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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 – Operation Update

Tuesday, 30 November 2021: The board of directors of IRC Limited (“**IRC**” or the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to provide its shareholders and potential investors with an update on the operation of K&S.

As announced previously, most of K&S’s product is shipped to its Chinese customers by rail via the Grodekovo-Suifenghe border crossing point. In late November 2021, the Russian Railways suspended all shipments to China via this border crossing point for 5 days. The Company understands that the suspension was due to a snowstorm in the region affecting the ability to process shipments at the Suifenghe border and there were many wagons with export shipments waiting on the Russian side. During this period, K&S continued to ship to its Chinese customers via the Zabaikalsk-Manzhouli border crossing point, and also temporarily stockpiled the product which it was unable to ship. The railway service to the Suifenghe border has resumed, and the Company anticipates that shipments will gradually return to normal. However, based on past experience, it is possible that this situation may re-occur over the upcoming winter months.

As announced in the 2021 Third Quarter Trading Update of the Company, K&S comprises of two main pits, Kimkan and Sutara. Mining at the Kimkan deposit is carried out at two open pits. Mining works were originally performed only at the Kimkan Central pit. As the development of the Kimkan Central pit advances, K&S started to mine at the Kimkan West pit, which has lower grades of iron ore magnetic properties than Kimkan Central. As a result, beneficiation properties of the ore blend fed to the processing plant have resulted in a lower yield of commercial concentrate from the ore than designed. This is currently affecting K&S’s ability to increase production capacity. K&S’s cash cost is expected to rise, both in the short and longer term, due to higher stripping ratio (the ratio of waste removed to ore mined) as well as increases in mining contractors’ rates and the general inflation in Russia.

The production capacity issues are expected to improve when the Sutara pit becomes operational. The Company expects the Sutara pit will be the long-term solution as the geological information confirms that the ore at Sutara has higher grades of iron magnetic properties. K&S is actively preparing the Sutara deposit for operation with the aim of

processing ore from Sutara by the end of 2022 or early 2023. Sutara ore has similar magnetic properties to the ore from Kimkan deposit and therefore can be beneficiated at the K&S processing plant. Construction permits for the major infrastructure works of the Sutara project have been obtained and the construction works are currently ongoing.

The iron ore prices experienced a sharp correction in the fourth quarter of 2021 and the 65% iron ore price is currently hovering at around US\$110 per tonne, about 60% lower than the highest price in May 2021. This will be reflected in the Company's operating performance for the fourth quarter of 2021. The volatility of the iron ore price is primarily influenced by the Chinese steel mills production curtailment and market concerns over future iron ore demand. On the positive side, the Russian Rouble, in which most of the Group's expenses are denominated, has weakened over the fourth quarter of 2021. The currency had strengthened to below c.RUB70 per US Dollar in October 2021, but has now depreciated to c.RUB75 per US Dollar. The weakness of the Russian Rouble has a positive impact on the Group's operating margin, as the operating costs of the Group are mainly denominated in Russian Roubles and revenue is mainly denominated in US Dollars.

IRC took advantage of the strong iron ore price environment in the earlier part of 2021 to prepay US\$70 million of its Gazprombank loan and the current loan balance has been reduced to US\$118 million, allowing the Company to be in a better financial position to deal with various operating challenges. The Board of IRC will continue to adopt a cautious approach in managing the Group's operations for the long-term benefit of its shareholders.

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

Hong Kong, People's Republic of China
Tuesday, 30 November 2021

As at the date of this announcement, the Executive Director of the Company is Mr Yury Makarov. The Non-Executive Directors are Mr Peter Hambro, Mr Danila Kotlyarov, Mr Denis Alexandrov and Mr Aleksei Kharitontsev. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Jonathan Martin Smith, Mr Raymond Kar Tung Woo and Mr Martin Davison.

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