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IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1029)

K&S PROJECT UPDATE AHEAD OF COMMISSIONING

Wednesday, 3rd December 2014: IRC Limited (“IRC” or the “Company”) — is pleased to provide an update on its large-scale low-cost K&S Project, on track to commence the project commissioning process at the end of 2014 and low-cost production in 2015.

HIGHLIGHTS:

- K&S on track for the project commissioning process to commence end of December 2014, completing in Q2 2015.
- Full-scale commercial production capacity anticipated in Q3 2015.
- Forecast capital expenditure now below budget due to infrastructure optimisation and EPC contract payments.
- Operating costs lowered due to enhanced mining and processing, and Rouble depreciation.
- 2015 production guidance 1.7 million tonnes of concentrate.
- Transportation costs could reduce further following construction of Amur River Bridge.

Commenting, Jay Hambro, Executive Chairman at IRC said: *“I believe the works at the K&S Mine are progressing well with the project now 85% complete and preparing to commence the six-month project commissioning programme at the end of this month. Whilst the mining and infrastructure elements are virtually complete, our main contractor has guided to a processing plant commissioning schedule that is now more biased towards the second quarter than the first, and consequently we have decided to be prudent and trim our production guidance for 2015 from 2 million tonnes to 1.7 million tonnes.*

Encouragingly, the forecasts for the project budget and operating costs will be lower than previously estimated. We now believe that the total cost of construction, net of delay payments, will be reduced by more than US\$20 million. Furthermore, due to foreign exchange movements and forecast operational savings, the estimated operating costs for a fully delivered product to the Chinese border will fall to approximately US\$50 per tonne. This confirms the position of K&S at the lower end of the cost curve and affirms confidence in the operation ahead of commissioning.”

COMMISSIONING, RAMP-UP & PRODUCTION

As highlighted in the 2014 Interim Report, K&S is on track to commence the commissioning process at the end of December 2014. With the mining preparation and ore stockpiles already completed, and 85% of the processing plant ready for full installation and commissioning, the formal commissioning process will commence as previously advised at the end of December 2014.

PHOTO OVERVIEW OF K&S PLANT (NOVEMBER 2014)



Processing plant contractor China National Electric Equipment Corporation (CNEEC) is finalising its commissioning schedule, however, whilst it is materially in line with that announced in the 2014 Interim Results, namely a six-month commissioning from the end of December 2014, the revised schedule for the processing plant is more biased towards the second quarter of 2015 than previously. One of the principal reasons is that CNEEC had advised that the crushing and screening plant would be start up in January 2015 but subsequently, they have delayed this. Both CNEEC and IRC remain confident that commercial production will commence Q2 2015, however, it is evident that less production will be realised during the commissioning process. Consequently, IRC is taking a prudent

approach and reducing production guidance for the 2015 calendar year to 1.7 million tonnes of high-grade 65% concentrate from a previous 2.0 million tonnes target. Guidance for 2016 for K&S remains unchanged at 3.2 million tonnes.

With the construction of ground works and plant buildings virtually complete and ore stockpiles ready, the year-end will see the start of the commissioning process. This will be followed by the largest equipment, the primary, secondary, fine crushing units and the dry magnetic separation units starting the project commissioning process in the first quarter 2015. Fine-crushed ore storage, the thickening units, and the beneficiation plant will follow in the early part of the second quarter, and the concentrate storage and loading units, which are already largely complete, will commission in the second quarter of 2015.

LOWER CAPITAL AND OPERATING COSTS FORECAST

It is now estimated that the total capital expenditure for K&S Project will be reduced by more than US\$20 million. The project funding is through a combination of cash and debt. As at the end of October 2014, the Group held approximately US\$99 million in cash and deposits, US\$52 million available in undrawn funds from the US\$340 million ICBC project facility, and an additional US\$68 million in subscriptions due from General Nice and Minmetals. On this basis, more than sufficient funds are available to see the project through to completion.

With commissioning now close to commencing, an internal study has been completed to analyse and optimise costs. Certain savings in the beneficiation processes have been realised, and in addition to lower consumable prices such as coal, oil and steel, in addition to Rouble depreciation, the costs have fallen by circa 15% to approximately US\$50 per tonne delivered to the Chinese border when at full capacity.

Furthermore, the announcement in November 2014 concerning the sale and construction of a new trade-bridge over the Amur River, shortening the route-to-market fourfold to a short 250 kilometres could further reduce rail transport costs by a further US\$5 per tonne.

The superior 65% Fe concentrate produced at K&S is expected to demand a premium price compared to the industry standard 62.5% concentrate, therefore, combined with lower production costs, it is expected that K&S will generate good margins even in the current low iron ore price environment.

WORKING CAPITAL FACILITY

IRC has conducted preliminary discussions for a K&S working capital facility with a number of banks and has received preliminary positive feedback. Closer to commercial shipments, the facility will be defined and finalised.

IRC plans to structure a facility similar to the current US\$25 million Kuranakh working capital facility, which is guaranteed primarily through letters of credit from customers issued by prime Chinese Banks and consequently secure and liquid even in the current financial environment.

CONTRACTOR UPDATE

Under the terms of the EPC contract there is a mechanism for CNEEC to compensate IRC for any delays. As previously advised, IRC has granted an extension of time to December 2014 in return for a settlement of US\$19.5 million. Under the terms of the contract, any delays beyond this point trigger payments of approximately US\$150,000 per day. Discussions on this are ongoing with the contractor.

By Order of the Board
G. JAY HAMBRO
Executive Chairman

Hong Kong, People's Republic of China
Wednesday, 3rd December 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.

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