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

FOURTH QUARTER TRADING UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2016

CONFERENCE CALL

A conference call will be held today at 14h00 Hong Kong time to discuss the fourth quarter trading update. The number is +852 2112 1700 and the passcode is 3609619#. Presentation slides to accompany the call are available at www.ircgroup.com.hk. A replay call will be available from 20 January 2017 at www.ircgroup.com.hk/html/ir_call.php.

Thursday, 19 January 2017: The Board of Directors of IRC Limited (“IRC” or the “Company”, together with its subsidiaries, the “Group”) is pleased to provide the Fourth Quarter Trading Update for the three months ended 31 December 2016.

HIGHLIGHTS

Corporate

- IRC has secured a new core investor – completion of share subscription by Tiger Capital Fund, successfully raised US\$25 million, with a proposed additional member of the Board
- Amicable settlement with CNEEC, received cash compensation of US\$4.5 million and reduced outstanding construction payment liability by US\$3.9 million while reserving the rights to claim for further penalties from the contractor
- ICBC project finance facility serviced and positive progress towards relaxation of 2017 payment terms
- Revolving working capital finance facility obtained, further de-risks the operation of K&S and strengthens the cash flow position of the Group

Operations

K&S

- Commissioning ongoing with 75% capacity reached at ball mill in December 2016
- Produced and sold approximately 150,000 tonnes of iron ore concentrates
- Entered into the final stages of production testing and will reach full commercial production in the first half of 2017
- Recommended mining works as full commercial production nears, with approximately 75,000m³ rock mass blasted

Kuranakh

- Care and maintenance process satisfactory
- Assessing feasibility of re-opening and other options

FOURTH QUARTER TRADING UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2016

During the fourth quarter, K&S has achieved good progress and has entered into the final stages of production testing. Ramping up continues with some trial production and sales being recorded. During the fourth quarter, the total production and sales of iron ore concentrates amounted to 143,996 tonnes and 120,059 tonnes respectively.

Kuranakh continues to be in care and maintenance, no production or sales from the mine during the fourth quarter of 2016.

Commenting on the quarter, Yury Makarov, Chief Executive Officer of IRC said, “2017 is an exciting year for K&S as we will reap what is sown. In the past quarter, the team has done a great job in remedial work, now K&S has entered into the last stages of testing and is progressing towards full ramp-up and commercial production. With the commodities market in an improved position than previous years, we hope to yield better earnings and strive for greater benefits for our shareholders.”

MARKETING, SALES AND PRICES

Iron Ore

At K&S, the Group has sold 120,059 tonnes of iron ore concentrates to customer in China during the fourth quarter. The price of the product is determined with reference to the international Platts spot price of 65% Fe iron ore concentrates. As K&S is still undergoing trial production, the achieved selling price is not published for commercial reasons.

Iron ore becomes the best performer in 2016, finishing up 81% and outperforming the prices of other commodities. In the last quarter of 2016, the iron ore price has shown a very strong upside trend. The spot price of benchmark 62% iron content delivered to the Chinese port of Qingdao achieved an average of US\$70 per tonne in the fourth quarter, which is 21% higher than that of the last quarter (third quarter averaged US\$58 per tonne). The year-end benchmark price closed at c.US\$80 per tonne, 44% higher than the closing price of the third quarter, reaching its highest level since September 2014.

While some market analysts credited the catalyst of the exceptional performance of iron ore to the expectation of a series of positive stimulus in infrastructure and global economy subsequent to Donald Trump being elected as the US President, other analysts pointed out that the fundamentals for the commodity have improved due to China's more stringent efforts to tackle pollution and ongoing reforms to curb the over-capacity of the supply side of iron ore. Nevertheless, speculators and their "hot money" have also played a role in pumping the iron ore price when the market shows signs of improvements. Although long-term concerns for oversupply remain, some analysts have revised up their price forecast of the sector to c.US\$60 per tonne in 2017.

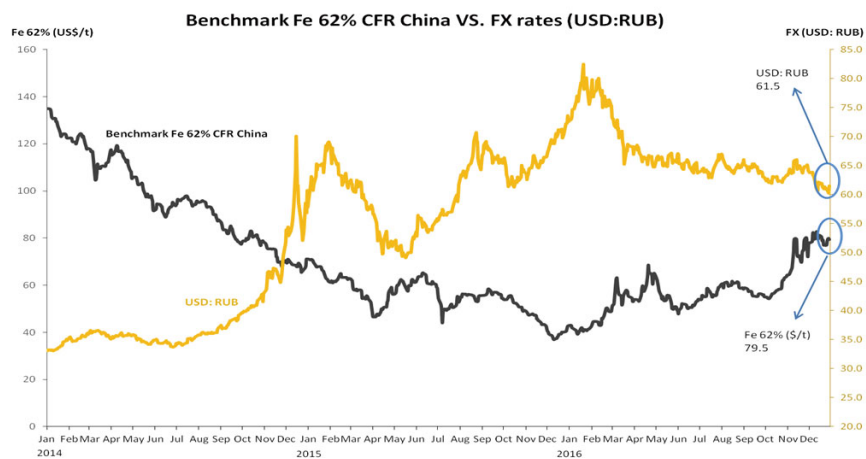
There are no sales of iron ore concentrates from Kuranakh during the fourth quarter since the mine has been moved to care and maintenance.

Ilmenite

As Kuranakh has been moved to care and maintenance, there are no sales of ilmenite product during the fourth quarter.

Foreign Exchange

The Rouble remained at a weak level against the US dollar in the fourth quarter of 2016 and averaged at 63 against the dollar. Despite seeing a slight appreciation of the Rouble, the USD:RUB FX rate stayed above 60 throughout the quarter. The weakness in the Rouble renders a positive impact on the Group's operating margins as it partly offsets the effects of weak iron ore prices, with the Group's operating costs mainly denominated in Roubles and revenues mainly in US Dollars.



OPERATIONS

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 from the town of Izvestkovaya, through which the Trans-Siberian Railway passes. It is also near to the federal highway connecting to the regional capital of Birobidzhan and 300 kilometres from Khabarovsk, the principal city of the Russian Far East.

K&S Hot Commissioning Progress

K&S' has entered into the final stages of the commissioning process and ramping-up programme continues. While K&S has been successful in some areas of the remedial work, some teething issues remain. Nonetheless, with the well-experienced site team, IRC remains confident in resolving the issues for full ramp-up and commercial production in the first half of 2017.

In the past quarter, K&S continues to identify and resolve teething issues in preparation of the full ramp up. In particular, further tests were conducted to the Processing Plant and Drying Unit. During a loading test in December, the ball mills in the Processing Plant had successfully operated continuously for 12 hours at 75% of their full capacity. However, during the recent trial production, due to an unforeseen technical issue, the lubrication system of the ball mills did not function as planned and the gear bearing in one of the four ball mills was damaged. While waiting for the replacement parts and operating three out of the four ball mills, the K&S site team is working on alternative solutions to bypass this temporary bottleneck problem. The commissioning program continues albeit at a lower level of trial production. The Drying Unit, which is still undergoing testing and commissioning, is expected to be gradually diminishing its usage from the middle of March when spring commences. Despite these issues, K&S is on track for a full ramp up of production in the first half of 2017.

Amicable Settlement with CNEEC

At the end of December 2016, IRC has signed a Settlement agreement with CNEEC with details set out in the announcement of the Company on 28 December 2016. As a result, K&S has issued a Taking-over Certificate to CNEEC, which is a major milestone for the project that marks the start for the Performance test period and Warranty period. According to the Settlement agreement, IRC has also received cash compensation of US\$4.5 million in December 2016 towards the remedial and associated costs that K&S incurs in remedying certain defects; with the reduction in outstanding construction payment liability by US\$3.9 million while reserving the rights to claim for further delay penalties from CNEEC. Although IRC has issued the Taking-over certificate to CNEEC, the latter remains responsible in assisting the remedial work of the project.

Mining

As commercial production is expected to commence shortly and in order to support a continuous trial production of the Processing Plant, a continuous supply of required quality feedstock has to be provided. The mining contractor has re-commenced the mining process; 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. The drilling, blasting, excavation and hauling works have recommenced since mid-December with approximately 75,000m³ of rock mass blasted.

Trial Production and Marketing

Since the inception of K&S' hot commissioning programme and up to the end of December 2016, K&S has produced and sold 168,031 tonnes and 142,588 tonnes of iron ore concentrates respectively.

During the fourth quarter, as a result of trial production, 585,700 tonnes of ore were fed to primary processing plant and 371,070 tonnes of pre-concentrate were produced. Ultimately, 143,996 tonnes of iron ore concentrates were produced and 120,059 tonnes were sold.

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 later established Kuranakh open pit processing facilities and an onsite railway spur connecting to the BAM and Trans-Siberian Railways.

Continued to be in care and maintenance, but re-assessing options

As previously announced Kuranakh is under a care and maintenance programme which involves limited costs and keeps the mine and plant available for re-opening if the markets permit the investment decision. The Company has reduced the number of staff at Kuranakh to minimum levels for equipment maintenance and security. The only major non-operating cost that the site will bear is domestic property taxes however relief will be sought for these. During the quarter, there was no production or sales. The Company keeps assessing the feasibility of re-opening Kuranakh and other options in light of the recent recovery of iron ore and ilmenite prices.

CORPORATE UPDATE

Successful Completion of New Shares Subscription

As set out in the announcement dated 30 December 2016, IRC has completed the subscription of new shares to a new core investor with a proposed additional member of the Board. Accordingly, Tiger Capital Fund injected c. US\$25 million into IRC for newly issued IRC shares, giving them a 13.22% shareholding; and Tiger Capital Fund proposes Mr Cheng Chi Kin to join the Board of IRC as a non-executive director, providing further diversity, expertise and experience to the Board.

Loan with ICBC and Group's Cashflow Position

As set out in the announcement of 21 December 2016, IRC has made a payment of US\$26 million of principal and interest to ICBC in December 2016, reducing the outstanding loan principal to c.US\$234 million. In addition, discussions with ICBC and Sinosure in relation relaxation of 2017 payment terms is progressing well. IRC will make a further announcement once the outcome of this process is completed.

IRC's cashflow position remains stable. The unaudited cash balance at the end of 2016 was c. US\$31.4 million. The total debt outstanding of the Group was c. US\$257.0 million as at 31 December 2016. The Company constantly monitors its going concern status and implement measures to improve its cashflow position.

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. In early June 2016, the regional government of the Jewish Autonomous Region announced that the Russian part of the Amur River Bridge will commence construction. A contractor agreement has been signed which stipulates the terms and timing of the construction of the Russian part of the Amur River Bridge.

According to the media, the Russian side of the construction has officially started with project going well even in freezing winter, while the Chinese side of the bridge has been completed. Recently, a ceremony was held on 24 December 2016 to celebrate the commencement of construction of various infrastructures between the Amur region and Heilongjiang province, in which the Amur River Bridge was hailed as one of the major projects between the two countries. These infrastructure projects including the Amur River Bridge are expected to bring closer economic cooperation which IRC may benefit from.

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 and further confirming IRC as one of the lowest cost iron ore projects in the world.

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 under the subscription agreement. 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, although no interest payments have been made by General Nice to IRC as at 31 December 2016.

IRC 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 and the settlement of the interest due to date and other potential alternative options.

* Figures in this announcement may not add up due to rounding. All production and sales volume mentioned in this announcement refers to wet metric tonnes. All dollars refer to United States Dollar unless otherwise stated.

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

Hong Kong, People's Republic of China
Thursday, 19 January 2017

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 George Jay Hambro, Mr Cai Sui Xin (Benjamin Ng as his alternate) and Mr Raymond Kar Tung Woo. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Simon Murray, CBE, Chevalier de la Légion d'Honneur, Mr Chuang-Fei Li and Mr Jonathan Martin Smith.

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