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IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1029)

SECOND QUARTER TRADING UPDATE FOR THE THREE MONTHS ENDED 30 JUNE 2015

The Board of Directors of IRC Limited ("IRC" or the "Company", together with its subsidiaries, the "Group") is pleased to provide the Second Quarter Trading Update for the three months ended 30 June 2015.

By Order of the Board

G. JAY HAMBRO

Executive Chairman

Hong Kong, People's Republic of China

Friday, 17 July 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 second quarter trading update. The number is +852 2112 1700 and the passcode is 3177517#. Presentation slides to accompany the call are available at ircgroup.com. A replay call will be available from 20 July 2015 at www.ircgroup.com.hk/html/ir_call.php.



SECOND QUARTER TRADING UPDATE

FOR THE THREE MONTHS ENDED 30 JUNE 2015

IRC is pleased to announce a solid quarterly production performance at the Kuranakh Mine, and good ongoing progress at K&S ahead of commissioning later this year.

At Kuranakh, 283,221 tonnes of iron ore concentrate and 49,045 tonnes of ilmenite were produced during the second quarter, as at the end of the first half 566,349 tonnes and 95,702 tonnes respectively. This is equal to 63% of the 900,000 tonnes annual iron ore target and 60% of the 160,000 tonnes annual ilmenite target.

At K&S, cold commissioning has commenced, with contractors testing some units of production. Hot commissioning is expected in the second half of 2015 and K&S is expected to reach full capacity in the fourth quarter of 2015, allowing a total production of c.500,000 tonnes of high-grade 65.8% iron ore concentrate within the calendar year. When the mine is fully ramped up, K&S will move towards an annual capacity of 3.2 million tonnes and potentially expand to 6.3 million tonnes afterwards. With the implementation of our cost optimisation studies announced earlier, despite low commodity prices, K&S remains an attractive asset with a strong cash margin.

GROUP HIGHLIGHTS

- Second quarter and first half production at Kuranakh significantly exceed annualised target.
- K&S has started cold commissioning, with hot commissioning in the second half of 2015, whilst reaching full capacity in the fourth quarter and thereafter.
- As advised by our contractor, K&S project is on track to produce c.500,000 tonnes during the calendar year.
- Fully underwritten open offer announced on 29 June 2015 to raise approximately US\$49.4 million in net proceeds to finance the completion of the final stage of construction at K&S.

		Q2 2015	Q2 2014	Change	1H2015	1H2014	Change
Iron Ore (62.5% Fe)	Production (tonnes)	283,221	250,255	+13%	566,349	503,871	+12%
	Sales (tonnes)	281,060	254,844	+10%	535,048	517,056	+3%
	Average Price (US\$/t)	49	97	-49%	54	105	-49%
Ilmenite (48% TiO ₂)	Production (tonnes)	49,045	45,765	+7%	95,702	86,693	+10%
	Sales (tonnes)	65,280	47,168	+38%	110,568	69,200	+60%
	Average Price (US\$/t)	*N/A	*N/A	*N/A	120	159	-24%

* Quarterly Ilmenite ASP not disclosed for commercial reasons

Commenting on the second quarter performance, Jay Hambro, Executive Chairman of IRC, said: "IRC has had a good first half to 2015. Operations at Kuranakh are performing to budget which means the production for the first half is ahead of 2015 targets on an annualised basis. Our strategic review of Kuranakh continues and we are expecting periods of suspended mining operations to lower costs. Commissioning works at K&S are picking up pace and there are now more than 1,000 contractors on site some of which work around the clock. In a few short months, we are expecting first commercial sales and the full transitioning into production.

Our recently announced open offer significantly derisks the ramping up of K&S whilst allowing existing shareholders the opportunity to buy attractively priced shares at this exciting time for the company."

MARKETING, SALES AND PRICES

Iron Ore

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\$49 per tonne, a 17% decrease compared to US\$59 per tonne in the previous quarter and a 49% decrease compared to the US\$97 per tonne in the second quarter 2014. The price formula is calculated on averages for preceding periods and therefore lags the spot price.

Sales volumes for the second quarter 2015 were satisfactory. A total 281,060 tonnes of iron ore were sold, a 10% increase compared to the same period last year.

Ilmenite

During the second quarter, ilmenite sales totalled a record 65,280 tonnes; During the first half of 2015, IRC’s average achieved selling price for ilmenite was US\$120 per tonne, a 24% decrease compared to US\$159 in the first half 2014.

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 827 people are employed at Kuranakh.

Ore handling at Olekma near the crush and screen plant	Crush and screen plant at Olekma
	

Production and Financials

During the second quarter, operations at Kuranakh were satisfactory. 283,221 tonnes of iron ore concentrate and 49,045 tonnes of ilmenite were produced during the second quarter, as at the end of the first half 566,349 tonnes and 95,702 tonnes respectively, 12% and 10% higher than their respective production volumes in 1H 2014. This is equal to 63% of the 900,000 tonnes annual iron ore target and 60% of the 160,000 tonnes annual ilmenite target.

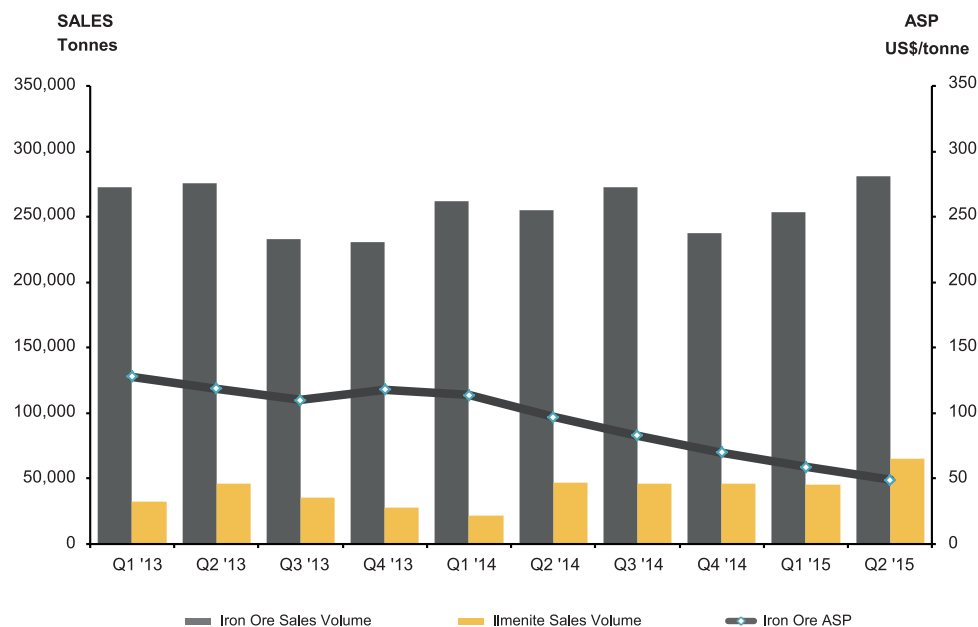
Over the second quarter, cash costs remained lower than a year before, as the result of the successfully ongoing cost optimisation programme, initiated in 2014. It is estimated that the cost saving measures together with the revised mine plan and rouble exchange rate movements, an approximate 50% year on year cost saving can be achieved during the first half of 2015.

Nevertheless, given the prevailing conditions in commodity prices, the future of the Kuranakh operation remains subject to review and stakeholders are once again advised that a temporary or permanent move towards a care and maintenance status at Kuranakh is a real possibility unless the market prices for iron ore or ilmenite improve or further cost savings can be achieved. In the event that operations at Kuranakh are suspended, a limited number of personnel could be relocated to K&S where production will soon commence. In the event of a shutdown, the processing and sale of inventories, with the sale of equipment, could generate sufficient funds to pay down the working capital facilities.

Corresponding detailed financial information will be published in the coming 2015 interim results.

Kuranakh Sales and Average Selling Prices (ASP)

Q1 2013 to Q2 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 809,265 tonnes, 3% more than the 787,258 tonnes removed in second quarter 2014.

The Crushing and Screening Plant processed 947,428 tonnes of iron ore with a grade of 26.5% Fe and 8.0% TiO₂, producing 503,340 tonnes of pre-concentrate. Stockpiles totalled 221,016 tonnes, equivalent to approximately 21-day feed.

At the Olekma Processing Plant a total 507,633 tonnes of pre-concentrate was processed, resulting in production of 283,221 tonnes of iron ore, and 49,045 tonnes of ilmenite concentrate.

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K&S (100% owned)

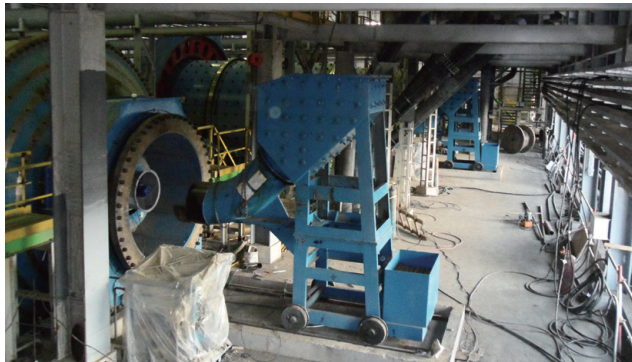
The K&S Mine is located in the Jewish Autonomous Region (EAO) of the Russian Far East. The operation is 4 kilometres west of the town of Izvestkovaya, through which the Trans-Siberian Railway passes. It is also 130 kilometres west by federal highway from the regional capital of Birobidzhan and 300 kilometres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

At K&S cold commissioning is actively ongoing. Crushing and Screening plant is up and ready for hot testing with almost all individual parts of equipment being tested. Hot commissioning is expected in Q3 that will allow to start producing and building fine crushed ore stockpiles to be ready for final processing, when K&S Main Processing plant will be commissioned later in Q3. Overall work progress remains solid as in Q2, with more than 1,000 contractor employees on site, reconfirming previous target for K&S reaching full production in Q4 2015.

When the final stage of construction at K&S is completed and the mine is fully ramped up, K&S will move towards an annual capacity of 3.2 million tonnes and potentially expand to 6.3 million tonnes afterwards.

In light of weak iron ore prices, and following the positive outcomes of the cost-cutting programme at Kuranakh, IRC has done a cost optimisation study for K&S. IRC's study shows that costs at the K&S can be reduced by 28%. It is estimated that an average for a period of full capacity operation will yield premium 65.8% iron ore concentrate to the Chinese border for US\$35.4 per tonne. If restating this cost per global benchmark for 62% material and including the impact of forecast cost savings from the Amur/Heilongjiang River Bridge, the operating costs can be as low as US\$28.0 per tonne.

Ball mills are ready for milling balls loading



Ball mills lining being installed



Crushing and Screening plant is ready for hot commissioning



Pulp pump station is ready for cold testing



Mining

Stripping and mining activities achieved a landmark during the second half of 2014 when the stockpile necessary to commence operations was built up. At the same time, while commissioning is approaching, mining contractor has started preparations for mining works recommencement closer to year end. Firstly with drilling and blasting operations to prepare ore volumes in the open pit, and later with excavation and hauling operations to replenish Ore stockpile that will be used for Plant feeding.

Processing Plant

The processing plant entered the commissioning phase over the 2015 New Year as planned and is on track for commissioning.

Fine-crushed ore storage, the thickening units, the beneficiation plant and the concentrate storage and loading units commenced commissioning in the second quarter of 2015.

CORPORATE UPDATE

Fundraising

On Monday, 29 June 2015, the Company announced that it proposed to raise c.HK\$408 million (c.US\$52.6 million), before expenses, by way of an open offer to the qualifying shareholders on the basis of 4 Offer Shares for every 15 shares held on the record date at the subscription price of HK\$0.315. The Company intends to apply the net proceeds of the open offer to finance the completion of construction of the Company's K&S Project and bring it into full commercial production and for providing general working capital to the Group. Full details of this transaction can be found in the prospectus published today by the Company.

Amur/Heilongjiang River Bridge

The project to build a railway bridge across the Amur river border between Russia and China, was first launched by IRC in 2006, and later sold to Russian and Chinese development Funds in November 2014.

Currently, the bridge construction is progressing well, with the Chinese railway access lines now complete and main bridge base being erected on the Chinese side.

IRC's K&S Mine is situated approximately 240 kilometres from the bridge site and IRC's nearest customer within China is approximately 180 kilometres away from the bridge. Thus, IRC will benefit from the project with reduced transportation distance and shipment time. The bridge could halve the transport costs of K&S.

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.

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.

The Company continues to be in discussions with General Nice, Mr Cai Sui Xin (Chairman of General Nice) and Minmetals Cheerglory about completion of General Nice's subscription obligations.

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 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.

The above risks 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 30 June 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

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Facsimile: +852 2772 0329

Website: ircgroup.com.hk

Hong Kong Business Registration number: 52399423

Hong Kong Company Registration number: 1464973

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Email: info@hk.tricorglobal.com

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(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, Company Secretary

Registered Office

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