IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1029)

IRC: FIRST QUARTER TO 31ST MARCH 2012 TRADING UPDATE

Thursday 12th April 2012. IRC Limited ("IRC" or the "Company", together with its subsidiaries, the "Group") announced today its Trading Update for the First Quarter of 2012, to 31st March 2012.

SUMMARY

IRC is pleased to announce that the first quarter production numbers are on track to meet full year guidance, and that construction and development is progressing well.

At the Kuranakh Mine production of iron ore for the quarter was 29% higher compared to the first quarter 2011 and ilmenite production volume was 2.5 times higher.

Construction advanced at K&S. Notable developments during the quarter included the completion of the bridge structure over the Trans-Siberian Railway which will directly connect K&S to customers in Russia and China. Our processing plant contractors, CNEEC, are now arriving at site to commence full scale works.

Significant progress has also been made advancing other assets in the portfolio with a scoping study for Garinskoye suggesting the opportunity for a 2.4 million tonne per annum DSO (Direct Shipment Ore) style operation and the acquisition of remaining shares in Bolshoi Seym resulting in full-ownership and the opportunity to develop a 200,000 tonne a year ilmenite operation.

Group highlights

- Increased sales and improvements in efficiencies at Kuranakh
- 2012 full-year production targets re-affirmed

- K&S Project construction ongoing; spur line bridge connected

- Garinskoye DSO Scoping study announced to realise near-term value for reduced capital expenditure

- Exploration portfolio enhanced and expanded with ilmenite and molybdenum acquisitions

Commenting on the performance in the first quarter, Jay Hambro, Executive Chairman of IRC said: *"I am delighted to report that IRC has achieved a solid performance for the first quarter. Operations have delivered good production and costs have been well managed. Thus far, we are comfortably on track to achieve our full year production targets.*

Iron ore production continues at near full capacity levels with market prices strengthening 12% over the quarter and 22% since the lows of October 2011. IRC of course, is not just a producer of iron ore. Ilmenite production was in line with plan and is being delivered into excellent prices. It is encouraging that our expansion plans to double ilmenite production are on track for the second half of the year. I believe that we are one of only a few producers that are able to do this, and possibly unrivalled in terms of capital expenditure intensity, being able to add 60,000 tonnes of annual capacity for less than US$5 million.

This week we also announced two transactions: the acquisition of the remaining 51% ownership of the high-grade ilmenite Bolshoi Seym Deposit; and also a controlling interest in an early stage portfolio of molybdenum exploration assets. Today, we also announced positive scoping study results for the production of low-cost Direct Shipment Ore from our large Garinskoye Deposit. With production already growing, near-term growth from K&S and now longer-term development plans with Garinskoye and Bolshoi-Seym, I believe that IRC is uniquely well placed for superior growth in industrial commodities."

RESULTS SUMMARY

Production increased at the Kuranakh Mine. Annual targets of 820,000 tonnes of iron ore concentrate and 125,000 tonnes of ilmenite concentrate are reaffirmed.

	Products	**Quality**	**Q1 2011**	**Q1 2012**	**Change**
Production (tonnes)	Iron Ore	62.5% Fe	177,645	228,830	+29%
	Ilmenite	48% TiO_2	7,464	26,751	+258%
Sales (tonnes)	Iron Ore	62.5% Fe	167,099	217,689	+30%
	Ilmenite	48% TiO_2	3,240	25,970	+702%

MARKETING

Increased iron ore concentrate shipments continued to our customer base throughout East Asia with a new customer taking significant quantities of our Kuranakh product. Increasingly customers are recognising the advantages of purchasing concentrates from IRC. Rail freight from our operations allows more frequent deliveries in lower-volumes, meaning transportation times and costs to customers are shorter and at a lower cost. This means that IRC can help its customers to better manage inventories, costs and working capital requirements.

Shipments of ilmenite concentrate are ongoing to an expanding and diverse customer base by geography and end use. During 2012 IRC expects to double production of ilmenite and it is encouraging to note that the marketing team is reporting strong near and long-term demand.

Marketing discussions continue with regard to offtake for K&S. There are a number of potential opportunities to use this high-quality product to generate an attractive price and geographical premium. The Company is encouraged by the increased interest from third parties to participate in offtake supply and to assist funding development of the group as a whole.

Sales Volumes

Sales volumes for the first quarter 2012 were good. The first few weeks of 2012 saw a small overhang due to railroad constraints and cold weather experienced in the fourth quarter of 2011, however, despite these adverse factors that have now passed iron ore sales were above expectations at 217,689 tonnes. Ilmenite sales were also firm at 25,970 tonnes.

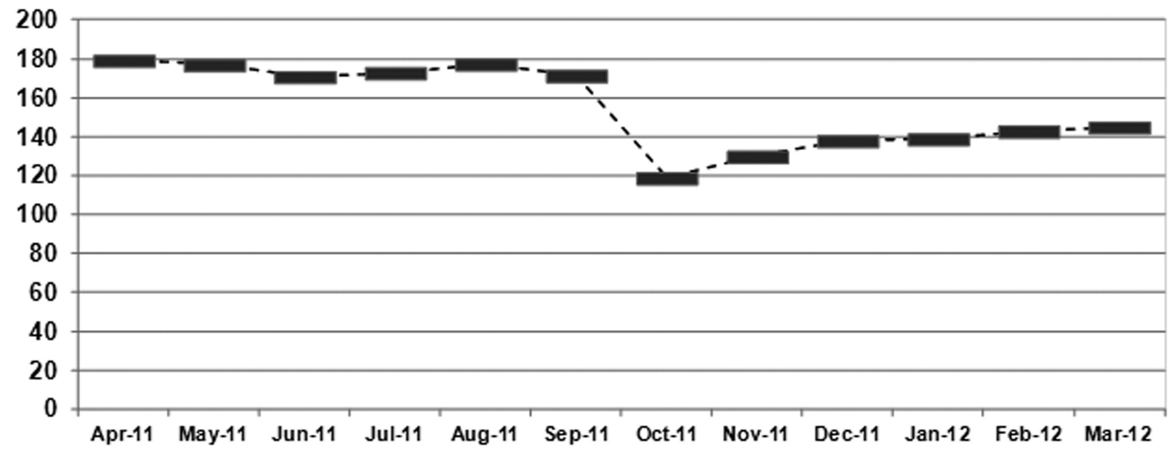
The programme to expand ilmenite capacity is advancing and will add to production in the second half. The 2012 annual production target of 125,000 tonnes and year-end capacity of 160,000 tonnes remains intact.

Prices

Iron ore prices for delivery to China were less volatile for the first quarter 2012 compared to the previous quarter. The benchmark Tianjin CFR price (62% Fe iron ore fines) experienced its fifth consecutive monthly gain, up 22% since the lows of October 2011 and 12% during the quarter. Our average achieved price was firm at US$117 per tonne compared to US$131 per tonne in the previous quarter. Prices for iron ore concentrate are secured under a long-term offtake agreement and are calculated on the INCOTERM "DAP" (Delivered at Place) basis.

During the quarter, the price for ilmenite concentrate (a titanium dioxide product) continued its upward trend. The average achieved selling price was US$280 per tonne, a solid 8% increase compared to the previous quarter.

Figure 3: Tianjin Iron Ore Spot Price, April 2011 to March 2012 (US$/t)

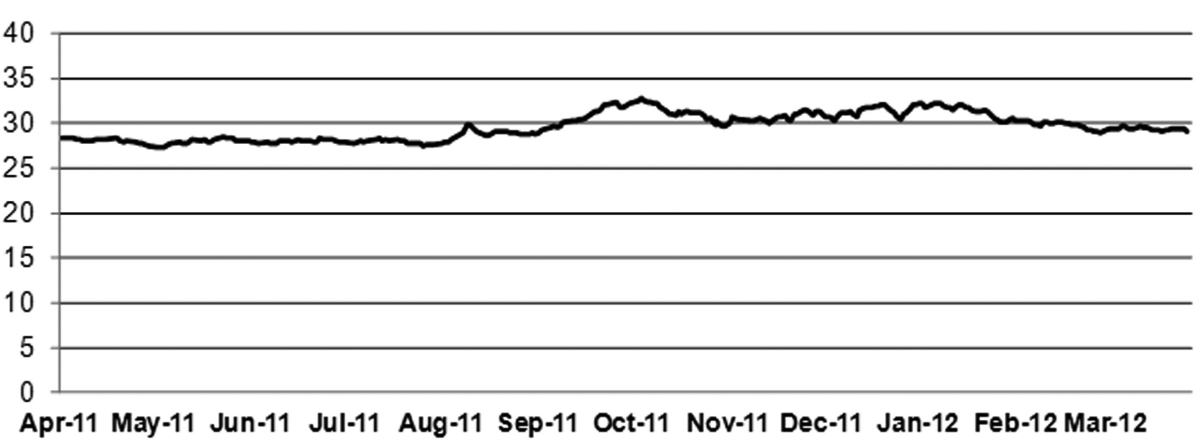


Source: Bloomberg

Note: This is an indicative and generic market price for iron ore and not the actual price achieved by IRC.

During the quarter the rouble averaged 30.1 to the dollar compared to 30.7 in the previous quarter. This strengthening was consistent through the quarter, opening at 32.2 and closing at 29.3 to the dollar. Commentators suggest that the strengthening was due in general to emerging market currency outperformance, and in particular due to Russia's strength as a net-oil exporter during a period of strong oil prices.

Figure 4: Dollar Rouble Exchange Rate, April 2011 to March 2012



Source: Bloomberg

Outlook

The iron ore market remains robust with both prices and customer feedback not reflecting the gloom reported in the media. We recognise that residential construction starts has slowed, yet we are encouraged by improvements in credit availability and the ongoing themes of urbanisation, the demand for new and larger homes and of course the greater steel intensity in Chinese construction than elsewhere due to modern construction techniques, styles and taller buildings. Customer interest for our iron ore is good this year so far, and we continue with our efforts to ensure ongoing sales at fair prices.

OPERATIONS

Kuranakh (100% owned)

Mining

Mining activities continued to plan at the Saikta open-pit. During the quarter mining also commenced at the second pit called Kuranakh. The second pit has a lower stripping ratio, and slightly higher recoveries, as well as providing more flexibility for feed to the processing plant than from a single pit. The two pits combined delivered good tonnages and grades to the crushing and screening plant. A total of 925,161 tonnes of ore was removed for the quarter, an increase of 14.5% compared to 808,065 tonnes in the previous quarter. These operating levels are near to full-capacity, a respectable performance given that the first quarter is when the most challenging climatic conditions are experienced. It is anticipated that similar capacity levels are sustainable for the remainder of the year, placing the mine firmly on track to achieve the higher 2012 production targets.

Processing

For the quarter the Kuranakh Crushing and Screening Plant processed 812,808 tonnes of iron ore with a grade of 26.7% Fe and 8.12% TiO_2, producing 432,164 tonnes of pre-concentrate. Stockpiles at the end of the quarter totaled an estimated 92,355 tonnes, an equivalent 17 days feed for the Processing Plant.

Operations improved further at the Olekma Processing Plant during the quarter 406,731 tonnes of pre-concentrate was processed, resulting in production of 228,830 tonnes of titanomagnetite with a grade of 62.5% Fe and 26,751 tonnes of ilmenite concentrate with a grade of 48%.

Production

With good progress at Kuranakh already made during the first quarter, it is encouraging to report that mine production is comfortably on track to achieve annual production targets. For the first quarter 2012, 228,830 tonnes of iron ore concentrate was produced, 28% of our annual target. The doubling of production capacity for ilmenite planned during 2012 will be realised during the second half as stated. Consequently, output for the quarter based on a sustained 2011 level capacity was strong, with production totaling 26,751 tonnes in concentrate for the quarter. The installation of the complementary circuits is scheduled for the second quarter, and with a short commissioning phase, will result in a significant production increase for the remainder of 2012. Therefore, at this point in time, the 2012 production target of 125,000 tonnes of ilmenite is reaffirmed.

Costs

Production costs at Kuranakh were in line with budget for the quarter. The strong Russian Rouble is having a negative impact, notably with regard to salaries and railway tariffs as they are Rouble denominated. Nevertheless improvements have been realised in fuel and consumables consumption due to increased production volumes. The ilmenite circuit has shown some increase in fuel efficiencies, that should continue to improve with the circuit upgrade planned for the second quarter.

Figure 5: Kuranakh Production for 2011 and Q1 2012

		2011				**2012**
		Q1	**Q2**	**Q3**	**Q4**	**Q1**
IRON ORE						
Concentrate Produced	t	177,645	171,591	217,147	233,908	228,830
Concentrate Sold	t	167,099	199,886	210,293	192,810	217,689
Average Price (Fe 62.5%)	$/t	143	149	150	131	117
ILMENITE						
Concentrate Produced	t	7,464	14,707	17,948	23,371	26,751
Concentrate Sold	t	3,240	8,275	22,035	18,187	25,970
Average Price (TiO_2 48%)	$/t	139	158	212	259	280

K&S (100% owned)

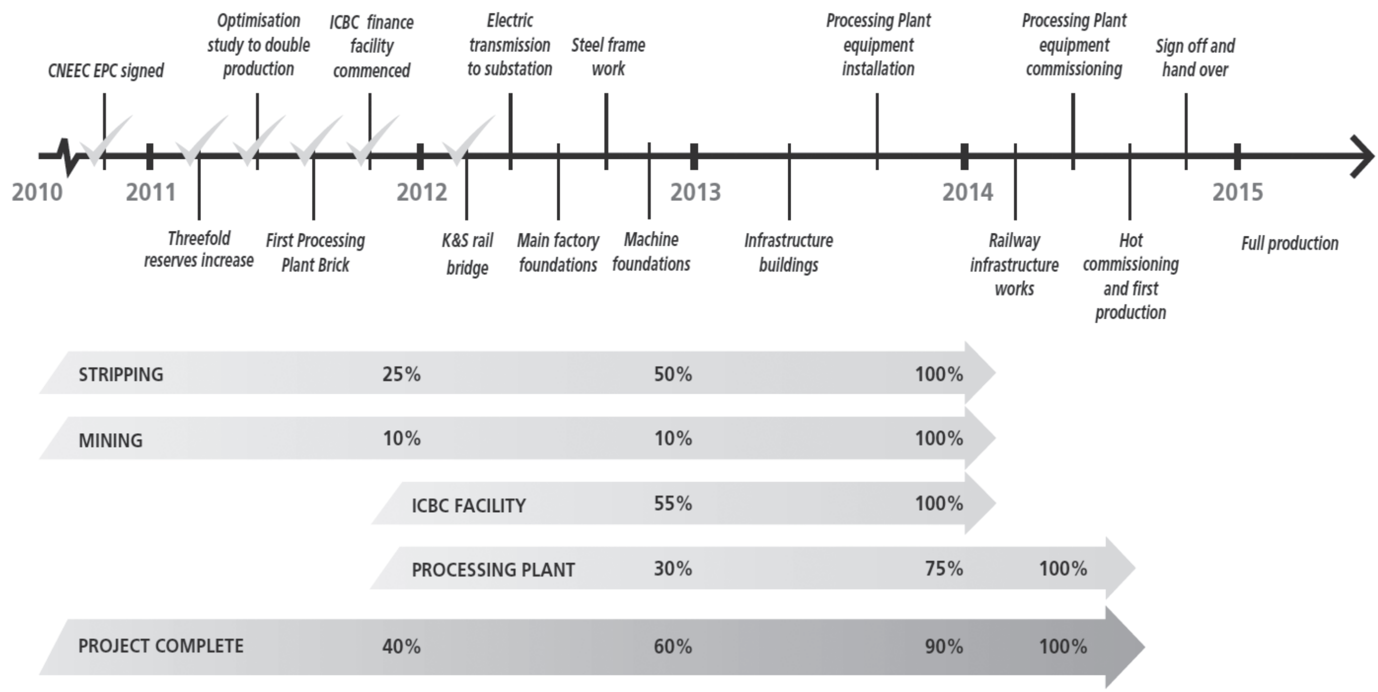
Mining

The mining of overburden continued during the quarter, though as planned at lower rates due to cold weather. A total 582,100m^3 of material was removed in the quarter. The total material removed to date is in excess of 4.8 million m^3. This is approximately 30% of the total overburden removal required ahead of the operation start-up, and comfortably ahead of the one 31.25% mark for the end of the first quarter as envisaged by the mine plan. Stripping rates will intensify into 2013 as the operation nears full commissioning, however, until then it is neither necessary nor prudent financially to undertake too much stripping too early.

Processing Plant

CNEEC is finalising construction of the accommodation camp and basic infrastructure at site. They are also completing standard construction and local authority inspections to obtain final full activity licensing and will soon commence works at the processing plant infrastructure works. Process works continue to keep pace with the construction schedule set out within original documentation, although complexities with final design implementation due to small manufacturers changes to baseline equipment may result in a small adjustment to the timeline, either shortening or lengthening the construction period dependent on the final design outcome. It is not expected that either outcome will materially impact the valuation of the project.

K&S Project Timeline



Infrastructure

In mid-February, the new bridge structure at K&S connecting the Beneficiation Plant to the Trans-Siberian Railway was connected. Iron ore concentrates will be loaded onto railcars in the plant for transportation by rail to the local market and Asian customers. The bridge was funded, designed and built entirely by IRC and its contractors. This bridge spans 116 metres and reaches 12.5 metres high and is the first railroad bridge over the Trans Siberian in the Jewish Autonomous Region.

Central bridge section lowered into place

View across connected bridge

Outlook

The IRC team is working full time on the implementation of the process works with the main Contractors. Early work on the main factory foundations has commenced and will pick up during the second quarter. All other EPC construction activities are on target.

An updated selection of photos showing the progress at the K&S Project at the end of the quarter is available at: *ircgroup.com.hk/en/Media/photographs/index.html.*

EXPLORATION

Garinskoye (99.6% owned) and Garinskoye Flanks (100% owned)

IRC announced positive scoping study results for the production of low-cost direct shipment ore from its large Garinskoye Deposit. The study, based on JORC reserves and resources proposes a DSO (Direct Shipment Ore) style opportunity. This is an attractive option because it has a low start-up cost and short build period using existing technologies and innovative transportation leads to attractive capital intensity rate. The study suggests production potential of 2.4 million tonnes of ore per annum, beneficiated to 2.1 million tonnes of 60% Fe iron ore fines concentrate. The simple technology production facilities provide low operating costs and proximity to Chinese border provides low transportation costs.

Full details of the scoping study are available at *ircgroup.com.hk*

Bolshoi Seym (49% owned)

IRC announced the signing of an agreement to acquire the remaining 51% ownership of the high-grade ilmenite Bolshoi Seym Deposit. The attractive geology with approximately 331.5 million tonnes of reserves and resources; demonstrating the potential for annual production capacity of 200,000 tonnes of ilmenite concentrate. Furthermore, it is located adjacent to IRC's established Kuranakh Mine suggesting economies of scale and synergies from an enlarged operation using IRC's proven track record in the area.

Full details of the acquisition are available at *ircgroup.com.hk*

SRP (46% Owned)

The Steel Slag Reprocessing Plant in North-Eastern China continued to make significant enhancements in recoveries during the first quarter of 2012 — only it's second quarter of production. These early gains are testament to the efforts of our Chinese joint venture partners. The first commercial sale of the final product is scheduled for the coming quarter, however, no significant contribution to net income is anticipated until full production and efficiencies are achieved.

CORPORATE MATTERS

Acquisition of Molybdenum Exploration

On Tuesday 10 April, IRC announced the signing of an agreement to acquire a controlling 50% plus one share stake and an option over all remaining shares in a molybdenum exploration project situated in the Amur Region of the Far East of Russia. The acquisition will provide IRC with an attractive industrial commodity development opportunity whilst enhancing commodity and regional diversification.

This is a low cost entry into a new project with significant exploration upside. It offers some complementary commodity diversification: attractive to IRC's customer base. An early stage exploration identified metalised zones hosting high-grade pockets and it is well located projects close to rail, energy and water infrastructure

Full details of the acquisition are available at *ircgroup.com.hk*

CORPORATE DIARY

IRC will hold the 2012 AGM on Monday 16 April 2012. Shareholders who have not received copies of the notice and proxy form are referred to the IRC website.

IRC AGM Notice

http://www.ircgroup.com.hk/filemanager/Announcement/en/upload/159/E01029_ann_0323_1437.pdf

IRC AGM Proxy Form

http://www.ircgroup.com.hk/filemanager/Announcement/en/upload/161/E01029_Proxy_0322_2348.pdf

IRC will report Second Quarter 2012 Trading Update on Tuesday 12th July 2012 and Interim Financial Results to 30th June 2012 on Wednesday 22nd August 2012.

RISK FACTORS

The Group is exposed to a variety of risks and uncertainties which could significantly affect its business and financial results. The Group's view of the principal risks that could impact it for the remainder of the current financial year are substantially unchanged from the ones set out in the 2011 Annual Report. A summary of these key risks is set out below:

- Operational risks such as delay in supply of/or failure of equipment/services/contractors and adverse weather conditions.
- Financial risks such as commodity prices, exchange rate fluctuations, funding and liquidity and capital programme controls.
- Health, safety and environmental risks such as health and safety issues, legal and regulatory risks, licences and permits, restatement of reserves and resources, and non-compliance with applicable legislation.
- Legal and Regulatory risks such as country-specific risks.
- Human Resources risks such as the ability to attract key senior management and potential lack of skilled labour.

This should not be regarded as a complete or comprehensive list of all potential risks that the Group may experience. In addition, there may be additional risks currently unknown to the Group and other risks, currently believed to be immaterial, which could turn out to be material and significantly affect the Group's business and financial results.

By Order of the Board
G. JAY HAMBRO
Executive Chairman

Hong Kong, People's Republic of China
Thursday, 12th April 2012

As at the date of this announcement, the Executive Directors of the Company are Mr G. Jay Hambro, Mr Yury Makarov, and Mr Raymond Kar Tung Woo. The Non-Executive Director is Mr Simon Murray, CBE, Chevalier de la Légion d'Honneur. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Jonathan Martin Smith and Mr Chuang-Fei Li.

TELECONFERENCE CALL

IRC management will hold a teleconference call today at 11h00 Hong Kong time to discuss the trading update. The dial-in number for the call is +852 3005 2050 in Hong Kong. The passcode for the call is 728235#. The call will also be available through the website at *ircgroup.com.hk*.

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