IRC Limited 鐵江現貨有限公司
(Incorporated in Hong Kong with limited liability)
(Stock code: 1029)

ENTRY INTO REFINANCING FACILITY AND ICBC FACILITY UPDATE

IRC is pleased to announce that it has signed a facility agreement for US$240 million with Gazprombank (Joint-Stock Company) to refinance the ICBC Facility. The principal repayments of the Gazprombank Facility is skewed to the latter part of the loan term so that the repayment pattern will better align with the ramping up of K&S.

Petropavlovsk plc has agreed not to take any action to demand repayment of the existing Bridge Loan until 20 February 2019 provided that certain conditions are met. As part of the refinancing exercise, Petropavlovsk plc has also granted a new temporary loan of c.US$27 million to IRC for the repayment of the December Instalment of the ICBC Facility. The proceeds from the Gazprombank Facility will be utilised to repay both loans.

ICBC has granted waivers to Petropavlovsk plc and the Group from certain requirements under the ICBC Facility, subject to the fulfilment of certain conditions precedent.

Wednesday, 19 December 2018: This announcement is made by IRC Limited ("**IRC**" or the "**Company**", together with its subsidiaries, the "**Group**"; Stock Code 1029) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Gazprombank Facility

The Company is pleased to announce that on 18 December 2018, Gazprombank (Joint-Stock Company) as lender and Kimkano-Sutarsky Mining and Beneficiation Plant LLC's ("**K&S**") as borrower entered into a US$240 million facility ("**Gazprombank Facility**").

The Gazprombank Facility will mature in 2026 and it consists of two tranches. The principal under the first tranche amounts to US$160 million with interest being charged at 5.7% above LIBOR per annum and is repayable in equal quarterly payments during the term of the Gazprombank Facility. The principal under the second tranche amounts to US$80 million with interest being charged at 7.7% above LIBOR per annum and is repayable at the end of the term of the Gazprombank Facility.

The Gazprombank Facility is expected to be drawn down in the first quarter of 2019. The purpose of the Gazprombank Facility is to repay K&S's outstanding principal indebtedness under K&S's project finance facility with Industrial and Commercial Bank of China Ltd ("**ICBC**" and the facility being the "**ICBC Facility**") in full of c.US$169 million (being the current outstanding loan principal of US$204 million less the partial additional loan repayment of c.US$5 million and the repayment of the instalment of c.US$30 million under the ICBC Facility due on 20 December 2018 ("**December Instalment**")) and to use the remaining amounts for the following purposes: (i) to repay the bridge loan advanced by JSC "Pokrovskiy Mine" ("**JSC PM**") to IRC ("**Bridge Loan**") of c.US$30 million in full; (ii) to repay the Temporary Loan of c.US$27 million in full; (iii) to finance K&S's working capital in the amount of c.US$8 million and (iv) to repay the guarantee fee of c.US$6 million owed by the Group to Petropavlovsk plc in respect of the ICBC Facility.

The Gazprombank Facility is conditional on certain conditions precedent, including, entry into a guarantee from Petropavlovsk plc. The entry into such guarantee is subject to the approval of Petropavlovsk plc's shareholders in a general meeting. Certain security is provided by the Group pursuant to the Gazprombank Facility and the facility also contains certain reporting obligations and customary covenants.

Update on Bridge Loan

As set out in the Company's announcement dated 13 June 2018 and its circular to shareholders dated 23 July 2018, JSC PM entered into the Bridge Loan with the Company on 13 June 2018 for the purposes of facilitating the repayment obligations of K&S under the ICBC Facility. Further to the Company's announcement dated 19 October 2018 providing an update on the Bridge Loan, the Company will not be in a position to repay the Bridge Loan on 20 December 2018.

As set out in the Company's announcement dated 19 October 2018, JSC PM's parent company, Petropavlovsk plc, is also participating in the refinancing in connection with the release of its obligations as a guarantor of the ICBC Facility. Accordingly, JSC PM has confirmed that it will not take any action or exercise its right to demand repayment of the Bridge Loan on 20 December 2018 provided that (i) all amounts owing under the Bridge Loan are repaid in full by 20 February 2019; (ii) any interest under the Bridge Loan which has accrued on or prior to 20 December 2018 is paid in full by 20 December 2018 and any interest accruing after 20 December 2018 is paid on the last day of each month prior to 20 February 2019, and on 20 February 2019; and (iii) the Company pays an approval fee in Russian Roubles equivalent to US$200,000 to JSC PM in consideration for the waiver of JSC PM's rights as set out above.

The independent directors of the Company consider that the terms of the waiver proposed by JSC PM are fair and reasonable and on normal commercial terms or better and it would be in the best interests of the Company and its shareholders as a whole to comply with the terms of the waiver.

Temporary Loan

Further to the Company's announcement dated 28 November 2018, the Company is pleased to announce that its subsidiary, Ariti HK Limited ("**AHL**") as borrower has agreed a loan with JSC PM as lender for US$27 million (the "**Temporary Loan**") in order to fund the payment of the December Instalment as part of the refinancing exercise. The interest rate for the Temporary Loan is 16% per annum. Interest is to be paid at the end of each calendar month during the term of the Temporary Loan. The principal amount of the Temporary Loan is to be repaid in one instalment on 21 March 2019.

JSC PM is a connected person for the purposes of Listing Rules 14A.07(4) and 14A.13(1) as it is a subsidiary of Petropavlovsk plc, a substantial shareholder of IRC, which holds an indirect shareholding of 31.10% in IRC.

In consideration for JSC PM providing the Temporary Loan, IRC has agreed to provide a guarantee and indemnity to JSC PM in respect of AHL's obligations under the Temporary Loan. No security is being taken over the assets of the Group in connection with the Temporary Loan.

The Directors of the Company (including the Independent Directors), consider the Temporary Loan to be in the best interests of the Company and on normal commercial terms or better. In particular, without the Temporary Loan IRC would not be in a position to service the December Instalment, which falls due on 20 December 2018. If a missed repayment of the ICBC Facility occurs, this would result in a default under the ICBC Facility.

As the Temporary Loan is an unsecured loan on normal commercial terms or better, in accordance with Listing Rule 14A.90, it is fully exempt from the requirements of Chapter 14A of the Listing Rules.

ICBC Facility Update

As noted in the Company's announcement dated 28 November 2018, the Group has been in discussions with ICBC regarding waivers in respect of the ICBC Facility, including obligations of K&S to maintain the debt service reserve account and the obligations of K&S and its guarantor Petropavlovsk plc to comply with certain financial covenants ("**DSRA and Covenants Waivers**").

The Board of Directors of the Company is pleased to announce that ICBC has informed the Company that the DSRA and Covenants Waivers have been granted, subject to the fulfilment of certain conditions precedent (the "**Waiver Conditions Precedent**"), including an additional partial loan repayment of c.US$5 million and the repayment of the December Instalment. Effective immediately upon fulfilment of the Waiver Conditions Precedent, ICBC has granted K&S a waiver from the obligation to maintain the debt service reserve account and for K&S and Petropavlovsk plc to comply with certain financial covenants until the earlier of the date on which the security under the ICBC Facility is released and 21 March 2019.

The Company is now working with all parties involved to ensure that all Waiver Conditions Precedents can be fulfilled. A further announcement will be made in due course.

Commenting on the news above, Yury Makarov, Chief Executive Officer of IRC said "*I am delighted that IRC has finalised the refinancing arrangement for the ICBC loan. Gazprombank is one of the leading banks in Russia and I am pleased to have the opportunity to work with them. The term of the facility would alleviate the cashflow position of IRC and provide a stable financial platform to consolidate our market position. I am also grateful of the support from Petropavlovsk for advancing the bridge loans to IRC, and for ICBC for granting the waivers. Now that IRC has finalised the refinancing arrangement, we can focus our energy on ramping up K&S and fine-tuning its production process to unlock the value of the mine for the benefit of our shareholders.*"

Shareholders and potential investors are advised to exercise caution when dealing in shares of the Company.

By Order of the Board
IRC Limited
Yury Makarov
Chief Executive Officer

Hong Kong, People's Republic of China
Wednesday, 19 December 2018

As at the date of this announcement, the Executive Directors of the Company are Mr Yury Makarov and Mr Danila Kotlyarov. The Non-Executive Directors are Mr Peter Charles Percival Hambro and Mr Chi Kin Cheng. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Chuang-Fei Li, Mr Simon Murray, CBE, Chevalier de la Légion d'Honneur, Mr Jonathan Martin Smith and Mr Raymond Kar Tung Woo.

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