铁货 IRC

IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code:1029)

MAJOR TRANSACTION: ENTRY INTO HK$3.11 BILLION EPC CONTRACT WITH CNEEC

On 6 December 2010 the Group entered into the Engineering, Procurement and Construction Contract with CNEEC, a major Chinese state-owned contractor. Under the contract, CNEEC will act as EPC contractor for the design and construction of Stage 1 of the Company's mining operations at K&S, including a processing plant which will produce iron ore concentrate.

The EPC Contract is conditional upon the entry into definitive documentation by the Group and ICBC in respect of a project finance facility of US$340,000,000 ("ICBC Facility Agreement") and the facility thereunder being available for drawdown by the Group.

The entry into the EPC Contract constitutes a major transaction of the Company under the Listing Rules. A circular containing, inter alia, further information on the transaction will be despatched to the Shareholders in accordance with the relevant requirements of the Listing Rules. As entry into the EPC Contract constitutes a major transaction of the Company under the Listing Rules, the approval of its controlling shareholder, Petropavlovsk (through its wholly-owned subsidiary Cayiron), will be sought by way of written shareholders' approval.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 2:30 p.m. on 6 December 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 7 December 2010.

AGREEMENT

Date

6 December 2010

Parties

Kimkano-Sutarsky Mining and Beneficiation Plant LLC ("KS") and China National Electric Equipment Corporation ("CNEEC")

Conditions precedent

The EPC Contract is conditional upon the entry into definitive documentation by the Group and ICBC in respect of a project finance facility of US$340,000,000 ("ICBC Facility Agreement") and the facility thereunder being available for drawdown by the Group.

The Company will seek the approval of its controlling shareholder, Petropavlovsk plc ("Petropavlovsk"), for entry into the EPC Contract.

CONSIDERATION

The total price payable to CNEEC under the EPC Contract is US$400,000,000 of which US$312,000,000 will be payable in respect of the works relating to the design and construction of the iron ore processing and beneficiation plant (the "Processing Plant Works") and approximately US$88,000,000 will be payable in respect of related infrastructure works (the "Infrastructure Works").

15 per cent of the total consideration for the Processing Plant Works (approximately US$46,800,000) shall be paid as a lump sum advance payment within approximately 2 weeks of the date on which the EPC Contract is signed. The remaining payments for the Processing Plant Works and payments for the Infrastructure Works will be made on a monthly basis calculated by reference to the value of the relevant works completed. KS is entitled to nominate sub-contractors (which may include Group companies in relation to the Infrastructure Works).

It is intended that the consideration for the Processing Plant Works and the Infrastructure Works will be satisfied in part from the monies raised under the ICBC Facility Agreement, with the remainder from internal resources and the proceeds of the Company's initial public offering.

The consideration for the EPC Contract was arrived at following arm's length negotiations with CNEEC.

GENERAL NATURE OF THE TRANSACTION

On 6 December 2010 the Group entered into the EPC Contract with CNEEC under which CNEEC will act as EPC contractor for the design and construction of Stage 1 of the Company's mining operations at K&S, including a processing plant with the capacity to produce iron ore concentrate.

The construction of Stage 1 of the Company's mining operations at K&S is expected to commence in January 2011 and is scheduled to be complete for commencement of initial operations and production in July 2013.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As stated in the Company's prospectus dated 30 September 2010, the Group, CNEEC and ICBC entered into a Co-operation Framework Agreement on 23 March 2010 pursuant to which the Group and CNEEC agreed that they would proceed to the finalisation and implementation of an EPC contract for the construction of the Kimkan iron ore deposit development and processing plant. The entry into the EPC Contract gives effect to the Co-operation and Framework Agreement.

The Directors of the Company believe the terms of the EPC Contract, which were determined after arm's length negotiation, on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole.

ICBC FACILITY AND PETROPAVLOVSK GUARANTEE

The Co-operation and Framework Agreement provided that entry into the EPC Contract would be conditional upon ICBC arranging financing for the project (the "ICBC Facility"), and the loan facility documentation being entered into. The Group and ICBC are continuing to negotiate the definitive documentation in respect of a project finance facility of up to US$340,000,000. It is expected that Petropavlovsk, the controlling shareholder of the Company, will act as guarantor in respect of the Company's obligations.

No fee will be payable by the Company in respect of the provision of the Guarantee by Petropavlovsk while Petropavlovsk remains the parent company of the Company. During the course of negotiations of the ICBC Facility Agreement, it has become clear that ICBC will require additional restrictions to be imposed upon Petropavlovsk. The Guarantee is likely to be required to remain in place even in the event that Petropavlovsk is no longer the parent company of the Company. Accordingly, it is expected that the Company will agree with Petropavlovsk that in the event Petropavlovsk ceases to be the parent company of the Company, a fee on normal commercial terms will be payable by the Company to Petropavlovsk in respect of the Guarantee. No security will be granted by the Group to Petropavlovsk in respect of the Guarantee.

SHAREHOLDER APPROVAL

As entry into the EPC Contract constitutes a major transaction of the Company under the Listing Rules, the approval of its controlling shareholder, Petropavlovsk (through its wholly-owned subsidiary Cayiron), will be sought by way of written shareholders' approval.

As at 6 December 2010, Petropavlovsk, through its wholly-owned subsidiary Cayiron, held 65.6 per cent. of the issued ordinary share capital of the Company.

GENERAL

The Company operates a mining business which is focused on exploring for, developing and operating industrial commodity projects in the Russian Far East and the north-eastern region of the PRC. Its main production and development sites produce iron ore concentrate products and are located in the Amur Region and the EAO, near the Chinese border.

China National Electric Equipment Company is an independent third party and one of the PRC's leading engineering and energy contractors.

The Industrial and Commercial Bank of China is one of the largest state owned banks in the PRC and an independent third party.

The entry into the EPC Contract constitutes a major transaction of the Company under the Listing Rules. A circular containing, inter alia, further information on the transaction will be despatched to Shareholders in accordance with the relevant requirements of the Listing Rules (the "Shareholder Circular"). It is intended that the Shareholder Circular will be despatched to Shareholders on or before 29 December 2010.

It is expected that any agreement with Petropavlovsk relating to the Guarantee will constitute an exempt connected transaction pursuant to Listing Rule 14A.65(4).

Jay Hambro, Chairman, said:

"We are delighted to have agreed this major contract with our friends at CNEEC. Having concluded this agreement we would expect to be in receipt of the ICBC loan facility in time for the commencement of major construction works in early 2011. With receipt of the debt facility and the proceeds of the IPO, we will be fully funded for the development of K&S Stage 1 through to expected initial production in 2013."

As at the date of this announcement, the executive Directors of the Company are Mr Jay Hambro, Mr Yury Makarov, and Mr Raymond Kar Tung Woo. The non-executive Directors are Mr Pavel Maslovskiy and Mr Simon Murray. The independent non-executive Directors are Mr Daniel Bradshaw, Mr Jonathan Martin Smith and Mr Chuang-Fei Li.

To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries CNEEC and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company.

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DEFINITIONS

Cayiron	Cayiron Limited, a wholly owned subsidiary of Petropavlovsk and the immediate controlling shareholder of the Company
CNEEC	China National Electric Equipment Corporation
Company	IRC Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 1029)
EPC Contract	the engineering, procurement and construction contract between the Company and CNEEC for the design and construction of Stage 1 of the Group's mining operations at K&S
Group	the Company and its subsidiaries
Guarantee	the guarantee expected to be provided by Petropavlovsk in respect of the ICBC Facility Agreement
ICBC	Industrial and Commercial Bank of China Limited
K&S	a magnetite development project in the Company's portfolio consisting of the Kimkan deposit and the Sutara deposit
Kimkano-Sutarsky Mining and Beneficiation Plant LLC	a wholly-owned subsidiary of the Company
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Petropavlovsk	Petropavlovsk PLC, a public company incorporated in England and Wales with registered number 04343841 and listed on the main market of the London Stock Exchange and the Company's ultimate parent company
PRC	the Peoples' Republic of China

Shareholders	Shareholders of the Company
Stage 1	the Kimkan iron ore processing and beneficiation facility
Stock Exchange	The Stock Exchange of Hong Kong Limited

By Order of the Board
IRC Limited
Raymond Woo
Company Secretary

This announcement is available for reference at the Company's website, www.ircgroup.com.hk and at the website of the Stock Exchange of Hong Kong at www.hkexnews.hk.

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