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

## **ENTRY INTO NEW RECOURSE AGREEMENT UPDATE ON 2010 RECOURSE AGREEMENT**

**Friday, 15 February 2019:** This announcement is made by IRC Limited (“**IRC**” or the “**Company**”, together with its subsidiaries, the “**Group**”; Stock Code 1029).

### **New Recourse Agreement**

On 18 December 2018, Gazprombank (a Joint-Stock Company) as lender and Kimkano-Sutarsky Mining and Beneficiation Plant LLC (a wholly-owned subsidiary of the Company) (“**K&S**”) as borrower entered into two facility agreements for an aggregate loan of US\$240 million (“**Gazprombank Facilities**”). Petropavlovsk plc (“**Petropavlovsk**”), a substantial shareholder of the Company, has agreed to guarantee K&S’s obligations under the Gazprombank Facilities and has entered into five guarantee agreements on or about the date of this announcement (“**Guarantee Agreements**”). The Guarantee Agreements will take effect over the terms of the Gazprombank Facilities. In connection with the entry into the Guarantee Agreements, Petropavlovsk, the Company and K&S entered into a new recourse agreement on the date of this announcement setting out the terms on which Petropavlovsk is prepared to act as guarantor under the Guarantee Agreements (“**New Recourse Agreement**”).

Under the New Recourse Agreement, to the extent that Petropavlovsk makes any payment under any of the Guarantee Agreements, such payment shall be treated as if Petropavlovsk has made a loan of such amount to the Company and Petropavlovsk has recourse to the Company and the Group for such loans. Moreover, Petropavlovsk has the right to advance loans to IRC, which shall be on-loaned by IRC to K&S, to enable K&S to make payments under the Gazprombank Facilities and therefore mitigate Petropavlovsk’s exposure under the Guarantee Agreements and the Gazprombank Facilities. IRC shall pay Petropavlovsk a monthly fee to be calculated by reference to a rate on the then maximum amount that may be payable by Petropavlovsk under the Guarantee Agreements. The initial maximum amount that may be payable by Petropavlovsk under the Guarantee Agreements is US\$160 million. The monthly fee can be changed. However, no amount in respect of the monthly fee shall be payable by IRC until Petropavlovsk (acting reasonably) has notified IRC of the rate for the monthly fee and such rate has been: (a) agreed to in writing by IRC; or (b) determined as

being not unreasonable by an independent expert, provided further that such rate: (i) is agreed to in writing by IRC; (ii) confirmed by the independent expert as being on normal commercial terms for the purposes of Chapter 14A of the Listing Rules; or (iii) approved by IRC's shareholders.

As soon as reasonably practicable after entry into the New Recourse Agreement, IRC shall use reasonable endeavours to procure that (subject to the review of the proposed candidates' credentials and their subsequent confirmation by IRC's nomination committee, which IRC shall use reasonable endeavours to procure shall act reasonably), two candidates nominated by Petropavlovsk are appointed to IRC's Board of Directors. This board appointment right replaces and supersedes the IRC Board of Director appointment right granted to a subsidiary of Petropavlovsk under the bridge facility between IRC and JSC "Pokrovskiy Mine" dated 13 June 2018. In the event that any loan or other provision of monies made to IRC or K&S under the New Recourse Agreement remains outstanding, Petropavlovsk may nominate additional representatives for appointment to IRC's Board of Directors.

The New Recourse Agreement also contains reporting obligations and customary covenants from the Group which require Petropavlovsk's consent as guarantor (acting reasonably) for certain actions including the issuance, acquisition or disposal of securities and entry into joint ventures, except where such actions are permitted under the New Recourse Agreement.

Petropavlovsk is a connected person for the purposes of Listing Rule 14A.07(1), as Petropavlovsk is a substantial shareholder of IRC, indirectly holding 31.10% of the issued share capital of IRC.

The provision of the guarantees by Petropavlovsk, in conjunction with the New Recourse Agreement, constitutes "financial assistance" within the meaning of Listing Rule 14A.24(4). As the financial assistance is on normal commercial terms or better and is not secured by the assets of the Group, in accordance with Listing Rule 14A.90, it is fully exempt from the requirements of Chapter 14A of the Listing Rules.

The Directors of the Company (including the Independent Directors), consider the New Recourse Agreement and guarantee arrangements to be in the best interests of the Company and on normal commercial terms or better.

### **Existing Recourse Agreement**

As set out in the Company's announcement dated 13 December 2010, Petropavlovsk guaranteed the Group's obligations under K&S's project finance facility with Industrial and Commercial Bank of China Ltd ("**ICBC Facility**") and in connection with that guarantee, Petropavlovsk, IRC and K&S entered into a recourse agreement dated 13 December 2010 ("**Existing Recourse Agreement**").

The Existing Recourse Agreement is a connected transaction for the purposes of Chapter 14A of the Listing Rules.

Under the New Recourse Agreement, the parties have agreed that the Existing Recourse Agreement will terminate and be of no further force and effect from the date that the indebtedness under the ICBC Facility is repaid from drawings under the Gazprombank Facilities. IRC expects to draw down on the Gazprombank Facilities by the end of the first quarter of 2019.

**Commenting on the news above, Yury Makarov, Chief Executive Officer of IRC said:** *“We wish to express our gratitude to ICBC and Sinosure for providing the initial debt financing to IRC, allowing the construction of K&S for the production of high-grade iron ore concentrate. Once K&S commenced operation, it has always been our intent to refinance this project finance facility and I am delighted to have finalised the refinancing arrangement with Gazprombank. We are also grateful of the support from our largest shareholder, Petropavlovsk for continuing to be the guarantor of the facility. K&S is one of the significant suppliers of premium iron ore concentrate for China and Russia Far East and this is particularly welcome at a time of supply dislocation in other parts of the world. With the ramping up of K&S to full capacity soon and the completion of the Amur River Bridge in 2019, we look forward to further unlocking the value of the mine for the benefit of our shareholders.”*

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

Hong Kong, People’s Republic of China  
Friday, 15 February 2019

*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 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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