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

CONNECTED TRANSACTION RECEIPT OF TEMPORARY BRIDGE LOAN

Wednesday, 13 June 2018: IRC Limited (“**IRC**” or the “**Company**”, together with its subsidiaries, the “**Group**”; Stock Code 1029) is pleased to announce that it has agreed a bridging loan with Petropavlovsk PLC for approximately US\$30 million for 4 months (the “**Bridge Loan**”). IRC has a long term project financing facility with ICBC for K&S which requires half-yearly debt service of interest and principal (the “**ICBC Facility**”). Due to previously announced issues with the K&S ramp-up, IRC is not in a position to service the June Instalment and ICBC advised that it was unable to provide a principal repayment waiver at this time. If a missed repayment of the ICBC Facility occurs, this would result in a default under the facility and would create broader problems for Petropavlovsk PLC, the guarantor of the ICBC Facility. Consequently Petropavlovsk PLC has provided the Bridge Loan to finance the payment of the June Instalment to ICBC.

Further to the discussions with ICBC on the long term project finance, IRC is in discussions with various parties regarding refinancing in different forms. As K&S is now nearing full capacity operation, it has evolved into a cash generative low cost global scale iron ore project capable of sustaining the US\$234 million of project finance debt required. Financing options for IRC include, a new facility to replace the existing US\$234 million, a prepayment of iron ore sales and a continuation of the existing ICBC Facility with suitable waivers.

K&S continues to increase its production volumes and broader operational targets. In the months of April and May, K&S increased its production and successfully operated at an average capacity of 73%. The plant is currently operating at more than 75% capacity. K&S continues to increase its production volume and is on track to produce at full capacity later this year.

BRIDGE LOAN

After close of business on 13 June 2018, the Company entered into the Bridge Loan to receive financial assistance from the Lender, a connected person, on normal commercial terms or better. Further to the announcement made by the Company on 24 May 2018, no agreement has yet been reached with ICBC in relation to amending the loan repayment schedule and whilst these negotiations are ongoing, the temporary Bridge Loan is necessary to enable K&S' repayment of the June Instalment and otherwise prevent a default under the ICBC Facility for the K&S as the Borrower and Petropavlovsk PLC as a Guarantor. This Bridge loan is a temporary solution until the refinancing, that is in advanced stage, can be completed.

As a condition subsequent to the Bridge Loan, the Company shall use reasonable endeavours to procure that Independent Shareholders' approval is obtained in order for certain subsidiaries in the Group to enter into the Security Agreements (the "**Shareholder Approval**").

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios in respect of the Bridge Loan exceed 5%, if the Bridge Loan is secured by the assets of the Group pursuant to the Security Agreements, it would be subject to the reporting, announcement and independent shareholder approval requirements under Chapter 14A of the Listing Rules.

If the Shareholder Approval is not obtained, the Security Agreements will not be entered into, the Bridge Loan will continue as an unsecured loan and on normal commercial terms or better, and in accordance with Rule 14A.90, it is fully exempt from the requirements of Chapter 14A of the Listing Rules. If the Bridge Loan continues on an unsecured basis, the interest rate payable thereunder is increased by 4% per annum to reflect the increased risk assumed by the Lender.

The Independent Board Committee has been formed to consider, and to advise the Independent Shareholders on the terms of the Security Agreements and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Security Agreements and the transactions contemplated thereunder.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Security Agreements and the transactions contemplated thereunder. The EGM circular regarding the Shareholder Approval is expected to be circulated on or before 6 July 2018.

CONNECTED PERSONS

The Lender is a connected person for the purposes of Rules 14A.07(4) and 14A.13(1) as it is a subsidiary of Petropavlovsk PLC, the holding company of Cayiron Limited. Cayiron Limited is a substantial shareholder in the Company holding 31.10% equity interests. Petropavlovsk PLC is listed on the London Stock Exchange.

BRIDGE LOAN

Date: 13 June 2018

Parties: (1) the Lender, as the lender; and
(2) the Company, as borrower.

Subject Matter

The Lender and the Company entered into the Bridge Loan pursuant to which the Lender has agreed to advance the Facility Amount to the Company at an interest rate of 12% per annum (which is adjustable as set out below).

Purpose and transfer obligations

Pursuant to the Bridge Loan, the Company will procure that the Facility Amount is indirectly applied to fulfil the obligation of K&S to repay the June Instalment to ICBC by procuring that the Facility Amount will be transferred to K&S on or before 17 June 2018 (provided the Facility Amount has been disbursed sufficiently beforehand) and that K&S converts the Facility Amount from RUR to USD and repays the June Instalment to ICBC on or before 20 June 2018.

Repayment and Prepayment

The Company shall repay the Facility Amount to the Lender, together with the applicable interest, in one instalment on the Maturity Date. Additionally, the Company may prepay the Facility Amount in whole or part prior to the Maturity Date.

The Company is additionally under an obligation to immediately prepay the Facility Amount and all other amounts outstanding under the Bridge Loan if the Borrower or the Group raise any funds through (i) a subscription of shares or other securities, (ii) entering into a credit facility or iron ore prepay agreements (except the existing sales contract between Ariti and K&S and any amendment agreements thereon, any Commodity Trading Contracts, future Commodity Trading Contracts or any iron ore contract entered into in the ordinary course of business where the advance prepayment is for a period not exceeding one month and the primary goal is not fund raising or borrowing) or (iii) the issuance of any bonds, notes or other debt securities or any other financing arrangement (except pursuant to transactions between members of the Group). If this obligation to prepay the Bridge Loan would constitute a breach of the ICBC Facility, the Company shall use reasonable efforts to repay in a manner that would not constitute a breach of the ICBC Facility.

Conditions

As condition precedents of the Bridge Loan, signed versions of the Security Agreements must be provided but these do not come into effect unless and until the Shareholder Approval is obtained. Additionally, irrevocable instructions are to be provided by each party stating that their signatures to the Security Agreements shall be automatically released immediately upon receipt of the Shareholder Approval.

As a condition subsequent under the Bridge Loan, the Company shall use reasonable endeavors to procure that the Security Agreements receive the Shareholder Approval and come into effect as soon as reasonably practical, but in any event not later than by 15 August 2018. The Company shall also procure that any other steps necessary to perfect the Security Agreements are taken in accordance with applicable law.

Interest

Interest shall accrue on the outstanding principal amount of the Facility Amount at 12% per annum (the “**Interest**”) from the date on which the Facility Amount is drawn down until the date on which the Facility Amount is repaid or prepaid in full.

Unsecured interest shall accrue (in addition to Interest) on the outstanding principal amount of the Facility Amount at 4% per annum if the Shareholder Approval is not obtained or the other conditions subsequent are not satisfied (the “**Unsecured Interest**”). Accordingly, if the Shareholder Approval is not obtained and the Security Agreements do not come into effect, the total interest rate under the Bridge Loan shall be 16% per annum.

Events of Default and Default Interest

The Bridge Loan contains customary events of default. If an event of default (other than an event of default in connection with non-satisfaction of the conditions subsequent) has occurred, default interest shall accrue on the outstanding principal amount of the Facility Amount, accrued Interest and accrued Unsecured Interest at 4% per annum.

Director nomination right

The Company shall use reasonable endeavours to procure that, as soon as practicable but in any event not later than by 2 July 2018 (subject to acceptable nominations being received by the Company in sufficient time, and subject to review of such candidates’ credentials and their subsequent confirmation by the Company’s nomination committee, which the Company shall use reasonable endeavours to procure shall act reasonably), two candidates nominated by the Lender are appointed to the Board.

SECURITY AGREEMENTS

Assignment of Contracts

Date: To be dated the date on which Shareholder Approval is obtained.

Parties: (1) Ariti, as the assignor; and
(2) the Lender, as the lender.

Purpose

Ariti, a wholly owned subsidiary of the Group, agrees to assign its rights, title, interest and benefit in, receivables under certain commodity trading contracts (the “**Commodity Trading Contracts**”).

The Assignment of Contracts secures all present and future liabilities and obligations of the Company and Ariti to the Lender under or in relation to the Bridge Loan and will end on the date upon which these amounts have been unconditionally and irrevocably paid and discharged in full.

Covenant to Pay

Ariti shall, as primary obligor and not only as surety, promptly, on demand of the Lender, pay to the Lender and discharge all amounts due but unpaid under the terms of the Bridge Loan.

Enforcement of Security

The security shall become immediately enforceable if an event of default occurs under the Bridge Loan, which is continuing, unremedied or unwaived.

Power of Attorney

Date: To be dated the date on which Shareholder Approval is obtained.

Party: (1) Ariti, as the principal

Purpose

Under the terms of the Power of Attorney, Ariti appoints the Lender as its attorney to consider, settle, approve, sign, execute, deliver and/or issue any agreement, document, certificate, instrument, notice or any other ancillary document (whether as a deed or not) which the Lender in its absolute discretion considers necessary or desirable in connection with the operation, maintenance and administration of Ariti’s bank account, including without limitation to implement and to the transfer of any amounts standing to the credit of Ariti’s bank account to the Lender’s own account in order to discharge any unpaid amounts due under the Bridge Loan.

Share Pledge Agreement

Date: To be dated the date on which Shareholder Approval is obtained.

Parties: (1) Dardanius, as the pledgor; and
(2) the Lender, as the pledgee.

Purpose

Under the terms of the Share Pledge Agreement, Dardanius is granting security in favor of the Lender over its 70.28% shareholding in JSC Giproruda.

Enforcement of Security

This security can be enforced if the Company commits a non-performance or improper performance of its obligations under the Bridge Loan.

REASONS FOR AND BENEFITS OF THE BRIDGE LOAN AND THE SECURITY AGREEMENTS

The Independent Board Committee has been formed to consider, and to advise the Independent Shareholders on the terms of the Security Agreements and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Security Agreements and the transactions contemplated thereunder.

Given that the Bridge Loan and Security Agreements are on normal commercial terms or better and the transaction will prevent K&S from missing the repayment of the June Instalment which would result in a default under the ICBC Facility (which would entitle ICBC to accelerate the ICBC Facility and demand repayment in full), the Independent Board Committee (and the Directors as whole), are of the view that the Bridge Loan and Security Agreements have or will be entered into in the ordinary and usual course of business of the Group, and the terms of the Bridge Loan and Security Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios in respect of the Bridge Loan exceed 5%, if the Bridge Loan is secured by the assets of the Group pursuant to the Security Agreements, it would be subject to the reporting, announcement and independent shareholder approval requirements under Chapter 14A of the Listing Rules.

If the Shareholder Approval is not obtained the Security Agreements will not be entered into, the Bridge Loan will continue as an unsecured loan and on normal commercial terms or better, and in accordance with Rule 14A.90, it is fully exempt from the requirements of Chapter 14A of the Listing Rules. If the Bridge Loan continues on an unsecured basis, the interest rate payable thereunder is increased by 4% per annum to reflect the increased risk assumed by the Lender.

PUBLICATION OF THE CIRCULAR

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Security Agreements and the transactions contemplated thereunder. The EGM circular regarding the Shareholder Approval is expected to be circulated on or before 6 July 2018.

GENERAL INFORMATION ABOUT THE PARTIES

The Company is headquartered in Hong Kong and listed on the Stock Exchange. It is an established explorer, developer and producer of iron ore and other industrial commodities products in the Russian Far East, taking advantage of superior road infrastructure to deliver its projects and products quickly and at lower cost to its customer base, predominantly in China.

JSC “Pokrovskiy mine” is a principal subsidiary of Petropavlovsk PLC engaged in gold exploration and production.

DEFINITIONS

Ariti	means Ariti HK Limited, a company incorporated and validly existing in Hong Kong, registered under number 1210715, whose registered office is at 6H, 9 Queens Road Central, Central, Hong Kong, and a wholly-owned subsidiary of the Company
Assignment of Contracts	means an assignment by way of security between Ariti and the Lender in respect of rights under any present and future commodity trading contracts entered into by Ariti
associates	has the meaning ascribed to it the Listing Rules
Board	the board of Directors of the Company
connected person(s)	has the meaning ascribed to it the Listing Rules
Dardanius	means Dardanius Limited, a company incorporated and validly existing in Cyprus, registered under number HE 185611, whose registered office is at Souliou, Aglantzia, P.C. 2102, Nicosia, Cyprus, and a wholly-owned subsidiary of the Company
Director(s)	means the director(s) of the Company
EGM	means an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Security Agreements and the transactions contemplated thereunder

Facility Amount	means a total principal amount in RUR being the equivalent of the amount not exceeding USD29,750,000 (twenty nine million seven hundred and fifty thousand), as determined based on the exchange rate of the Central Bank of the Russian Federation applicable on the date of the disbursement
Group	means the Company and its subsidiaries from time to time
ICBC	means the Industrial and Commercial Bank of China
Independent Board Committee	means an independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on, among other matters, the fairness and reasonableness of the Security Agreements
Independent Financial Adviser	means Trinity Corporate Finance Limited, the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Security Agreements
Independent Shareholders	The Shareholders of the Company excluding Cayiron Limited and all of its associates
JSC Giproruda	means JSC Giproruda, a joint stock company incorporated in Russia under registration number 1027804848224, and having its registered office at Lenisky prospect 151, 196247, Saint Petersburg, Russia
JSC “Pokrovskiy mine” or Lender	means a company incorporated and existing in accordance with the laws of the Russian Federation, OGRN 1022800928754, INN 2801023444, with registered office at: 676150, Amur Region, Magdagachinskiy District, Tygda village, Sovetskaya Str., 17
June Instalment	means the next repayment date under the ICBC Facility on 20 June 2018
K&S	means Kimkano-Sutarsky Mining and Beneficiation Plant LLC, a limited liability company established under the laws of the Russian Federation, OGRN 1047796563077, with its registered address at Russian Federation, 679000, Jewish Autonomous Region, Birobidjan, Prospekt 60-letija of the USSR, 22b

Listing Rules	means the Rules Governing the Listing of Securities on the Stock Exchange
Maturity Date	means the 20 October 2018
normal commercial terms or better	has the meaning ascribed to it the Listing Rules
Power of Attorney	means a power of attorney granted by Ariti in favor of the Lender
RUR	means the lawful currency for the time being of the Russian Federation
Security Agreements	means the following security documents: <ul style="list-style-type: none"> (1) the Assignment of Contracts; (2) the Share Pledge Agreement; and (3) the Power of Attorney
Shareholder(s)	means shareholder(s) of the Company
Share Pledge Agreement	means a share pledge agreement between Dardanius and the Lender with respect to the pledge of 70.28% shares in JSC Giproruda in favor of the Lender
substantial shareholder	has the meaning ascribed to it the Listing Rules
USD	means the lawful currency for the time being of the United States of America
%	means per cent

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

Hong Kong, People's Republic of China
13 June 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 George Jay Hambro, Mr Benjamin Tze For Ng, 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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