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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 2013 TRADING UPDATE

Thursday 11th April 2013. IRC Limited (“IRC” or the “Company”, together with its subsidiaries, the “Group”) announced today its Trading Update for the First Quarter of 2013, to 31st March 2013.

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 continues to progress well.

At the Kuranakh Mine IRC achieved a record breaking quarter with production of iron ore at 280,837 tonnes, 23% higher compared to the first quarter 2012, and ilmenite production was 53% higher at 40,933 tonnes. Additionally our average selling price for iron ore increased 28% quarter-on-quarter.

Construction activities at K&S are intensifying with the arrival of spring. Our processing plant contractor, CNEEC, is intensifying its efforts with a full programme of commercial scale works.

During the quarter, the transaction with new strategic investors General Nice and Minmetals Cheerglory was announced. The investors will subscribe, over two stages, for new shares in IRC for a total consideration of approximately US\$238 million. The first stage was completed as planned on 5th April 2013 and the second stage is on track for completion before the end of September 2013.

GROUP HIGHLIGHTS

- Increased production and sales at Kuranakh, resulting in a record-breaking quarter
- Ongoing implementation of costs saving measures and efficiency gains at Kuranakh and across the Group
- General Nice and Minmetals Cheerglory transaction announced: Stage 1 completed as planned
- 2013 full-year production targets re-affirmed

Commenting on the performance in the first quarter, Jay Hambro, Executive Chairman of IRC, said: *“I am delighted to report that for the first quarter of 2013, IRC has yet again achieved a solid performance on all fronts. We have beaten our internal targets and broken all our records to achieve iron ore and ilmenite production and sales volumes at the Kuranakh Mine considerably ahead of market guidance. Given this excellent quarter, during which prices rallied beyond analyst forecasts, I believe we have set a firm foundation to build on for the remainder of the year.*

As spring brings a superior construction climate to the Russian Far East, our energy is focused on finishing construction and mining works at K&S. Efforts are focussed in particular on the Processing Plant, including installing and testing all equipment, ensuring that we remain on track for full commercial production by the end of the first half 2014. This will be a significant and exciting milestone for the Group, as we will quadruple production capacity to over 4 million tonnes a year when K&S comes on-line.

Comfort is provided for shareholders during this critical phase with the significant strengthening of IRC’s balance sheet following the completion of the first stage of our investment from General Nice & MinMetals last week. At nearly a quarter of a billion US Dollars, I believe this investment is the creation of a strategic partnership that marks a new chapter in IRC’s evolution as the leading China-Russia producer of high quality steel raw materials. With the additional capital, and the guaranteed route to market through our off-take arrangements, IRC is in a stronger position than ever before to unlock value from its asset portfolio and realise our growth plans.”

RESULTS SUMMARY

Production increased at the Kuranakh Mine. Annual targets of 900,000 tonnes of iron ore concentrate and 160,000 tonnes of ilmenite concentrate are reaffirmed.

	Products	Quality	Q1 2013	Q1 2012	Change
Production (tonnes)	Iron Ore	62.5% Fe	280,837	228,830	+23%
	Ilmenite	48% TiO ₂	40,933	26,751	+53%
Sales (tonnes)	Iron Ore	62.5% Fe	273,002	217,689	+25%
	Ilmenite	48% TiO ₂	32,248	25,970	+24%

MARKETING

Increased iron ore concentrate shipments continued to our customer base throughout East Asia. With port and rail capacity constraints weighing on the sector, despite some record low inventory levels, our customers continue to recognise the advantages of purchasing concentrates from IRC. Rail freight from our operations allows more frequent deliveries in lower-volumes of a consistent product, 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 2013 IRC expects to increase production by 28% to 160,000 tonnes, and it is encouraging to note that the marketing team is reporting strong offtake and firm demand from IRC’s growing customer base.

Sales Volumes

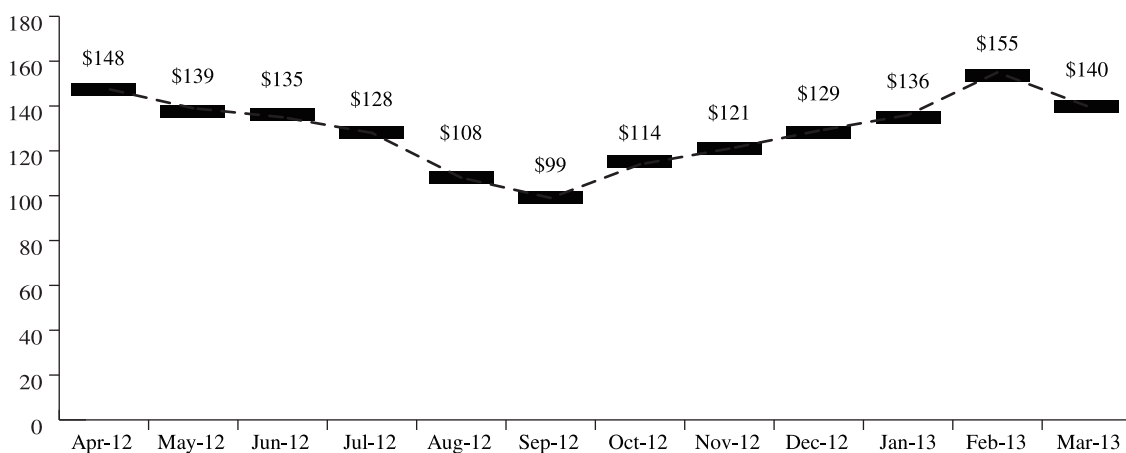
Sales volumes for the first quarter 2013 were good, breaking records and surpassing expectations at 273,002 tonnes for iron ore. Ilmenite sales also broke records at 32,248 tonnes.

Prices

Iron ore prices for delivery to China experienced considerable volatility for the first quarter 2013. The benchmark Tianjin CFR price (62% Fe iron ore fines) opened the year at US\$145 per tonne, climbing to US\$158 per tonne in January and February before falling back to US\$137 per tonne at the end of the quarter. Despite averaging a healthy US\$147 per tonne for the quarter and with the forward curve suggesting a modest backwardation to approximately US\$135 per tonne for the second quarter, it appears that even despite low inventories through the supply chain, negative sentiment is weighing heavily on the sector even though fundamentals are stable. This helps to explain why equity prices for iron ore companies, IRC included, have fallen more than the prices of physical metal. It is however, an outlook that IRC does not share given ongoing supply constraints globally and strong demand that the marketing team are reporting from customers.

Prices for IRC iron ore concentrate from the Kuranakh Mine is secured under a long-term offtake agreement and are calculated on the INCOTERM “DAP” (Delivered at Place) basis. During the quarter, the average achieved selling price for iron ore was US\$128 per tonne, a 28% increase compared to the previous quarter. The price formula is based on averages for proceeding periods and therefore lags the spot price. Consequently some of the high prices seen in February and March 2013 will not be realised by IRC until the second quarter 2013. The price for ilmenite concentrate (a titanium dioxide product) improved from already high levels, with the average achieved selling price at US\$274 per tonne, a 4% increase compared to the previous quarter, in part due to the changing profile in delivery basis.

Average Monthly Tianjin Iron Ore Spot Price, April 2012 to March 2013 (US\$/t)



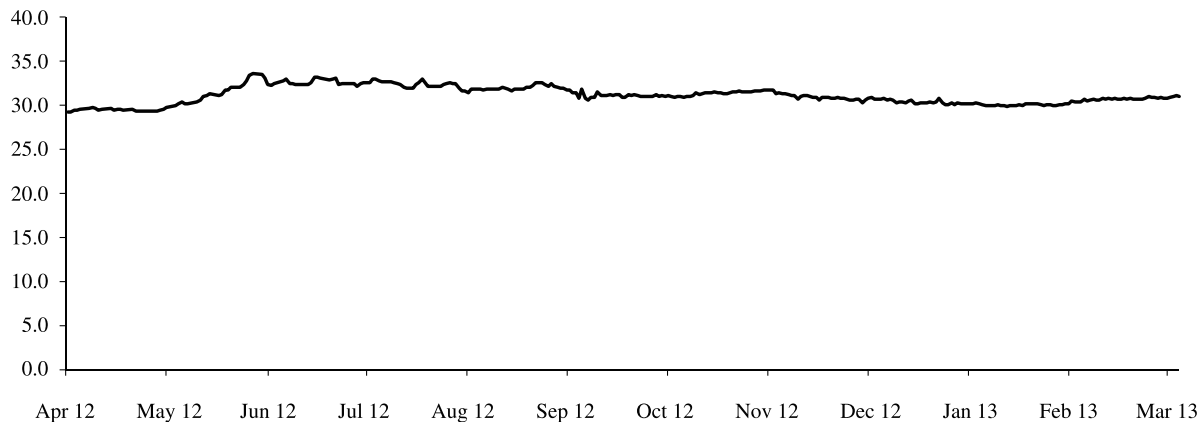
Source: Bloomberg

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

IRC and General Nice with Minmetals Cheerglory have entered into a conditional 15-year offtake arrangement which will cover production from K&S, Garinskoye and future projects. IRC has full discretion to sell by either a dry-port or a seaborne arrangement. Dry-Port Arrangement will incur a 5% marketing fee on sales revenue payable to the Investors and subject to a 65% cap on total. Alternatively, IRC may choose to sell its products via the seaborne market with a guaranteed take-or-pay off-take thereby providing flexibility and a guaranteed revenue stream if it is considered preferable to sell its concentrates via the seaborne market. Using this option, concentrate would be sold at the then prevailing Platts CFR China price subject to a 7% discount.

During the quarter the Rouble opened at 30.5 and closed at 31.1 to the dollar, holding a relatively stable average exchange rate of 30.4 to the dollar. The currency experienced a net capital outflow during the quarter and there are concerns, further weakening the Rouble.

**Dollar Rouble Exchange Rate,
April 2012 to March 2013**



Source: Bloomberg

Outlook

The iron ore market remains robust with both prices and customer feedback not reflecting the gloom currently being reported in the media. Positive conjecture around mainland Chinese policy regarding the need to increase infrastructure development suggests good demand outlook, whilst ongoing supply constraints due to geological, production, infrastructure and financing challenges will continue to hinder overly optimistic supply growth forecasts. In a renewed position of financial strength following completion of Stage 1 of the transaction with General Nice and Minmetals ensures that IRC is well placed to deliver its low capital cost growth projects in a timely manner and deliver increasing returns for all shareholders.

OPERATIONS

Kuranakh (100% owned)

Mining

Mining activities continued according to plan at Kuranakh. Due to the build up and availability of stockpiles achieved in 2012, it was decided to temporarily downscale winter-mining operations without affecting the processing during January 2013 to save on mining costs and wear and tear on equipment during the coldest period of the year.

Taking this into consideration, the Saikta and Kuranakh pits combined delivered excellent tonnages and grades to the crushing and screening plant. A total of 663,164 tonnes of ore was removed for the quarter, which factoring a shorter work period due to the temporary downscale of mining operations represents an approximate 7% increase in mining rates for the quarter compared to the same quarter during 2012.

Processing

For the quarter the Kuranakh Crushing and Screening Plant processed 916,295 tonnes of iron ore with a grade of 27.3% Fe and 8.4% TiO₂, producing 464,763 tonnes of pre-concentrate. Stockpiles before the temporary suspension of mining operations totalled 514,737 tonnes, and reduced to 207,689 tonnes when operations recommenced, increasing to 261,606 tonnes at the end of the period, equivalent to 25-days feed for the crushing and screening plant. This demonstrates the effective use of the inventory process.

Operations improved further at the Olekma Processing Plant during the quarter. A total 469,190 tonnes of pre-concentrate was processed, resulting in production of 280,837 tonnes of iron ore with a grade of 62.5% Fe and 40,933 tonnes of ilmenite concentrate with a grade of 48%.

Production

With good progress at Kuranakh already achieved 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 2013, 280,837 tonnes of iron ore concentrate was produced, 31% of our annual target. The increase in production capacity of ilmenite from 125,000 tonnes to 160,000 is progressing well with production totaling 40,933 tonnes in concentrate for the quarter, 26% of our annual target.

Costs

Production costs at Kuranakh were in line with budget for the quarter with some optimisations, due to the planned stoppage of mining operations in January, allowing for some maintenance work and more limited wear and tear of the mining equipment normally experienced over this extreme cold period. The strong Russian Rouble and Russian inflation continue to impact on costs, notably with regard to

salaries and locally procured consumable, especially coal during the colder winter months. Nevertheless, as alluded to in the 2012 Annual Report, optimisations are being implemented across the operation and in administrative functions.

A notable improvement was realised with transportation costs to the Chinese border. Loading optimisation of wagons has resulted in an approximate US\$4 dollar per tonne saving and efforts are ongoing to secure better wagon lease rates and lower tariffs.

IRC continues to attack costs with a view to reducing them in all areas.

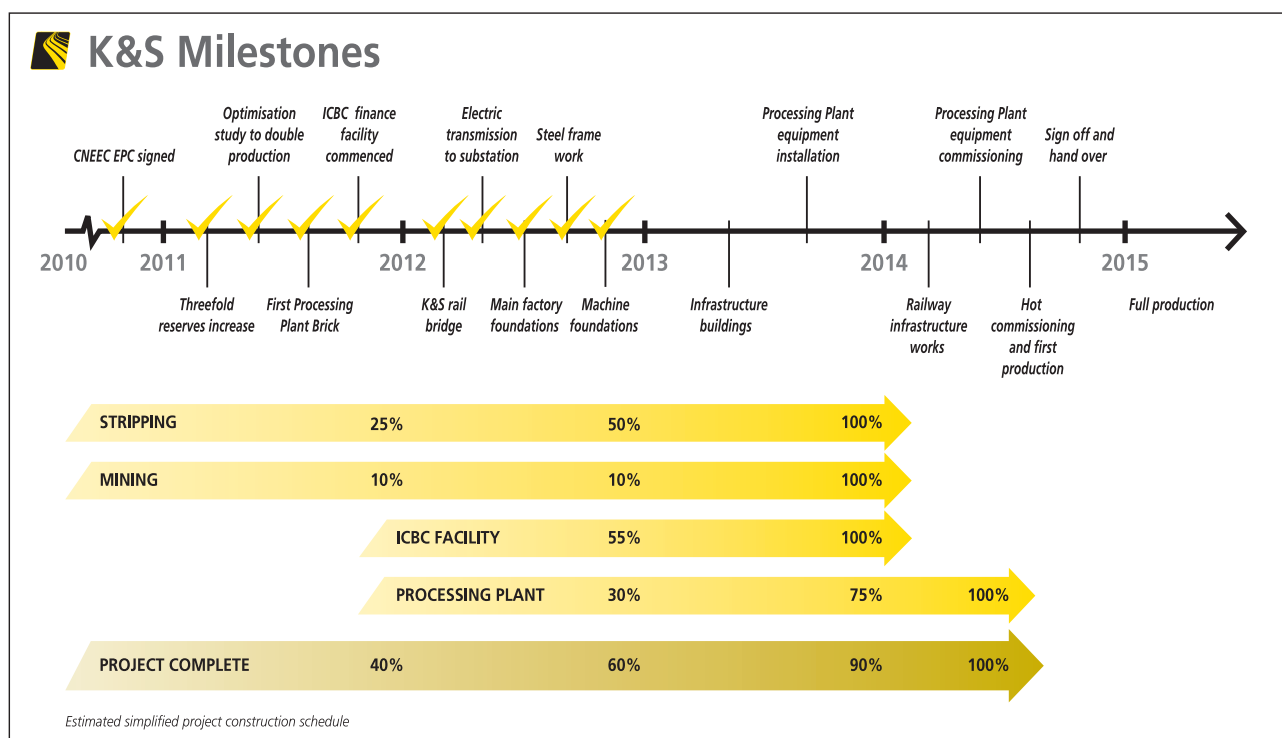
Quarterly Production and Sales for 2012 and Q1 2013

		Q1	2012 Q2	Q3	Q4	2013 Q1
IRON ORE						
Concentrate Produced	t	228,830	203,481	261,204	275,921	280,837
Concentrate Sold	t	217,689	206,332	260,033	296,489	273,002
Average Price (Fe 62.5%)	\$/t	117	127	110	100	128
ILMENITE						
Concentrate Produced	t	26,751	28,694	33,267	36,383	40,933
Concentrate Sold	t	25,970	26,996	24,344	43,928	32,248
Average Price (TiO ₂ 48%)	\$/t	293	280	284	263	274

K&S (100% owned)

In line with plan, mining and Processing Plant construction activities at K&S slowed over the winter months. Considerable work has been completed preparing for the end of winter, ensuring that a rapid mobilisation took place as CNEEC ramps-up its activities. Contractors, materials equipment and consumables are increasingly arriving on site, which has been cleared of snow. With the arrival of spring, activities are intensifying and the construction programme remains on track for delivery of commercial production during the first half of 2014.

K&S Project Timeline



SRP (46% Owned)

The SRP plant is continuing to ramp up towards full capacity during the quarter. Vanadium Pentoxide production totalled 1,486 tonnes and sales 1,120 tonnes.

Product prices have continued to increase, reflecting the anticipated changes in the PRC legislation on vanadium pentoxide specifications, which will favour the SRP product quality and benefit IRC.

Corporate Update

On 17 January 2013, IRC announced a two-stage transaction for a US\$238 million subscription for new shares by strategic Chinese investors General Nice and Minmetals Cheerglory. The proceeds from the subscription are being used for the continuing development of the K&S Project and for the consideration of the Board to advance with the development of the Garinskoye Project, thereby unlocking the value in IRC's extensive portfolio of development projects. The transaction is split over two stages, the first of which completed on Friday 5th April 2013.

Stage 1: Subscription by General Nice of 851,600,000 new shares, for US\$103.3 million.

Stage 2: Subscription by General Nice and Minmetals Cheerglory, exercisable at the option of General Nice, of up to an additional 1,110,900,000 new shares, for a consideration of US\$134.7 million, with expected completion before the end of September 2013.

RISK FACTORS

The Group is exposed to a variety of risks and uncertainties which could significantly affect its business and financial results. From the Board, to executive and operational management and every employee, the Group seeks to undertake a pro-active approach that anticipates risk, seeking to identify them, measure their impact and thereby avoid, reduce, transfer or control such risks. The Group's view of the principal risks that could impact it for the remainder of the current financial year are substantially unchanged from those of the previous years. 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, 11th April 2013

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 tomorrow (12 April 2013) at 10h00 Hong Kong time to discuss the trading update. The dial-in number for the call is +852 3027 5500. The passcode for the call is 828252#. A presentation to accompany the call is available at www.ircgroup.com.hk.

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