S. No material breaches were identified. All minor non-compliances were eliminated.

OPERATING PRACTICES

Supply chain management

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

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

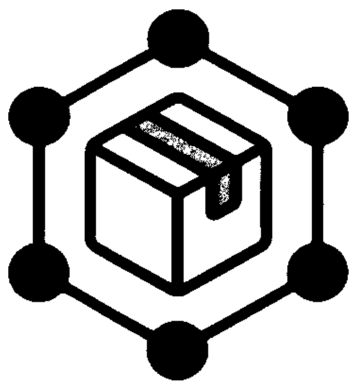
The Group effectively manages business processes and environmental protection issues, social development and human rights, industrial safety and labour protection, and implements the principles of responsible business conduct in the system of relations with suppliers, contractors and product consumers.

Interaction with suppliers and contractors

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

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

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



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

Our Group is very concerned about health, safety and environmental issues and expects our contractors and suppliers of materials and technical resources to adopt similar approaches.

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

The following mandatory requirements are part of the contracts:

For product suppliers:

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

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

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

For service providers:

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

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

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

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

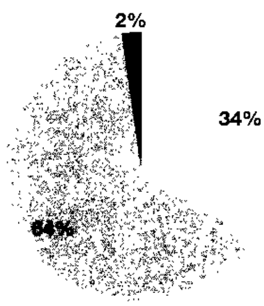
Local Supplier Support

The Group increased revenue of more than 200 suppliers of goods and services in the Far Eastern area. The number of EAO counterparties in 2021 was 47 organisations and individual entities. Over 20 individual entities and farms in the Jewish Autonomous Region supply food (vegetables, meat and dairy products) and other goods to K&S and its subsidiaries through long-term contracts.

Information about product and service providers in 2021

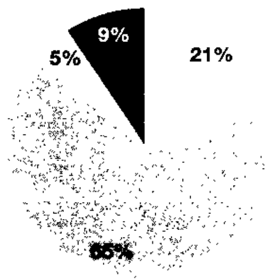
Suppliers	Quantity
The Far East including:	223
Jewish Autonomous Region (EAO)	47
The Khabarovsk Territory	144
Amur Region	11
Other Far East regions (Primorsk Territory, Yakutia)	21
Other regions of Russia	420
Outside of Russia	10

Distribution of suppliers by regions of Russia in 2021:



The Far East
Other regions of Russia
■ Outside of Russia

Distribution of suppliers in the Far East in 2021:



Jewish Autonomous Region (EAO)
The Khabarovsk Territory
the Amur Region
■ Other Far East regions (Primorsk Territory, Yakutia)

On the initiative of our Group, the Birobidzhan shoe factory "Rostok" had developed and certified industrial footwear models with built-in personal protective function in 2019. Over the last three years, IRC has purchased shoes costing more than US$134,600 from the factory for its employees.

PRODUCT RESPONSIBILITY

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

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

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

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

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

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

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

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

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

The contract specifies all procedures for interacting with the buyer.

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

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

There were no product recalls or products and service related complaints during the reporting year.

Observing and protecting intellectual property rights

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

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

ETHICS AND INTEGRITY

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

Areas covered include but are not limited to:

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

COMMUNITY INVESTMENT

Giving back to the society is one of the most important principles of the Group. IRC has fully demonstrated its role as a socially responsible company. The Group sponsored sports and cultural facilities in the regions in which it operates and promotes the development of sports, science and arts.

The Group carried out the following tasks in 2021:

- The Group provided financial support to children's educational institutions and orphanages – allocated funds for the purchase of furniture, equipment, clothing;

- Gifts were given to children to celebrate the New Year.

In 2021, the total amount of funding for charitable activities was US$199,200.

ANTI-CORRUPTION

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

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

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

- Code of professional ethics for employees;

- Anti-corruption policy.

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

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

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

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

IRC provides anti-corruption training to directors and staff. Starting from the second half of 2020, the Group provides newly hired managers and specialists with advanced training courses in the field of prevention and the fight against corruption, while employees will participate in the training course on anti-corruption activities.

WHISTLEBLOWING

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

MEASURES TAKEN DURING THE PANDEMIC

The Group has set up an Emergency Response Office to prevent the spread of coronavirus infection (COVID-19), has taken necessary organisational and administrative measures, and has issued an order on measures to prevent the spread of coronavirus infection.

A Contingency plan to prevent the spread of coronavirus (COVID-19) at the Group's facilities has been approved. To prevent infection on site, the following measures are being taken:

- daily disinfection of public facilities and areas (every 2 hours) in the accommodation area;
- regularly ventilation of the work and living areas (every 2 hours);
- installation of disinfecting lamps and air circulators;
- as part of the pre-shift physical examination, employees' body temperature is measured at least once per shift;
- minimising the number of face-to-face meetings, and prohibit group gatherings;
- distribute personal protective equipment to those responsible for cleaning offices and accommodations;
- provide employees with hand sanitisers, personal safety equipment (medical masks, respirators, and etc.);
- recommend employees to avoid unnecessary travel;
- disinfect vehicles used to transport employees.

The Group has set up quarantine rooms in the accommodation area for people with clinical symptoms of acute respiratory infection to stay temporarily. If acute respiratory infection (cough, runny nose, fever, chest pain, shortness of breath) occurs, the employee will be immediately sent to the Group's medical centre and all necessary measures will be taken.

The Group has passed an administrative order that imposes restrictions on movement of personnel, and encourages to work remotely when possible. Since May 2020, employees have been regularly tested for COVID-19. Medical service agreements have been signed with 5 medical diagnostic centers. Every employee who enters the Group's production premises and employees with symptoms of respiratory diseases are tested.

In addition to implementation of standard measures to prevent the spread of a new coronavirus infection, one of the most important forms of prevention of COVID-19 is the collective effort to vaccinate K&S employees. In this regard, additional managerial decisions were made on both incentives and specific timing of vaccination of the company's employees.

The table below summarises information on the number of tests done, and the number of people diagnosed with COVID-19 at K&S, as of the end of 2021:

	Total tests	**Tested positive**	**With a fatal outcome**	**On medical leave**	**Recovered**
2021	**4,800**	**120**	**3**	**46**	**117**
2020	8,512	268	2	47	219

In December 2021, the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing Office in the Jewish Autonomous Region carried out an unplanned inspection at K&S to check the compliance with the law on prevention of the spread of COVID-19. As a result of the inspection, no concerns were identified.

List of actual costs of sanitary and epidemiological measures in 2020-2021:

	Amount incl. VAT,	
Name of products	**2021 US$**	2020 US$
Protective overalls and dressing robes	**117,500**	2,000
Tests for coronavirus infection and the presence of antibodies	**5,600**	251,200
Masks, gloves, safety glasses and respirators	**1,100**	124,200
Disinfectants and antiseptic solutions	**200**	14,800
Laptops and modems for organising remote work of employees	**–**	6,400
Ultraviolet air purifiers, radiation sources	**–**	6,300
Infrared thermometers	**–**	5,000
Protective screens	**–**	3,100
Related products and services (sprayers, batteries for thermometers, unwoven stitched fabric)	**–**	1,800
TOTAL	**124,400**	414,800

The company spent a total of US$528,500 on preventive measures over two years.

Summary of IRC Environmental Statistics 2017–2021

Performance Indices	Unit	2021	2020	2019	2018	2017
1. AIR POLLUTANTS & EMISSIONS						
Greenhouse gases emissions (CO_2):						
Total	t	**57,735**	65,722	69,444	62,495	43,064
Coal combustion	t	**53,031**	60,752	64,360	58,280	39,585
Diesel fuel combustion	t	**4,112**	4,304	4,467	3,634	2,939
Gasoline combustion	t	**591**	664	616	580	539
Kerosene combustion	t	**1.03**	1.55	0.60	0.60	0.59
Mass of emitted hazardous pollutants:						
Total	t	**3,614**	3,040	2,904	3,225	4,945
Liquid and gaseous substances	t	**2,363**	1,928	1,855	2,047	1,672
Solid substances	t	**1,251**	1,112	1,049	1,178	3,273
Percentage of maximum permitted emission:						
Solids	%	**99.6**	94	89	100	97
Liquid and gases	%	**100**	94	91	100	87
Pollutants removed by gas treatment:						
Total removed, of which,	t	**21,165**	45,866	46,565	46,565	25,470
Solid substance	t	**21,165**	45,866	46,565	46,565	24,617
Liquid and gaseous substances	t	**0.004**	0.01	0.11	0.11	853.00
2. LAND USE & REHABILITATION						
Total area of land in use	ha	**2,117**	2,384	2,028	1,695	2,890
New surfaces disturbed in the reporting period	ha	**92.23**	200.80	162.70	113.00	13.40
Rehabilitated land						
Area of rehabilitated land	ha	**-**	18.50	1.20	2.00	–
Topsoil used	m^3	**-**	–	–	13,876	5,280
Preservation of topsoil						
Moved to stockpiles	m^3	**-**	–	–	–	–
Total topsoil stored at 31 December	m^3	**1,287,700**	1,287,700	1,287,700	1,287,700	1,301,576
Forest plantation						
Total	ha	**114.1**	–	–	–	–

Environmental, Social and Governance

Performance Indices	Unit	2021	2020	2019	2018	2017
3. WASTE MANAGEMENT						
Generated waste:						
Total	t	**54,174,301**	43,488,124	38,637,978	34,962,037	18,932,593
Wastes (excluding waste from operations):	t	**2,711**	2,650	3,371	3,140	24,823
Class I	t	**0.56**	0.65	0.75	0.39	0.36
Class II	t	**-**	–	0.24	0.04	1.59
Class III	t	**35.48**	24.01	47.66	18.48	68.52
Class IV	t	**212.91**	200.89	182.45	196.57	2,582.74
Class V	t	**2,462**	2,424	3,140	2,925	22,170
Waste from operations (inert waste):	t	**54,171,590**	43,485,474	38,634,607	34,958,897	18,907,770
Overburden rocks	t	**44,581,320**	33,310,440	30,162,780	27,370,170	14,989,050
Wet tailings	t	**6,746,270**	7,138,724	6,001,495	5,306,664	2,007,880
Tailings	t	**2,844,000**	3,036,310	2,470,332	2,282,063	1,910,840
Waste management:						
Disposed at the plant	t	**-**	-	–	–	–
Reused at the plant	t	**7,116,277**	7,311,666	6,029,906	40,453	111,721
Stored at the plant	t	**46,939,855**	36,176,410	32,608,000	34,921,456	18,797,987
Transferred to contractors	t	**118,169**	47.88	73.96	26.77	20,032
4. WATER MANAGEMENT						
Water intake:						
Total	m^3	**933,285**	996,114	971,335	946,734	909,902
from natural water bodies (surface and underground)	m^3	**931,975**	993,961	967,457	943,873	900,737
from existing municipal water supply systems of the settlements	m^3	**1,310**	2,153	3,878	2,861	9,165
Water disposal:						
Total	m^3	**98,705**	157,144	122,914	41,916	73,128
into natural water bodies	m^3	**34,540**	94,190	50,814	13,856	44,223
into the existing municipal sewerage systems *of the settlement*	m^3	***11,200***	*12,472*	*16,396*	*28,060*	23,791
Other accumulation reservoirs	m^3	**52,965**	50,482	55,704	–	5,114
The volume of recycled water:						
Total	m^3	**8,268,500**	7,350,790	6,830,525	4,589,575	5,342,000
5. ENERGY CONSUMPTION & CONSERVATION						
Electricity	kWh	**251,468,468**	266,639,776	250,411,252	260,200,769	230,602,592
Diesel fuel	*l*	**1,558,572**	1,640,915	1,686,477	1,376,983	1,121,079
Gasoline	l	**255,476**	287,406	263,567	250,818	233,004
Coal	t	**29,391**	33,670	35,670	32,300	22,379
Kerosene	l	**407**	610	240	234	231
Gas	m^3	**-**	-	–	–	–

** Based on exchange rates as of 31 December 2021, the exchange rate for the Environmental, Social and Governance section is RUB74.29 per US Dollar.

HKEX ESG REPORTING GUIDE CONTENT INDEX

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A3	**The Environment and Natural Resources**	
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3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	45, 49
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* Shipment of finished products – iron ore concentrate to consumers is made by rail in gondola cars without additional packaging.

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CORPORATE GOVERNANCE PRACTICE

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

The Board as a whole is responsible for performing the corporate governance duties and ensuring compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has applied the principles of the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Listing Rules to its corporate governance structure and practices as described in this report. The Board reviews at least annually the corporate governance practices of the Company to ensure its continuous compliance with the CG Code and make appropriate changes if considered necessary. The Board oversaw the work of the Audit Committee, Remuneration Committee, Nomination Committee and Health, Safety and Environment Committee and reviewed the effectiveness of the Group's risk management and internal control systems.

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

BOARD OF DIRECTORS

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

Board Size, Composition and Appointments

As at 31 December 2021, the Board comprised seven Directors with one Executive Director and six Non-Executive Directors, of which four of them – representing more than half of the Board – are Independent Non-Executive Directors. The names of the directors, by category, are set out in the Directors' Report. The number of Independent Non-Executive Directors meets the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. One of the Independent Non-Executive Directors possess the appropriate professional qualifications or related financial management expertise, meeting the requirement under Rule 3.10(2) of the Listing Rules. Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Each Member of the Board ensures that he can give sufficient time and attention to the affairs of the Company and contribute to the development of the Company's strategy and policies through independent, constructive and informed comments. Each Member of the Board is required to confirm his other directorships, major appointments and interests to the Company. None of the Members of the Board holds seven (or more) directorships in listed companies (including the Company) or holds any cross directorships or has significant links with other Members of the Board through involvements in other companies or bodies.

The Board selects Independent Non-Executive Directors based on their qualification and experience and hence their ability to contribute to the affairs of the Group, and of overriding importance is their possession of a mindset that is independent and constructively challenges management's views. The Non-Executive Directors (including the Independent Non-Executive Directors) are appointed for a specific term not exceeding three years and are subject to retirement by rotation. Daniel Rochfort Bradshaw, and Jonathan Eric Martin Smith have served as Independent Non-Executive Directors of the Company for more than 9 years. Consideration was given to the independence of these directors. During the years of appointment, they have demonstrated their abilities to provide an independent view to the Company's matters and were free from any business or other relationship which could interfere with their ability to discharge their duties effectively. Their familiarity with the business and the industry over the years has enabled them to contribute to the management of the risks involved as well as add to the diversity of the skills and perspectives of the Board. The Board believes that the long tenure of those Independent Non-Executive Directors does not compromise their independence but instead brings significant positive qualities.

The Board considers that the Independent Non-Executive Directors who have served for more than 9 years are capable of bringing fresh perspectives and independent judgment to the Board for various reasons, including their respective industry expertise, commitment to training and other continuous professional development activities and because none of these Independent Non-Executive Directors have ever been involved in the management of the Group nor do they have any relationship which could interfere with their independence. Nonetheless, the Board and the Nomination Committee recognise the necessity for Board refreshment and succession planning. Accordingly, when considering the re-appointment of Independent Non-Executive Directors, the Nomination Committee also identifies new potential candidates to be appointed as Independent Non-Executive Directors.

Notwithstanding their years of service as Independent Non-Executive Directors of the Company, the Nomination Committee and the Board, having regard to the criteria under Rule 3.13 of the Listing Rules, are of the view that Messrs Bradshaw and Martin Smith are able to continue to fulfill their role as required. Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors. An updated list of the directors identifying the Independent Non-Executive Directors and the roles and functions of the directors is maintained on the websites of the Company and the Stock Exchange. The roles of the chairman and the chief executive officer are separated and are performed by Peter Hambro and Yury Makarov, respectively.

As at 31 December 2021, a total of four Independent Non-Executive Directors have been appointed. The Board has been seeking and will continue to periodically seek new Independent Non-Executive Directors to join the Board, so as to sustain its source of independent views.

There is no relationship (including financial, business, family or other material/relevant relationships) between board members and in particular, between the chairman and the chief executive.

Balance, Diversity and Skills

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

The Board believes that the balance between Executive and Non-Executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Non-Executive Directors provide the Group with diverse expertise and experience. Their views and participation in Board and committee meetings bring independent judgement and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, ensuring that the interests of all shareholders are taken into account. Following the re-designation of Danila Kotlyarov from a Non-Executive Director to an Executive Director and the appointment of Dmitry Dobryak as Independent Non-Executive Director in March 2022, one Executive Director and two Independent Non-Executive Directors possess the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

As of 31 December 2021, the gender ratio in the workforce (including senior management) is approximately 70% male and 30% female. The Group provides equal opportunity to all employees regardless of gender, race, age, nationality, religion, sexual orientation, disability, and other aspects of diversity and are against any forms of discrimination.

Training and Continuous Professional Development

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

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

A summary of training received by the directors for the year ended 31 December 2021 as follows:

Directors	**Type of training**
Executive Director	
Yury Makarov *(Chief Executive Officer)*	A,B
Non-Executive Directors	
Peter Hambro *(Chairman)*	A,B
Danila Kotlyarov	A,B
Denis Alexandrov *(appointed on 19 January 2021, and retired on 8 December 2021)*	B
Aleksei Kharitontsev *(appointed on 19 January 2021, and retired on 8 December 2021)*	B
Independent Non-Executive Directors	
Daniel Rochfort Bradshaw	A,B
Jonathan Eric Martin Smith	A,B
Martin Joseph Davison	A,B
Raymond Kar Tung Woo	A,B
Chuang-fei Li *(retired on 24 June 2021)*	B

Notes:

A: Attending briefing sessions and/or seminars

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

Regular Meetings

The Board meets regularly to review the Group's operational performance, financial statements, any material investments, dividend policy, major financings, treasury policies and changes in accounting policies. All directors have access to board papers and related materials which are provided in a timely manner, and are able to include matters in the agenda for board meetings. For the year ended 31 December 2021, the Chairman of the Company held a number of meetings with the Non-Executive Directors (including the Independent Non-Executive Directors) without the presence of the Executive Director.

The Board held eight meetings in 2021. The attendance of individual directors at board meetings (as well as committee meetings and the annual general meeting) is set out in the table on page 94.

Company Secretary

The Company Secretary supports the Chairman, the Board and the Board Committees by ensuring good information flow and that the policies and procedures of the Board are followed. The Company Secretary advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. All Directors may call upon the Company Secretary for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules. The Company Secretary has taken no less than 15 hours of relevant professional training in the year ended 31 December 2021 in accordance with the requirement under Rule 3.29 of the Listing Rules.

BOARD COMMITTEES

The day-to-day management and operation of the Group is delegated to the Executive Committee ("EC"), which comprises the Executive Director, the Company Secretary and other senior management members of the Group. Following, his re-designation as an executive director in March 2022, Danila Kotlyarov has been appointed to the EC. The EC is the principal management decision making body on all day-to-day operations and business affairs of the Group. The EC operates under guidelines and delegated authorities from the Board and meets on a regular basis.

Audit Committee

The Audit Committee consists of three Independent Non-Executive Directors – Raymond Kar Tung Woo (Chairman), Daniel Rochfort Bradshaw and Jonathan Eric Martin Smith. The principal duties of the Committee include the following:

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

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

Summary of work in 2021

During 2021, the Audit Committee:

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

Review of financial results

The Audit Committee reviewed the Company's 2021 Consolidated Financial Statements in conjunction with the external auditor. Based on its review and discussions with the senior management of the Company, the Audit Committee was satisfied that the Consolidated Financial Statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2021. The Audit Committee therefore recommended the Consolidated Financial Statements for the year ended 31 December 2021 be approved by the Board.

During 2021, the Audit Committee also reviewed the Company's 2021 interim results in conjunction with the external auditor. Based on its review and discussions with the senior management of the Company, the Audit Committee was satisfied that the Group's 2021 interim results were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2021.

Review of the risk management and internal control systems

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

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

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

The Committee met twice in 2021 and the attendance of Committee members is set out in the table on page 94.

Non-compliance with Listing Rule 3.21

Following Chuang-Fei Li's retirement on 24 June 2021, the Company was temporarily non-compliant with the requirements under Listing Rule 3.21 to have a member of the Audit Committee who is an Independent Non-Executive Director with appropriate professional qualifications or accounting or related financial management expertise and the requirement for the Audit Committee to be chaired by an Independent Non-Executive Director. Following the appointment of Raymond Woo to the Audit Committee in August 2021, the Company ceased to be non-compliant with Listing Rule 3.21.

Subsequent appointments

Subsequent to 31 December 2021, Dmitry Dobryak was appointed as a member of the Audit Committee.

Remuneration Committee

The Remuneration Committee is chaired by Jonathan Eric Martin Smith and its other members are Daniel Rochfort Bradshaw and Martin Joseph Davison, all of whom are Independent Non-Executive Directors. The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management.

The Remuneration Committee reviews the structure of remuneration for the board of directors on an ongoing basis and has the responsibility for the determination, within agreed terms of reference, of specific remuneration packages for all directors and other members of the Executive Committee, including salaries, retirement benefits, bonuses, long-term incentives, benefits in kind and other compensation payments. The Remuneration Committee is committed to bringing independent thought and scrutiny to the development and review process of the Group with regards to remuneration.

Summary of work in 2021

During 2021, the Remuneration Committee:

- reviewed the remuneration policy and practices for 2021;
- reviewed the structure of remuneration for the board of directors;
- determined specific remuneration packages and performance bonuses of individual directors and members of the Executive Committee; and

The Company's remuneration policy is designed to attract, retain and motivate the highly talented individuals needed to deliver its business strategy and to maximise shareholder value. Consistent with previous years, the policy for 2021 and so far as practicable, for subsequent years, is framed around the following principles:

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

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

The terms of reference for the Remuneration Committee are maintained on the websites of the Company and the Stock Exchange. The Remuneration Committee adopts the model described in E.1.2(c)(i) of the CG Code, where it has delegated responsibility to determine the remuneration packages of individual executive director and senior management. Further details of the Group's remuneration policy and practices in 2021 are set out in a letter from the Remuneration Committee Chairman below.

The Remuneration Committee held one meeting in 2021 and the attendance of Committee members is set out in the table on page 94.

A letter from the Chairman of the Remuneration Committee

Dear Shareholder,

On behalf of the Board and the Remuneration Committee, I present the IRC 2021 Remuneration Report.

We have maintained the 2020 format and content of the Remuneration Report to provide a clear explanation of our rationale for determining remuneration policy, annual awards and longer-term incentives, a format that we believe is:

- clear and transparent;
- conforms to Hong Kong requirements; and
- in line with best practice in the international markets.

Consistent with previous years, the Remuneration Committee has considered and determined all elements of remuneration solely in the context of assessing the Group's achievements and, where relevant, individual performance on a standalone basis during 2021.

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

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

Full details regarding the above activities are set out below.

Members

The Remuneration Committee is chaired by Jonathan Eric Martin Smith and its other members are Daniel Rochfort Bradshaw and Martin Joseph Davison, all of whom are Independent Non-Executive Directors. Details of the Remuneration Committee's role, meetings and activities can be found on page 85 under the heading "Remuneration Committee".

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

Remuneration policy

Our remuneration policy and practices aim to attract, retain and motivate the high-performing individuals we rely on to deliver our business strategy and create long-term value. We believe that performance-related pay should incentivise exceptional performance and that rewards should be closely linked to and commensurate with performance. As a result, for 2021, the remuneration of individuals within the Group have been determined on the following basis:

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

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

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

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

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

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

   – the Listing Rules;

   – the code provisions set out in the CG Code;

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

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

   – feedback received from shareholders.

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

Base salary

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

Salary review for 2021

The remuneration of the non-executive directors of IRC was first determined in 2010, when the Company was listed in Hong Kong. The level of remuneration remained largely unchanged until 2015, when an aggressive cost saving approach was taken by reducing salaries and directors' fees (as applicable) for all Board members by 15%, which also applied to most members of senior management of the Group. A further 10% reduction in salaries and directors' fees (as applicable) for Board members and most members of senior management was implemented in January 2016. In September 2017, in light of K&S commencing commercial production and the recovery in the commodities market, the reduced salaries and directors' fees were partially restored. In 2021, considering the improved financial performance of the Group, the remuneration level of the Board members was restored to the original level of 2010 with effect from March 2021, but the reduced remuneration during 2015 to 2020 was not recovered.

To cater for the general inflation during the time from 2010 to 2021, directors' remuneration of non-executive directors has been increased by about 37% to 46% with effect from early 2022. In addition, as there was material increase in the time commitments for the non-executive directors in 2021 in light of various corporate issues, to provide equitably compensation, one-off payments equivalent to 6 months of the directors' monthly fees of the non-executive directors were granted in 2022 to recognise the additional workload. The Remuneration Committee commissioned one of the leading firms of certified public accountants to conduct an independent review and it was considered that the aforesaid inflationary adjustments and one-off fee payments were reasonable.

US$'000	2021 Directors' fees	2021 Salaries and other benefits	2021 Total	2020 Directors' fees	2020 Salaries and other benefits	2020 Total
	For the year ended 31 December					
Executive Directors						
Yury Makarov (f)	-	1,135	1,135	-	786	786
Danila Kotlyarov (a)	-	-	-	-	53	53
Non-Executive Directors						
Peter Hambro	204	-	204	166	-	166
Danila Kotlyarov (a)	102	-	102	82	-	82
Denis Alexandrov (b)	-	-	-	-	-	-
Aleksei Khartontwev (b)	-	-	-	-	-	-
Cheng Chi Kin (c)	-	-	-	20	-	20
Independent Non-Executive Directors						
Daniel Rochfort Bradshaw	163	-	163	140	-	140
Jonathan Eric Martin Smith	141	-	141	126	-	126
Raymond Kar Tung Woo	112	-	112	90	-	90
Martin Joseph Davison (g)	105	-	105	70	-	70
Chuang-fei Li (d)	67	-	67	126	-	126
Simon Murray (e)	-	-	-	20	-	20
	894	1,135	2,029	840	839	1,679

(a) Ceased to be Executive Director, Chief Financial Officer and Authorised Representative of the Company to accept an invitation from Petropavlovsk to be their Chief Financial Officer and re-designated as Non-Executive Director on 1 February 2020.

(b) Appointed as Non-Executive Director on 19 January 2021 and retired on 8 December 2021. No Director fees were paid as these individuals were Petropavlovsk's nominees to the board of directors of the Company.

(c) Retired as Non-Executive Director on 20 March 2020.

(d) Retired as Independent Non-Executive Director on 24 June 2021.

(e) Retired as Independent Non-Executive Director on 20 March 2020.

(f) Included a performance bonus of US$354,000 (2020: US$80,000), determined by the Remuneration Committee having regard to the performance of the individual and the Group's performance.

(g) Appointed as Independent Non-Executive Director on 20 March 2020.

Executive Committee Bonus Plan

Purpose

- Align executives' interests with the short-term goals of IRC and the drivers of the Group's long-term success;
- Reward the delivery of shareholder value through the effective execution of strategy, the profits delivered to shareholders and lead indicators of future success including safety and environmental sustainability.

Policy

- Maximum bonus awarded for truly exceptional performance is 100% of salary;
- The overall bonus pool is determined according to budgeting analysis;
- Individual payments are determined with respect to a range of key financial and non-financial metrics. These metrics include health and safety, employee development, environment and sustainability, profit and cash generation, volume and project execution.

Link to strategy

- Provides alignment among the executives' interests, the short-term financial success of IRC and the creation of shareholder value;
- The Remuneration Committee takes a comprehensive view of an appropriate level of award for each individual to ensure that bonus awards truly reflect IRC's performance and management's impact on this (rather than purely resultant from external market and cyclical factors).

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

Bonus review for 2021

Apart from a performance bonus paid to the Executive Director, no bonuses were paid to other directors in 2021.

Long-term incentive arrangements

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

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

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

Under the Share Option Scheme, the Remuneration Committee will from time to time propose to the Board for approval the grant of share options and the number of share options to be granted to the relevant Eligible Persons. The subscription price shall be determined by the Board and notified to an Eligible Person. Performance targets, if any, will be determined by the Board and be stated in the offer. Whether such targets have been successfully achieved will be decided by the Board. The Board may also determine a minimum period of time for which an option must be held before it can be exercised (the "vesting period"). Further details of the Share Option Scheme are set out in note 30 to the Consolidated Financial Statements.

Two batches of share options had been granted, one in 2015 and the other in 2017 with an exercise price of HK$0.296 and HK$0.2728 per share respectively, which are higher than the closing share price of the Company as of 31 December 2021 of HK$0.226. The vesting of these options is conditional upon the achievement of certain performance targets during the vesting period. During the reporting period, one of the directors exercised 3,000,000 options of the 2017 batch at an exercise price of HK$0.2728.

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

Retirement benefits

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

	For the year ended 31 December	
US$'000	**2021**	2020
Yury Makarov	**98**	89
Danila Kotlyarov *(re-designated as non-executive director on 1 February 2020)*	**–**	2
	98	91

Approved by the Board and issued on its behalf by

Jonathan Eric Martin Smith
Remuneration Committee Chairman

30 March 2022

NOMINATION COMMITTEE

The Nomination Committee is chaired by the Non-Executive Chairman of IRC, Peter Hambro and its other members are Daniel Rochfort Bradshaw and Jonathan Eric Martin Smith, both are Independent Non-Executive Directors. The Committee met twice in 2021 and the attendance of Committee members is set out in the table on page 94.

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

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

The Board, through the Nomination Committee, has also adopted a board diversity policy which sets out the approach taken to diversify the members of the Board. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Board will take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. The Board is aiming to appoint at least one female director on the board no later than 31 December 2024. In considering the Board's succession, the Group actively identifies potential female board candidates (both external and internal candidates), the Group will provide mentorship and training to certain female employees to aid the development of potential internal board candidates and the Committee may engage independent professional search firm(s) to help identify female candidates.

Ultimately, all board appointments are based on merit and candidates are considered against objective criteria, but due regard is given for the benefits of a diverse Board.

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

Summary of work in 2021

During 2021, the Nomination Committee:

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

Subsequent appointments

Subsequent to 31 December 2021, Martin Davison, an Independent Non-Executive Director, and Nikolai Levitskii, a Non-Executive Director, were appointed as members of the Nomination Committee.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment Committee consists of three Independent Non-Executive Directors – Daniel Rochfort Bradshaw (Chairman), Jonathan Eric Martin Smith and Raymond Kar Tung Woo, and is responsible for evaluating the effectiveness of the Group's policies and systems for identifying and managing health, safety and environmental risks within the Group's operations and for ensuring compliance with health, safety and environmental regulatory requirements. The Committee also assesses the performance of the Group with regards to the impact of health, safety, environmental and community relations, decisions and actions.

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

Summary of work in 2021

During 2021, the Health, Safety and Environment Committee:

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

For the year ended 31 December 2021, the Committee met once and the attendance of Committee members is set out in the table below.

BOARD, COMMITTEE AND SHAREHOLDER MEETINGS AND ATTENDANCE

The number of meetings the Board and other Committees held during 2021 is shown below together with attendance details. The table also shows the directors' attendance at the general meeting of the Company held in 2021:

	Meeting Attended/Held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Health, Safety and Environment Committee	2021 AGM
Chairman and Non-Executive Director						
Peter Hambro	8/8	-	-	2/2	-	1/1
Deputy Chairman and Senior Independent Non-Executive Director						
Daniel Rochfort Bradshaw	8/8	2/2	1/1	2/2	1/1	1/1
Executive Director						
Yury Makarov	8/8	-	-	-	-	1/1
Non-Executive Directors						
Danila Kotlyarov	8/8	-	-	-	-	1/1
Denis Alexandrov (a)(b)(g)	6/6	1/1	-	-	0/0	1/1
Aleksei Kharitontsev (a)(f)	6/6	-	0/0	-	-	1/1
Independent Non-Executive Directors						
Jonathan Eric Martin Smith	8/8	2/2	1/1	2/2	1/1	1/1
Raymond Kar Tung Woo (d)	8/8	0/0	-	-	0/0	1/1
Martin Joseph Davison (e)	8/8	-	0/0	-	-	1/1
Chuang-fei Li (c)	5/5	1/1	1/1	-	1/1	0/1

(a) Appointed as Non-Executive Director on 19 January 2021 and retired on 8 December 2021. Petropavlovsk's nominees to the board of directors of the Company.

(b) Appointed as a member of audit committee on 24 March 2021 and retired on 8 December 2021.

(c) Retired as Independent Non-Executive Director, Chairman of audit committee, members of remuneration committee and health, safety and environment committee on 24 June 2021.

(d) Appointed as Chairman of audit committee and member of health, safety and environment committee on 25 August 2021.

(e) Appointed as member of remuneration committee on 25 August 2021.

(f) Appointed as member of remuneration committee on 25 August 2021 and retired on 8 December 2021.

(g) Appointed as member of health, safety and environment committee on 25 August 2021 and retired on 8 December 2021.

DIVIDEND POLICY

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

The Board intends to put forward for approval by the Shareholders a proposal to reduce the credit standing to the share capital account of the Company by an amount of US$1,100,000,000. The credit arising from the proposed capital reduction will be applied to a capital reduction reserve account of the Company and the Company will use such reserve to eliminate accumulated losses. The proposal to set off accumulated losses with the reserve arising from the proposed capital reduction would put the Company in a position to pay dividends and/or undertake any corporate exercise which requires the use of distributable reserves, subject to, inter alia, obtaining shareholders' approval, if required. The Company intends to proceed with the proposed capital reduction in the first half of 2022.

AUDITORS' INDEPENDENCE AND REMUNERATION

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

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

Fees for services rendered by the auditors to the Group for the year ended 31 December 2021 and the comparative figures for the year ended 31 December 2020 are set out below:

	For the year ended 31 December	
US$'000	**2021**	2020
Audit	**561**	527
Non-audit	**62**	18
Total	**623**	545

SHAREHOLDER RELATIONS

The Board has established a shareholders' communication policy which sets out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communications with the shareholders and other investors are timely, transparent, accurate and open. Information is communicated to the shareholders and other investors are mainly through the Company's corporate communications (such as quarterly trading updates, interim and annual reports, announcements and circulars), at the annual general meetings ("AGM") and other general meetings, as well as disclosure on the website of the Company. The Board reviewed the shareholders' communication policy and shareholders and investor engagement and communication activities conducted in 2021 and was satisfied with the implementation and effectiveness of the shareholders' communication policy.

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

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

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

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

The most recent AGM was held on 24 June 2021 and the attendance of the directors is set out in the table on page 94. At the AGM, separate resolutions were proposed for each issue and were voted on by poll. Five of the resolutions proposed at the AGM were passed, while three were not. The matters discussed and the percentage of votes cast in favour of the resolutions were:

Matters being voted upon	Votes
To receive and consider the reports of the Directors and the Auditor together with the Statement of Accounts for the year ended 31 December 2020.	99.98%
To re-appoint Messrs Deloitte Touche Tohmatsu as Auditor and authorise the Board of Directors to fix their remuneration.	100.00%
To elect Mr Denis Alexandrov as Non-Executive Director.	99.79%
To elect Mr Aleksei Kharitontsev as Non-Executive Director.	99.99%
To re-elect Mr Chuang-fei Li as Independent Non-Executive Director.	9.47%
To give a general mandate to the Directors to repurchase shares in the Company not exceeding 10% of the number of Shares of the Company in issue.	9.47%
To give a general mandate to the Directors to allot, issue and deal with additional shares in the Company not exceeding, except in certain specific circumstances, the sum of 20% of the number of Shares of the Company in issue.	95.09%
To add shares repurchased to the general mandate to issue new shares.	4.60%

SHAREHOLDERS' RIGHTS

Procedures for convening a general meeting

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

Procedures for putting forward proposals at an annual general meeting

(i) Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company who have a right to vote on the resolution at the annual general meeting; or (ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting may request the Company to circulate a notice of a resolution for consideration at the annual general meeting. The request must identify the resolution to be moved at the annual general meeting and must be authenticated by the relevant shareholder(s) and sent to the Company in hardcopy form or in electronic form not later than six weeks before the relevant annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

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

Constitutional document

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND MODEL CODE

Throughout the year, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Listing Rules except that the Independent Non-Executive Director, Mr Chuang-fei LI, was unable to attend the annual general meeting of the Company held on 24 June 2021 as provided for in CG Code provision C.1.6 as he had internet connection issues and could not dial in to the meeting.

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

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

DIRECTORS' RESPONSIBILITY STATEMENT, INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interests of shareholders. The Company improves its business and operational activities by identifying the areas of significant business risks via a regular review and taking appropriate measures to control and mitigate these risks. The management identifies the risk areas and reviews all significant control policies and procedures and highlights all significant matters to the Board and Audit Committee annually. The Company also has an internal audit function. The Board and the Audit Committee review the effectiveness of the Group's risk management and internal control systems annually by reviewing the work of the internal audit function and the Group's external auditor, and considering reports from management on risk management and internal control. The Health, Safety and Environment Committee and the Board review the Company's ESG performance and reporting. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss. Where necessary, independent consultants are hired to assist the Board to perform a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. The Board has reviewed the effectiveness of the risk management and internal control systems and considers the risk management and internal control systems effective and adequate.

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

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

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance. The Group's annual results and interim results are announced in a timely manner, and the consolidated financial statements of the Group and the Independent Auditor's Report is set out at page 111.

The Company has reviewed the UK, EU and US sanctions (the "Sanctions"). As of 30 March 2022, being the date of issuing this corporate governance report, so far as the Board is aware, based on its current assessment and the information currently available to it, the Sanctions have no material direct impact on the Group nor its operations. The Group's operations and activities in Russia, and elsewhere, are continuing as usual. The Company will continue to closely monitor sanctions developments.

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

On behalf of the Board

Peter Hambro
Chairman

30 March 2022

The Directors present their Report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

The analysis of the principal activities and geographical locations of the operation of the Group for the year ended 31 December 2021 is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Company is provided in the Chairman and CEO Report & Results of Operations on pages 3 and 6 respectively. Discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position and particulars of important events affecting the Group that have occurred since the end of the financial year are provided throughout this Annual Report, particularly in the Chairman and CEO Report & Results of Operations sections on pages 3 to 15. Descriptions of the principal risks and uncertainties facing the Group can be found throughout this Annual Report, particularly in the Risk Factors section on pages 211 to 214. The future development of the Company's business is discussed throughout this Annual Report including in the Chairman and CEO Report on pages 3 to 5. An analysis of the Group's business and operations using financial key performance indicators can be found in the Key Performance Indicators section on pages 16 to 17 while an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact, on the Company and on which the Company's success depends, is provided throughout this Annual Report, particularly in the Remuneration Committee section of the Corporate Governance Report on pages 81 to 98 and the Directors' Report on pages 99 to 107. In addition, details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact to the Group, are provided in the Environmental, Social and Governance section on pages 31 to 80.

DIVIDEND

The Board does not recommend the distribution of a dividend for the year ended 31 December 2021.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2021 are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

During the year, following the exercise of share options granted pursuant to the Company's share option scheme, the Company issued 1,328,000 and 5,000,000 new ordinary shares. The exercise price for the two tranches of new shares were, respectively, HK$0.296 per share and HK$0.2728 per share. The Company received approximately US$0.2 million following the issuance of the shares.

Save as disclosed above, there were no changes in the share capital of the Company in 2021. Particulars of the changes in the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

RESERVES

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

DIRECTORS

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

Chairman and Non-Executive Director:

Peter Hambro

Deputy Chairman and Independent Non-Executive Director:

Daniel Rochfort Bradshaw

Executive Directors:

Yury Makarov
Danila Kotlyarov[1]

Non-Executive Directors:

Denis Alexandrov[2]
Aleksei Kharitontsev[2]
Nikolai Levitskii[3]

Independent Non-Executive Directors:

Jonathan Eric Martin Smith
Raymond Kar Tung Woo
Martin Joseph Davison
Chuang-fei Li[4]
Dmitry Dobryak[3]

1 Danila Kotlyarov was re-designated from Non-Executive Director to Executive Director on 4 March 2022.

2 Denis Alexandrov and Aleksei Kharitontsev both were appointed as Non-Executive Directors on 19 January 2021 and retired on 8 December 2021.

3 Nikolai Levitskii and Dmitry Dobryak were appointed as Non-Executive Director and Independent Non-Executive Director respectively on 25 March 2022.

4 Chuang-fei Li retired as Independent Non-Executive Director on 24 June 2021.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS OF SUBSIDIARIES

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

PERMITTED INDEMNITY PROVISIONS

During the financial year and up to the date of this Report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors of the Company or its associated companies. The permitted indemnity provisions are provided for in the Company's Articles of Association and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

DIRECTORS' INTERESTS

As at 31 December 2021, the interests or short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares of the Company

Name of director	Nature of interest	Number of shares in the Company	Percentage of issued shares in the Company at 31 December 2021
Peter Hambro	Beneficial interest	15,330,000	0.22%
Yury Makarov	Beneficial interest	30,911,505	0.44%
	Contingent beneficial interest*	53,851,086	0.76%^
Raymond Kar Tung Woo	Beneficial interest	7,435,360	0.10%
Danila Kotlyarov	Contingent beneficial interest*	50,851,086	0.72%^

* The interest relates to the share options granted by the Company on 20 November 2015 and on 29 September 2017. Details of the share option scheme are set out on page 183 of the 2021 Annual Report of the Company under the heading "SHARE-BASED PAYMENTS TRANSACTIONS".

^ These percentages are calculated on the basis of 7,099,714,381 Shares in issue as at 31 December 2021

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Except as described below, none of the Directors of the Company or their respective associates was interested in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Petropavlovsk, a substantial shareholder of the Company from the beginning of 2021 to 3 December 2021, when it announced the completion of the disposal of its entire shareholding in the Company, and its subsidiaries (the "Petropavlovsk Group") are principally engaged in the exploration, development and production of precious metal deposits in Russia. The Directors do not consider Petropavlovsk to be a competitor of the Company because Petropavlovsk focuses on different commodities to the Company. In addition, Petropavlovsk has ceased to be a shareholder of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2021.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to any Director or chief executive of the Company, as at 31 December 2021, the Company's shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company *under Section 336 of the SFO were as follows:*

Name of shareholder	Capacity	Number of shares in the Company	Percentage of issued shares in the Company as at 31 December 2021
Stocken Board AG	Beneficial interest	2,120,000,000	29.86%

Save as disclosed above and those disclosed under "Directors' Interests", the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at 31 December 2021. As at 31 December 2021, the Company had not been notified of any short positions being held by any substantial shareholder in shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

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

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

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following non-exempt continuing connected transactions require disclosure in the annual report of the Company:

	US$'000 Continuing connected transactions	Connected Persons	Cap for 2021	Actual amount for 2021
A	Shared Services Agreement	Petropavlovsk and/or its subsidiaries	2,035	–
B	Technical Services Agreement	Petropavlovsk and/or its subsidiaries	4,500	–
C	Helicopter Services Agreement	Petropavlovsk and/or its subsidiaries	2,000	–
			8,535	–

The actual amount of these transactions did not exceed the respective caps.

The connected transactions described in items A to C concern transactions between the Group and Petropavlovsk. Petropavlovsk, through its wholly-owned subsidiary Cayiron Limited, was a substantial shareholder of the Company and therefore a connected person pursuant to Listing Rule 14A.07(1). Furthermore, Petropavlovsk's subsidiaries were also connected persons of the Company as they are associates of Petropavlovsk. Accordingly, transactions between the Group and Petropavlovsk, and between the Group and Petropavlovsk's subsidiaries, were connected transactions for the purpose of Chapter 14A of the Listing Rules. Petropavlovsk ceased to be a connected person of the Company when it announced the completion of the disposal of its entire shareholding in the Company on 3 December 2021.

A. Shared Services Agreement

The Group procured certain services from Petropavlovsk, and provided certain services to Petropavlovsk ("Shared Services"). On 29 September 2010, the Company and Petropavlovsk entered into an agreement in respect of Shared Services (the "Shared Services Agreement") for a term of three years. The Shared Services Agreement was intended to provide an overarching framework for provision of the shared services. The Shared Services comprised: (i) shared office space; (ii) legal services; (iii) management and information technology services; (iv) administrative services and (v) an equipment lease. Except for (v) an equipment lease, which was charged on arm's length terms, all other services were recharged on a "cost plus a markup of 10%" basis.

On 21 December 2012, the Shared Services Agreement was first renewed for a term of three years commencing from 1 January 2013 and ending on 31 December 2015 (the "First Renewed Shared Services Agreement"). On 5 February 2016, the Shared Services Agreement was again renewed for a term of three years commencing from 1 January 2016 and ending on 31 December 2018 (the "Second Renewed Shared Services Agreement"). On 26 March 2019, the Shared Services Agreement was renewed for a further term of three years commencing from 1 January 2019 and ending on 31 December 2021 (the "Third Renewed Shared Services Agreement"). Apart from changes made to update the effective period of renewal, all other terms and conditions of the Shared Services Agreement remained the same.

The annual cap under the Third Renewed Shared Services Agreement for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 was US$2,035,000 respectively, which is the same annual cap as for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 under the Second Renewed Shared Services Agreement. The annual cap amounts were determined based on historical transaction figures and the Group's planned operations over the three-year period, with a buffer to provide flexibility for any increase in shared services required by the Group or any increase in the base cost of providing such services.

B. Technical Services Agreement

On 29 September 2010, the Group and Petropavlovsk entered into a technical services agreement (the "Technical Services Agreement") for a term of three years. The Technical Services Agreement provided an overarching agreement which governs Petropavlovsk's provision of technical services to the Group. The technical services comprised: (i) construction services; (ii) engineering & design services and (iii) exploration & geological services. The technical services were recharged on a "cost plus 10% markup" basis.

On 21 December 2012, the Technical Services Agreement was first renewed for a term of three years commencing from 1 January 2013 and ending on 31 December 2015 (the "First Renewed Technical Services Agreement"). On 5 February 2016, the Technical Services Agreement was again renewed for a term of three years commencing from 1 January 2016 and ending on 31 December 2018 (the "Second Renewed Technical Services Agreement"). On 26 March 2019, the Technical Services Agreement was renewed for a further term of three years commencing from 1 January 2019 and ending on 31 December 2021 (the "Third Renewed Technical Services Agreement"). Apart from changes made to update the effective period of renewal, all other terms and conditions of the Technical Services Agreement remained the same.

The annual cap under the Third Renewed Technical Services Agreement for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 was US$4,500,000 respectively, which is the same annual cap as for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 under the Second Renewed Technical Services Agreement. The annual cap amounts were determined based on historical transaction figures and the Group's planned operations over the three-year period, with a buffer to provide flexibility for any increase in technical service required by the Group or any increase in the base cost of providing such services.

C. Helicopter Services Agreement

On 29 September 2010, the Group and MC Petropavlovsk entered into an agreement relating to the provision of helicopter services ("Helicopter Services Agreement"). Under the agreement, MC Petropavlovsk provided the Group with the use of its helicopter, which was critical for the Group's business due to the distances between the Group's assets and offices. The reason the Group procured a helicopter service from MC Petropavlovsk is to ensure that it had continuous access to a helicopter service. MC Petropavlovsk recharged the Group for total cost, including amortisation and overheads plus a margin of 10%, attributable to actual flight time.

Before the expiry of the Helicopter Services Agreement on 8 October 2013, the Helicopter Services Agreement was first renewed on 16 January 2013 for a term of three years commencing from 1 January 2013 and ending on 31 December 2015 (the "First Renewed Helicopter Services Agreement"). On 5 February 2016, the Helicopter Services Agreement was again renewed for a term of three years commencing from 1 January 2016 and ending on 31 December 2018 (the "Second Renewed Helicopter Services Agreement"). On 29 March 2019, the Helicopter Services Agreement was renewed for a further term of three years commencing from 1 January 2019 and ending on 31 December 2021 (the "Third Renewed Helicopter Services Agreement"). Apart from changes made to update the effective period of renewal, all other terms and conditions of the Helicopter Services Agreement remained the same.

The annual cap under the Third Renewed Helicopter Services Agreement for the years ended 31 December 2019 and 31 December 2020 and 31 December 2021 was US$2,000,000 respectively, which is the same annual cap for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 under the Second Renewed Helicopter Services Agreement. The annual cap amounts were determined based on historical transaction figures and the Group's expected requirements for helicopter services over the three-year period, having regard to the Group's planned activities in areas that are only accessible by helicopter.

Each Continuing Connected Transaction expired with effect from 31 December 2021, when the term of each agreement ended.

Each Continuing Connected Transaction has been reviewed by the Directors, including the Independent Non-Executive Directors. The Directors confirm that the Continuing Connected Transactions set out above have been entered into:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms or better; and
- according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to perform certain work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the *Hong Kong Institute of Certified Public Accountants* (the "HKICPA").

The auditor has provided a letter to the board of directors of the Company and confirmed that for the year ended 31 December 2021 nothing has come to the auditor's attention that causes it to believe the Continuing Connected Transactions (i) have not been approved by the board of directors of the Company; (ii) were not entered into, in all material respects, in accordance with the relevant *agreements governing such transactions, and (iii)* have exceeded their respective annual caps.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Petropavlovsk was a connected person of the Group and transactions with these entities during the year ended 31 December 2021 are set out in note 36, Related Party Disclosures, to the *consolidated financial statements.*

EMOLUMENT POLICY

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in note 13 to the consolidated financial statements. The emolument policy of the employees of the Group is set up by the Remuneration and/or Executive Committees on the basis of their merit, qualifications and competence.

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

Detailed information on the remuneration policy and *practices of IRC in 2021 are set out in the Corporate* Governance Report on page 88 under the heading "Remuneration Committee".

The key element of senior management remuneration is the Share Option Scheme, which is designed to align the interests of management with those of shareholders, and to incentivise performance. Please refer to the paragraph "Remuneration Committee" in the Corporate Governance Report on page 92 and Note 30 to the consolidated financial statements under "Share-Based *Payments" for more details.*

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's three largest customers accounted for 88% of the total revenue for the year. The largest of them accounted for 64% of the total revenue. Also, the aggregate purchases attributable to the Group's three largest suppliers taken together represented 54% of the Group's total purchases for the year. The largest supplier represented 35% of the Group's total purchases for the year.

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

GUARANTEE

The Group obtained a banking facility of US$340 million from ICBC in 2010 which was guaranteed by Petropavlovsk, the then substantial shareholder of the Company. In March 2019, the ICBC loan was fully repaid by utilising the proceeds from the two Gazprombank facilities for an aggregate amount of US$240 million (the "Gazprombank Facility"). The Gazprombank Facility was guaranteed by Petropavlovsk.

Petropavlovsk and IRC had entered into a New Recourse Agreement which sets out the terms on which Petropavlovsk had agreed to act as guarantor of the Gazprombank Facility. Under the New Recourse Agreement, IRC agreed to pay Petropavlovsk a monthly fee to be calculated by reference to a rate on the then maximum amount that may be payable by Petropavlovsk under the guarantee arrangement. IRC had agreed with Petropavlovsk that the rate of the annual monthly fee was 3.07% in respect of the guarantee arrangement for the Gazprombank Facility. IRC understands from Petropavlovsk that the rate of the monthly fee was determined by leading international financial advisers, acting as experts to Petropavlovsk to determine a rate of the monthly fee which was on normal commercial terms. An independent expert appointed by IRC had confirmed that applying such rate on Petropavlovsk's maximum potential exposure was not unreasonable.

Petropavlovsk was a connected person of the Group and guarantee fees payable to Petropavlovsk during the year ended 31 December 2021 are set out in note 36, Related Party Disclosures, to the consolidated financial statements. Petropavlovsk is no longer a connected person of the Group nor a guarantor of the Gazprombank Facility after it announced of the disposal of its entire shareholding in the Company on 3 December 2021. The Gazprombank Facility is not guaranteed by any party and the Group ceased accruing for any guarantee fee payments. Subsequent to 31 December 2021, Gazprombank has assigned its rights under the Gazprombank Facility to MIC invest Limited Liability Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 81 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

During the year, Messrs. Deloitte Touche Tohmatsu was appointed as the auditor of the Company. A resolution to appoint the auditor of the Company will be proposed at the forthcoming Annual General Meeting. There has been no change in auditor in the preceding 3 years.

REVIEW BY THE AUDIT COMMITTEE

The audited financial statements have been reviewed by the Audit Committee of the Company. At the time of conducting this review, the Audit Committee comprised of three Independent Non-Executive Directors: Raymond Kar Tung Woo, Daniel Rochfort Bradshaw and Jonathan Eric Martin Smith. Raymond Kar Tung Woo is the Chairman of the Audit Committee.

On behalf of the Board

Peter Hambro
Chairman

30 March 2022

As at 31 December 2021, the Board composes of the following directors with a collective expertise covering the resource sector and complementary industries, in addition to deep experience in the geographical regions where IRC operated. The Board formally meets at least four times a year. In addition, numerous sub-committee meetings, information events and director training sessions are held, including site visits to IRC's operations and regional offices. The strategic leadership of IRC is the responsibility of a unitary and balanced board, which comprises a healthy composition of Executive Director, Non-Executive Directors and Independent Non-Executive Directors.

Peter Charles Percival Hambro
Chairman

Mr Hambro, 77, is the Chairman of IRC and the Nomination Committee of IRC. He was an Executive Director and the Chairman of the board of directors of Petropavlovsk PLC, a company listed on the Main Market of the London Stock Exchange, for 23 years until June 2017. Mr Hambro was a Director of a number of other public companies listed on the London Stock Exchange and has spent more than 35 years in the metals business. He was the Deputy Managing Director of London-based bullion trader, Mocatta and Goldsmid Limited, and served on the Mocatta Group Executive Committee. He is the Chairman of Peter Hambro Limited and founded Peter Hambro Mining PLC, now renamed Petropavlovsk PLC, with Dr Pavel Maslovskiy. Mr Hambro is also a Director of XAU Resources Inc., a company whose shares are listed on the Toronto Ventures Exchange and a number of unlisted family companies.

Mr Bradshaw, 75, is the Deputy Chairman, Senior Independent Non-Executive Director and Chairman of the Health, Safety and Environment Committee of IRC. He worked for most of his career as a solicitor and resigned from Mayer Brown in Hong Kong in March 2019. Mr Bradshaw holds an LLB and LLM in Law. He is a Director of the Kadoorie Farm & Botanic Garden Corporation, and the Chairman of the World Wide Fund for Nature Hong Kong.

Daniel Rochfort Bradshaw
Deputy Chairman

Yury Makarov
Chief Executive Officer

Mr Makarov, 47, is the Chief Executive Officer of IRC. He began his career at NT Computers as an engineer, and later Commercial Director, with responsibility for sales, service and support. In 2002, he joined Aricom as COO and subsequently Petropavlovsk PLC as the Group Head of Industrial Commodity Operations, before taking up his current role at IRC in 2010. Mr Makarov is a qualified systems engineer with a degree in avionics design and production from the Moscow State Aircraft Technology Institute.

Mr Kotlyarov, 43, was re-designated as an Executive Director and Deputy CEO of IRC on 4 March 2022. He joined the Group (previously known as LLC Petropavlovsk - Iron Ore, and LLC Aricom) in 2005 as Finance Director, a role which transferred to IRC in 2010. Mr Kotlyarov served as the CFO of the Company from 2015 to February 2020. In February 2020, he joined Petropavlovsk PLC, a substantial shareholder of IRC at that time, as CFO and was re-designated as a Non-Executive Director of IRC. Mr Kotlyarov was an executive director of Petropavlovsk PLC from 21 April 2020 until 30 June 2020. In January 2022, he relinquished the Petropavlovsk CFO position to become an advisor of Petropavlovsk PLC. Before joining IRC, Mr Kotlyarov gained extensive financial management work experience in various international companies. He holds a BA in Management from Moscow State University and a MA in International Economics from the Moscow State Institute of International Relations. He is a fellow member of the ACCA, CFA charter holder and has a professional diploma in civil and industrial construction.

Danila Kotlyarov

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jonathan Eric Martin Smith

Mr Martin Smith, 63, is the Chairman of the Remuneration Committee of IRC. He is also a Non-Executive Director of Mining Minerals and Metals PLC (MMMplc). He has stepped down as a partner of the specialist mining advisory firm Legacy Hill Capital to take up being Chief Executive Officer of Sumner Group Mining PLC (previously known as VI Mining PLC). He was the founder of London based Smith's Corporate Advisory, which sold to UK stockbroker Westhouse Holdings in 2010, where he subsequently headed the mining practice. Prior to establishing his own firm, he worked at UBS, Credit Suisse and Williams de Broe. He served as a Temporary Independent Non-Executive Director of Petropavlovsk PLC for the months of July and August 2020.

Mr Woo, 52, is the Chairman of the Audit Committee of IRC. He was re-designated as an Independent Non-Executive Director of IRC on 5 January 2018. Mr Woo began his career at Arthur Andersen, then an investment banker at ING, CITIC Securities and Credit Suisse. He holds a Bachelor of Commerce from The University of New South Wales and is a member of the Australian Society of Certified Practising Accountants and a fellow of the HKICPA. He is an Independent Non-Executive Director of Yuanda China and SMIT Holdings. Before being re-designated as Non-Executive Director on 25 March 2015 and then as Independent Non-Executive Director on 5 January 2018, he was the Executive Director, CFO and Company Secretary of IRC.

Raymond Kar Tung Woo

Martin Joseph Davison

Mr Davison, 42, qualified as a barrister before becoming a corporate financier focusing on natural resources. He has extensive experience in corporate finance, debt and equity fundraising, initial public offerings and merger and acquisition mandates. Mr Davison is a founding Director of Tanjun Capital Limited, a provider of debt financing solutions to junior and mid-tier mining companies. He is also a Director of HPD Software Limited and Zambia Rare Earth and Phosphates Resources Limited. Mr Davison was an Independent Non-Executive Director of Sumner Group Mining PLC (previously known as VI Mining PLC). He was previously a Managing Director of Canaccord Genuity Limited, an investment banking and financial services company specialises in wealth management and brokerage in capital markets.

Dr Maslovskiy, 65, a professional metallurgist, co-founded Petropavlovsk PLC with Mr Peter Hambro in 1994 with a single greenfield licence in the Amur region, organically expanding the business into one of Russia's largest gold mining companies. He was the CEO of Petropavlovsk PLC. Prior to embarking on his business career, Dr Maslovskiy was a Professor of Metallurgy at the Moscow Aircraft Technology Institute. He is the author of more than 100 printed scientific papers, copyright certificates and co-author of various textbooks in the field of metallurgy. Dr Maslovskiy's achievements and contribution to the Russian mining industry and society has been recognised with awards from the Ministry of Education, the Administration of the President of the Russian Federation and the Administration of the Amur Region.

Dr Pavel Maslovskiy

Johnny Shiu Cheong Yuen

Mr Yuen, 49, joined IRC in 2010 before the listing of the Company. He serves in various senior positions of IRC and has been heading up the finance function of the Group since the beginning of 2020. Mr Yuen is the CFO of the Company and he began his career in KPMG and has over 25 years of financial management, accounting, auditing and administration experience, including working in various senior positions of listed companies in Hong Kong. He is a fellow member of the HKICPA and the ACCA. He holds a MBA from the Manchester Business School of University of Manchester. He is an Independent Non-Executive Director of G-Vision International (Holding) Limited.

Deloitte 德勤

TO THE MEMBERS OF IRC LIMITED
鐵江現貨有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of IRC Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 116 to 204, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
We identified the impairment assessment of property, plant and equipment as a key audit matter due to the inherent subjectivity within the estimation of the present value of the future cash flows over the life of the assets. Given the significance of the carrying amount, our focus has been on the impairment assessment of the carrying values of the property, plant and equipment held by a wholly-owned subsidiary, LLC KS GOK ("K&S Assets"). The recoverable amounts of the K&S Assets have been determined based on a value-in-use calculation which includes judgements and estimations by management of key variables and market conditions including the expected production capacity of the K&S Assets, ore reserve estimates, future iron ore prices, capex and operating costs. These calculations require the use of estimates of future cash flows based on projected income and expenses of the K&S Assets and working capital needs over the life of the mine.	Our procedures in relation to the impairment assessment of property, plant and equipment included: • Obtaining an understanding of the process over the annual impairment assessment including the Group's assessment of impairment indicators, preparation of the cash flow forecasts, setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amount over the life of the mine; • Testing the reasonableness of assumptions and the inputs used to determine the cash flow forecasts against historical performance, ore reserve estimate surveys, economic and industry indicators, publicly available information such as iron ore pricing forecasts and the Group's strategic plans;

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment (continued)	
Management is also required to determine an appropriate discount rates in order to calculate the present values of those cash flows. Changes in the key assumptions on which the recoverable amount of the assets are based could significantly affect the Group's assessment resulting in future impairment losses being recognised or previously recognised impairment losses being further reversed. As stated in note 8 to the consolidated financial statements, the Group has performed an impairment assessment of the property, plant and equipment which resulted in no further impairment or a reversal of previously recognised impairment losses.	• Involving our internal valuation specialists to assess the appropriateness of the mining plan, ore reserves, revenue and expenditure assumptions, discount rate, the valuation methodology, technical information provided by the management and the key assumptions used in the valuation model against external benchmarks; • Checking the underlying calculations used in the Group's assessment and performing sensitivity testing of the inputs used; and • Evaluating the sensitivity analysis performed by the management on the inputs used to evaluate the extent of impact on the estimated future cash flows.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Stephen David Smart.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2022

For the year ended 31 December 2021

	NOTES	2021 US$'000	2020 US$'000
Revenue	5	**371,279**	224,591
Operating expenses, excluding depreciation and amortisation	7	**(202,786)**	(149,027)
Depreciation and amortisation	7	**(27,021)**	(28,818)
Reversal of impairment losses	8	**-**	75,832
Other income, gains and losses	9	**10,874**	5,149
Allowance for financial assets measured at amortised costs	35	**(5)**	(458)
Financial costs	10	**(18,238)**	(25,157)
Profit before taxation		**134,103**	102,112
Income tax expense	11	**(52)**	(1,602)
Profit for the year		**134,051**	100,510
Profit (loss) for the year attributable to:			
Owners of the Company		**134,069**	100,551
Non-controlling interests		**(18)**	(41)
		134,051	100,510
Earnings per share (US cents)	15		
Basic		**1.89**	1.42
Diluted		**1.89**	1.42

For the year ended 31 December 2021

	2021 US$'000	2020 US$'000
Profit for the year	**134,051**	100,510
Other comprehensive (expense) income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(175)**	(1,393)
Fair value loss on hedging instruments designated in cash flow hedges	**(10,594)**	(6,818)
Release of fair value loss on hedging instruments in cash flow hedges	**10,585**	11,112
Total comprehensive income for the year	**133,867**	103,411
Total comprehensive income (expense) attributable to:		
Owners of the Company	**133,892**	103,668
Non-controlling interests	**(25)**	(257)
	133,867	103,411

At 31 December 2021

	NOTES	2021 US$'000	2020 US$'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	16	**20,426**	20,165
Property, plant and equipment	17	**551,907**	566,016
Right-of-use assets	18	**3,458**	7,025
Interest in a joint venture		**–**	–
Inventories	20	**11,389**	14,470
Other non-current assets		**–**	11
		587,180	607,687
CURRENT ASSETS			
Inventories	20	**43,876**	30,130
Trade and other receivables	19	**25,961**	22,924
Other financial assets	27	**–**	9
Time deposits	21	**586**	–
Bank balances	22	**51,543**	20,371
		121,966	73,434
TOTAL ASSETS		**709,146**	681,121
CURRENT LIABILITIES			
Trade and other payables	23	**(67,193)**	(72,977)
Lease liabilities	28	**(3,684)**	(3,528)
Income tax payable		**(250)**	(1,393)
Borrowings – due within one year	26	**(19,916)**	(20,082)
		(91,043)	(97,980)
NET CURRENT ASSETS (LIABILITIES)		**30,923**	(24,546)
TOTAL ASSETS LESS CURRENT LIABILITIES		**618,103**	583,141
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**(2,291)**	(2,609)
Provision for close down and restoration costs	29	**(6,745)**	(12,554)
Lease liabilities	28	**–**	(3,694)
Borrowings – due more than one year	26	**(92,688)**	(181,998)
		(101,724)	(200,855)
TOTAL LIABILITIES		**(192,767)**	(298,835)
NET ASSETS		**516,379**	382,286

At 31 December 2021

	NOTE	2021 US$'000	2020 US$'000
CAPITAL AND RESERVES			
Share capital	24	**1,285,482**	1,285,158
Capital reserve		**17,984**	17,984
Reserves		**17,960**	18,235
Accumulated losses		**(804,601)**	(938,670)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**516,825**	382,707
NON-CONTROLLING INTERESTS		**(446)**	(421)
TOTAL EQUITY		**516,379**	382,286

The consolidated financial statements on pages 116 to 204 were approved and authorised for issue by the board of directors on 30 March 2022 and are signed on its behalf by:

Yury Makarov	**Danila Kotlyarov**
DIRECTOR	*DIRECTOR*

For the year ended 31 December 2021

	Total attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital US$'000	Capital reserve[a] US$'000	Share-based payment reserve US$'000	Translation reserve US$'000	Hedging reserve US$'000	Other reserve[b] US$'000	Accumulated losses US$'000	Sub-total US$'000	US$'000	US$'000
Balance at 1 January 2020	1,285,158	17,984	16,806	(22,043)	(4,285)	23,766	(1,039,221)	278,165	(164)	278,001
Profit (Loss) for the year	–	–	–	–	–	–	100,551	100,551	(41)	100,510
Exchange differences on translation of foreign operations	–	–	–	(1,177)	–	–	–	(1,177)	(216)	(1,393)
Fair value loss on hedging instruments designated in cash flow hedges	–	–	–	–	(6,818)	–	–	(6,818)	–	(6,818)
Release of fair value loss on hedging instruments in cash flow hedges	–	–	–	–	11,112	–	–	11,112	–	11,112
Total comprehensive (expense) income for the year	–	–	–	(1,177)	4,294	–	100,551	103,668	(257)	103,411
Share-based payment expense	–	–	874	–	–	–	–	874	–	874
Balance at 31 December 2020	1,285,158	17,984	17,680	(23,220)	9	23,766	(938,670)	382,707	(421)	382,286
Profit (Loss) for the year	–	–	–	–	–	–	134,069	134,069	(18)	134,051
Exchange differences on translation of foreign operations	–	–	–	(168)	–	–	–	(168)	(7)	(175)
Fair value loss on hedging instruments designated in cash flow hedges	–	–	–	–	(10,594)	–	–	(10,594)	–	(10,594)
Release of fair value loss on hedging instruments in cash flow hedges	–	–	–	–	10,585	–	–	10,585	–	10,585
Total comprehensive (expense) income for the year	–	–	–	(168)	(9)	–	134,069	133,892	(25)	133,867
Share option exercised (Note 24 and 30)	324	–	(98)	–	–	–	–	226	–	226
Balance at 31 December 2021	1,285,482	17,984	17,582	(23,388)	–	23,766	(804,601)	516,825	(446)	516,379

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

(b) The amounts arose from 1) acquisition of non-controlling interests and deemed contribution arising from the group restructuring for the Company's listing on The Stock Exchange of Hong Kong Limited "the Stock Exchange", 2) transfer of share-based payment reserve upon vesting of share-based awards resulted from difference between the cost of the treasury shares and fair value at grant date of the awarded shares, 3) deemed contribution from General Nice Development Limited ("General Nice"), a shareholder of the Company, for accrued interests on outstanding capital contribution, and 4) direct expenses in relation to the right to subscribe for shares of the Company granted to Tiger Capital Fund (as defined in note 24).

For the year ended 31 December 2021

	NOTES	2021 US$'000	2020 US$'000
OPERATING ACTIVITIES			
Net cash generated from operations	32	**166,327**	62,871
Income tax (paid) refund		**(1,229)**	1,096
NET CASH FROM OPERATING ACTIVITIES		**165,098**	63,967
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and exploration and evaluation assets		**(13,204)**	(5,812)
Time deposits placed	21	**(586)**	–
Time deposits withdrawn	21	**–**	661
Proceeds on disposal of property, plant and equipment		**–**	4,023
Interest received		**36**	44
NET CASH USED IN INVESTING ACTIVITIES		**(13,754)**	(1,084)
FINANCING ACTIVITIES			
Repayment of lease liabilities		**(3,887)**	(3,832)
Repayment of borrowings		**(90,681)**	(20,658)
Interest expenses paid		**(11,245)**	(15,978)
Proceeds on issue of shares upon exercised of share option		**226**	–
Loan guarantee fees paid		**(14,311)**	(5,000)
NET CASH USED IN FINANCING ACTIVITIES		**(119,898)**	(45,468)
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**31,446**	17,415
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**20,371**	3,631
Effect of foreign exchange rate changes		**(274)**	(675)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**51,543**	20,371

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 Hong Kong Stock Exchange (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 and principal place of business of the Company is 6H, 9 Queen's Road Central, Hong Kong. The consolidated financial statements are presented in United States Dollars ("US$"), which is also the functional currency of the Company.

The principal activity of the Company is investment holding. The Group is principally engaged in the production and development of industrial commodities products including iron ore concentrate that are used in industry across the world. The main activities of the Group are carried out in Russia and the Group predominantly serves the Russian and Chinese markets. The activities of the Company's principal subsidiaries are set out in note 37.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year 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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

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

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* ("HKFRS 7").

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

The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	United States dollar London Interbank Offered Rate US$'000
Financial liabilities	
Secured borrowings	112,604

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for secured borrowings measured at amortized cost.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related* amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 *Effective for annual periods beginning on or after 1 April 2021.*
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* (continued)

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities including structured entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (for the sales of iron ore concentrate and shipping service), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease components and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of locomotives and office premises in Russia that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets include:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Floor space of buildings and other assets may be leased to contractors under an operating lease, for use in the construction of mining properties.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. United States dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of the foreign operation attributable to the owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Employee benefits

Retirement benefit costs

The Group does not operate a pension scheme. However, payments are made to defined contribution retirement benefit arrangements for certain employees and these are charged as an expense as they rendered services entitling them to the contributions.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and other providing similar services are measured at fair value at the date of grant.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Share-based payments (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to shareholders

Where share options are granted to shareholders as part of a share subscription of the Company's shares, the components amount is recognised in other reserve in the equity of the Company on a pro-rata basis based on the fair values of the components on the proceeds from the share subscription.

Taxation

Taxation expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

When a group entity's taxable profit or tax loss is determined in a currency other than its functional currency, and consequently, the tax base of its non-monetary assets and liabilities changes in the exchange rate give rise to temporary differences that result in a recognised deferred tax liability or asset subject to the general recognition criteria. The resulting deferred tax is recognised in profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Exploration and evaluation assets

Exploration and evaluation expenditure and mineral rights acquired

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

Exploration and evaluation expenditure comprise costs directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies; and
- Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Exploration and evaluation assets (continued)

Exploration and evaluation expenditure and mineral rights acquired (continued)

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

Property, plant and equipment

Non-mining assets

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

Mine development costs and mining assets

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

Deferred stripping cost in development phase

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

Deferred stripping costs in production phase

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

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

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

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

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

Depreciation

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation (continued)

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

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

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

	Estimated useful life Number of years
Buildings	15–50
Plant and machinery	2–20
Vehicles	5–7
Leasehold improvements	2
Fixtures and equipment	2
Office equipment	2–10
Computer equipment	3–5

Impairment on exploration and evaluation assets, property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its exploration and evaluation assets, property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of exploration and evaluation assets, property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment on exploration and evaluation assets, property, plant and equipment and right-of-use assets (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated to reduce the carrying amount of the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Provision for close down and restoration costs

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided for in the accounting period when the legal or constructive obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provision for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

The unwinding of the discount applied in establishing the net present value of provision is charged to profit or loss for the year. The unwinding of the discount is shown as a financing cost, rather than as an operating cost. Other movements in the provision for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at the end of each reporting period. All costs of continuous rehabilitation are charged to profit or loss as incurred.

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or if appropriate, a shorter period to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is achieved by both selling and to collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset and is included in the "Other income, gains and losses" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other receivables, short-term time deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

For all financial assets except for trade receivables which are measured at fair value, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- *the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's* financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including borrowings, trade and other payables and construction costs payable are subsequently measured at amortised cost, using the effective interest method.

Transaction costs on borrowings

Transaction costs that are directly attributable to the raising of borrowings are recognised on the statement of financial position on an accrual basis. Such costs will be deducted from the fair value of the borrowings on initial recognition (that is, when the relevant borrowings are drawn). They form part of the borrowings and will be accounted for using an effective interest method over the loan period.

Derecognition of financial liabilities

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

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the "other income, gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property, plant and equipment and assessment of cash generating units

The Group reviews the carrying value of its property, plant and equipment to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU. The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs of disposal and value in use.

Management necessarily applies its judgement in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation.

Changes to the assumptions underlying the assessment of the recoverable value may result in changes to impairment charges, either through further impairment charges or reversal of previously recognised impairments, which could have a significant impact on the financial information in future periods. In addition, changes to iron ore prices, ore reserve estimates, operating costs, production capacity and increases in the total forecast cost of planned projects or negative outcomes to exploration and evaluation activities could lead to further impairment charges or reversals in the future. With improvements in the spot iron ore price in the current year, management has revisited the assessment of the recoverable amount of the K&S Project and is confident that the carrying amount of the assets will be recovered in full resulting in no further impairment charge or partial reversal of the impairment charge in the statement of profit or loss for the year ended 31 December 2021 (2020: partial reversal of impairment charge of US$75.8 million).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Ore reserve estimates

The Group estimates its ore reserves and mineral resources based on the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the "JORC Code") or Canadian Institute of Mining, Metallurgy and Petroleum valuation standards ("CIM"). The JORC Code and CIM require the use of reasonable investment assumptions when reporting reserves, including future production estimates, expected future commodity prices and production cash costs.

Ore reserve estimates are used in the calculation of depreciation of mining assets using a units of production method, impairment charges and for forecasting the timing of the payment of closedown and restoration costs. Also, for the purpose of impairment review and the assessment of life of mine for forecasting the timing of the payment of close down and restoration costs, the Group may take into account mineral resources in addition to ore reserves where there is a high degree of confidence that such resources will be extracted.

Ore reserve estimates may change from period to period as additional geological data becomes available during the course of operations or economic assumptions used to estimate reserves change. Such changes in estimated reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values due to changes in estimated future cash flows;

- Depreciation charged in the consolidated statement of profit or loss where such charges are determined by using a units of production method or where the useful economic lives of assets are determined with reference to the life of the mine;

- Provisions for close down and restoration costs where changes in estimated reserves affect expectations about the timing of the payment of such costs; and

- Carrying value of deferred tax assets and liabilities where changes in estimated reserves affect the carrying value of the relevant assets and liabilities.

Exploration and evaluation costs

The Group's accounting policy for exploration and evaluation expenditure results in such expenditure being capitalised for those projects for which such expenditure is considered likely to be recoverable through future extraction activity or sale, or for which the exploration activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether the Group will proceed with development based on existence of reserves or whether an economically viable extraction operation can be established. Such estimates and assumptions may change from period to period as new information becomes available. If, subsequent to the exploration and evaluation expenditure capitalised, a judgement is made that recovery of the expenditure is unlikely or the project is to be abandoned, the relevant capitalised amount will be written off to profit or loss. Management is confident that the carrying amount of the assets will be recovered in full. As at 31 December 2021, the carrying amount of the exploration and evaluation is US$20.4 million (2020: US$20.2 million).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Deferred tax

Recognition of deferred tax assets requires management to assess the likelihood that future taxable profits will be available which the deferred tax asset can be utilised to offset. This requires management to assess future tax profits of the business and the likelihood and timing of these amounts. Details of deferred tax assets from unused tax losses are disclosed in note 25.

5. REVENUE

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

Segments	Mines in production US$'000	Engineering US$'000	Total US$'000
Types of goods or services			
Sale of iron ore concentrate	369,173	–	369,173
Delivery services	1,890	–	1,890
Engineering services	–	216	216
	371,063	216	371,279
Geographical markets			
People's Republic of China ("PRC")	356,003	–	356,003
Russia	15,060	216	15,276
	371,063	216	371,279
Timing of revenue recognition			
A point of time	369,173	–	369,173
Over time	1,890	216	2,106
	371,063	216	371,279

5. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (continued)

For the year ended 31 December 2020

Segments	Mines in production US$'000	Engineering US$'000	Total US$'000
Types of goods or services			
Sale of iron ore concentrate	216,666	–	216,666
Delivery services	7,716	–	7,716
Engineering services	–	209	209
	224,382	209	224,591
Geographical markets			
People's Republic of China ("PRC")	196,932	–	196,932
Russia	27,450	209	27,659
	224,382	209	224,591
Timing of revenue recognition			
A point of time	216,666	–	216,666
Over time	7,716	209	7,925
	224,382	209	224,591

5. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (continued)

Sale of iron ore concentrate (revenue recognised at a point of time)

Revenue from the sale of iron ore concentrate is recognised at a point of time when the control of the goods has been transferred to the customers, being when the iron ore concentrate has been delivered to the agreed location. Customers have to make a deposit ranging from 90% to 100% of the invoiced amount before the delivery with the remaining amount to be paid after delivery and on receipt of the final assay results based on the average market price of the month of shipment. Upon delivery of the goods, the customers have control over the usage of the products and bear the risk of loss in relation to the goods.

Sale of iron ore concentrate with delivery service (multiple performance obligation)

The Group provides a delivery service associated with the sale of iron ore concentrate as a performance obligation separate to the sale of goods. The Group allocates the price of the relevant sale transaction between the goods sold and the distinct performance obligations related to the delivery of the goods and recognises the corresponding revenue over the period of the performance obligation if the amount is significant. Allocation of transaction price to delivery services is based on the best estimate of a similar stand-alone service.

Engineering services

Revenue from provision of engineering services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

All iron ore concentrate sales (including delivery service) and engineering services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires the Group to disclose reportable segments in accordance with internal reports that are provided to the Group's chief operating decision maker. The Group considers its Executive Committee to be the chief operating decision maker. For management purposes, the Group is organised into four operating segments: Mines in Production, Mines in Development, Engineering and Other. These operating segments form the basis on which the Group's Executive Committee makes decisions about resource allocation and performance assessment. No operating segments identified by the Group's Executive Committee have been aggregated in arriving at the reportable segments of the Group. The Group has four operating and reportable segments under HKFRS 8:

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

- Engineering segment ("Engineering"), comprises in-house engineering and scientific expertise related to JSC Giproruda, which is located in Russia.

- Other segment ("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 accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the results generated by each segment without the allocation of general administration expenses, general depreciation, other income, gains and losses, allowance for financial assets measured at amortised cost and financial costs.

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

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

- all assets are allocated to reportable segments other than central cash and cash equivalents; and

- all liabilities are allocated to reportable segments other than deferred tax liabilities and borrowings.

The following is an analysis of the Group's revenue and results by separable and reportable segment.

6. SEGMENT INFORMATION (CONTINUED)
For the year ended 31 December 2021

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	371,063	-	216	-	371,279
Segment revenue	371,063	-	216	-	371,279
Site operating expenses and service costs	(218,250)	(64)	(1,025)	(12)	(219,351)
Site operating expenses and service costs include:					
Depreciation and amortisation	(26,740)	-	(98)	-	(26,838)
Segment profit (loss)	152,813	(64)	(809)	(12)	151,928
General administrative expenses					(10,273)
General depreciation					(183)
Other income, gains and losses					10,874
Allowance for financial assets measured at amortised cost					(5)
Financial costs					(18,238)
Profit before taxation					134,103
Other segment information					
Additions to non-current assets:					
Capital expenditure on property, plant and equipment	12,929	-	3	11	12,943
Exploration and evaluation expenditure capitalised	-	261	-	-	261
Segment assets	676,252	21,240	3,752	4,347	705,591
Central cash and cash equivalents					3,555
Consolidated assets					709,146
Segment liabilities	(66,466)	(242)	(216)	(10,948)	(77,872)
Borrowings					(112,604)
Deferred tax liabilities					(2,291)
Consolidated liabilities					(192,767)

6. SEGMENT INFORMATION (CONTINUED)
For the year ended 31 December 2020

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	224,382	–	209	–	224,591
Segment revenue	224,382	–	209	–	224,591
Site operating expenses and service costs	(166,074)	(81)	(1,102)	(1,178)	(168,435)
Site operating expenses and service costs include:					
Depreciation and amortisation	(28,518)	–	(107)	–	(28,625)
Segment profit (loss)	58,308	(81)	(893)	(1,178)	56,156
General administrative expenses					(9,217)
General depreciation					(193)
Reversal of impairment losses					75,832
Other income, gains and losses					5,149
Allowance for financial assets measured at amortised cost					(458)
Financial costs					(25,157)
Profit before taxation					102,112
Other segment information					
Additions to non-current assets:					
Capital expenditure on property, plant and equipment	5,583	–	–	72	5,655
Exploration and evaluation expenditure capitalised	–	288	–	–	288
Right-of-use assets capitalised	823	–	–	343	1,166
Segment assets	648,755	19,392	3,946	7,453	679,546
Central cash and cash equivalents					1,575
Consolidated assets					681,121
Segment liabilities	(60,174)	(603)	(191)	(33,178)	(94,146)
Borrowings					(202,080)
Deferred tax liabilities					(2,609)
Consolidated liabilities					(298,835)

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For the year ended 31 December 2021

6. SEGMENT INFORMATION (CONTINUED)

Non-current assets by location of assets

The Group's non-current assets are substantially located in Russia.

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group are as follows:

	2021 US$'000	2020 US$'000
Heilongjiang Xianglong International Trading Corporation Limited	**237,890**	180,816
High Hope Zhongtian Corporation	**44,725**	–
Posco International Corporation	**44,303**	–
EVRAZ Group	**–**	27,450

7. OPERATING EXPENSES, INCLUDING DEPRECIATION AND AMORTISATION

	2021 US$'000	2020 US$'000
Site operating expenses and service costs[a]	**219,351**	168,435
General administration expenses[b]	**10,456**	9,410
	229,807	177,845

For the year ended 31 December 2021

7. OPERATING EXPENSES, INCLUDING DEPRECIATION AND AMORTISATION (CONTINUED)

(a) Site operating expenses and service costs

	2021 US$'000	2020 US$'000
Subcontracted mining costs and engineering services	**70,463**	49,219
Freight and shipment costs	**60,508**	38,657
Depreciation and amortisation	**26,838**	28,625
Staff costs	**21,867**	19,735
Materials usage	**15,779**	12,408
Other expenses	**9,135**	8,937
Electricity	**6,178**	7,009
Property tax	**5,540**	5,193
Mineral extraction tax	**5,368**	503
Professional fees*	**5,261**	2,376
Fuel	**1,934**	2,016
Rental fee	**404**	756
Mine development costs capitalised in property, plant and equipment	**(2,600)**	(4,468)
Movement in finished goods and work in progress	**(7,324)**	(2,531)
	219,351	168,435

(b) General administration expenses

	2021 US$'000	2020 US$'000
Staff costs, other than share-based payments	**6,471**	5,956
Professional fees*	**2,815**	1,378
Share-based payments	**–**	874
Other expenses	**750**	771
Rental fee	**237**	238
Depreciation	**183**	193
	10,456	9,410

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

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8. IMPAIRMENT LOSSES/REVERSAL 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 judgment. In making this judgment, 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.

With the continued improvements in K&S Project's production and in the spot iron ore price during the year ended 31 December 2020, management revisited the assessment of the recoverable amount of the K&S Project and resulted in a reversal of the impairment charge of US$75.8 million in the consolidated statement of profit or loss. No further impairment or reversal of impairment have been made in the current year.

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. The real discount rate used was 11.15% (2020: real discount rate 10.65%). Changes in the key assumptions on which the recoverable amounts of the assets are based could significantly affect management's assessment.

As at 31 December 2021, the recoverable amount of the property, plant and equipment and right-of-use assets of the K&S Project is approximately US$552.5 million (2020: US$570 million).

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9. OTHER INCOME, GAINS AND LOSSES

	2021 US$'000	2020 US$'000
Rental income	**4,078**	4,094
Net foreign exchange gain	**704**	7,674
Interest income on cash and cash equivalents	**36**	44
Net gain on disposal of property, plant and equipment	**–**	377
Provision for slow moving inventories	**(334)**	–
Gain on liquidation of Kuranakh project	**12,186**	–
Other provision	**(4,142)**	(7,115)
Others	**(1,654)**	75
	10,874	5,149

10. FINANCIAL COSTS

	2021 US$'000	2020 US$'000
Interest expense on borrowings	**12,229**	16,673
Guarantee fee	**4,923**	6,654
Interest expense on lease liabilities	**408**	870
Unwinding of discount on environmental obligation and long-term construction costs payable	**678**	960
	18,238	25,157

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11. INCOME TAX EXPENSE

	2021 US$'000	2020 US$'000
Current tax:		
Russian Corporate tax	**15**	1,411
Hong Kong Profits tax	**249**	-
	264	1,411
Underprovision in prior years:		
Hong Kong Profits tax	**103**	-
Deferred tax (credit) expense (note 25)	**(315)**	191
	52	1,602

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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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11. INCOME TAX EXPENSE (CONTINUED)

No tax from other jurisdictions has been recognised as the Group had no assessable profit arising in or derived from any other jurisdictions during both years. The charge for the year can be reconciled to profit before taxation per the consolidated statement of profit or loss as follows:

	2021 US$'000	2020 US$'000
Profit before taxation	**134,103**	102,112
Tax at the Russian Corporate tax rate of 20%[a]	**26,821**	20,423
Tax effect of expenses that are not deductible in determining taxable profit	**6,054**	11,193
Tax effect of income that is not taxable in determining taxable profit	**(6,106)**	(16,465)
Tax effect of tax exemption	**(26,588)**	–
Tax effect of utilisation of deductible temporary difference not recognised	**70**	(68)
Tax effect of tax losses not recognised	**413**	–
Tax effect of utilisation of tax losses previously not recognised	**(130)**	(4,125)
Effect of different tax rates of subsidiaries' operations in other jurisdictions	**(302)**	(1,270)
Tax effect arising from exchange adjustments on non-monetary assets	**(283)**	(8,086)
Underprovision in respect of prior years	**103**	–
Income tax expense for the year	**52**	1,602

(a) The Group's major operating subsidiaries are all located in Russia and subject to Russian Corporate tax. Accordingly, Russian Corporate tax rate is applied for tax reconciliation purposes.

12. AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

	2021 US$'000	2020 US$'000
Audit fees		
Fees payable to Group's auditors for the annual audit of the Group's consolidated financial statements	**623**	545

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The aggregate remuneration of employees (including directors) comprised:

	2021 US$'000	2020 US$'000
Wages and salaries	**20,689**	18,788
Social security and other benefits	**7,101**	6,570
Retirement benefit contributions	**548**	333
Share-based payments	**–**	874
	28,338	26,565

	2021 US$'000	2020 US$'000
Directors' emoluments		
Emoluments for executive directors:		
– salaries and other benefits	**781**	759
– performance bonus	**354**	80
– retirement benefit contributions	**98**	91
– share-based payments	**–**	276
Emoluments for non-executive directors:		
– directors' fees	**894**	840
	2,127	2,046

For the year ended 31 December 2021

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

	2021					
	Directors' fees US$'000	Salaries and other benefits US$'000	Performance bonus US$'000	Retirement benefit contributions US$'000	Share-based payments[g] US$'000	Total US$'000
Executive director:						
Yury Makarov	-	781[j]	354[k]	98	-	1,233
Non-executive directors:						
Non-executive directors						
Peter Charles Percival Hambro[a]	204	-	-	-	-	204
Danila Kotlyarov[b]	102	-	-	-	-	102
Denis Alexandrov[c]	-	-	-	-	-	-
Aleksei Kharitontsev[d]	-	-	-	-	-	-
Independent non-executive directors						
Daniel Rochfort Bradshaw	163	-	-	-	-	163
Jonathan Eric Martin Smith	141	-	-	-	-	141
Chuang-fei Li[e]	67	-	-	-	-	67
Martin Joseph Davison	105	-	-	-	-	105
Raymond Woo	112	-	-	-	-	112
	894	781	354	98	-	2,127

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13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

	2020					
	Directors' fees US$'000	Salaries and other benefits US$'000	Performance bonus US$'000	Retirement benefit contributions US$'000	Share-based payments[g] US$'000	Total US$'000
Executive directors:						
Yury Makarov	–	708[f]	80[k]	89	138	1,015
Danila Kotlyarov[b]	–	51	–	2	138	191
Non-executive directors:						
Non-executive directors						
Peter Charles Percival Hambro[a]	166	–	–	–	–	166
Cheng Chi Kin[h]	20	–	–	–	–	20
Danila Kotlyarov[b]	82	–	–	–	–	82
Independent non-executive directors						
Daniel Rochfort Bradshaw	140	–	–	–	–	140
Jonathan Eric Martin Smith	126	–	–	–	–	126
Chuang-fei Li	126	–	–	–	–	126
Simon Murray	20	–	–	–	–	20
Martin Joseph Davison[i]	70	–	–	–	–	70
Raymond Woo	90	–	–	–	–	90
	840	759	80	91	276	2,046

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13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Notes:

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

(b) Relinquished as Executive Director, Chief Financial Officer and Authorised Representative of the Company to accept invitation from Petropavlovsk PLC to be their Chief Financial Officer and re-designated as a Non-executive Director of the Company on 1 February 2020.

(c) Appointed as non-executive director on 19 January 2021 and retired on 8 December 2021.

(d) Appointed as non-executive director on 19 January 2021 and retired on 8 December 2021.

(e) Retired as independent non-executive director on 24 June 2021.

(f) Included in salaries was US$94,000 (2020: US$29,000) paid by subsidiaries.

(g) The share-based payments were recognised in accordance with the accounting policies set out in note 3 and for further details, please refer to note 30.

(h) Retired as non-executive director on 20 March 2020.

(i) Retired as independent non-executive director on 20 March 2020.

(j) Appointed as independent non-executive director on 20 March 2020.

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

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr Yury Makarov is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Five highest paid individuals

For the year ended 31 December 2021, the five highest paid individuals included two directors of the Company (2020: two directors of the Company). The emoluments of the remaining three (2020: three) highest paid individuals for the years ended 31 December 2021 and 2020 are as follows:

	2021 US$'000	2020 US$'000
Employees		
– salaries and other benefits	**1,415**	1,071
– share-based payments	**–**	85
	1,415	1,156

	2021 US$'000	2020 US$'000
Their emoluments were within the following bands:		
HK$2,500,001 to HK$3,000,000 (equivalent to approximately US$320,514 to US$384,614)	**–**	2
HK$3,000,001 to HK$3,500,000 (equivalent to approximately US$384,615 to US$448,718)	**2**	–
HK$3,500,001 to HK$4,000,000 (equivalent to approximately US$448,719 to US$512,821)	**–**	1
HK$4,500,001 to HK$5,000,000 (equivalent to approximately US$576,923 to US$641,026)	**1**	–
	3	3

In both years, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group. None of the directors waived or agreed to waive any emoluments and no other amounts were paid by the Group to the directors, or the five highest paid individuals, as compensation for loss of office during the year.

During the year, certain directors and employees were granted share options, in respect of their services to the Group under share options scheme of the Company. Details of the share option scheme are set out in note 30 to the Group's consolidated financial statements.

14. DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during both years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS PER SHARE

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

Earnings for the year

	2021 US$'000	2020 US$'000
Earnings for the purposes of basic and diluted earnings per ordinary share being profit for the year attributable to owners of the Company	**134,069**	100,551

Number of shares

	2021 Number '000	2020 Number '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per ordinary share	**7,095,736**	7,093,386

The computation of weighted average number of shares for the purpose of diluted earnings per share for the years ended 31 December 2021 and 31 December 2020 does not assume the exercise of share options granted by the Group because the exercise price of those options was higher than the average market price for the Company's shares.

16. EXPLORATION AND EVALUATION ASSETS

	2021 US$'000	2020 US$'000
At the beginning of the year	**20,165**	19,877
Additions	**261**	288
At the end of the year	**20,426**	20,165

Garinskoye, Kostenginskoye and Bolshoi Seym Deposit are classified as exploration and evaluation assets. Additions mainly related to capitalised costs incurred on exploration and evaluation activities.

17. PROPERTY, PLANT AND EQUIPMENT

	Mine development costs US$'000	Mining assets US$'000	Non-mining assets US$'000	Construction in progress US$'000	Total US$'000
COST					
At 1 January 2020	382,813	971,203	55,657	14,452	1,424,125
Additions	5,124	459	72	–	5,655
Transfers	(990)	990	–	–	–
Disposals	–	(2,915)	(8)	–	(2,923)
Exchange adjustments	–	–	(841)	–	(841)
At 31 December 2020	386,947	969,737	54,880	14,452	1,426,016
Additions	12,316	584	43	–	12,943
Transfers	(10,280)	10,280	–	–	–
Disposals	–	(3,653)	(103)	–	(3,756)
Exchange adjustments	(2)	–	(22)	–	(24)
At 31 December 2021	388,981	976,948	54,798	14,452	1,435,179
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2020	(357,252)	(505,494)	(33,621)	(14,452)	(910,819)
Depreciation charge for the year	–	(24,644)	(699)	–	(25,343)
Impairment loss reversed in profit or loss	–	75,832	–	–	75,832
Eliminated on disposals	–	47	8	–	55
Exchange adjustments	–	–	275	–	275
At 31 December 2020	(357,252)	(454,259)	(34,037)	(14,452)	(860,000)
Depreciation charge for the year	–	(22,799)	(655)	–	(23,454)
Eliminated on disposals	–	73	103	–	176
Exchange adjustments	–	–	6	–	6
At 31 December 2021	(357,252)	(476,985)	(34,583)	(14,452)	(883,272)
CARRYING AMOUNTS					
At 31 December 2021	31,729	499,963	20,215	–	551,907
At 31 December 2020	29,695	515,478	20,843	–	566,016

At 31 December 2021 and 2020, the Group did not have any material contractual commitments for the acquisition of property, plant and equipment.

18. RIGHT-OF-USE ASSETS

	Mining assets US$'000	Non-mining assets US$'000	Total US$'000
COST			
At 1 January 2020	12,332	282	12,614
Modifications	823	343	1,166
At 31 December 2020 and 31 December 2021	13,155	625	13,780
ACCUMULATED DEPRECIATION			
At 1 January 2020	(3,081)	(199)	(3,280)
Charge for the year	(3,293)	(182)	(3,475)
At 31 December 2020	(6,374)	(381)	(6,755)
Charge for the year	(3,395)	(172)	(3,567)
At 31 December 2021	(9,769)	(553)	(10,322)
CARRYING AMOUNTS			
At 31 December 2021	3,386	72	3,458
At 31 December 2020	6,781	244	7,025

	2021 US$'000	2020 US$'000
Total cash outflows for lease payments	**4,528**	4,826

During both years, the Group leased an office, equipment and vehicles for its operations. Lease contracts are entered into for fixed term ranging from 1 year to 2 years, and do not have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

19. TRADE AND OTHER RECEIVABLES

	2021 US$'000	2020 US$'000
Trade receivables	**2,415**	6,151
Value-added tax recoverable	**13,513**	9,739
Prepayments to suppliers	**8,237**	5,007
Amounts due from customers under engineering contracts	**15**	15
Other receivables	**1,781**	2,012
	25,961	22,924

Trade receivables are amounts owed from iron ore concentrate sales and services performed under engineering contracts.

Amounts due from customers under long-term engineering contracts in progress are expected to be billed and settled within one year.

Below is an aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period:

	2021 US$'000	2020 US$'000
Less than one month	**2,415**	6,109
One month to three months	**–**	9
Over six months	**–**	33
	2,415	6,151

The Group allows credit period of 3 to 35 days (2020: 7 to 30 days) to individual third party customers. The directors of the Company considered that the carrying value of trade and other receivables is approximately equal to their fair value.

As at 31 December 2021, 100% of the trade receivables (2020: 99%) that are neither past due nor impaired are considered to be of good credit quality based on their settlement history.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group has a concentration of credit risk at 31 December 2021 as 55.6% (31 December 2020: 99.3%) of the total trade receivables was due from the Group's largest customer. The Group has implemented policies that require appropriate credit checks on potential customers before granting credit. The Group has adopted a policy of only dealing with creditworthy counterparties and minimising its risk by receiving substantial upfront payments. The Group's exposure and credit ratings of its counterparties are monitored closely by management. The maximum credit risk of such financial assets is represented by the carrying value of the asset.

In determining recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Details of impairment assessment of other receivables for the year ended 31 December 2021 are set out in note 35.

20. INVENTORIES

	2021 US$'000	2020 US$'000
Current		
Stores and spares	**16,558**	13,217
Ore in stockpiles and work in progress	**23,084**	10,294
Finished goods	**4,234**	6,619
	43,876	30,130

	2021 US$'000	2020 US$'000
Non-current		
Ore in stockpiles (note)	**11,389**	14,470

Note: Ore in stockpiles that is not planned to be processed within twelve months after the reporting period is shown as non-current.

No inventories had been pledged as security during the years ended 31 December 2021 and 2020.

No inventories were written down or recovered to its net realisable value during the years ended 31 December 2021 and 31 December 2020.

The cost of inventory, excluding iron ore concentrate, charged to the consolidated statement of profit or loss and included in site operating expenses and service costs was approximately US$14,317,000 for the year ended 31 December 2021 (2020: US$9,509,000).

21. TIME DEPOSITS

As at 31 December 2021, the Group had short-term US Dollars denominated bank deposits with an original maturity of three to twelve months and bore interest at prevailing market rates that ranged from 5.80% to 7.79% per annum. The Group did not have time deposits as at 31 December 2020.

22. BANK BALANCES

Bank balances comprised cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Cash at banks carry interest at prevailing market rates ranging from 0.08% to 7.50% (2020: 0.01% to 5.93%) per annum as at 31 December 2021.

As of 31 December 2021, the bank balances of US$51,543,000 (2020: US$20,371,000) include US$47,676,000 (2020: US$17,722,000) held by LLC KS GOK, a wholly owned subsidiary of the Group.

23. TRADE AND OTHER PAYABLES

	2021 US$'000	2020 US$'000
Trade payables	**14,911**	7,508
Advances from customers	**1,565**	78
Interest payables	**208**	427
Construction cost payables (Note)	**22,694**	22,694
Accruals and other payables	**27,815**	42,270
	67,193	72,977

The average credit period on purchases of goods and services for the year was 12 days (2020: 14 days).

The directors of the Company consider that the carrying amount of trade creditors and other payables approximates their fair value.

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23. TRADE AND OTHER PAYABLES (CONTINUED)

Below is an aged analysis of the Group's trade creditors based on invoice date:

	2021 US$'000	2020 US$'000
Less than one month	**11,431**	7,453
One month to three months	**3,469**	14
Over three months to six months	**5**	18
Over six months	**6**	23
	14,911	7,508

Note:

Construction cost payables are amounts owed arising from the Engineering Procurement and Construction Contract (the "EPC Contract") entered into between the Group and China National Electric Engineering Corporation ("CNEEC") on 6 December 2010.

The EPC Contract was amended on 14 March 2016 such that LLC KS GOK shall issue a taking-over certificate for the process plant works ("Taking-Over Certificate") on 30 June 2016 to confirm the status of completion of the processing plant. However, the Group had to complete certain works itself, and the time for completion of the K&S Project was extended from 30 June 2016 to 26 July 2016.

Under the EPC Contract, CNEEC is subject to delay penalties on demand basis for the period between the completion date of the infrastructure works and the date of the issuance of the Taking-Over Certificate for the process plant works at US$150,000 per day and the Group may recover the same from CNEEC as a debt. On this basis, a delay penalty amounting to US$3,900,000 has been charged to CNEEC (the "Delay Penalty") in respect of the delay of completion of the processing plant from 30 June 2016 to 26 July 2016.

On 27 December 2016, the Group and CNEEC entered into an additional agreement (the "Additional Agreement") to the EPC Contract that the Taking-Over Certificate would be issued on 31 December 2016.

The Group owes CNEEC a final payment for the construction costs of US$26,594,000 which CNEEC agreed to receive in tranches of US$8,396,000, US$9,099,000 and US$9,099,000 in 2018, 2019 and 2020 respectively. CNEEC agreed to partially offset this final payment with the Delay Penalty of US$3,900,000 and the remaining payment of US$22,694,000 has been measured at amortised cost determined using an effective interest method with an interest rate of 8.16% per annum.

As at 31 December 2021 the Group has made a counter claim of approximately US$75,372,000 (31 December 2020: US$64,885,000) for i) delay penalties in respect of the period from 26 July 2016 until 31 December 2016; ii) performance penalties; and iii) reimbursement of the costs of remedial works against CNEEC which is currently going through an arbitration process.

24. SHARE CAPITAL

Details of the allotment and issuance of ordinary shares by the Company during the years ended 31 December 2021 and 2020 are as follows:

	Number of shares	Share capital US$'000
Issued and fully paid		
At 1 January 2020 and 1 January 2021	7,093,386,381	1,285,158
Share options granted in 2015 exercised in May 2021	1,328,000	73
Share options granted in 2017 exercised in September 2021	5,000,000	251
At 31 December 2021	7,099,714,381	1,285,482

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.

Half of Option Shares granted (30,000,000 Option Shares) expired in December 2021. At 31 December 2021, the remaining 30,000,000 (2020: 60,000,000) Option Shares granted remained outstanding. No Option Shares granted were exercised during the year ended 31 December 2021.

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

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25. DEFERRED TAX LIABILITIES

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the year.

	Property, plant and equipment US$'000	Engineering contracts US$'000	Tax losses US$'000	Foreign exchange movements US$'000	Other temporary differences US$'000	Total US$'000
At 1 January 2020	(651)	–	48,327	(50,159)	(39)	(2,522)
Credit (charge) to profit or loss	19	–	(8,332)	8,086	36	(191)
Exchange adjustments	105	–	–	–	(1)	104
At 31 December 2020	(527)	–	39,995	(42,073)	(4)	(2,609)
Credit (charge) to profit or loss	28	10	(6)	283	–	315
Exchange adjustments	3	–	–	–	–	3
At 31 December 2021	(496)	10	39,989	(41,790)	(4)	(2,291)

At 31 December 2021 and 2020, the Group had unused tax losses of approximately US$214,548,000 and US$315,916,000 respectively.

On 30 November 2016, an amendment to the Russian Tax Code was enacted that, effective from 1 January 2017 (i) the limitation regarding the utilisation of loss carry forwards up to 50% of taxable profit in the tax period will expire beginning in 2021; and (ii) the current 10-year carry forward period for losses will be eliminated, hence, it will be possible to fully utilise loss carry forwards against the corporate tax base in a given year from 2021 onwards. Further losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

In relation to these unused tax losses, deferred tax assets of US$6,000 have been utilised in 2021 in respect of approximately US$199,944,000 of unused tax losses and US$8,332,000 have been utilised in 2020 in respect of approximately US$199,974,000 of unused tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately US$14,604,000 after US$102,754,000 tax loss effect on Kuranakh project liquidation (2020: US$115,942,000) due to the unpredictability of future taxable profit streams.

At 31 December 2021, the Group had deductible temporary difference of approximately US$2,089,000, in respect of temporary differences arising on the sale of iron ore concentrate and certain costs capitalised in "Mine development costs" under property, plant and equipment when they were under development in prior years (2020: approximately US$1,741,000). No deferred tax asset has been recognised in respect of these deductible temporary differences as they are insignificant.

The Group did not record a deferred tax liability in respect of withholding tax that would be payable on the unremitted earnings associated with investments in its subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and did not intend to reverse them in the foreseeable future. These subsidiaries are incorporated in Russia and subject to the Russian Corporate tax rate of 20%. Unremitted earnings that would be subject to withholding tax amount to approximately US$2,558,000 at 31 December 2021 (2020: approximately US$2,707,000). Temporary differences arising from the Group's interests in a joint venture are insignificant.

26. BORROWINGS

	2021 US$'000	2020 US$'000
Bank loans		
Gazprombank JSC	**112,604**	202,045
Other loans		
EPC – Finance LLC	**–**	35
Total	**112,604**	202,080
Secured	**112,604**	*202,045*
Unsecured	**–**	35
	112,604	202,080
Carrying amounts repayable		
Within one year	**19,916**	20,082
More than one year, but not exceeding two years	**20,669**	20,538
More than two years, but not exceeding five years	**72,019**	61,509
More than five years	**–**	99,951
Total	**112,604**	202,080
Presented as:		
Current liabilities	**19,916**	20,082
Non-current liabilities	**92,688**	181,998
	112,604	202,080

Loan from EPC-Finance LLC

On 27 April 2018, LLC Petropavlovsk – Iron Ore, a subsidiary of the Group, obtained an unsecured loan facility of RUB6,000,000 from EPC-Finance LLC, an independent third party. As at 31 December 2020, RUB2,580,000 (equivalent to US$35,000) had been drawn down. The loan carried interest of 11% per annum and was repaid in full on 10 September 2021.

On 10 September 2021, having repaid the outstanding loan principal and interest in full, the Group terminated the credit facility.

26. BORROWINGS (CONTINUED)

Bank loan from Gazprombank JSC

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

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

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

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

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

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

The Gazprombank Facility is secured by i) a charge over the property, plant and equipment with net book value of US$50,887,000, ii) 100% equity share of Kapucius Services Limited in LLC KS GOK and iii) a guarantee from Petropavlovsk PLC until 3 December 2021. Details of the guarantee granted by Petropavlovsk PLC in relation to the Gazprombank Facility Agreement are set out in notes 10 and 36.

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

26. BORROWINGS (CONTINUED)

Bank loan from Gazprombank JSC (Continued)

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

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

b) LLC KS GOK must provide quarterly reporting; and

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

   i) Net Debt/EBITDA ratio:

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

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

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

      Where:

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

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

   ii) Debt Service Coverage Ratio (DSCR):

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

      where DSCR is defined as:

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

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

For the twelve months periods ended 30 June 2021 and 31 December 2021, LLC KS GOK has complied with the Net Debt/EBITDA ratio and the DSCR covenants.

As of 31 December 2021, the total borrowings of US$112,604,000 (31 December 2020: US$202,045,000) was borne by LLC KS GOK, a wholly owned subsidiary of the Group.

For the year ended 31 December 2021

27. OTHER FINANCIAL ASSETS

	Current	
	2021	2020
	US$'000	US$'000
Derivatives under hedge accounting		
Cash flow hedges – Currency Swap Contracts	–	9

Cash flow hedges

At 31 December 2021, the Group had no outstanding commodity zero-cost collars and put contracts and currency zero-cost collars contracts.

During the year ended 31 December 2021, the net loss on change in fair value of the commodity and currency zero-cost collars contracts under cash flow hedges amounting to US$10,594,000 (31 December 2020: loss on change in fair value of the commodity and currency swap contracts and zero-cost collars contracts under cash flow hedges amounting to US$6,818,000) has been recognised in other comprehensive income. The fair value losses of the commodity zero-cost collar amounting to US$10,793,000 (31 December 2020: the fair value losses of the commodity swaps and zero-cost collar amounting to US$11,851,000) and the fair value gains of the currency zero-collars amounting to US$208,000 (31 December 2020: US$739,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss upon the settlement.

For the year ended 31 December 2021

28. LEASE LIABILITIES

	2021 US$'000	2020 US$'000
Lease liabilities payable:		
Within one year	**3,684**	3,528
Within a period of more than one year but not more than two years	**–**	3,694
	3,684	7,222
Less: Amount due for settlement within 12 months shown under current liabilities	**(3,684)**	(3,528)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	3,694

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2021 US$'000	2020 US$'000
Russian Roubles	**3,610**	6,978
Hong Kong Dollars	**74**	244

29. PROVISION FOR CLOSE DOWN AND RESTORATION COSTS

	2021 US$'000	2020 US$'000
At the beginning of year	**12,554**	17,461
Unwinding of discount	**678**	960
Exchange adjustments	**(23)**	(2,870)
Gain on liquidation of Kuranakh project	**(2,859)**	–
Change in estimate	**(3,605)**	(2,997)
At the end of year	**6,745**	12,554

The provision represents amounts recognised in relation to mine closure, site and environmental restoration costs which are based on estimates provided by in-house engineers and geologists.

The amount represents the obligation recognised for the K&S Project, which is located in the Jewish Autonomous Region (EAO) of the Russian Federation. The related obligation for the K&S Project has been recognised using an effective interest rate of 8.4% (2020: 7.0%) per annum with the expected timing of cash outflows on the closure of mining operation currently estimated to be after 2056.

30. SHARE-BASED PAYMENTS TRANSACTIONS

Share Option Scheme

In November 2015, the Company adopted a share option scheme ("Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees that will expire on 19 November 2025. Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options (the "Options") to any directors and employees of the Group to subscribe for shares of the Company at a price which shall be at least the higher of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant. The Board shall specify in an offer letter a date by which a grantee must accept the offer, being a date no later than 28 days after the date on which the option is offered or the date on which the conditions for the offer are satisfied. Payment of an option price of HK$1.00 shall be made upon acceptance of the offer.

30. SHARE-BASED PAYMENTS TRANSACTIONS (CONTINUED)

Share Option Scheme (continued)

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue on the date of commencement of dealings in the shares of the Company on the Stock Exchange, unless the Company obtains further approval from the shareholders.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

Share Options granted in 2015

On 20 November 2015, 228,000,000 share options were granted to the Company's selected employees and directors. The exercise price is HK$0.315 per share, which was higher than the closing price of the Company's shares on the date of grant of HK$0.246 per share.

Of the total 228,000,000 share options, 87,000,000 share options were granted to directors of the Company, and 141,000,000 share options were granted to certain employees of the Group. The share options are valid for a period of 10 years from the date of grant and are subject to the vesting periods as follows:

- one-third of the Options granted to each Grantee shall vest on 19 November 2016;
- one-third of the Options granted to each Grantee shall vest on 19 November 2017; and
- one-third of the Options granted to each Grantee shall vest on 19 November 2018.

Each one-third tranche of the share options granted in 2015 are subject to the following vesting conditions:

- 25% of the tranche vesting relates to the achievement of certain production targets;
- 25% of the tranche vesting relates to profitability;
- 25% of the tranche vesting relates to the growth and development of the Group; and
- 25% of the tranche vesting relates to the meeting of certain health, safety and environmental requirements.

30. SHARE-BASED PAYMENTS TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Share Options granted in 2015 (Continued)

To address the dilutive effect of the Company's share placement which completed on 30 December 2016 (please refer to note 24 for details of the placement), the exercise price and the aggregate number of share options granted on 20 November 2015 have been adjusted to HK$0.296 and 242,328,035, respectively. One-third of the share options granted (80,776,011 share options) were due to vest in 2016, subject to the achievement of certain performance targets during the vesting period. However, as the K&S Project was not in commercial production so the grantees were not in the position to deliver on certain performance targets, the board of directors has determined that 50% of the share options that were due for vesting in 2016 (i.e. 40,388,008 share options) vested in 2017. As such, 40,388,003 share options vested in 2016 and became exercisable. However, in 2017, 15,499,783 share options were forfeited due to cessation of employment. One-third (37,288,055 share options) of the remaining share options (111,864,152 share options) due to vest in 2017 have been cancelled as approved by the remuneration committee of the Company and the effect of accelerating the expense is not significant. On 19 November 2018, the vesting period for share option granted in 2015 ended. 74,576,097 share options granted were due to vest. Other than 9,322,016 share options were cancelled as approved by the remuneration committee of the Company, the remaining 65,254,081 share options were fully vested.

As at 31 December 2021, the number of exercisable share options under the scheme is 178,890,181 (31 December 2020: 180,218,181), representing 2.52% of the issued number of shares of the Company (31 December 2020: 2.54%). 1,328,000 (2020: nil) share options granted in 2015 were exercised during the year ended 31 December 2021.

Share Options granted in 2017

On 29 September 2017, 296,400,000 share options were granted to the Company's selected employees and directors. The exercise price is HK$0.2728 per share, which was higher than the closing price of the Company's shares on the date of grant of HK$0.248 per share.

Of the total 296,400,000 share options, 111,600,000 share options were granted to directors of the Company, and 184,800,000 share options were granted to certain employees of the Group. The share options are valid for a period of 5 years from the date of grant and are subject to the vesting periods as follows:

- one-third of the Options granted to each Grantee shall vest on 28 September 2018;
- one-third of the Options granted to each Grantee shall vest on 28 September 2019; and
- one-third of the Options granted to each Grantee shall vest on 28 September 2020.

30. SHARE-BASED PAYMENTS TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Share Options granted in 2017 (Continued)

Each one-third tranche of the share options granted in 2017 are subject to the following vesting conditions:

- 25% of the tranche vesting relates to the achievement of certain production targets;
- 25% of the tranche vesting relates to profitability;
- 25% of the tranche vesting relates to the growth and development of the Group; and
- 25% of the tranche vesting relates to the meeting of certain health, safety and environmental requirements.

In 2018, one-third of the share options granted (98,800,000 share options) were due to vest, subject to the achievement of certain performance targets during the vesting period. After assessing the level of achievement of the performance targets, 12,350,000 share options have been cancelled and 86,450,000 share options were vested.

In 2019, 24,800,000 share options were forfeited due to cessation of employment. Half of the remaining share options granted (86,400,000 share options) were due to vest. After assessing the level of achievement of the performance targets, 43,200,000 share options have been vested, and 43,200,000 share options have been cancelled. The effect of accelerating the expense was not significant.

In 2020, the vesting period for share options granted in 2017 ended and the Company assessed that all the vesting conditions were fulfilled. The remaining 86,400,000 share options granted have been fully vested.

At 31 December 2021, 211,050,000 (2020: 216,050,000) share options granted remained outstanding under the scheme. The number of exercisable share options under the scheme is 211,050,000 (2020: 216,050,000), representing 2.97% of the issued number of shares of the Company as at 31 December 2021 (2020: 3.05%). 5,000,000 (2020: nil) share options were exercised during the year ended 31 December 2021.

The fair value of the share options granted during the year ended 31 December 2017 was approximately HK$34,829,000 and was determined using the Binomial valuation model by an independent valuer, RSM Consulting (Hong Kong) Limited with value per option in the range of HK$0.1096 to HK$0.1236. The significant inputs into the model are as follows:

Share price, at the grant date (HK$)	0.248
Exercise price (HK$)	0.2728
Expected volatility (%)	62.50
Expected dividend yield (%)	-
Expected share option life (years)	5
Annual risk-free interest rate (%)	1.29

30. SHARE-BASED PAYMENTS TRANSACTIONS (CONTINUED)

Share Option Scheme (Continued)

Share Options granted in 2017 (Continued)

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous five years at the date of the valuation.

The Binomial valuation model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The expected share option life is based on the share option maturity period of 5 years.

The amount expensed under the Share Option Scheme during the year ended 31 December 2021 was nil (2020: US$874,000).

31. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF") for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The contributions charged to the consolidated statement of profit or loss for the year ended 31 December 2021 amounted to US$450,000 (2020: US$244,000) and represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

The Group also makes contribution to its Director who participates in plan which targets a retirement benefit. The total amount is charged to the consolidated statement of profit or loss for the year ended 31 December 2021 is US$98,000 (2020: US$89,000).

As at 31 December 2021, contributions of US$28,000 (2020: US$14,000) due in respect of the year ended 31 December 2021 (2020) had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

32. NOTES TO THE CASH FLOW STATEMENTS

(a) Reconciliation of profit before taxation to cash generated from operations

	2021 US$'000	2020 US$'000
Profit before taxation	**134,103**	102,112
Adjustments for:		
Depreciation of property, plant and equipment	**23,454**	25,343
Depreciation of right-of-use assets	**3,567**	3,475
Financial income	**(36)**	(44)
Financial costs	**18,238**	25,157
Net gain on disposal of property, plant and equipment	**–**	(377)
Reversal of impairment losses	**–**	(75,832)
Share-based payments expense	**–**	874
Net foreign exchange gain	**(496)**	(6,935)
Provision for slow moving inventories	**334**	–
Other provision	**4,142**	7,115
Gain on liquidation of Kuranakh project	**(12,186)**	–
Other non-cash adjustments	**(265)**	458
Operating cash flows before movements in working capital	**170,855**	81,346
Increase in inventories	**(10,999)**	(4,505)
Increase in trade and other receivables	**(7,040)**	(9,991)
Increase (decrease) in trade and other payables	**13,511**	(3,979)
Net cash generated from operations	**166,327**	62,871

(b) Major non-cash transactions

There were no major non-cash transactions during the years ended 31 December 2021 and 2020.

32. NOTES TO THE CASH FLOW STATEMENTS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings US$'000 (Note 26)	Amount due to Petropavlovsk PLC included in other payables US$'000	Lease liabilities US$'000 (Note 28)	Total US$'000
At 1 January 2020	221,907	10,617	10,926	243,450
Financing cash flow	(36,636)	(5,000)	(3,832)	(45,468)
Interest expense (borrowings)	16,673	–	–	16,673
Interest expense (leases)	–	–	870	870
Loan guarantee fee	–	6,654	–	6,654
Lease modification	–	–	1,166	1,166
Exchange differences	136	–	(1,908)	(1,772)
At 31 December 2020	202,080	12,271	7,222	221,573
Financing cash flow	(101,926)	(14,311)	(3,887)	(120,124)
Interest expense (borrowings)	12,229	–	–	12,229
Interest expense (leases)	–	–	408	408
Loan guarantee fee	–	4,923	–	4,923
Other payables	–	(7)	–	(7)
Exchange differences	221	–	(59)	162
At 31 December 2021	112,604	2,876	3,684	119,164

Financial Review

33. OPERATING LEASE

The Group as a lessor

The Group earned property rental income of approximately US$4,078,000 during the year ended 31 December 2021 (2020: US$4,094,000), relating to i) the sub-let of part of the floor space of buildings owned by JSC Giproruda and ii) machineries and wagons subleased by LLC KS GOK, both subsidiaries of the Group. At 31 December 2021 and 2020, the Group had contracted with tenants for minimum lease payments due within eleven months. The total minimum lease payment is approximately US$566,000 and US$546,000 as at 31 December 2021 and 2020, respectively.

	2021 US$'000	2020 US$'000
Within one year	**566**	546

34. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to optimise the weighted average cost of capital and tax efficiency subject to maintaining sufficient financial flexibility to undertake its investment plans.

The capital structure of the Group consists of net debt, which includes borrowings net of bank balances and equity attributable to owners of the Company, comprising issued capital and reserves.

35. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

For the year ended 31 December 2021

35. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

	Carrying value as at 31 December 2021 US$'000	Carrying value as at 31 December 2020 US$'000
Financial assets		
Financial assets at FVTPL	**2,415**	6,151
Financial assets at amortised cost	**53,925**	22,398
Derivative instruments designated in cash flow hedge relationships	**-**	9
Financial liabilities		
Amortised cost	**(155,883)**	(254,946)

Financial risk management objectives

The Group's activities expose it to other price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central finance department and all key risk management decisions are approved by the board of directors. The Group identifies and evaluates financial risks in close cooperation with the Group's operating units.

Other price risk

The Group's trade receivables and derivative financial instruments are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to commodity price risk in relation to the trade receivables and derivative financial instruments.

Sensitivity analysis

The Group's sensitivity to the trade receivables and derivative financial instrument is not significant.

35. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk management

The group entities undertake certain transactions denominated in foreign currencies, principally Pounds Sterling, US$, Euros, Hong Kong Dollars ("HK$"), Renminbi and Russian Roubles, which exposes the Group to exchange rate risk associated with fluctuations in the relative values of Pounds Sterling, US$, Euros, HK$ and Russian Roubles.

Exchange rate risks are mitigated to the extent considered necessary by the board of directors of the Company, through holding the relevant currencies for future settlement. At present, the Group does not undertake any foreign currency transaction hedging.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Group at the reporting date are as follows:

	Assets		Liabilities	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Russian Roubles	**6,291**	1,318	**32,333**	38,092
US$	**14**	16	**–**	–
Renminbi	**17**	17	**–**	–
Pounds Sterling	**–**	–	**1**	128
HK$	**144**	230	**2,994**	252

Foreign currency sensitivity analysis

The Group is mainly exposed to exchange rate movements between US$ and Russian Roubles. The following table details the Group's sensitivity to a 25% (2020: 25%) change in exchange rate of functional currency (i.e. US$) of the group entities against the relevant foreign currency (i.e. Russian Roubles) for the year. The percentage change analysed represents management's assessment of a reasonably possible change in foreign currency rates. No sensitivity analysis is presented for foreign currency fluctuation between US$ against HK$ because HK$ is pegged to US$. The exposure to other currencies are limited, hence no sensitivity analysis is presented.

A positive number below indicates an increase in post-tax profit where the functional currency of the group entities strengthen 25% against Russian Roubles. For a 25% weakening of functional currency of the group entities against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss.

	Russian Rouble currency impact	
	2021 US$'000	2020 US$'000
Profit or loss	**5,208**	7,355

The Group's policy is to hold a portion of its cash equivalents in Russian Roubles to cover its exposure arising on capital and operational expenditures incurred in Russian Roubles.

35. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk management

The Group is exposed to fair value interest rate risk mainly in relation to fixed rate construction costs payable, borrowings (see note 26 for details), lease liabilities and cash flow interest rate risk in relation to variable-rate borrowings (see note 26 for details of these borrowings). The Group's policy is to maintain borrowings at variable rates.

The Group's exposure to interest rates on financial liabilities and lease liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR arising from the Group's US dollar denominated borrowings. The Group did not enter into any interest rate swaps to hedge against its exposure to cash flow interest risk.

The Group is also exposed to cash flow interest rate risk through the holding of cash and cash equivalents and time deposits. The interest rates attached to these instruments are at floating rates.

If interest rates had been 100 basis points higher/lower, and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 would decrease/increase (2020: decrease/increase) by US$179,000 (2020: US$168,000).

Credit risk management and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of the counterparties are monitored by the directors of the Company, and limits have been established to ensure that the aggregate value of transactions is spread amongst approved counterparties.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, except for trade receivables measured at FVTPL, the Group performs impairment assessment for financial assets and other items under the ECL model using a provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 56% (31 December 2020: 99%) of the total trade receivables as at 31 December 2021.

For the year ended 31 December 2021

35. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk management and impairment assessment (Continued)

The table below details the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	2021 Gross carrying amount US$'000	2020 Gross carrying amount US$'000
Financial assets at amortised cost						
Other receivables	(a)	N/A	Low	12-month ECL	**1,801**	2,485
Bank balances		range from AAA to BBB-	N/A	12-month ECL	**51,543**	20,371
Short-term time deposits		*BBB*	*N/A*	*12-month ECL*	**586**	–

Note:

(a) For the purpose of internal credit risk management, the Group uses both publicly available and past due information to assess whether credit risk has increased significantly since initial recognition.

2021	Past due US$'000	Not past due US$'000	Total US$'000
Other receivables	–	**1,801**	**1,801**

2020	Past due US$'000	Not past due US$'000	Total US$'000
Other receivables	–	2,485	2,485

35. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk management and impairment assessment (Continued)

The following table shows the reconciliation of loss allowances that have been recognised for other receivables.

	12m ECL US$'000
As at 1 January 2020	8
Financial instruments recognised during the year	458
Write-off	(8)
As at 31 December 2020	458
Financial instruments recognised during the year	5
Write-off	(458)
As at 31 December 2021	5

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with management. At 31 December 2021, the Group's principal financial liabilities include trade and other payables, borrowings, lease liabilities, construction cost payables and derivative financial liabilities. The management of the Group monitors the level of liquid assets available to the Group and the level of funding required to meet its short, medium and long-term requirements. The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

For the year ended 31 December 2021

35. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management (Continued)

The following tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the tables have also been drawn up based on the undiscounted contractual cash outflows on derivative instruments that settle on a net basis and the undiscounted gross outflows on those derivative instruments that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weight average interest rate %	Due on demand or within one year US$'000	Due within one to two years US$'000	Due within two to five years US$'000	Due after more than five years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31 December US$'000
As at 31 December 2021							
Non-derivative financial liabilities							
Trade and other payables	-	20.585	–	–	–	20,585	20,585
Borrowings	7.01	20.645	20,645	71.936	–	113,226	112,604
Construction costs payable	8.16	22.694	–	–	–	22,694	22,694
Lease liabilities	10.7	3.888	–	–	–	3.888	3,684
		67.812	20,645	71,936	–	160,393	159,567
As at 31 December 2020							
Non-derivative financial liabilities							
Trade and other payables	–	30.172	–	–	–	30,172	30,172
Borrowings	7.6	20.645	20.680	61.935	100.646	203,906	202.080
Construction costs payable	8.2	22,694	–	–	–	22,694	22.694
Lease liabilities	10.8	4.022	3,909	–	–	7,931	7,222
		77.533	24.589	61,935	100,646	264,703	262,168

For the year ended 31 December 2021

35. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

The fair value of other financial assets and financial liabilities at amortised cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The fair value of trade receivables are measured using quoted market index. The fair value of derivative instruments are measured using quoted swap price and discounted using applicable yield rates for the duration of the instruments.

36. RELATED PARTY DISCLOSURES

Transactions between the Group and its related parties are disclosed below. All of the transactions were reviewed by independent members of the board of directors of the Company.

During the year, the Group entered into the following transactions with related parties:

Related parties

Petropavlovsk PLC, which was a substantial shareholder of the Company until December 2021, and its subsidiaries are considered to be related parties until December 2021.

As disclosed in note 26, Petropavlovsk PLC provided a guarantee to secure the Group's borrowing, the Group has entered into an agreement setting out the terms on which Petropavlovsk PLC provided the guarantee until December 2021.

Stocken Board AG is the substantial shareholder as at 31 December 2021. Together with its subsidiaries, Stocken Board AG is considered to be a related party from December 2021.

Trading transactions

The Group entered into the following transactions relating to the day-to-day operations of the business:

	Services provided[a]		Services received[b]	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	**–**	–	**4,923**	6,654
JSC Pokrovskiy mine	**–**	4,547	**–**	–
JSC Management Company Petropavlovsk	**–**	–	**–**	27
JSC PHM Engineering	**–**	–	**–**	36
LLC NIC Gydrometallurgia	**101**	110	**–**	–
LLC BMRP	**–**	–	**–**	22

Notes:

(a) Amounts represents due received from related parties for provision of administrative support.

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

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

Financial Review

36. RELATED PARTY DISCLOSURES (CONTINUED)

Trading transactions (Continued)

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

	Amounts owed by related parties[a]		Amounts owed to related parties[b]	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Petropavlovsk PLC and its subsidiaries				
Petropavlovsk PLC	–	–	–	13,846
JSC Irgiredmet	–	–	–	2
LLC NPGF Regis	–	15	–	74
JSC Pokrovskiy mine	–	153	–	–
LLC Albynskiy Rudnik	–	127	–	–
LLC Malomirskiy Rudnik	–	9	–	–
JSC Management Company Petropavlovsk	–	793	–	1,953
LLC NIC Gydrometallurgia	–	3	–	–
	–	1,100	–	15,875

Notes:

(a) The amounts are recorded in other receivables, which are unsecured, non-interest bearing and repayable on agreed terms within twelve months from the end of the reporting period.

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

Key Management Compensation

The remuneration of directors and other members of key management during the year was as follows:

	2021 US$'000	2020 US$'000
Short-term benefits	**3,020**	1,925
Post-employment benefits	**523**	237
Share-based payments	**–**	348
	3,543	2,510

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

For the year ended 31 December 2021

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries and joint venture at the end of the reporting period are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital[c]	Equity interest attributable to the Group		Principal activities
			2021[b]	2020[b]	
Principal subsidiaries:					
Ariti HK Limited	Hong Kong 11 February 2008	HK$98,250,664	**100%**	100%	General trading
LLC Petropavlovsk – Iron Ore	Russia 25 August 2004	RUR25,800,000	**100%**	100%	Business services for the Group
LLC KS GOK	Russia 2 August 2004	RUB14,943,755,727	**100%**	100%	Exploration and mining – K&S
JSC Giproruda[a]	Russia 8 December 1992	RUB23,195,000	**70.28%**	70.28%	Engineering services
LLC GMMC	Russia 26 June 2006	RUB780,000,000	**99.58%**	99.58%	Exploration and mining – Garinskoye
LLC Kostenginskiy GOK	Russia 16 February 2007	RUB18,400,000	**100%**	100%	Exploration and mining – Kostenginskoye project
LLC Garinskaya Infrastructure	Russia 14 December 2007	RUB2,100,000	**100%**	100%	Transportation services for Garinskoye project
LLC Uralmining	Russia 12 October 2008	RUB11,000	**100%**	100%	Exploration and mining – Bolshoi Seym
Principal joint venture:					
Heilongjiang Jianlong Vanadium Industry Co., Ltd	PRC 4 November 2009	RMB100,000,000	**46%**	46%	Exploration and mining – Vanadium

(a) JSC Giproruda is an open joint stock company in Russia. Shares issued by JSC Giproruda can be freely traded.

(b) As at 31 December 2021 and 2020 all of the interests in remaining subsidiaries are indirectly attributable to the Group.

(c) Class of shares held is ordinary shares.

For the year ended 31 December 2021

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The above table lists the subsidiaries and joint venture of the Group which, in the opinion of the directors, principally affected the results or assets of the Group.

Details of the Group's other subsidiaries at the end of the reporting period are set out below:

Name of company	***Place and date of incorporation/establishment***	**Issued and fully paid share capital/ *registered capital*[c]**	**Equity interest *attributable to the Group***		***Principal activities***
			2021[b]	2020[b]	
Arfin Limited	Cyprus 22 August 2005	US$18,710	**100%**	100%	Provision of financing services for the Group
Brasenose Services Limited	Cyprus 20 January 2004	US$64,662	**100%**	100%	Investment holding
Dardanius Limited	Cyprus 16 October 2006	US$5,696	**100%**	100%	Investment holding
Esimanor Limited	Cyprus 15 March 2008	US$5,263	**100%**	100%	Investment holding
Expokom (Cyprus) Limited	Cyprus 22 December 2005	US$312,432	**100%**	100%	Investment holding
Guiner Enterprises Ltd	Cyprus 25 August 2007	US$371,312	**100%**	100%	Investment holding
Kapucius Services Limited	Cyprus 12 April 2006	US$668,647	**100%**	100%	Investment holding
Lapwing Limited	Cyprus 9 August 2006	EUR28,795	**99.58%**	99.58%	Investment holding
Lucilius Investments Limited	Cyprus 22 November 2008	US$27,818	**100%**	100%	Investment holding
Metellus Limited	Cyprus 21 August 2006	US$8,918	**100%**	100%	Investment holding
Rumier Holdings Ltd	Cyprus 3 October 2007	US$432,402	**100%**	100%	Investment holding
Russian Titan Company Limited	Cyprus 10 November 2003	US$271,157	**100%**	100%	Investment holding
Tenaviva Limited	Cyprus 31 December 2007	US$6,194	**100%**	100%	Investment holding
Thorholdco (Cyprus) Limited	Cyprus 3 October 2013	US$1,071	**100%**	100%	Investment holding
Caedmon Ltd	Cyprus 29 September 2011	US$1,547	**60.3%**	60.3%	Financing and investment holding
Aricom Limited	United Kingdom 12 September 2003	GBP1,335,760	**100%**	100%	Investment holding
Aricom UK Limited	United Kingdom 1 March 2007	GBP243,418,783	**100%**	100%	Investment holding

For the year ended 31 December 2021

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/establishment	Issued and fully paid share capital/ registered capital[c]	Equity interest attributable to the Group 2021[b]	2020[b]	Principal activities
Heilongjiang Jiatai Titanium Co. Limited[c]	PRC 11 February 2009	RMB219,024,974	**100%**	100%	Development of Titanium Sponge
Ariti HK Limited	Hong Kong 11 February 2008	HK$98,250,664	**100%**	100%	General trading
Ariva HK Limited	Hong Kong 11 March 2008	HK$53,143,001	**100%**	100%	Investment holding
Thorholdco Limited	Cayman Islands 18 May 2010	US$8,611	**100%**	100%	Investment holding
Thorrouble Limited	Cayman Islands 18 May 2010	RUR290,860	**100%**	100%	Provision of financing services for the Group
Thordollar Limited	Cayman Islands 18 May 2010	US$9,157	**100%**	100%	Provision of financing services for the Group
LLC Petropavlovsk – Iron Ore	Russia 25 August 2004	RUR25,800,000	**100%**	100%	Business services for the Group
LLC KS GOK	Russia 2 August 2004	RUB14,943,755,727	**100%**	100%	Exploration and mining – K&S
LLC Olekminsky Rudnik	Russia 28 March 2001	RUB2,220,102,725	**-**	100%	Exploration and mining
LLC Soviet Harbour Maritime Trade Port ("LLC SGMTP")	Russia 30 August 2005	RUB1,000,000	**100%**	100%	Development of port for the Group
LLC TOK	Russia 3 April 2007	RUB10,000	**-**	100%	Dormant
JSC Giproruda[a]	Russia 8 December 1992	RUB23,195,000	**70.28%**	70.28%	Engineering services
LLC GMMC	Russia 26 June 2006	RUB780,000,000	**99.58%**	99.58%	Exploration and mining – Garinskoye
LLC Kostenginskiy GOK	Russia 16 February 2007	RUB18,400,000	**100%**	100%	Exploration and mining – Kostenginskoye project
LLC Orlovsko – Sokhatinsky Rudnik	Russia 3 April 2007	RUB11,000,000	**100%**	100%	Exploration and mining

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For the year ended 31 December 2021

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/establishment	Issued and fully paid share capital/ registered capital[c]	Equity interest attributable to the Group 2021[b]	2020[b]	Principal activities
LLC Garinskaya Infrastructure	Russia 14 December 2007	RUB2,100,000	**100%**	100%	Transportation services for Garinskoye project
LLC Amursnab	Russia 28 December 2009	RUB10,000,000	**99.9%**	99.9%	Procurement services
LLC Uralmining	Russia 12 October 2008	RUB11,000	**100%**	100%	Exploration and mining – Bolshoi Seym
LLC Gorniy Park	Russia 25 October 2010	RUB8,400,000	**60.3%**	60.3%	Exploration and mining

(a) JSC Giproruda is an open joint stock company in Russia. Shares issued by JSC Giproruda can be freely traded.

(b) As at 31 December 2021 and 2020, except for Thorholdco Limited, which was directly held by the Company, all of the interests in remaining subsidiaries are indirectly attributable to the Group.

(c) Apart from Heilongjiang Jiatai Titanium Co. Limited, a wholly foreign-owned enterprise established in the PRC with registered capital of RMB219,024,974, class of shares held by all other subsidiaries is ordinary shares.

None of the subsidiaries had issued any debt securities at the end of the year.

At the end of the reporting period, the Company did not have subsidiaries that have material non-controlling interests.

For the year ended 31 December 2021

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 US$'000	2020 US$'000
NON-CURRENT ASSETS		
Investment in subsidiaries	**598,050**	360,814
Right-of-use assets	**72**	244
	598,122	361,058
CURRENT ASSETS		
Prepayment and other receivables	**446**	429
Amounts due from subsidiaries	**4,522**	5,065
Cash and cash equivalents	**935**	1,131
	5,903	6,625
TOTAL ASSETS	**604,025**	367,683
CURRENT LIABILITIES		
Amounts due to subsidiaries	**(37,133)**	(22,823)
Amount due to a shareholder	**–**	(13,846)
Accruals and other payables	**(4,081)**	(873)
Lease liabilities	**(74)**	(244)
	(41,288)	(37,786)
NET CURRENT LIABILITIES	**(35,385)**	(31,161)
NON-CURRENT LIABILITY		
Loan from a subsidiary	**(46,358)**	(36,740)
TOTAL LIABILITIES	**(87,646)**	(74,526)
NET ASSETS	**516,379**	293,157
CAPITAL AND RESERVES		
Share capital	**1,285,482**	1,285,158
Capital reserve	**592**	592
Share-based payment reserve	**6,473**	6,571
Other reserve	**13,759**	13,759
Accumulated losses	**(789,927)**	(1,012,923)
TOTAL EQUITY	**516,379**	293,157

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 March 2022.

Yury Makarov
DIRECTOR

Danila Kotlyarov
DIRECTOR

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves

	Capital reserve US$000	Share-based payment reserve US$000	Other reserve US$000	Accumulated losses US$000	Total US$000
At 1 January 2020	592	5,697	13,759	(998,803)	(978,755)
Loss for the year	–	–	–	(14,120)	(14,120)
Total comprehensive expense for the year	–	–	–	(14,120)	(14,120)
Share-based expense	–	874	–	–	874
At 31 December 2020	592	6,571	13,759	(1,012,923)	(992,001)
Profit for the year	–	–	–	222,996	222,996
Total comprehensive income for the year	–	–	–	222,996	222,996
Share option exercised	–	(98)	–	–	(98)
At 31 December 2021	592	6,473	13,759	(789,927)	(769,103)

39. EVENTS AFTER THE REPORTING PERIOD

The Company has reviewed the UK, EU and US sanctions (the "Sanctions"). As of 30 March 2022, being the date of signing the consolidated financial statements of the Company for the year ended 31 December 2021, so far as the Board is aware, based on its current assessment and the information currently available to it, the Sanctions have no material impact on the Group nor its operations. The Group's operations and activities in Russia, and elsewhere, are continuing as usual.

	Results of the Group for the year ended 31 December				
	2017	2018	2019	2020	**2021**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
Revenue	109,265	151,549	177,164	224,591	**371,279**
Profit (loss) attributable to owners of the Company	113,254	68,235	(38,669)	100,551	**134,069**

	Assets and liabilities of the Group as at 31 December				
	2017	2018	2019	2020	**2021**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
Total assets	546,282	609,960	607,430	681,121	**709,146**
Less: Total liabilities	(294,838)	(290,450)	(329,429)	(298,835)	**(192,767)**
Total net assets	251,444	319,510	278,001	382,286	**516,379**

This glossary contains definitions of certain terms used in this report in connection with the Group and its business. Some of these may not correspond to standard industry definitions.

ASP	Achieved selling price
Axiomi	Axiomi Consolidation Ltd, a wholly-controlled company of Mr Nikolai Levitskii
Board	The Board of Directors
Cayiron	Cayiron Limited, a wholly owned subsidiary of Petropavlovsk and the immediate controlling shareholder of the Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFR	INCOTERM Cost and Freight
CIM	The Canadian Institute of Mining, Metallurgy and Petroleum
CNEEC	China National Electric Engineering Company Limited, the principle EPC contractor at the K&S Project
Concentrate	The clean product recovered from a treatment plant
COVID-19	Infectious disease caused by a newly discovered coronavirus
DAP	INCOTERM Delivery at Place
Deposit	Mineral deposit or ore deposit is used to designate a natural occurrence of a useful mineral, or an ore, in sufficient extent and degree of concentration
Directors	The directors of the Company
DSO	Direct shipping ores. Ores that are economic due to their high grades and therefore limited requirement for upgrading and processing before sale to end users. Raw material for iron ore concentrate, isometric mineral, Fe
EAO	Jewish Autonomous Region, an oblast of the Russian Federation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPC	Engineering, Procurement and Construction contract
Exploration	Method by which ore deposits are evaluated
Fe	The chemical symbol for iron
Feasibility study	An extensive technical and financial study to assess the commercial viability of a project
Flotation	A mineral process used to separate mineral particles in a slurry, by causing them to selectively adhere to a froth and float to the surface
FOB	INCOTERM Free on Board
Gazprombank	Gazprombank, is a private-owned Russian bank, the third largest bank in Russia by assets
GDP	Gross domestic product
General Nice	General Nice Development Limited is a Hong Kong incorporated holding company which trades and produces steel raw material commodities in China and globally
Geophysical	Prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc.) of rocks and define anomalies for further testing
Geotechnical	Referring to the use of scientific methods and engineering principles to acquire, interpret, and apply knowledge of earth materials for solving engineering problems
Grade	Relative quantity or the percentage of ore mineral or metal content in an ore body
HK$	Hong Kong Dollar, the lawful currency of Hong Kong
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong	The Hong Kong Special Administrative Region of the PRC
HSE	Health, Safety and Environment
ICBC	Industrial and Commercial Bank of China Limited, a company listed on the Stock Exchange (Stock code: 1398)
Ilmenite	Iron titanium oxide; a trigonal mineral, chemical formula $FeTiO_3$
JORC code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time
K&S	A magnetite development project in the Company's portfolio consisting of the Kimkan deposit and the Sutara deposit
LTIFR	Lost time injury frequency rate, the number of lost time injuries per million man hours worked

Magnetite	Fe_3O_4; major mineral in banded iron formations, generally low grade (1.5%-40% iron)
MC Petropavlovsk	JSC Management Company Petropavlovsk
Metallurgical	Describing the science concerned with the production, purification and properties of metals and their applications
Micon	Micon International Limited has provided consulting services to the international mining industry since 1988, with particular focus upon mineral resource estimations, metallurgical services, mine design and production scheduling, preparation of pre-feasibility and feasibility studies, independent reviews of mining and mineral properties, project monitoring, independent engineer roles, financial analysis and litigation support. Micon's resource estimate complies with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions, as required by Canadian National Instrument 43-101 (NI 43-101)
Mill	Equipment used to grind crushed rocks to the desired size for mineral extraction
Mineralisation	Process of formation and concentration of elements and their chemical compounds within a mass or body of rock
NI 43-101	Also referred to as National Instrument 43-101, the (Canadian) Standards of Disclosure for Mineral Projects, including Companion Policy 43-101 as amended from time to time
NRI	Non-recurring items
Open-pit	A large scale hard rock surface mine; mine working or excavation open to the surface
Optimisation	Co-ordination of various mining and processing factors, controls and specifications to provide optimum conditions for technical/economic operation
Ore	Material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives
Ore-field	A zone of concentration of mineral occurrences
Ore body	Mining term to define a solid mass of mineralised rock which can be mined profitably under current or immediately foreseeable economic conditions
Ore Reserves	The parts of a Mineral Resource that can at present be economically mined
Petropavlovsk	Petropavlovsk PLC, the London Stock Exchange quoted, Russian gold mining company
Precious metal	Gold, silver and platinum group minerals
Primary	Characteristic of or existing in a rock at the time of its formation; pertains to minerals, textures and etc.; original
Processing	Methods employed to clean, process and prepare materials or ore into the final marketable product
Recovery	Proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
Resources	The concentration of material of economic interest in or on the earth's crust
ROM	Run-of-mine. This is recovered ore, as mined with dilution, before any pre-concentration or other form of processing
Rospotrebnadzor	The federal service for surveillance on consumer rights protection and human wellbeing
Russian Far East	Refers to the Far Eastern Federal district of the Russian Federation, which covers the area of Russia between Lake Baikal in Siberia and the Pacific Ocean
Rouble or RUB	Russian Rouble
Shareholder(s)	Holder of the Share(s)
SRP	Steel/Slag Reprocessing Project
Stock Exchange	The Stock Exchange of Hong Kong Limited
Tailings	Material that remains after all metals/minerals considered economic have been removed from the ore
TiO_2	Titanium dioxide. A fine white powder. Used in paints, plastics or paper, it provides for maximum whiteness and opacity
Titanomagnetite	Concentrate which is a variation of a magnetite concentrate typically with a high vanadium and titanium content
Tonne/t	1 wet metric tonne (1,000 kg)
Treatment plant	A plant where ore undergoes physical or chemical treatment to extract the valuable metals/minerals
US Dollar or US$	United States Dollar

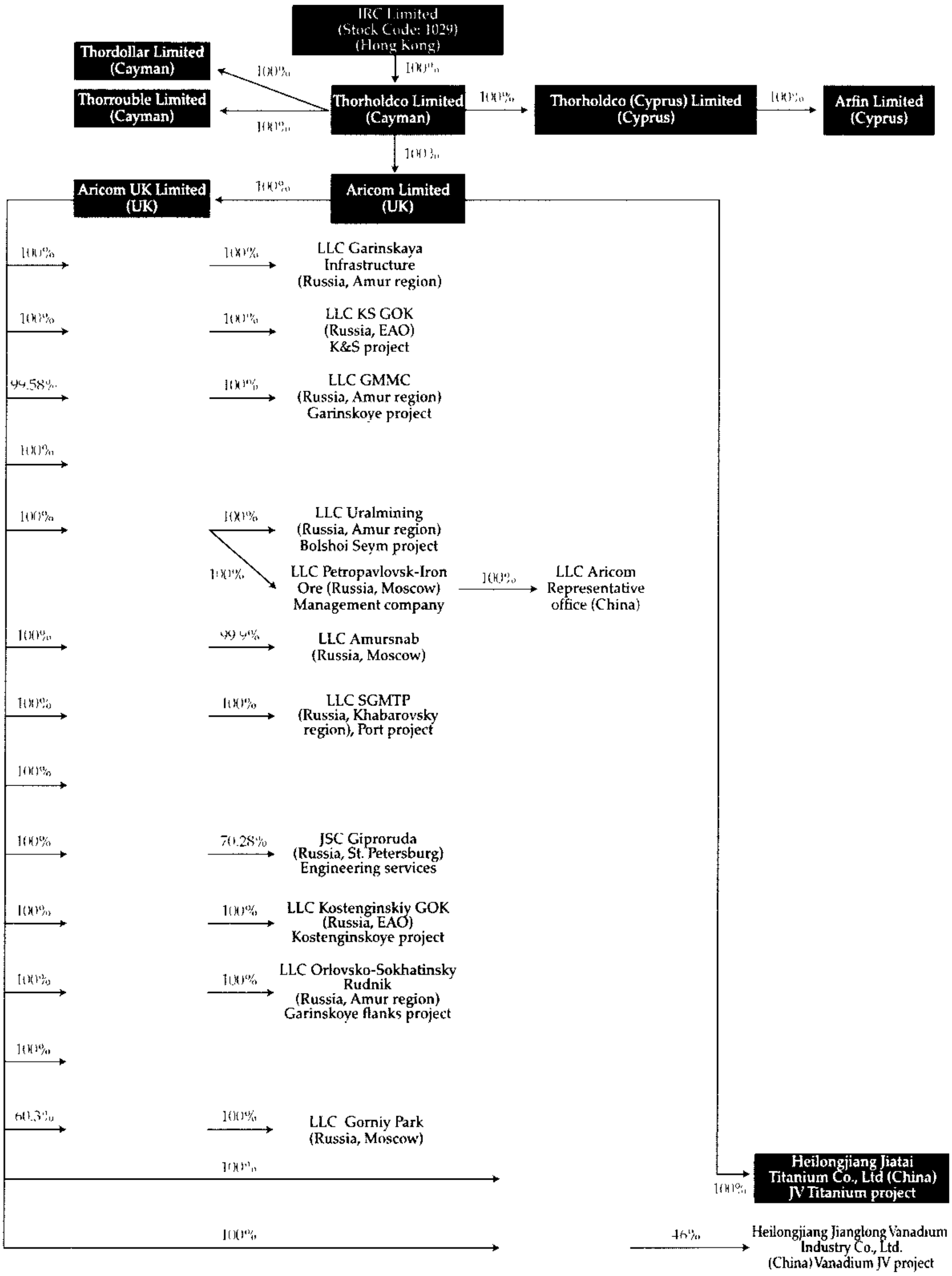
LIST OF ABBREVIATIONS

°C	degrees Celsius, a thermal unit equivalent to Kelvin+273.15
CaO	chemical symbol for calcium oxide or quicklime
dmt	dry metric tonne, a unit of mass equivalent to 1,000 kg
Fe	chemical symbol for iron
Fe_{magn}	total iron in the ore originating from magnetite
$Fe_{(total)}$	total amount of iron content
ha	hectares
kg	kilogramme, the SI unit of mass
km	kilometres, a unit of length equivalent to 1,000 m
km^2	square kilometres, a unit of area equivalent to 1,000,000 m^2
Kt	thousand tonnes
Ktpa	thousand tonnes per annum
kV	kilovolts, one thousand volts, a unit of electromotive force
Kwh	kilowatt hour, a unit of energy
m	metres, the SI unit of length
m^3	cubic meter, a unit of volume
mm	millimetres, unit of length equivalent to 0.001 m
Mt	million tonnes
Mtpa	million tonnes per annum
mWt	megawatt, one million watts, a unit of power
nm	not measured
t	a wet metric tonne, a unit of mass equivalent to 1,000 kg
tpa	tonnes per annum
TiO_2	chemical symbol for titanium dioxide
V_2O_5	chemical symbol for vanadium pentoxide
wmt	wet metric tonne, a unit of mass equivalent to 1,000 kg

All dollars refer to United States Dollars unless otherwise stated.

All maps and diagrams in this report are for illustration purposes only and are not to scale.

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


IRC Limited
(Stock Code: 1029)
(Hong Kong)
Thordollar Limited
(Cayman)
Thorrouble Limited
(Cayman)
Thorholdco Limited
(Cayman)
Thorholdco (Cyprus) Limited
(Cyprus)
Arfin Limited
(Cyprus)
Aricom UK Limited
(UK)
Aricom Limited
(UK)
LLC Garinskaya
Infrastructure
(Russia, Amur region)
LLC KS GOK
(Russia, EAO)
K&S project
LLC GMMC
(Russia, Amur region)
Garinskoye project
LLC Uralmining
(Russia, Amur region)
Bolshoi Seym project
LLC Petropavlovsk-Iron
Ore (Russia, Moscow)
Management company
LLC Aricom
Representative
office (China)
LLC Amursnab
(Russia, Moscow)
LLC SGMTP
(Russia, Khabarovsky
region), Port project
JSC Giproruda
(Russia, St. Petersburg)
Engineering services
LLC Kostenginskiy GOK
(Russia, EAO)
Kostenginskoye project
LLC Orlovsko-Sokhatinsky
Rudnik
(Russia, Amur region)
Garinskoye flanks project
LLC Gorniy Park
(Russia, Moscow)
Heilongjiang Jiatai
Titanium Co., Ltd (China)
JV Titanium project
Heilongjiang Jianglong Vanadium
Industry Co., Ltd.
(China) Vanadium JV project
100%
99.58%
99.9%
70.28%
60.3%
46%

IRC LIMITED — 鐵江現貨有限公司

Stock Exchange of Hong Kong: 1029

As at 31 December 2021

CORPORATE INFORMATION

Headquarters, registered address and principal place of business in Hong Kong:

6H, 9 Queen's Road Central, Central District
Hong Kong Special Administrative Region
of the People's Republic of China

Telephone: +852 2772 0007
Facsimile: +852 2772 0329
Corporate Website: www.ircgroup.com.hk

Hong Kong Business Registration number: 52399423
Hong Kong Company Registration number: 1464973

PRINCIPAL PLACE OF BUSINESS IN RUSSIA

Bulvar Entuziastov, Building 2
7/F, Business Center "Golden Gate"
Moscow
109544
Russia

CHAIRMAN

P.C.P. Hambro

DEPUTY CHAIRMAN

D.R. Bradshaw

EXECUTIVE DIRECTOR

Chief Executive Officer: Y.V. Makarov

NON-EXECUTIVE DIRECTORS

P.C.P. Hambro
D. Kotlyarov

INDEPENDENT NON-EXECUTIVE DIRECTORS

D.R. Bradshaw, *Senior Independent Non-Executive Director*
J.E. Martin Smith
R.K.T. Woo
M.J. Davison

EMERITUS DIRECTOR

Dr P.A. Maslovskiy

COMMITTEES OF THE BOARD

Audit Committee

R.K.T. Woo *(Chairman)*
J.E. Martin Smith
D.R. Bradshaw

Remuneration Committee

J.E. Martin Smith *(Chairman)*
D.R. Bradshaw
M.J. Davison

Health, Safety and Environment Committee

D.R. Bradshaw *(Chairman)*
R.K.T. Woo
J.E. Martin Smith

Nomination Committee

P.C.P. Hambro *(Chairman)*
D.R. Bradshaw
J.E. Martin Smith

AUTHORISED REPRESENTATIVES FOR THE PURPOSES OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Y.V. Makarov
J.S.C. Yuen

COMPANY SECRETARY

J.S.C. Yuen

AUDITOR

Deloitte Touche Tohmatsu, *Certified Public Accountants*
Registered public interest entity auditors

RISK FACTORS

The Group is exposed to a variety of risks and uncertainties that could have significant impact on its business and financial results. The Group seeks to undertake a pro-active approach that anticipates risk, seeks to identify them, measure their impacts and thereby avoid, reduce, transfer or control such risks.

The factors set out below are those that the Group believes could result in a material difference between the Group's financial condition or the results of its operations and the expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risk of iron ore price volatility and foreign exchange movements

The Group's revenues rely on the iron ore prices, while the operating costs are sensitive to the foreign exchange movements of Russian Rouble. These parameters are subject to changes in global economic environment, political landscape and market supply disruptions. The volatility in iron ore price and foreign exchange may also result in the need to provide for assets impairments in the Group's financial statements.

To address the risks, various hedging instruments have been taken to protect against the downside risk of the iron ore price and the appreciation risk of the Russian Rouble. The Group could use different hedge strategies from time to time depending on the market situation of iron ore price and Russian Rouble.

Risk of customers concentration

Currently, the Group's iron ore business only has a limited number of major customers. This essentially creates a buyers' market and gives the customers a higher level of bargaining power.

In light of this risk, the Group has been expanding its customer base by selling to other customers, such as seaborne customers, although the transportation costs could be higher. The Group is also levering on the fact the major customers are in different geographical locations and jurisdictions, so that there is a certain level of competition for better terms of sales and prices. External consultant has been engaged to provide advices and explore new market opportunities. In addition, after the commissioning of the Amur River Bridge, IRC will actively explore new transportation routes which may be more cost efficient.

Risk of suppliers concentration

The Group currently have two mining contractors who are doing a majority of the mining works at K&S. In case these mining contractors have any technical/financial difficulties and decide to pull out of the project, K&S could face an adverse situation with ore mining and supply, and consequently could affect production. Besides, this gives these mining contractors higher level of bargaining power on mining fees which might adversely affect K&S's profitability.

To mitigate this risk, the Group has ongoing discussions with a number of other mining contractors for risk diversification. Moreover, one of the current mining contractors has a long-established relationship with IRC and this provides a certain level of comfort, while another mining contractor is planning to increase the scale of mining operation. K&S is also considering to set up its own in-house mining fleet to reduce the level of reliance on external mining contractors.

Risk of delay in the capital investment program to develop the Sutara pit due to technical or financial difficulties

If the Sutara deposit is not ready for operation when the Kimkan deposit starts depleting, K&S would not have adequate supply of ore for production and would result in decrease in production capacity.

To mitigate this risk, the Sutara development program is closely monitored by IRC. With the help of external consultants, IRC is looking at the options to increase the mineable reserves in Kimkan to extend its mine life. Recent consultant report shows that the Sutara development program is viable and achievable.

Risk of going concern

The Group may not have adequate funding to meet its debts as they fall due.

The completion of the ICBC refinancing with the loans from Gazprombank has significantly reduced the going concern risks. Cash flow forecasts are prepared on a regular basis and any potential funding gaps are identified and addressed timely. The high iron ore prices and strong production rate of K&S in 2021 allowed IRC to repay a significant amount of the loan and reduce the liquidity risk.

Risk of fixed assets damage resulting in downtime in production or fluctuation in production volume

Fixed assets play an important role in the Group's iron ore concentrate production. With only a single project in operation, any production downtime or delay in production ramp up would have direct impact to the Group.

When considering this risk, it should be noted that most of the commissioning works were performed by the K&S site team and the team is experienced and is technically competent. External experts perform regular technical audits of the processing plant. Production is currently at relatively high capacities indicating that most of the teething issues have been resolved. The current production bottlenecks are mainly due to short-term factors such as ore quality, transportation congestion and issues with mining contractors.

Risk of products' competitiveness

The Group's revenue stream is mainly derived from the sale of a single product (iron ore concentrate) from a single project (K&S) and there could be a risk of high product concentration.

K&S is focusing on the production and sale of the 65% iron ore concentrate which is a premium product. It is essentially a different market segment to the 62% iron ore concentrate and is more preferred by the market. As the quantity produced by K&S only represents a small percentage of the global market share, the risk of not being able to sell the product is relatively low. Revenue from the operation of the Vanadium joint venture and the potential of developing the Bolshoi Seym project for ilmenite may also lower the risk.

Risk of conducting business in Russia

As the majority of the Group's assets and business operations are located in Russia, sanctions from other countries as well as the local economic political and social conditions, including taxation policies, could affect the business of the Group.

To address the risk, the Group closely monitors the economic, political, legal and social developments in Russia and maintains close relationship with local authorities and seeks assistance where necessary. IRC has a strict policy to avoid doing businesses with sanctioned entities. Recent sanctions from the EU, UK and US have no material direct impact on the Group nor its operations.

Risk of significant influence from the major shareholder

As IRC only has one major shareholder and the rest of IRC's shareholding is not concentrated, influence from the major shareholder on IRC could be significant and may negatively affect the Company. There could be a lack of other sizeable shareholders to contest against any decisions taken by the major shareholder.

To manage this risk, IRC is working closely with the major shareholder to act in the best interest of all shareholders of IRC. With the major shareholder being a connected party to IRC, any material transactions involving this shareholder would be subject to shareholders' approval under the listing rules in Hong Kong and this shareholder would need to abstain from voting due to conflict of interests.

Risk of lack of shareholders' support

IRC currently only has one major shareholder holding 29.9% shareholding of IRC. As this shareholder does not fully control IRC, given that it does not possess more than 50% shareholding, there is a risk that IRC may not get the necessary shareholders' support when needed.

IRC has always been in discussions with various parties for investing in IRC and/or expanding the shareholders base provided that it will be in the best interest of IRC. Shareholders tracking is performed periodically to identify and to reach out to the shareholders. Investors' conference calls are conducted at least six times a year to facilitate better investor relations function.

Risk of COVID-19

The outbreak of COVID-19 may have an impact on supply chains, currencies, transportations and prices of iron ore. The operations of IRC may also be affected by the actions necessary for isolated outbreaks.

COVID-19 emerged since the beginning of 2020 and the Group has set up an emergency response office to take the necessary organisational and administrative measures to prevent the spread of the virus. Currently, the COVID-19 outbreak has not had any significant impact on the Group's operations. The Group will monitor the situation and implement contingency measures as the COVID-19 outbreak evolves.

Risk of shipment issues to customers

K&S's major customers are in China and most of its products are transported via rail. Railway congestion or border closure could affect K&S's production and sales.

K&S has diverted some of its sales to the seaborne customers and is also shipping products via the westbound railway route. When the Amur River Bridge is operational, railway congestion is expected to be alleviated. K&S and its customers will also benefit from improvements in logistic efficiency.

Risk of loss of key management

There is a risk that IRC may find it difficult to attract and/or retain key personnel.

Directors and key management of IRC have resignation notification periods providing IRC time to find suitable replacements. Reliever staff on key operating areas are appointed to ensure smooth transition in case of staff departure. Share options, which are vested over a period of time, are granted to key personnel. Discretionary bonuses are offered to reward exceptional performance and salary levels are being reviewed regularly to ensure that they are competitive and on market levels.

Risk of non-compliance with rules and regulations

IRC is a listed company in Hong Kong and needs to comply with the relevant rules and regulations such as the listing rules, accounting standards and company ordinances. The operations in Russia also need to comply with the relevant requirements under the local jurisdictions.

To control this risk, the Board and the senior management of IRC possess the relevant experience and knowledge for the compliance with the relevant rules and regulations. Besides, advices from independent legal counsels and professional advisors are sought where necessary. Formal training is provided to the board annually. Continuing professional development seminars and rules and regulations updates are attended by senior management.

DISCLAIMER

Some statements contained in this document referred to in it are or may be forward-looking statements. Statements reflect the Company's current views with respect to future events and are subject to risks, assumptions, uncertainties and other factors beyond the Company's control that could cause actual results to differ from those expressed in such statements. Although the Company believes that such forward-looking statements, which speak only as of the date of this document, are reasonable, no assurance can be given that they will prove to be correct. Therefore, you should not place undue reliance on these statements. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this document will, in fact, occur. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date of this document, except as required by law or by any appropriate regulatory authority. Nothing in this document or in documents referred to herein should be considered as a profit forecast. Past performance of the Company or its shares cannot be relied on as a guide to future performance. This document does not constitute, or form part of or contain any invitation or offer to any person to underwrite, subscribe for, otherwise acquire, or dispose of any shares in IRC Limited or advise persons to do so in any jurisdiction, nor shall it, or any part of it, form the basis of or be relied on in any connection with or act as an inducement to enter into any contract or commitment therefore. In particular, this document and the information contained herein are not an offer of securities for sale in the United States of America. No reliance may be placed for any purpose whatsoever on the information or opinions contained in this document or on its completeness and no liability whatsoever is accepted for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith. The development and production plans and estimates set out herein represent the current views of the Company's management. The Company's Board reviews the production estimates on an ongoing basis. All planning is subject to available funding and capital allocation decisions. This document is prepared in compliance with Hong Kong law and the courts of the Hong Kong Special Administrative Region of the People's Republic of China will have exclusive jurisdiction over any disputes arising from or connected with this document.

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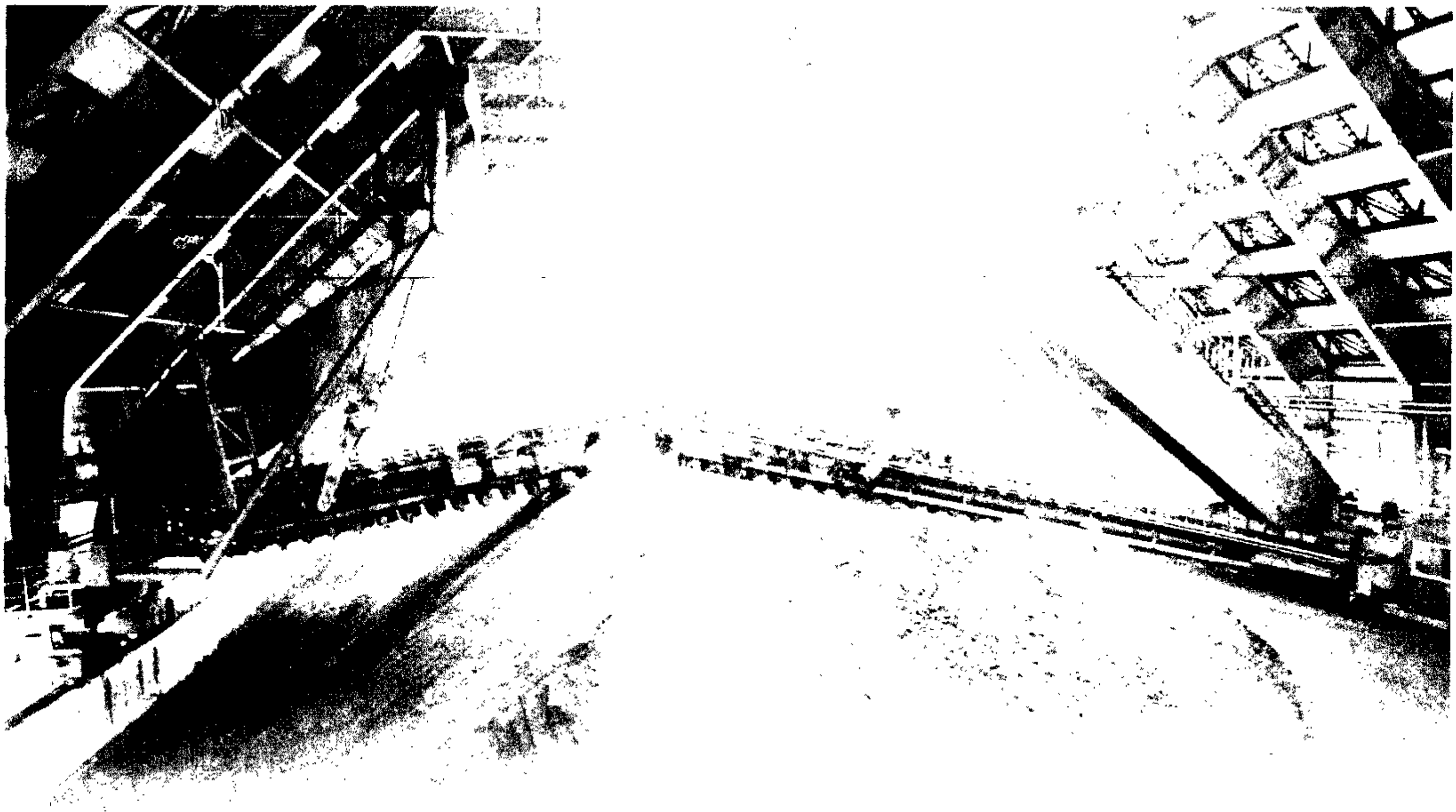
MILESTONES

Our Future	K&S	Full capacity to 3.2Mt per year Doubling production (Phase II)
	Garinskoye	Iron ore concentrate production
	Bolshoi Seym	Iron ore concentrate and ilmenite production
[illegible]	IRC	Underlying profit reached new high *Significant reduction in net debt*
	K&S	Development of Sutara on track
[illegible]	IRC	Maiden underlying profit
	K&S	Successful diversion of sales to new Chinese customers via seaborne routes
2019	IRC	ICBC refinancing completed
	K&S	Operated at 100% of designed capacity in October
	SRP	[illegible] joint venture recommenced operation
2018	K&S	Entry into [illegible] facility with Gazprombank Operated at 100% of designed capacity during a 24-hour run Produced over 2.2 million tonnes in 2018
2017	K&S	Commercial production (Phase I) 90%-capacity loading test Produced over 1.5 million tonnes in 2017
2016	IRC	Tiger Capital shares subscription
	K&S	Trial production commenced and ramp-up First iron ore concentrate production Final hot commissioning and testing
2015	IRC	Completed fully underwritten Open Offer
	K&S	Ongoing commissioning and testing
2014	K&S	Commissioning programme commenced
2013	IRC	General Nice strategic alliance
	K&S	Ongoing construction
2012	Kuranakh	Ilmenite production full capacity
	Garinskoye	DSO operation announced
	Exploration	Ilmenite & Molybdenum Exploration acquisitions
2011	IRC	Group reserves increase threefold
	Kuranakh	Full year production targets exceeded
	K&S	First drawdown ICBC facility Optimisation study to double K&S production
2010	IRC	HKEX listing
	Kuranakh	Commissioned
	K&S	US$340m ICBC facility US$400m CNEEC EPC contract
	SRP	First production



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