铁货 IRC

IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1029)

FIRST QUARTER TRADING UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2015

The Board of Directors of IRC Limited ("IRC" or the "Company", together with its subsidiaries, the "Group") is pleased to provide the First Quarter Trading Update for the three months ended 31 March 2015.

By Order of the Board
G. JAY HAMBRO
Executive Chairman

Hong Kong, People's Republic of China
Tuesday, 21 April 2015

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

CONFERENCE CALL

A conference call will be held today at 09h00 Hong Kong time to discuss the first quarter trading update. The number is +852 2112 1700 and the passcode is 3349021#. Presentation slides to accompany the call are available at ircgroup.com.hk. A replay call will be available from 22 April 2015 at www.ircgroup.com.hk/html/ir_call.php.

FIRST QUARTER TRADING UPDATE

FOR THE THREE MONTHS ENDED 31 MARCH 2015

IRC is pleased to announce a strong start to 2015 with quarterly production at Kuranakh exceeding first quarter 2014 production and the 2015 annualised target and reported marginally positive cash results due to the benefits of increased production, aggressive cost-cutting measures and Rouble depreciation. The commissioning process at K&S mine continues to progress well, with notable advances at the beneficiation plant during the quarter, on track for commissioning in the middle of the year.

At Kuranakh 283,128 tonnes of iron ore concentrate and 46,657 tonnes of ilmenite were produced during the first quarter, 12% and 14% higher than their respective production volumes in Q1 2014, and 31% and 29% of the 900,000 tonnes iron ore and 160,000 tonnes of ilmenite targets respectively.

K&S has started the commissioning process, which continues to progress well. This year, K&S is estimated to produce 1.0 – 1.2 million tonnes of high-grade 65.8% iron ore concentrate. When the mine is fully ramped up, IRC will move towards an annual capacity of 4.1 million tonnes, which will provide a strong footing for IRC in the iron ore industry, and a significant boost to cash flows.

GROUP HIGHLIGHTS

- First quarter production at Kuranakh exceeds first quarter 2014 and 2015 production annualised targets.
- Despite low commodity prices, Kuranakh shows marginally positive results.
- K&S project is on track to produce 1.0 – 1.2 million tonnes during 2015; 3.2 million tonnes per annum thereafter.

		Q1 2014	**Q1 2015**	*Change*
Iron Ore (62.5% Fe)	Production (tonnes)	253,616	**283,128**	*+12%*
Ilmenite (48% TiO_2)	Production (tonnes)	40,928	**46,657**	*+14%*

Commenting on the first quarter performance, Jay Hambro, Executive Chairman of IRC, said: "*I am pleased to report another quarter of excellent work by our team at an operational level. Both production increases and cost optimisation at Kuranakh are programmes where we have yielded good results. Construction and development at K&S are transitioning the project and we can therefore reaffirm our production targets. The bulk commodity markets remain challenging for all miners with a 48% year-on-year decline in iron ore prices. I hope that the work IRC is doing will leave us well positioned for these challenges by way of cost optimisation and continued delivery on operational targets.*"

MARKETING, SALES AND PRICES

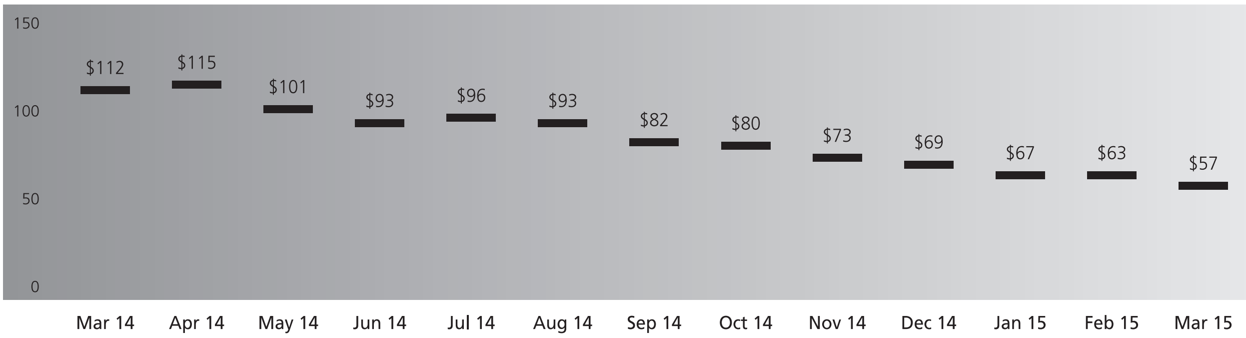
Iron Ore

Despite fair demand for iron ore in China during the first quarter, the price continued to fall. The benchmark price delivered to the Chinese border opened the quarter at US$71.2 per tonne and fell to a low US$51.0 per tonne. The price weakened below US$50 per tonne during April, nevertheless, with low inventories renewed Chinese stimulus, and supply cuts by mid-tier producers, market commentators have suggested that the price may start to recover into the rest of the year.

The fall in price was attributable to additional supply from Australia and Brazil greater than the slowing demand growth in China, particularly over the Chinese New Year period which did not result in the usual restocking of inventories seen in previous years. However, there is optimism in the long-term. Demand for iron ore may pick up slowly as China's newly announced "One Belt, One Road" initiative — a series of new infrastructure development to improve economic ties with neighbouring countries and Europe, starts to kick off.

Average Monthly Tianjin Iron Ore Spot Price

March 2014 to March 2015 (US$/t)



Source: Bloomberg

Note: This is a generic China 62% Fe CFR market price for iron ore and not the actual price achieved by IRC.

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, IRC's average achieved selling price for iron ore was US$59 per tonne, a 16% decrease compared to US$70 per tonne in the previous quarter and a 48% decrease compared to the US$114 per tonne in the first quarter 2014. The price formula is calculated on averages for preceding periods and therefore lags the spot price.

Sales volumes for the first quarter 2015 were fair. A total 253,988 tonnes of iron ore were sold, a 3% decrease compared to the same period last year, which reflects differences in shipment schedule, not a sign of weaker demand.

Ilmenite

During the first quarter, the price of ilmenite concentrates remained weak, as the oversupply of the feedstock in the market persisted. The situation is exacerbated with weakening demand. Slowing Chinese growth rates and tight credit have put pressure on the property market, negatively affecting the pigment sector, a key market for ilmenite products. While weak pigment prices are expected to continue to dampen any upside to ilmenite prices in the first half of 2015, some operations could be curtailed or idled due to uneconomic operating conditions leading to a rationalisation of supply; giving some hopes of recovery to the latter half of the year.

In 2014, IRC has changed its ilmenite sales strategy and started a programme of Chinese domestic ilmenite sales from Chinese ports with the aim of increasing the point of sale options for customers. Ilmenite concentrate was shipped to Qingdao, Zhenjiang and Ningbo ports, and in warehouse space there, inventories were established ready for sale, thereby reducing the delivery time for IRC's Chinese customers. This strategy was further enhanced when IRC commenced selling ilmenite from warehouse space from Nakhodka Port on the Russia Pacific coast. This latter option has lower warehouse costs for IRC than Chinese ports and provides customers in North East Asia, notably in Japan, shorter delivery times compared to industry peers. Consequently, IRC can now offer customers a range of delivery options (and prices) for material from the Kuranakh Mine, Russian port or Chinese ports.

During the first quarter, ilmenite sales totalled a record 45,288 tonnes; in addition to inventories ready for sale at warehouse ports. The popularity of IRC's high-quality concentrate resulted in an increase in ilmenite sales to an expanded customer base, despite the apparent slowdown in total market demand.

Offtake Arrangements

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. The Dry-Port Arrangement will incur a 5% marketing fee on sales revenue payable to the Chinese strategic investors and subject to a 65% cap, 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.

Foreign Exchange

During the quarter the Rouble remained weak following the sharp depreciation against the US dollar in the second half of 2014. With operating costs in Roubles and revenues in US Dollars this has a positive impact on operating margins.

The US Dollar: Rouble exchange rate opened the quarter at 57.8, falling to a low of 69.7 in the beginning of February, later gaining to close at 58.5 at the end of the quarter. The weakness originated due to geo-political uncertainty in the Ukraine and Crimea, and worsened following sanctions, and in particular the fall in oil and gas prices. Recent Rouble appreciation appears to be speculative and market commentators suggest that it will be short-term only. Russian Central Bank intervention committed to reducing currency weakness, though the impact has been limited. There has been no material impact to IRC's operations due to international sanctions against Russia.

Rouble to US Dollar
March 2014 to March 2015

Source: Bloomberg

OPERATIONS

Kuranakh (100% owned)

Kuranakh is located in the north-east Tynda District of the Amur Region of the Russian Far East and 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. The Kuranakh Mine is the largest regional employer, bringing a much needed boost to the local economy through fiscal contributions and stakeholder and biodiversity conservation programmes. Currently approximately 905 people are employed at Kuranakh.

Transfer of ore from mine pit to stockpile	Loading of ilmenite product to wagons at Olekma
	

Production and Financials

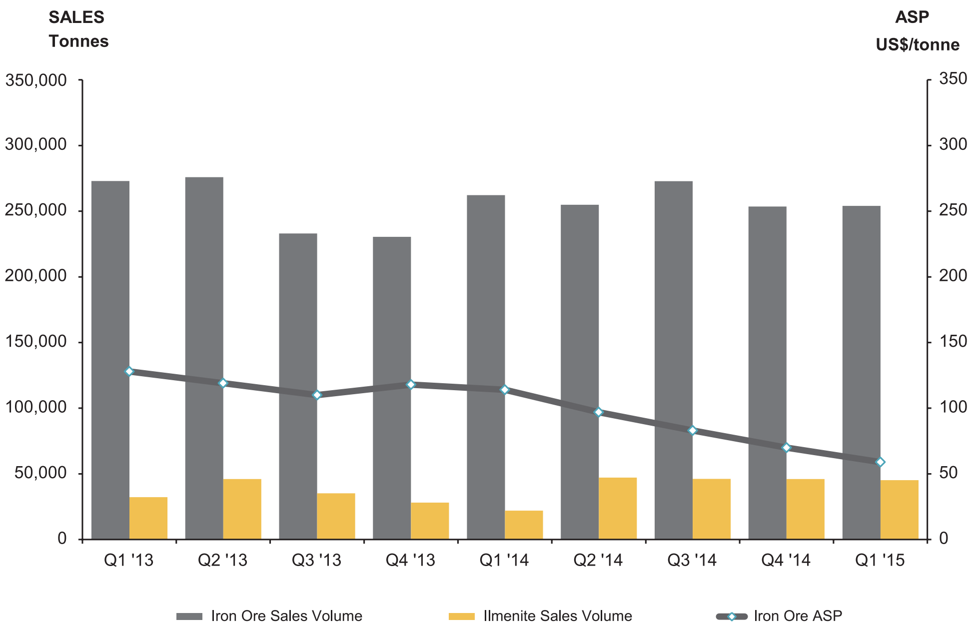
During the first quarter, operations at Kuranakh performed well. 283,128 tonnes of iron ore concentrate and 46,657 tonnes of ilmenite were produced during the first quarter, 12% and 14% higher than their respective production volumes in first quarter 2014, and 31% and 29% of the 900,000 tonne iron ore and 160,000 tonne of ilmenite targets respectively.

Over the first quarter, cash costs lowered significantly as a result of the ongoing cost optimisation programme initiated in 2014. It is currently estimated that as a result of the cost saving measures together with the revised mine plan and rouble movements, an approximate 50% year on year cost saving can be achieved during the first half of 2015. This has had a positive impact on margins, with the operation being marginally positive, despite the low iron ore and ilmenite prices.

Following the significant fall in operating costs, the outlook for Kuranakh is currently more favourable. IRC will maintain close analysis on the currency and iron ore markets. Full revenue and cost numbers will be published in the coming 2015 interim results.

Kuranakh Sales and Average Selling Prices (ASP)

Q1 2013 to Q1 2015



Mining works were conducted in accordance with the revised mining plan, keeping the grades and consequently production yields on a stable level.

RoM tonnage for the quarter was 830,605 tonnes, 3% less than the 854,901 tonnes removed in first quarter 2014.

The Crushing and Screening Plant processed 927,201 tonnes of iron ore with a grade of 28.2% Fe and 8.5% TiO2, producing 517,150 tonnes of pre-concentrate. Stockpiles totalled 359,179 tonnes, equivalent to approximately 35-day feed.

At the Olekma Processing Plant a total 478,599 tonnes of pre-concentrate was processed, resulting in production of 283,128 tonnes of iron ore, and 46,657 tonnes of ilmenite concentrate.

As a result of cost optimisation and efficiency improvement measures, in particular the installation of additional magnetic separator for iron circuit, in March Kuranakh was able to demonstrate a record breaking throughput yield of approximately 34% of final product, allowing for significant reduction of cash cost per tonne.

		Q1 2014	**Q1 2015**	*Change*
Iron Ore (62.5% Fe)	Production (tonnes)	253,616	**283,128**	*+12%*
	Sales (tonnes)	262,212	**253,988**	*–3%*
Ilmenite (48% TiO_2)	Production (tonnes)	40,928	**46,657**	*+14%*
	Sales (tonnes)	22,032	**45,288**	*+106%*

K&S (100% owned)

The K&S Mine is located in the Jewish Autonomous Region (EAO) of the Russian Far East. The operation is 4 kilometres west of the town of Izvestkovaya, through which the Trans-Siberian Railway passes. It is also 130 kilometres west by federal highway from the regional capital of Birobidzhan and 300 kilometres west of Khabarovsk, the principal city of the Russian Far East.

At the end of December 2014 K&S formally commenced the commissioning process. With the operation expected to be operating at full capacity during third quarter of 2015 the production target for 2015 is 1.0 — 1.2 million tonnes of high-quality 65.8% iron ore concentrate. Thereafter, it is expected that K&S will produce 3.2 million tonnes of concentrate a year.

In light of weak iron ore prices, and following the positive outcomes of the cost-cutting programme at Kuranakh, IRC is currently undertaking a cost-cutting analysis at K&S. Although the operation will be able to produce iron ore below US$50/t (delivered to the Chinese border), further opportunities to save costs have been identified and work is currently being finalised to quantify and verify the full impact of these material cost savings.

Railway has been built in K&S	An aerial view of K&S mine in February
	

Mining

Stripping and mining activities achieved a landmark during the second half of 2014 when the stockpile necessary to commence operations was realised. During the first quarter of 2015, no mining activities took place as there is no need to mine more material and it is considered more prudent to preserve cash.

Processing Plant

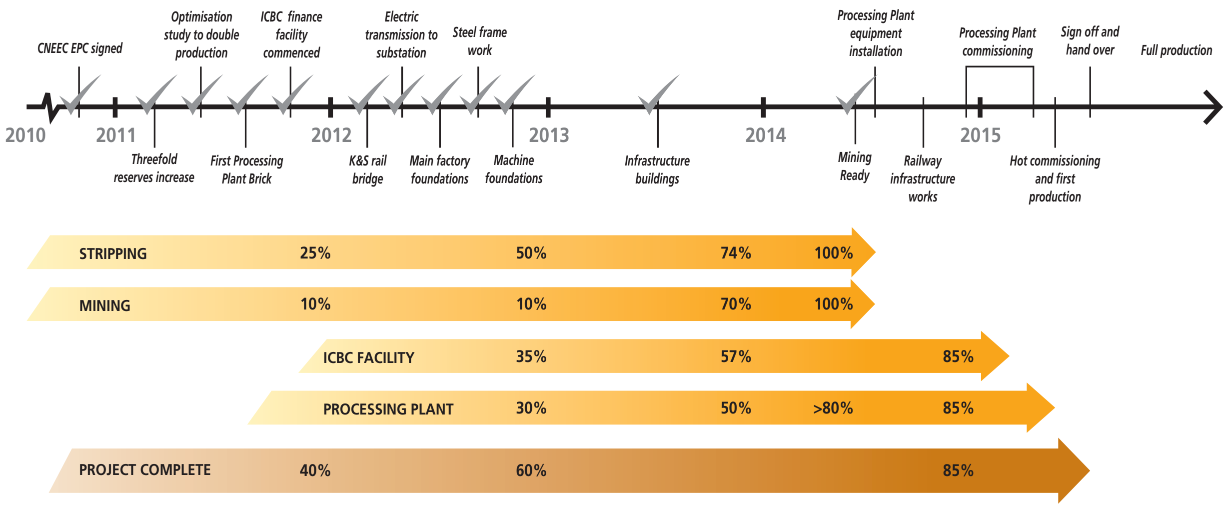
The processing plant entered the commissioning phase over the 2015 New Year as planned and is on track for commissioning in the middle of the year. Installations are ongoing and IRC continues to work closely with CNEEC towards their timetable to complete the commissioning process on schedule.

The ball mills were the first items to start commissioning. The balls mills are used for grinding ore and the installation of lubrication stations have allowed preliminary rotation of the main body. There are four Chinese made mills with 5.5 metres diameter and 8.5 metres length. This equipment is by far the most significant in terms of capital cost and operating cost (media and power consumption).

The commissioning of the ball mills will be followed by the larger equipment: the primary, secondary, fine crushing and the dry magnetic separation units. Fine-crushed ore storage, the thickening units, and the beneficiation plant are expected to follow in the early part of the second quarter, and the concentrate storage and loading units, which are already largely constructed, are scheduled to commission in the second quarter of 2015.

Our contractor, CNEEC, continues to assure IRC that they will complete the commissioning of the plant in the middle of the year and we remain in a constructive dialogue with the contractor with regard to delay penalties and timing issues.

K&S Construction Schedule



Garinskoye (99.6% Owned)

Following updated exploration work completed over the last 4 years, a JORC-compliant mineral resource of 177 mt at 33.4% Fe on an indicated basis and a further 86 mt at 32.5% on an inferred basis were established. The original intention was to build a large-scale open-pit mine of 10 mt and yielding 4.6 mt of concentrate per annum 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, an update 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.

CORPORATE UPDATE

Amur/Heilongjiang River Bridge

The sale of the Amur River Bridge subsidiary, LLC Rubicon, to state development funds was completed in November 2014. The sale ensures the quickest possible construction timetable for this new Sino-Russian trade link across the Amur/Heilongjiang River. IRC will benefit from a shorter and lower-cost route to market whilst IRC's customers in north-eastern China will benefit from access to more frequent deliveries and a shorter-route to their operations than available from the traditional sea ports, lowering their working capital costs. Whilst the final design and construction schedules will be decided by the acquirers, the IRC feasibility studies suggest a 24-month build and testing period, and therefore the potential for the new shorter route-to-market to be commissioned in early 2017. Construction is now advancing, with particular speed on the Chinese side, allowing for some increased certainty to this timetable.

Construction of the Amur/Heilongjiang River Bridge advancing fast on the Chinese side	**Computer rendered image of the complete Amur/Heilongjiang River Bridge**
	

General Nice and Minmetal Cheerglory Strategic Investment

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 HK$800.5 million (approximately 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 2013 from the General Nice Chairman to complete by the end of December 2013.

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 mainly 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.

To date, our strategic partner and second largest shareholder, General Nice has invested approximately US$170 million. This represents more than 80% of their total subscription obligation under the strategic investment agreement entered into in 2013. Although full-completion of the investment from General Nice and Minmetals has been delayed, General Nice has agreed to commence paying interest on the outstanding investment amount of US$38 million from December 2014 onwards calculated on the following escalating interest schedule:

— 6% per annum from 19 December 2014 to 18 March 2015;

— 9% per annum from 19 March 2015 to 18 June 2015; and

— 12% per annum from 19 June 2015 and thereafter.

We are currently in discussion with both General Nice and Minmetals to find an amicable, practical and mutually constructive solution to the situation. Both Minmetals and General Nice have confirmed to the Board of IRC that they wish to invest further in IRC.

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 affect it for the remainder of the current financial year is substantially unchanged from those of the previous years. A summary of these key risks is set out below:

- Operational and construction risks such as delay in supply or failure of equipment, services, contractors and adverse weather conditions.

- Financial risks such as commodity prices, exchange rate fluctuations, access to 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.

A full glossary of financial, technical and company terms is available at ircgroup.com.hk.

ISSUED CAPITAL

At 31 March 2015, the Company's total issued number of shares was 4,859,910,301 shares, including the 32,362,875 Long Term Incentive Plan (LTIP) shares.

CORPORATE INFORMATION

IRC Limited — 鐵江現貨有限公司

Stock Exchange of Hong Kong: 1029

Corporate Information

Headquarters, registered address and principal place of business in Hong Kong:

6H, 9 Queen's Road Central, Central District
Hong Kong Special Administrative Region of the People's Republic of China

Telephone: +852 2772 0007
Facsimile: +852 2772 0329
Website: ircgroup.com.hk

Hong Kong Business Registration number: 52399423
Hong Kong Company Registration number: 1464973

Share Registrar

Tricor Investor Services Ltd
Telephone: +852 2980 1333
Website: tricoris.com
Email: info@hk.tricorglobal.com

Principal Place of Business in Russia

Bulvar Entuziastov, Building 2
7/F, Business Center "Golden Gate"
109544 Moscow
Russia
(LLC Petropavlovsk-Iron Ore)

Executive Directors:

Executive Chairman: G.J. Hambro
Chief Executive Officer: Y.V. Makarov

Non-Executive Directors:

S. Murray, CBE, Chevalier de la Légion d'Honneur
S.X. Cai
Q.C. Liu
R.K.T. Woo

Independent Non-Executive Directors:

D.R. Bradshaw, Senior Independent Non-Executive Director
C.F. Li
J.E. Martin Smith

Emeritus Director:

Senator Dr P.A. Maslovskiy

Committees of the Board:

Audit Committee

C.F. Li (Chairman)
J.E. Martin Smith
D.R. Bradshaw

Remuneration Committee

J.E. Martin Smith (Chairman)
D.R. Bradshaw
C.F. Li

Health, Safety and Environmental Committee

D.R. Bradshaw (Chairman)
C.F. Li
J.E. Martin Smith

Nomination Committee

G.J. Hambro (Chairman)
D.R. Bradshaw
J.E. Martin Smith

Company Secretary

J.S.C Yuen

Authorised Representatives for the Purposes of the Stock Exchange of Hong Kong Limited

G.J. Hambro
J.S.C Yuen

Executive Management

G.J. Hambro, Executive Chairman
Y.V. Makarov, Chief Executive Officer
D.V. Kotlyarov, Chief Financial Officer
J.S.C Yuen

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 • www.ircgroup.com.hk

For further information, please contact:

Shirly Chan
Investor Relations Assistant Manager
Telephone: +852 2772 0007 • Mobile: +852 6623 3450 • Email: sc@ircgroup.com.hk

6H, 9 Queen's Road Central, Hong Kong
+(852) 2772 0007
ir@ircgroup.com.hk
ircgroup.com.hk
Facebook (facebook.com/pages/IRC-limited)
LinkedIn (linkedin.com/pub/irc-limited)
Twitter (@IRCLimited)
Weibo (IRC_Limited)

Investor Relations Professional Asia Survey (Third Place)

The Asset Corporate Awards (Titanium)

Deal of the Year

Silver Awards (Corporate Website & Investor Relations)

Honours – Best Annual Report Financial

Gold Award

Top 20 Chinese Annual Report

Top 37 Annual Reports Asia-Pacific Region