

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement. The information set out below in this announcement is provided for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares in the Company.



IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1029)

**IRC: FOURTH QUARTER TRADING UPDATE TO 31 DECEMBER 2013
ANNUAL IRON ORE PRODUCTION EXCEEDS ONE MILLION TONNES**

Wednesday 22nd January 2014. IRC Limited (Stock Code 1029) (“IRC” or the “Company”, together with its subsidiaries, the “Group”) today announces its Trading Update for the Fourth Quarter of 2013, to 31st December 2013.

SUMMARY

IRC is pleased to announce a solid fourth quarter and end to 2013 with full-year iron ore production targets beaten for the third consecutive year; significant construction advances at the new K&S operation; and a balance sheet strengthened following the partial completion of the subscriptions from strategic Chinese investors.

At the Kuranakh Mine, IRC achieved a good quarter with 265,187 tonnes of iron ore and 37,744 tonnes of ilmenite produced. This resulted in record full year production of 1,032,615 tonnes of iron ore, 5.4% above our target and 6.5% more than the previous year. Ilmenite production for the fourth quarter was 37,744 tonnes, resulting in full year production of 150,458 tonnes, 20.3% more than 2012.

Construction activities at K&S continue to progress well with first commercial production targeted in the second half of 2014. Whilst the rainfall and flooding in the second and third quarters led to the contractor reporting delays, development on site in the fourth quarter was encouraging, notably mining and ore stockpiles are ahead of schedule, the beneficiation plant building is nearly completed and now heated enabling some equipment installation through the winter.

GROUP HIGHLIGHTS

- Kuranakh celebrates annual iron ore production above 1 million tonnes
- 2013 iron ore production increases 6.5% compared to 2012
- 2013 ilmenite production 20.3% higher compared to 2012
- Balance sheet strengthened following General Nice Stage 1 and partial Stage 2 subscriptions by over HK\$1 billion (approximately US\$130 million)
- Construction and mine development at K&S on track for first commercial production during second half of 2014
- Expressions of interest to finance Garinskoye DSO operation following positive Bankable Feasibility Study results

Commenting on the performance in the Fourth Quarter, Jay Hambro, Executive Chairman of IRC, said: *“Progress at K&S is impressive and the scale of the project is showing. I was last at site in December and since my last visit in October, the beneficiation plant has been covered and roofed, and for the first time it is possible to capture the sheer scale of what we are building. K&S is clearly a world-class facility and I’m delighted that it will be producing in the second half of this year.*

At the end of December our strategic Chinese partner, General Nice advised that they would not be able to complete in full the second subscription for new shares. We are always monitoring the Chinese macro environment and we observed that credit availability reduced and interest rates increased, and as the December deadline progressed, the difficulties for General Nice were apparent. In the end General Nice were able to raise HK\$205.2 million (approximately US\$26.5 million), and combined with the Phase I subscription, they have raised over a HK\$1 billion so far, which is over 60% of their full commitments. Discussions are ongoing with General Nice and Minmetals to manage completion in as timely manner as is possible. Whilst the delay is regrettable, it is a victim of circumstance and remains a partnership with mutual benefits in the long term.

With the final quarter also marking the year end, it is pleasing to report increased production for 2013 and for the first time in our history we have produced over one million tonnes of iron ore in a year. Production of iron ore and ilmenite increased year on year, up 6.5% and 20.3% respectively. A planned upgrade to the ilmenite circuit planned was completed in late December leading to our increased capacity in 2014. The iron ore circuit ran for the second year at above capacity, and it’s pleasing to see that we beat even our increased annual production target, more than making up for the small shortfall in ilmenite tonnes and celebrating our first year with iron ore production above 1 million tonnes.

As always, I would like to take this opportunity to thank my colleagues for their hard work and to congratulate them on another excellent year for IRC. As we celebrate exceeding one million tonnes for the first time we knuckle down to finalise construction on our K&S plant and look forward to a quadrupling of group production.”

RESULTS SUMMARY

During the fourth quarter of 2013 production of iron ore was 265,187 tonnes and ilmenite 37,744 tonnes. For the full year this resulted in a 6.5% increase in iron ore production to a record 1,032,615 tonnes and a 20.3% increase in ilmenite production to 150,458 tonnes. Full year sales also reached new records, up 3.3% for iron ore to 1,012,433 tonnes and up 16.8% to 141,644 tonnes for ilmenite. Annual targets for 2014 are reaffirmed at name plate plant capacity of 900,000 tonnes of iron ore concentrate and 160,000 tonnes of ilmenite concentrate.

	Products	Q4 2012	Q4 2013	Change	FY2012	FY2013	Change
Production (tonnes)	Iron Ore (62.5% Fe)	275,921	265,187	−3.9%	969,436	1,032,615	+6.5%
	Ilmenite (48% TiO ₂)	36,383	37,744	+3.7%	125,095	150,458	+20.3%
Sales (tonnes)	Iron Ore (62.5% Fe)	296,489	230,481	−22.3%	980,543	1,012,433	+3.3%
	Ilmenite (48% TiO ₂)	43,928	28,084	−36.1%	121,238	141,644	+16.8%

There will be a conference call today at 10h30 Hong Kong time to discuss the fourth quarter trading update. The number is +852 2112 1700 and the passcode is 1020522#. Presentation slides to accompany the call are available at ircgroup.com.hk. A replay call will be available from 23 January 2014 at www.ircgroup.com.hk.

MARKETING

Chinese demand for iron ore during the quarter continued to be strong following an uptick in the third quarter. Chinese steel production continued to hit new records, recording over 800 million tonnes in 2013, up from 715 million tonnes in 2012. In addition, the annual restock helped absorb more metal during the quarter as the industry prepares for the Chinese New Year at the end of January and potential shut downs at domestic mines due to cold weather. Stockpiles at Chinese ports increased into the New Year, but remain near historic lows given the increased size of the market. An increase in supply from Australia is noted, but appears to be comfortably absorbed by the growing end-market.

Seaborne freight rates increased dramatically and experienced considerable volatility during the quarter, reaching highs last seen in November 2010. Commentators suggest that this could continue into 2014 as port delays have lengthened and the risk of southern hemisphere summer weather related interruptions. The logistical advantages that IRC benefits from transporting iron ore by rail instead of sea are becoming apparent again. In 2013, IRC reported lower rail freight costs and because the border

delivery point is closer to its customers, they too benefit from shorter travel distances and therefore costs, enabling them to better manage inventories through just-in-time style deliveries and therefore working-capital.

Sales Volumes

Sales volumes for 2013 set new records at 1,012,433 tonnes for iron ore, a 3.3% increase compared to the previous year and 141,644 tonnes for ilmenite, an even larger 16.8% increase compared to 2012.

Shipments of ilmenite concentrate are ongoing to a customer base that expanded during 2013. The marketing team report good demand despite the ongoing softness in global prices. The Kuranakh product remains popular because of its high quality, consistency and low impurity levels. Also, because the product is sold in user-friendly two-tonne bags, it is available to a wider customer base, especially smaller customers that otherwise would not have access to direct supplies from a producer.

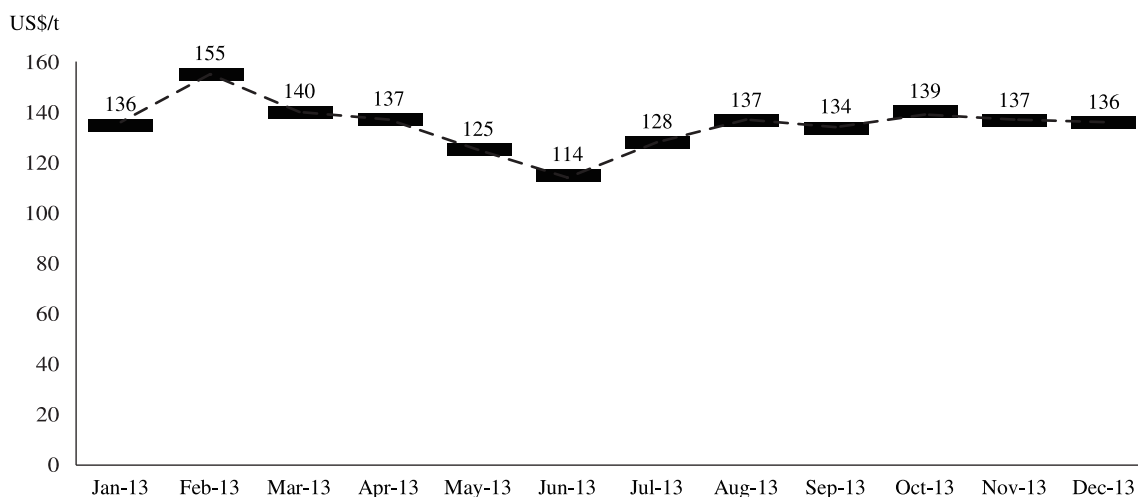
Prices

Iron ore prices for delivery to China gained over the quarter and showed remarkable stability, due to a strong underlying domestic steel market and an improvement in economic sentiment, despite increased supplies from Australian expansion projects. The benchmark Tianjin CFR price (62% Fe iron ore fines) opened the quarter at US\$131 per tonne, closed at US\$134 per tonne and traded within a US\$130–US\$140 band and an average US\$137 per tonne for the quarter.

Sales for IRC iron ore concentrate from the Kuranakh Mine are secured under a long-term offtake agreement and prices are calculated on the INCOTERM “DAP” (Delivered at Place) basis. During the quarter, the average achieved selling price for iron ore was US\$118 per tonne, a 7.3% increase compared to US\$110 per tonne in the previous quarter. The price formula is based on averages for preceding periods and therefore lags the spot price.

The price for ilmenite concentrate (a titanium dioxide product) continued to be weak following the mid-year fall. The average achieved selling price was US\$188 per tonne, a 0.5% decrease compared to US\$189 per tonne in the previous quarter. The majority of IRC ilmenite sales are to Chinese customers and whilst prices have been soft, the sales and marketing team continue to report good demand for IRC ilmenite products due to the superior product quality and characteristics.

Average Monthly Tianjin Iron Ore Spot Price, January 2013 to December 2013 (US\$/t)



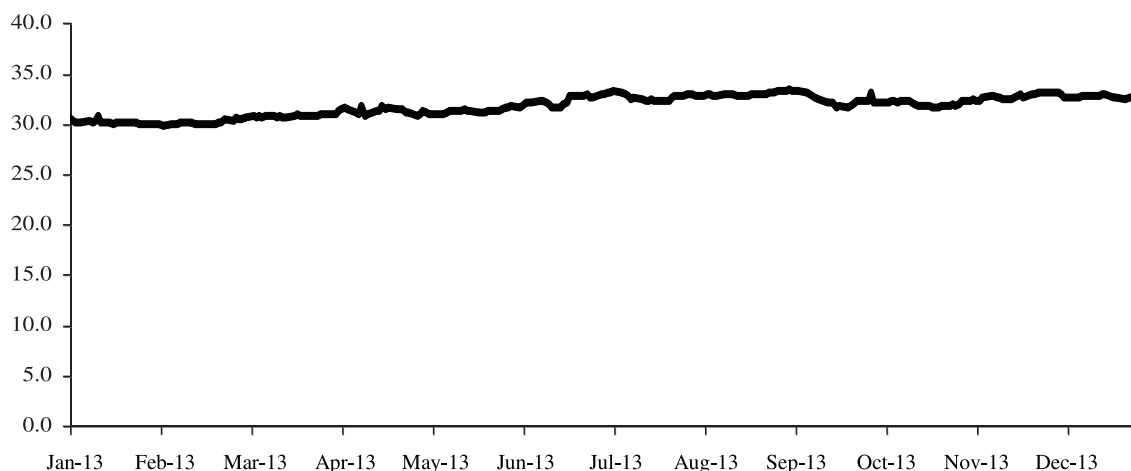
Source: Bloomberg

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

IRC together with General Nice and Minmetals Cheerglory have entered into a conditional 15-year offtake arrangement covering 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 Chinese strategic investors and subject to a 65% cap on total, i.e. sending 100% of material to the dry-port incurs a 3.25% fee. Alternatively, IRC may choose to sell its products via the seaborne market with a guaranteed take-or-pay off-take arrangement 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 was stable against the US Dollar, opening at 33.2 and closing marginally lower at 32.9 to the dollar, though having fallen approximately 7% over the year. Inflation during the quarter of 6.5% remains above government targeted 5–6%. Commentators note that government intentions for a free-floating currency in 2014 could result in further falls to the US Dollar as the US reduces its quantitative easing policies.

Russian Rouble — US Dollar Rates January 2013 to December 2013



Source: Bloomberg

Outlook

Positive conjecture around Chinese urbanisation and infrastructure development following the Third Plenary Session of the 18th CPC Central Committee in November 2013 suggests ongoing demand growth in steel and therefore iron ore. This will be at a slower pace than recent years, though it is important to recognise that it is off a larger base. This is the long-term positive trend. Ongoing supply constraints due to geological, production, infrastructure and financing challenges will continue to hinder overly optimistic supply growth forecasts in the long-term, whilst cold weather in the northern hemisphere, notably China and weather related supply disruptions typical to the southern hemisphere in the first quarter provide supply-risks to iron ore production and shipments. Concerns around the capital liquidity and current high interest rates in China could also limit the availability of credit for iron ore trading in the short-term and Chinese project financing in the long-term, thereby giving rise to price volatility.

With these factors in mind and not ignoring the downside risks, we continue to believe that the iron ore market remains robust, and should provide support for prices into 2014.

OPERATIONS

Kuranakh (100% owned)

Kuranakh celebrated a new milestone in the 2013 achieving annual production above 1 million tonnes for the first time.

The operation, located in the Amur Region of the Russian Far East comprises both the original Saikta open pit and the more recently established Kuranakh open pit processing facilities and an onsite railway spur connecting to the BAM and Trans-Siberian Railways.

Mining

During the fourth quarter, mining production and development activities progressed well. Mining works were conducted in accordance with revised mining plan, designed to compensate the low grades experienced during the second quarter. Almost 60% of mining volumes are now concentrated on the Kuranakh pit with lower stripping ratios and higher grades.

Production for the quarter was 1,123,363 tonnes of ore removed, 1% more than the previous quarter, and in line with the long-term plan.

Processing

Following the cost savings achieved last year during the mid-December to January mining downscale the program was again initiated this year. Using stockpiles built up over the year, feed to the processing plant remained available without affecting production rates. Certain mining contractors decided to continue operations, though the cubic metre rates will not be increased due to any cold weather impact.

For the quarter, the Kuranakh Crushing and Screening Plant processed 967,907 tonnes of iron ore with a grade of 26.1% Fe and 8.0% TiO₂, producing 471,188 tonnes of pre-concentrate.

At the Olekma Processing Plant a total 497,289 tonnes of pre-concentrate was processed, resulting in production of 265,187 tonnes of iron ore, and 37,744 tonnes of ilmenite concentrate.

Production

Production for iron ore and ilmenite broke records in 2013 for the third consecutive year. Annual production of iron ore was 1,032,615 tonnes, 5.4% above the revised target of 980,000 tonnes upgraded in September 2013, 14.7% above the original target of 900,000 tonnes and 6.5% above the production achieved in 2012. Ilmenite production for the year was better, up 20.3% compared to 2012, however, slightly below the 160,000 annual target due to the late installation of additional equipment in the processing circuit.

2014 Production Targets

Production targets for 2014 are maintained at plant capacity levels of 900,000 tonnes of iron ore and the upgraded 160,000 tonnes of ilmenite. Whilst iron ore production exceeded this level during 2013, it is a consequence of the plant achieving above capacity, and therefore, it is considered prudent to set targets in-line with nameplate capacity.

Costs

Russian inflation continues to run high during the final quarter at 6.5%, above even the government target of 5-6%. Following the gains in transport costs in the previous quarter, cost-saving initiatives in both production and administrative expenses are ongoing. IRC will release a full cost breakdown in the Annual Results.

Fourth Quarter and Full Year 2012 & 2013 Production and Sales

	Products	Q4 2012	Q4 2013	Change	FY2012	FY2013	Change
Production (tonnes)	Iron Ore (62.5% Fe)	275,921	265,187	-3.9%	969,436	1,032,615	+6.5%
Sales (tonnes)	Iron Ore (62.5% Fe)	296,489	230,481	-22.3%	980,543	1,012,433	+3.3%
Average Price (Fe 62.5%)		US\$100/t	US\$118/t	+18.0%	US\$112/t	US\$119/t	+6.2%
Production (tonnes)	Ilmenite (48% TiO ₂)	36,383	37,744	+3.7%	125,095	150,458	+20.3%
Sales (tonnes)	Ilmenite (48% TiO ₂)	43,928	28,084	-36.1%	121,238	141,644	+16.8%
Average Price (TiO ₂ 48%)		US\$263/t	US\$188/t	-28.5%	US\$277/t	US\$223/t	-19.5%

K&S (100% owned)

Construction activities at K&S continue to progress well through the fourth quarter.

Mining

Stripping and mining rates intensified through the fourth quarter following the mobilisation of a local contractor in early October. The contract covers both mine development and preparation of stockpiles ahead of commercial production, and full-scale ore production thereafter.

A total 1,751,700 m³ of material was removed resulting in a total of 10.7million m³ of material moved to date of the required 14.5 million m³ of overburden required ahead of the operation start-up at the end of December 2013, and comfortably in-line with the mine plan at this stage.

At the end of the quarter, ore stockpiles ready to feed the processing plant increased by 1,057,280 tonnes to a total 1,911,480 tonnes, representing approximately 62.4% of the required start-up stockpile. This is a solid achievement and provides comfort that the mine will be ready for the start-up of plant operations and demonstrates IRC's ability to prepare a larger scale open-pit mining operation.

Blasting at Kimkan Mine



Stripping Activities at Kimkan Mine



Processing Plant

Good progress was made during the quarter with the processing plant building. The plant construction work progress is estimated internally to be approximately 50% complete. Progress over the quarter includes:

Main Processing Building construction almost completed with the building fully covered. Heating commenced in mid-December enabling some equipment installation through winter.

Primary Crushing Building is 65% completed with 100% of concrete works and foundations and 80% of steel construction completed. Installation of jaw crushers and feeders commenced in December.

Ore Sorting Building is 76% complete with 95% of steel construction erected and panel covering due to be completed in January, enabling equipment installation through the winter.

Secondary and Fine Crushing Ore Building is 61% complete with 95% of concrete works and foundations completed, 75% steel construction completed and plans to finalise building coverings early in the first quarter and proceed with equipment installation.

Dry Magnetic Separation Building is 55% complete with 85% foundations completed and 85% of steel construction erected, with the panels covering planned to be completed in January, enabling equipment installation through winter.

Beneficiation Plant



Machine Foundations inside Beneficiation Plant



Infrastructure

Further progress was made on the rail connection, station and signaling. In December, trials commenced with the trains testing the IRC built tracks, ramp-sidings and bridge. The tailing facilities advanced to plan with good progress on earthworks and pipe installation.

Testing of K&S Trans Siberian Bridge



Track being laid to Beneficiation Plant



IRC is targeting commercial production at K&S during the second half of 2014, and a formal production target will be provided nearer the time.

Garinskoye (99.6% Owned)

The Garinskoye Project is located in the Amur Region of the Russian Far East, approximately 190 kilometres from the Chinese border. Following updated exploration work completed over the last 4 years, a JORC-compliant mineral resource of 180mt at 33.4% Fe on an indicated basis and a further 90mt at 32.4% on an inferred basis was established. The original intention was to build a large-scale open-pit mining 10mt and yielding 4.6mt of concentrate for 20 plus years. Whilst IRC still intends to develop a large mining operation, due to capital constraints, an intermediate plan to exploit value in the near-term with a smaller scale DSO-style operation has been developed.

The full Bankable Feasibility Study for the revised DSO-style operation has been undertaken and once third-party verification and a fatal flaws analysis are completed, it will be announced. In the meantime, potential funding opportunities are ongoing, with several potential project partners having been identified and a full expression of interest for project financing received from a multi-lateral banking institution. The Company intends to announce funding options during mid-2014.

Corporate Update

In 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.

Stage 1, which completed in April 2013 involved the subscription by General Nice of 851,600,000 new shares (including the deferred issue of 34,064,000 new shares), for US\$103.3 million.

Stage 2, for a further subscription of an additional 863,600,000 new shares, for a consideration of approximately HK\$811.8 million (approximately US\$104.7 million) by General Nice and subsequently a subscription by Minmetals Cheerglory for 247,300,000 new shares for HK\$232.5 million (approximately US\$30.0 million). In October 2013, General Nice provided an irrevocable notice for the exercise of the Stage 2 subscription, and following an agreed delay for completion, a personal guarantee was received in November from the General Nice Chairman to complete by the end of December. Regrettably, liquidity constraints in China, as documented in the international press, have resulted in General Nice's present ability to only partially complete Stage 2, with the subscription of 218,340,000 new Shares for HK\$205.2 million (approximately US\$26.5 million) at the end of December. Consequently, General Nice has already invested over 60% of its total commitments to date. Once General Nice has completed in full its Stage 2 subscription, Minmetals Cheerglory, under the terms of the agreements, may also invest. As long-term strategic investors, IRC recognises the challenges faced by General Nice raising the additional subscription capital at present, and whilst the Company is cognisant of its legal rights under the agreements and the personal guarantee from General Nice, it does not want to frustrate the good relations with General Nice and therefore is working with General Nice to agree a timely funding plan.

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 also includes off-take and marketing arrangements, providing IRC with both sales volume and cash-flow security.

Following completion of the first stage of the transaction the Board announced the appointment of Mr Cai Sui Xin, Chairman of General Nice and Mr Liu Qingchun, Managing Director of Minmetals Cheerglory Limited as non- executive Directors of the Company.

Petropavlovsk will continue to remain a controlling shareholder of the Company as defined under the Listing Rules, and based on the prevailing applicable accounting standard, the Company will continue to be treated as a subsidiary of Petropavlovsk. As a consequence, the Guarantee Fee under the Recourse Agreement will only become payable by the Company to Petropavlovsk when completion of the General Nice Further Subscription and Minmetals Cheerglory Subscription occurs.

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
Wednesday, 22 January 2014

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 Directors are Mr Simon Murray, CBE, Chevalier de la Légion d'Honneur, Mr Cai Sui Xin and Mr Liu Qingchun. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Jonathan Martin Smith and Mr Chuang-Fei Li.

For further information, please contact:

Nicholas Bias

Head of Communications

Telephone: +852 2772 0007

Mobile: +852 9088 1029

Email: nb@ircgroup.com.hk

Shirly Chan (中文查詢)

Investor Relations Co-Ordinator

Telephone: +852 2772 0007

Mobile: +852 6623 3450

Email: sc@ircgroup.com.hk

Registered Office

IRC Limited

6H, 9 Queen's Road Central

Hong Kong

Office: +852 2772 0007

Fax: +852 2772 0329

Email: ir@ircgroup.com.hk

Website: www.ircgroup.com.hk