Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

铁货 IRC

IRC Limited 鐵江現貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1029)

IRC: 2017 ANNUAL RESULTS
FIVEFOLD INCREASE IN REVENUE
NET PROFIT OF US$113 MILLION

A teleconference call to discuss the results will be held today at 14h00 Hong Kong time. The number is +852 2112 1888, the passcode is 4582527#. A replay of the conference call will be available at www.ircgroup.com.hk by 28 March 2018. Presentation slides are available www.ircgroup.com.hk.

Tuesday 27 March 2018: The Board of Directors of IRC Limited ("IRC" or the "Company", together with its subsidiaries, the "Group") is pleased to announce the annual results of the Company for the year ended 31 December 2017.

KEY HIGHLIGHTS

Financials

- Net profit of US$113.3 million (31 December 2016: Net loss of US$18.2 million)
- Fivefold increase in revenue to US$109.3 million (31 December 2016: US$16.5 million)
- Cash cost reduced by 12.0% to US$48.4 per tonne (31 December 2016: US$55.0 per tonne)
- K&S generated an EBITDA of US$32.9 million (31 December 2016: N/A, as K&S was not in commercial production)
- Impairment reversal of US$129.6 million following operational status and correction in market conditions

Operations

- K&S' 2017 production capacity of c.50%; currently at about 70% and increasing
- Sales volume increased 6 times to 1,539,146 tonnes (31 December 2016: 219,352 tonnes)
- Achieved selling price doubled to US$78 per tonne (31 December 2016: US$39 per tonne)
- K&S' customer base broadened and diversified
- Care and maintenance process at Kuranakh satisfactory

Commenting on the results, Jay Hambro, Chairman of IRC said, *"It is with great delight that we can report a substantial net profit of US$113 million for 2017. I am very glad that K&S is finally delivering the value that has been long awaited. Moreover, when the mine reaches its full capacity in 2018, it will fulfil its promise to be one of the most exciting and low cost iron ore operations in the world. Current market conditions have also allowed us to better reflect the underlying asset strength of the operation in reporting an annual profit that is more than half of our entire market capitalisation.*

Commenting on the results, Yury Makarov, Chief Executive Officer of IRC said, *"2017 has been a year of profit turnaround and positive operating margin for IRC. We are glad to witness our K&S mine entering into the commercial production, signifying its transformation from a developing project to a cash generating mine. During the year, K&S produced over 1.5 million tonnes of iron ore concentrate to generate an EBITDA contribution of US$32.9 million. The mine is currently operating at around 70% capacity and is on track to produce at full capacity soon after the remaining bottlenecks are resolved.*

With the strengthened Sino-Russian relationship and the Belt-And-Road initiatives, we believe commodities producers like IRC would benefit when the infrastructure projects and commodities demand pick up along the new "Silk Road". Given that the Far East of Russia is one of the strategic points for the Sino-Russia Economic Corridor, K&S is well-situated to enjoy this geographical advantage.

Finally, we would like to thank our team, shareholders and stakeholders for their continuous support."

The board of directors of IRC Limited (the "**Board**") is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017, which have been reviewed by the Company's Audit Committee, comprising of independent non-executive directors, and by the external auditor. The Board has authorised the Executive Committee, which comprises of the Executive Directors and senior management of the Company, to approve the annual results on its behalf.

2017 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

		2017	2016
	Notes	***US$'000***	*US$'000*
Revenue	*3*	**109,265**	16,467
Operating expenses	*5*	**(106,092)**	(35,192)
Impairment charges reversed (recognised)	*6*	**129,614**	(47)
		132,787	(18,772)
Share of results of a joint venture		**–**	47
		132,787	(18,725)
Other income, gains and losses		**2,134**	689
Financial income		**114**	413
Financial expenses	*7*	**(22,410)**	(1,189)
Profit (loss) before taxation		**112,625**	(18,812)
Income tax credit (expense)	*8*	**590**	(315)
Profit (loss) for the year		**113,215**	(19,127)
Profit (loss) for the year attributable to:			
Owners of the Company		**113,254**	(18,226)
Non-controlling interests		**(39)**	(901)
		113,215	(19,127)
Earnings (loss) per share (US cents)	*10*		
Basic		**1.60**	(0.30)
Diluted		**1.60**	(0.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017** **US$'000**	2016 US$'000
NON-CURRENT ASSETS			
Exploration and evaluation assets		**19,149**	18,856
Property, plant and equipment		**459,118**	333,690
Interest in a joint venture		**–**	–
Other non-current assets		**97**	76
Restricted bank deposit		**1,977**	1,977
Value-added tax recoverable		**2,918**	2,720
		483,259	357,319
CURRENT ASSETS			
Inventories		**28,616**	20,371
Trade and other receivables	*11*	**25,410**	23,813
Time deposits		**347**	–
Bank balances		**8,650**	31,342
		63,023	75,526
TOTAL ASSETS		**546,282**	432,845
CURRENT LIABILITIES			
Trade and other payables	*12*	**(33,598)**	(21,471)
Income tax payable		**(2,638)**	(346)
Borrowings – due within one year	*13*	**(60,950)**	(65,744)
Other financial liabilities		**(1,852)**	–
		(99,038)	(87,561)
NET CURRENT LIABILITIES		**(36,015)**	(12,035)
TOTAL ASSETS LESS CURRENT LIABILITIES		**447,244**	345,284

	Notes	**2017** **US$'000**	2016 US$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(3,623)**	(6,486)
Provision for close down and restoration costs		**(14,030)**	(10,115)
Construction costs payable		**(16,069)**	(17,830)
Borrowings – due more than one year	*13*	**(162,078)**	(177,239)
		(195,800)	(211,670)
TOTAL LIABILITIES		**(294,838)**	(299,231)
NET ASSETS		**251,444**	133,614
CAPITAL AND RESERVES			
Share capital		**1,285,158**	1,285,158
Capital reserve		**17,984**	17,984
Reserves		**14,222**	9,680
Accumulated losses		**(1,065,887)**	(1,179,141)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**251,477**	133,681
NON-CONTROLLING INTERESTS		**(33)**	(67)
TOTAL EQUITY		**251,444**	133,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

IRC Limited ("the Company") is a public limited company incorporated in Hong Kong and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 21 October 2010. The Company together with its subsidiaries are hereinafter referred to as the "Group".

The address of the registered office and principal place of business of the Company is 6H, 9 Queen's Road Central, Hong Kong. The consolidated financial statements are presented in United States Dollars ("US$"), which is also the functional currency of the Company.

The principal activity of the Company is investment holding. The Group is principally engaged in the production and development of industrial commodities products including iron ore that are used in industry across the world. The main activities of the Group are in Russia and the People's Republic of China ("PRC") and the Group predominantly serves the Russian and Chinese markets.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results 2017 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the CO is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the CO and will deliver the financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's report was unqualified with a material uncertainty related to going concern section; but did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the going concern status of the Group in light of the Group's net current liabilities position of approximately US$36.0 million and the outstanding bank borrowings and related interest due for repayment in the coming twelve months against the expected future net cash inflows from operations, cash and cash equivalents and the credit facilities being refinanced by the Group.

The Group has prepared a cash flow forecast which involves judgments and estimations based on management's input of key variables and market conditions including the future economic conditions, expected production capacity of the Kimkan and Sutara Project ("K&S Project"), iron ore prices and the US$/Rouble exchange rates for a fifteen month period after 31 December 2017. The cash flow forecast has been determined using estimations of future cash flows based on projected income and expenses of the business and working capital needs.

The Group has initiated the process of refinancing and obtaining an amendment and extension of its credit facilities. The amendment includes changes to the financial covenants and the repayment terms. The execution of the amendment is subject to finalisation of required approval by the banks and documentation.

However, if the Group is unable to successfully refinance its loan facilities or the market conditions turn out to be significantly less favourable to the Group than predicted, the Group may not have sufficient working capital to finance its operations and loan repayments resulting in its financial liquidity being adversely impacted. The Group would need to carry out contingency plans including entering into new negotiations with banks or other investors for additional debt or equity financing.

The directors of the Company consider that after taking into account the above, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

3. REVENUE

An analysis of the Group's revenue is as follows:

	2017	2016
	US$'000	*US$'000*
Revenue		
Sale of iron ore concentrate	**108,212**	8,637
Sale of ilmenite	**—**	6,943
Engineering services	**1,053**	887
	109,265	16,467

4. SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires the Group to disclose reportable segments in accordance with internal reports that are provided to the Group's chief operating decision maker. The Group considers its Executive Committee to be the chief operating decision maker. For management purposes, the Group is organised into four operating segments, Mines in Production, Mines in Development, Engineering, and Other. These operating segments form the basis on which the Group's Executive Committee makes decisions about resource allocation and performance assessment.

- Mines in Production segment ("Mines in Production"), comprises iron ore projects in production phase. This segment had included the Kuranakh project, which is located in the Evreyskaya Avtononnaya Oblast of the Russian Federation ("EAO Region") in 2016. However, the Group has put the Kuranakh Project under care and maintenance since March 2016. Meanwhile, the K&S Project, which is located in the Russia Far East Region started commercial production in January 2017 and so was transferred from the Mines in Development Segment to Mines in Production during the year ended 31 December 2017.

- Mines in Development segment ("Mines in Development"), comprises iron ore projects in the exploration and development phase. This segment includes the Garinskoye project and the Bolshoi Seym project which are all located in the Russia Far East region.

- Engineering segment ("Engineering"), comprises in-house engineering and scientific expertise related to Giproruda, which is located in Russia.

- Other segment ("Other") primarily includes the Group's interests in a joint venture for the production of vanadium pentoxides and related products in the PRC.

The following is an analysis of the Group's revenue and results by separable and reportable segment.

For the year ended 31 December 2017

	Mines in production *US$'000*	Mines in development *US$'000*	Engineering *US$'000*	Other *US$'000*	Total *US$'000*
Revenue					
External sales	108,212	—	1,053	—	109,265
Segment revenue	108,212	—	1,053	—	109,265
Site operating expenses and service costs	(94,478)	(364)	(1,367)	(12)	(96,221)
Site operating expenses and service costs include:					
Depreciation and amortisation	(14,161)	(266)	(152)	—	(14,579)
Impairment charges reversed	129,614	—	—	—	129,614
Segment profit (loss)	143,348	(364)	(314)	(12)	142,658
General administrative expenses					(9,832)
General depreciation					(39)
Other income, gains and losses					2,134
Financial income					114
Financial expenses					(22,410)
Proift before taxation					112,625
Other segment information					
Additions to non-current assets:					
Capital expenditure on property, plant and equipment	10,232	—	—	7	10,239
Exploration and evaluation expenditure capitalised	—	293	—	—	293
Segment assets	496,140	27,941	5,720	11,855	541,656
Central cash and cash equivalents					4,626
Consolidated assets					546,282
Segment liabilities	(54,892)	(651)	(273)	(12,371)	(68,187)
Borrowings					(223,028)
Deferred tax liabilities					(3,623)
Consolidated liabilities					(294,838)

For the year ended 31 December 2016

	Mines in production US$'000	Mines in development US$'000	Engineering US$'000	Other US$'000	Total US$'000
Revenue					
External sales	15,580	—	887	—	16,467
Segment revenue	15,580	—	887	—	16,467
Site operating expenses and service costs	(22,113)	(355)	(2,316)	(11)	(24,795)
Site operating expenses and service costs include:					
Depreciation and amortisation	—	(7,813)	(152)	—	(7,965)
Inventory written down	(2,346)	—	—	—	(2,346)
Impairment charges	—	—	—	(47)	(47)
Share of results of a joint venture	—	—	—	47	47
Segment loss	(6,533)	(355)	(1,429)	(11)	(8,328)
General administrative expenses					(10,353)
General depreciation					(44)
Other income, gains and losses					689
Financial income					413
Financial expenses					(1,189)
Loss before taxation					(18,812)
Other segment information					
Additions to non-current assets:					
Capital expenditure on property, plant and equipment	2	141,301	3	—	141,306
Exploration and evaluation expenditure capitalised	—	253	—	—	253
Segment assets	6,081	386,987	5,796	12,537	411,401
Central cash and cash equivalents					21,444
Consolidated assets					432,845
Segment liabilities	(8,013)	(29,856)	(507)	(11,386)	(49,762)
Borrowings					(242,983)
Deferred tax liabilities					(6,486)
Consolidated liabilities					(299,231)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2017	2016
	US$'000	*US$'000*
Heilongjiang Xianglong International Trading Corporation Limited	**60,090**	8,622
Minmetals Luobei International Trading Co., Ltd.	**16,909**	—
Suifenhe Fangda Internatioanl Trade Co., Ltd.	**16,223**	—
Ningbo Xinfu Titanium Dioxide Co., Ltd.	**—**	4,776

5. OPERATING EXPENSES

	2017	2016
	US$'000	*US$'000*
Site operating expenses and service costs	**96,221**	24,795
General administration expenses	**9,871**	10,397
	106,092	35,192

6. IMPAIRMENT CHARGES REVERSED (RECOGNISED)

The Group follows the requirements of HKAS 36 Impairment of Assets to consider whether there are impairment indicators and if so, to determine whether the non-financial assets are impaired. At the end of each reporting period, the management assesses whether there is any indication that the impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the management is required to estimate the recoverable amount of the asset which requires significant judgment. In making this judgment, management considers factors including changes in the cash costs of production, available ore reserves, purity of the iron ore concentrates, forecasted iron and ilmenite prices and exchange rates.

With the K&S Project starting commercial production and improvements in the spot iron ore price in the current year, management has revisited the assessment of the recoverable amount of the K&S Project resulting in a partial reversal of the impairment charge of US$129.6 million in the statement of profit and loss for the year ended 31 December 2017 (2016: NIL).

7. FINANCIAL EXPENSES

	2017	2016
	US$'000	*US$'000*
Interest expense on borrowings *(note)*	**16,083**	14,828
Less: Interest expense capitalised to property, plant and equipment	**—**	(14,371)
	16,083	457
Loan guarantee fee	**4,128**	–
Unwinding of discount on environmental obligation and long-term construction costs payable	**2,199**	732
	22,410	1,189

Note: For the year ended 31 December 2016, interest expense included a loan guarantee fee of US$4,625,000 which was capitalised to property, plant and equipment.

8. INCOME TAX CREDIT (EXPENSE)

	2017	2016
	US$'000	*US$'000*
Current:		
Russian Corporate tax	**(2,313)**	(19)
Cyprus Corporate tax	**—**	(102)
Hong Kong Profits tax	**—**	(38)
	(2,313)	(159)
Prior year:		
Underprovision in prior years of Cyprus Corporate tax	**—**	(131)
	(2,313)	(290)
Deferred tax credit (expense)	**2,903**	(25)
	590	(315)

Russian Corporate tax is calculated at a rate of 20% of the estimated assessable profit for both years.

Based on the approved federal and regional laws in Russia, the K&S Project is considered to be an investment project and is eligible for income tax relief over 10 years starting from August 2015. The K&S Project is exempted from Russian Corporate tax for the period from August 2015 to August 2020 and then, will be taxed at a reduced rate of 10% for the following 5 years increasing to 20% thereafter.

Cyprus Corporate tax is calculated at a rate of 12.5% of the estimated assessable profit for both years.

Hong Kong Profits tax is calculated at 16.5% of the estimated assessable profit for both years.

9. DIVIDENDS

No dividends were paid, declared or proposed to the owners of the Company during both years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

Profit (loss)

	2017	2016
	US$'000	*US$'000*
Profit (loss) for the purposes of basic and diluted earnings (loss) per ordinary share being profit (loss) for the year attributable to owners of the Company	**113,254**	(18,226)

Number of shares

	2017	2016
	Number	*Number*
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**7,093,386**	6,175,320

The computation of diluted earnings per share for the years ended 31 December 2017 and 2016 does not assume the exercise of share options granted by the Group because the exercise price of those options was higher than the average market price for the Company's shares.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	US$'000	*US$'000*
Value-added tax recoverable	**8,063**	3,750
Advances to suppliers	**2,603**	1,203
Amounts due from customers under engineering contracts	**167**	358
Trade receivables	**1,803**	4,276
Other debtors	**12,774**	14,226
	25,410	23,813

Below is an aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period.

	2017	2016
	US$'000	*US$'000*
Less than one month	**1,791**	4,057
One month to three months	**1**	176
Three months to six months	**—**	11
Over six months	**11**	32
Total	**1,803**	4,276

Below is an aged analysis of trade receivables based on invoice date which are past due but not impaired:

	2017	2016
	US$'000	*US$'000*
Three months to six months	**—**	11
Over six months	**11**	32
Total	**11**	43

12. TRADE AND OTHER PAYABLES

	2017	2016
	US$'000	*US$'000*
Trade payables	**4,369**	1,675
Advances from customers	**62**	349
Accruals and other payables	**29,167**	19,447
	33,598	21,471

Below is an aged analysis of the Group's trade creditors based on invoice date.

	2017	2016
	US$'000	*US$'000*
Less than one month	**3,361**	1,571
One month to three months	**854**	53
Three months to six months	**8**	33
Over six months	**146**	18
Total	**4,369**	1,675

13. BORROWINGS

	2017	2016
	US$'000	*US$'000*
Bank loans		
ICBC	**221,578**	219,739
Sberbank of Russia PJSC	**1,450**	1,430
	223,028	221,169
Other loans		
Polisko LLC	**—**	12,466
Uzhuralzoloto Group of Companies JSC	**—**	9,348
	—	21,814
Total	**223,028**	242,983
Secured	**223,028**	230,517
Unsecured	**—**	12,466
	223,028	242,983

CHAIRMAN & CHIEF EXECUTIVE OFFICER REVIEW

Dear Shareholders and Stakeholders,

PROFIT, PROFIT AND MORE PROFIT…

K&S – A Profit-Making & Cash-Generating Mine

2017 has been a year of growth for IRC. Recently, IRC announced that K&S had produced more than 2 million tonnes of iron ore concentrate since inception of the mine. The mine is currently operating at a steady capacity of about 70% and production is continuing to ramp up. It demonstrates the transformation of K&S from a developing project to a cash generating mine.

K&S the Game-Changer, IRC recorded US$113.3 million Net Profit

With a strengthening iron ore price for the 65% Fe grading products, K&S has been bringing positive cashflow to IRC since its inception. In addition, apart from a significant EBITDA contribution from K&S, the Group is glad to record an impairment loss reversal this year, resulting in a positive turnaround of profit attributable to owners of the Company of US$113.3 million.

Ongoing Ramp-Up Despite Setbacks

While the ramp-up programme of K&S is moving forward, K&S has produced over 2 million tonnes of iron ore concentrate since inception, despite encountering certain production disruptions due to the railway congestion issues and problems with the Drying Unit towards the end of 2017. K&S operated on average at a steady production capacity of 50% in 2017 and this figure is improving. As the remaining bottlenecks are gradually being resolved, K&S will continue to pick up its pace in its ramp-up programme and is on track to operate at full capacity soon.

Six times increase in Sales Volume Year-On-Year

The Group has sold over 1.5 million tonnes of iron ore concentrate in 2017, a 6 times increase compared to last year. All products that K&S produces are effectively sold immediately, a testimony that K&S' high grade products are well received by the market.

We are also very fortunate that K&S is producing premium quality high grade 65% iron ore. While investors may have concerns over excess supplies of <62% iron ore products in the market, the 65% grade is effectively a different market segment and K&S is benefiting from premium pricing. During 2017, there was an average of about 17% or US$12 per tonne price premium over the benchmark of 62% iron ore products.

Diversification of Customers

During the year, K&S has expanded its customer base and these customers come from different countries and regions, including Russia and China. Diversification of customers allows us to commend a stronger bargaining power for better prices and sales terms. We will continue to broaden our customer base to capitalise on the advantages.

The Sino-Russian Bridge

We look forward to the benefits that the Sino-Russian Amur River Railway Bridge will bring to IRC. While the Russian side of the bridge construction is in progress, the basic construction of Chinese side has been completed. The Bridge aims to encourage bilateral trade and is expected to further reduce K&S' unit cash cost by about US$5 per tonne when we transport our products to China. The infrastructure is also expected to bring closer economic cooperation between the two countries which IRC may benefit from.

In addition, during the year, the Chinese President visited Russia, The Russian President Vladimir Putin and the Chinese President Xi Jinping signed a joint statement on further deepening of the bilateral comprehensive strategic partnership. With this strengthened Sino-Russian relationship and the Belt-And-Road initiatives, we believe commodities producers like IRC would benefit when the infrastructure projects and commodities demand pick up along the new "Silk Road". Given that the Far East of Russia is one of the strategic points for the Sino-Russia Economic Corridor, K&S is well-located to enjoy this geographical advantage.

Outlook and Beyond

We are pleased to witness the transformation that IRC has gone through in 2017. K&S continues to generate positive cash flow and as the mine ramps up its production capacity, it is on track to make greater contributions to IRC. With the commodities market in an improved position, we hope to yield better earnings and strive for greater value generation.

With a record profit delivered, we are delighted to look forward to more positive results when the mine fully ramps up and the cost-lowering bridge is brought online. Both of these targets are near term and materially value enhancing for IRC.

Last but not least, we thank our team, shareholders and stakeholders for their continuous support.

CFO STATEMENT & RESULTS OF OPERATIONS

This year, we are glad to report a positive result of IRC as K&S entered into commercial production. The Group's sales volume grew by over 6 times compared to last year and K&S reported an impressive operating performance with strong US$32.9 million EBITDA.

In 2017, we achieved a net profit attributable to owners of the Company of US$113.3 million, as compared to a net loss of US$18.2 million last year. The turnaround from loss to profit is mainly due to the positive K&S operating results and impairment loss reversed in respect of the property, plant and equipment related to the K&S project. The partial impairment loss reversal, amounting to US$129.6 million, results from the increase in fair value assessment of the K&S project following the improved iron ore price in 2017. That fact reassures strong economic fundamentals of the K&S project and its positive long term outlook, especially with the One-Belt-One-Road initiative supporting the markets. The decrease in corporate administrative costs also plays a role to the positive results.

Additionally, against the backdrop of a strong iron ore price market, with K&S producing 1.5 million tonnes of iron ore concentrate under a progressive ramp-up programme in 2017, the Group recorded a revenue of US$109.3 million (2016: US$16.5 million) and a net operating gain of US$132.8 million, against a net operating loss of US$18.7 million last year, thanks to the strong US$32.9 million EBITDA that K&S generated. The operating results are expected to further improve as K&S reaches full capacity of operation.

Strong cash flows from K&S project also kept the balance sheet at a healthy level, with bank balances and deposits amounted to US$11.0 million as at the end of 2017.

The Group's stable financial position also owe thanks to our lenders. ICBC agreed to restructure the repayments under the K&S Project Finance Facility of which two repayment instalments due in 2017 amounting to approximately US$42.5 million is now to be repayable in the subsequent five repayment instalments. This has alleviated the Group's cash flow for the year 2017, resulting in a healthy balance sheet. Due to some delay with K&S commissioning process, IRC might require some amendments to the current facility terms with ICBC and are in the process of discussion with a number of parties. We continue to maintain a good relationship with our lenders and management has a positive outlook on the results of these discussions.

Similar to last year, the Group continued to implement stringent cost-control measure and managed to keep corporate administrative cost at a low level of US$9.9 million during 2017. Excluding the share-based expenses which are non-cash in nature, 2017 corporate administrative cost of US$8.4 million is 9.8% lower than that of 2016. In terms of operational cost, the unit cash cost reduced by 12% to US$48.4 per tonne. This figure is expected to be further lowered when K&S has reached its full capacity and the Amur River Bridge becomes operational, reiterating K&S as an efficient low-cash-cost mine among peers.

Our margin hinges on two main factors: the iron ore price and our cost which is mainly denominated in Rouble. Therefore, apart from keeping K&S operation efficient, we are also hedging iron ore prices and the Rouble exchange rate to secure our bottom line for future growth.

The table below shows the consolidated results of the Group for the year ended 31 December 2017 and 2016:

	For the year ended 31 December **2017**	2016	Variance
Key Operating Data			
Iron ore concentrate			
— Sales volume (tonnes)	**1,539,146**	219,352	>100%
— Average price (US$/tonne)	**78**	39	100%
Ilmenite			
— Sales volume (tonnes)	**—**	60,044	(100%)
— Average price (US$/tonne)	**—**	117	(100%)
Consolidated Income Statement ***(US$'000)***			
Revenue			
Iron ore concentrate	**108,212**	8,637	>100%
Ilmenite	**—**	6,943	(100%)
Engineering services	**1,053**	887	18.7%
Total Revenue	**109,265**	16,467	>100%
Site operating expenses and service costs	**(96,221)**	(24,795)	>100%
General administration expenses	**(9,871)**	(10,397)	(5.1%)
Impairment charges reversed (recognised)	**129,614**	(47)	N/A
Share of results of a joint venture	**—**	47	(100%)
Net operating profit (loss)	**132,787**	(18,725)	N/A
Other income, gains and losses	**2,134**	689	>100%
Financial expenses, net of financial income	**(22,296)**	(776)	>100%
Profit (loss) before taxation	**112,625**	(18,812)	N/A
Income tax credit (expense)	**590**	(315)	N/A
Profit (loss) for the year	**113,215**	(19,127)	N/A
Non-controlling interests	**39**	901	(95.7%)
Profit (loss) attributable to owners of the Company	**113,254**	(18,226)	N/A
Underlying Results ***(US$'000)***			
Loss attributable to owners of the Company, excluding impairment charges reversed (recognised)	**(16,360)**	(18,179)	(10.0%)

THE UNDERLYING RESULTS OF THE GROUP

IRC's operating results are mainly derived from the mining operations. The Group manages its operations with principal reference to the underlying operating cash flows and recurring earnings. However, as with most of IRC's international industry peers, the Group's income statement includes non-cash impairment provisions. These impairments are provided mainly in light of the volatility of the global economy, such as the weakness in global bulk commodity markets, and are therefore non-operating and non-recurring in nature.

Due to the positive operating results of K&S, the Group's Underlying Loss, which excludes impairment charges, reduced by 10.0% to US$16.4 million (31 December 2016: US$18.2 million).

To facilitate a better understanding of the Group's operating results, the calculation of the Group's underlying results, which excludes the effect of the impairments, is set out below:

	For the year ended 31 December		
US$'000	**2017**	2016	Variance
Profit/(loss) attributable to owners of the Company	**113,254**	(18,226)	N/A
Impairment charges (reversed) recognised	**(129,614)**	47	N/A
Underlying loss for the year	**(16,360)**	(18,179)	(10.0%)

Iron ore concentrate

IRC's operating results improved significantly due to the positive contribution from K&S. The mine commenced its commercial production in 2017 and its operating results started being reflected in the Group's income statement since the beginning of 2017. Compared to last year, when the Group had no significant operation because the Kuranakh was moved to care and maintenance, the sales volume of iron ore increased significantly to 1,539,146 tonnes in 2017, a six-fold increase compared to 2016. As a result of improved commodities environment during the year, the average achieved selling price of the iron ore concentrate also increased by 100% to US$78 per tonne (for the year ended 31 December 2016 average selling price: US$39 per tonne). Also, while Kuranakh was producing c. 62% Fe grading iron ore concentrate, K&S is producing 65% Fe grading iron ore concentrate which commends a price premium over the benchmark 62% ore. The selling price of K&S' product is based on the Platts 65% Fe index. As a result of the increased sales volume and selling price, the 2017 sales revenue of iron ore concentrate increased by more than 10 times to US$108.2 million when comparing with 2016.

Ilmenite

There is no ilmenite sales during 2017 because K&S does not produce ilmenite. The sales of ilmenite from Kuranakh, before the mine was being moved to care and maintenance was US$6.9 million for the year ended 31 December 2016.

Engineering Services

Revenue in 2017 of US$1.1 million from Giproruda, the small engineering services division of the Group, represented an increase of US$0.2 million when comparing with last year.

SITE OPERATING EXPENSES AND SERVICE COSTS

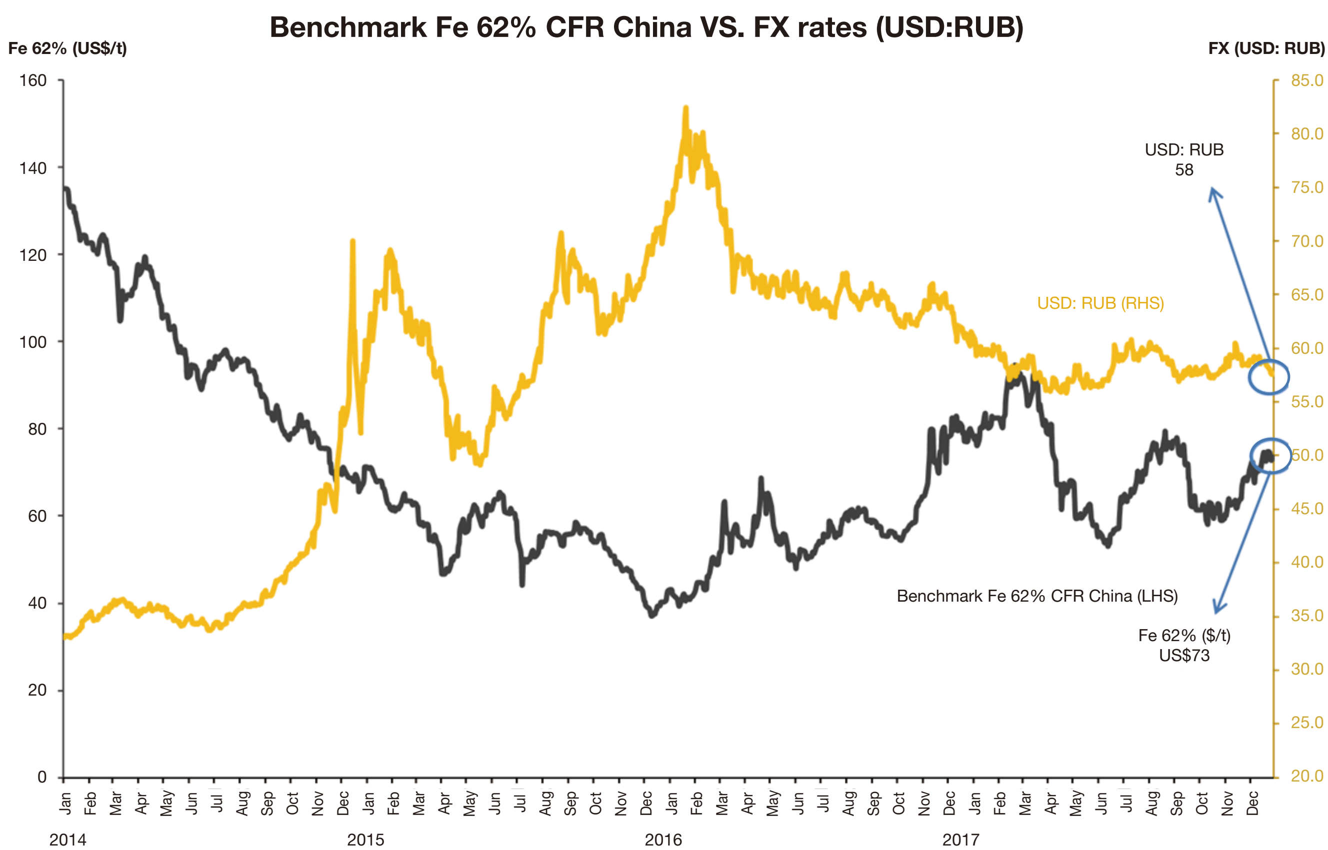
Site Operating Expenses and Service Costs in 2017 mainly represent the mining and operating expenses incurred by the Group's current sole mine in production, the K&S operation; while the 2016 figures represent the cost and expenses of Kuranakh, the only mine in operation at that time. K&S commenced commercial production in 2017 and IRC started recognising its operating results in the income statement since the beginning of 2017. This is different from the situation last year, when Kuranakh was being moved to care and maintenance in beginning of 2016 with decreasing sales volumes of iron ore and ilmenite. As a result, there is an increase in site operating expenses and service costs from US$24.8 million in 2016 to US$96.2 million in 2017 to match with the increased scale of operation. In accordance with the general market practice and for presentation and analysis purposes, the table below classifies ilmenite sales in Kuranakh (no ilmenite production from K&S) as a by-product credit by treating the sales revenue as an offsetting item in the production cash cost of iron ore. The details of the key cash cost components are as follows:

	2017		2016
	Total cash cost US$ million	**Cash cost per tonne US$/t**	Cash cost per tonne US$/t
Mining	**19.9**	**12.6**	5.4
Processing	**19.0**	**12.0**	12.3
Transportation to plant	**—**	**—**	3.8
Production overheads, site administration and related costs	**16.5**	**10.5**	14.4
Transportation to customers	**25.5**	**16.6**	17.8
Movements in inventories and finished goods	**(4.9)**	**(3.3)**	20.1
Contribution from sales of ilmenite* and others	**—**	**—**	(18.8)
Net cash cost	**76.0**	**48.4**	55.0

* net of tariff and other railway charges for ilmenite

The cash cost per tonne in 2017 is lower than last year despite K&S not yet producing at its full production capacity, an indication that K&S is a more efficient and lower-cost mine than Kuranakh. The cash cost of K&S is expected to be further reduced when K&S is producing at higher capacity due to economy of scale. In addition, the Group continues to implement stringent cost control measures with the aid of Russian Roubles devaluation. As widely reported in the press, the Russian Roubles depreciated significantly since December 2014 and the currency remained weak in 2017. While the Group's income is mainly US Dollars denominated and therefore unaffected by the Roubles depreciation, the Group's operating costs, which are mostly denominated in Roubles, would be reduced as Roubles depreciates.

The chart below shows how the depreciation of Rouble helps offsetting the effect of the reduction in iron ore prices:



SEGMENT INFORMATION

K&S generated an EBITDA of US$32.9 million and, after taking into account the impairment reversal of K&S, depreciation charges and the ongoing maintenance costs of Kuranakh, the "Mine in production" segment reported a gain of US$143.3 million in 2017. The Kuranakh operation continues to be under care and maintenance and has no production during 2017 (31 December 2016: "Mine in production" solely contributed by Kuranakh reported a segmental loss of US$6.5 million). The "Engineering" segment also recorded a reduction in loss to US$0.3 million due to an increase in consultancy billings.

GENERAL ADMINISTRATION EXPENSES

Special attention continues to be paid to controlling administrative costs. The successful implementation of the cost savings initiatives continued to provide benefits, with the Group's 2017 general administration costs of US$9.9 million being 5% lower than that of 2016. Excluding the non-cash share-based expenses, 2017 general administration costs of US$8.4 million is 9.8% lower than that of 2016.

IMPAIRMENT CHARGES REVERSED

Reflecting on the successful operation of the K&S mine and the increase of market iron ore price, a partial impairment reversal of US$129.6 million was made in 2017.

SHARE OF RESULTS OF JOINT VENTURE

The vanadium joint venture, 46% owned by IRC, was moved to cave and maintenance during 2017 and did not have any contribution (31 December 2016: profit of US$47,000) to IRC.

OTHER INCOME, GAINS AND LOSSES

The other income, gains and losses of US$2.1 million mainly represents the gains in assets disposals and the income from equipment leases after the offset of foreign exchange loss.

NET FINANCIAL EXPENSES

Net financial expenses of US$22.3 million, mainly represent the interest expenses of the ICBC project finance loan and the accrual of the loan guarantee fee. As IRC commenced the recognition of K&S' revenue since the beginning of 2017, the related financial expenses were reflected in the 2017 income statement instead of being capitalised as in 2016.

The net financial expenses can be analysed as follows:

	For the year ended 31 December	
US$'m	**2017**	2016
Interest expense on borrowings	**13.4**	10.2
Loan guarantee fee	**4.1**	4.6
Facilitation fees for loan restructuring and other borrowings	**2.7**	—
Unwinding of discount on environmental obligation and others	**2.2**	0.7
Interest income	**(0.1)**	(0.4)
Capitalisation to property, plant and equipment	**—**	(14.3)
Net financial expenses	**22.3**	0.8

INCOME TAX CREDIT (EXPENSE)

The income tax credit of US$0.6 million (31 December 2016 income tax expense: US$0.3 million) mainly represents the movements in deferred tax provisions and the tax charge relating to the foreign exchange movements of the Group's borrowing.

PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

During 2017, IRC commenced the recognition of revenue from the mining operation of K&S which significantly improved the operating results of the Group. In addition, with the reversal of impairment charges in 2017, IRC reported a net profit attributable to the owners of the Company of US$113.3 million.

CASH FLOW STATEMENT

The following table summaries the key cash flow items of the Group for the year ended 31 December 2017 and 31 December 2016:

	For the year ended 31 December	
US$'000	**2017**	2016
Net cash generated from operations	**21,718**	1,006
Interest paid	**(10,244)**	(10,150)
Facilitation fees for loan restructuring and other borrowings	**(4,000)**	—
Capital expenditure	**(6,784)**	(14,734)
Proceeds on issuance of new shares and share options, net of transaction costs	**—**	25,292
Repayment of bank borrowings and loan commitment fees	**(21,794)**	(29,806)
Proceeds from constructor in remedying mining project defect	**—**	4,508
Other payments and adjustments, net	**(1,241)**	(1,060)
Net movement during the year	**(22,345)**	(24,944)
Cash and bank balances (including time and restricted deposits)		
— At 1 January	**33,319**	58,263
— At 31 December	**10,974**	33,319

The net cash generated from operations amounted to US$21.7 million (31 December 2016: US$1.0 million), mainly due to cash inflow from the K&S mine. Capital expenditure of US$6.8 million was spent mainly on the K&S mine while it is in the process of ramping up its production. A net loan repayment of US$21.8 million mainly represents the repayment of the bridging loans that the Group drew at the end of 2016 to service the ICBC loan.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Share capital

There were no changes in the share capital of the Company in 2017.

On 17 January 2013, the Company entered into a conditional subscription agreement with each of General Nice Development Limited ("General Nice") and Minmetals for an investment by General Nice and Minmetals in new shares of the Company up to approximately HK$1,845 million (equivalent to approximately US$238 million) in aggregate. The share placements not only provided the Group with strong strategic Chinese investment partners, but also solidified the Group's financial strength by unlocking the value in IRC's extensive portfolio of development projects. The transaction also includes off-take and marketing arrangements, providing IRC with both sales volume and cash-flow security. As at 31 December 2017, General Nice has completed more than 80% of its commitment by investing approximately US$170 million into the Company, while the completion of the subscription by Minmetals is subject to further agreement between the parties. 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 2017. The Company is in discussions with General Nice and Minmetals about a further deferred completion and other available options.

Cash Position and Capital Expenditure

As at 31 December 2017, the carrying amount of the Group's cash, deposits and bank balances was approximately US$11.0 million (31 December 2016: US$33.3 million). The decrease in cash balance is mainly due to the positive cashflow from the K&S' operation being utilised for the repayment of the bridging loans, which were obtained in December 2016 for the purpose of servicing the ICBC loan, and repayment of interest of the ICBC loan. The decrease was also partly attributable to capital expenditure spent on ramping up K&S' operation to full scale.

Exploration, Development and Mining Production Activities

For the year ended 31 December 2017, US$86.1 million (31 December 2016: US$41.2 million) was incurred on development and mining production activities. No exploration activity was carried out in 2017 and 2016. The following table details the capital and operating expenditures in 2017 and 2016:

US$'m	**For the year ended 31 December 2017** Operating expenses	Capital expenditure	Total	For the year ended 31 December 2016 Operating expenses	Capital expenditure	Total
Kuranakh	**—**	**—**	**—**	22.1	—	22.1
K&S development	**79.4**	**6.7**	**86.1**	1.3	17.6	18.9
Exploration projects and others	**(0.3)**	**0.3**	**—**	—	0.2	0.2
	79.1	**7.0**	**86.1**	23.4	17.8	41.2

The table below sets out the details of material new contracts and commitments entered into during 2017 on a by-project basis. The amount was relatively small, reflecting the fact that the K&S mine is close to ramp-up completion.

US$'m	**Nature**	**For the year ended 31 December 2017**	2016
Kuranakh	Mining	**—**	—
K&S	Purchase of property, plant and equipment	**0.6**	0.1
	Sub-contracting for excavation related works	**—**	—
Others	Other contracts and commitments	**0.7**	—
		1.3	0.1

Borrowings and Charges

As at 31 December 2017, the Group had gross borrowings of US$235.2 million (31 December 2016: US$257.0 million). All of the Group's borrowings were denominated in US dollars. US$1.5 million represents the Group's working capital loan and the rest represents the long-term borrowing drawn from the ICBC loan facility which is guaranteed by Petropavlovsk. The Group has been keeping its borrowing costs at market level, with its weighted average interest rate at approximately 6.4% (31 December 2016: 6.4%) per annum. As of 31 December 2017, gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, was 45.8% (31 December 2016: 61.1%).

In 2017, the debt service holiday agreed by ICBC became effective. ICBC has agreed to restructure the principal repayment schedule of K&S' project finance facility which fully relieves K&S from principal repayments of US$42.5 million in 2017. According to the agreement, the repayments under the Project Finance Facility are restructured as follows: (i) two repayment instalments, originally due for payment on 20 June 2017 and 20 December 2017 and in an aggregate amount of US$42.5 million have been waived; and (ii) in respect of the five subsequent repayment instalments under the Project Finance Facility, each repayment instalment has been increased by US$8.5 million to US$29.8 million, with the aggregate amount of the increase being equal to US$42.5 million. The restructuring of the repayments has been effective since 20 March 2017 and shall continue to be effective until 20 June 2020, subject to the on-going satisfaction of certain conditions.

Risk of Exchange Rate Fluctuation

The Group undertakes certain transactions denominated in foreign currencies, principally Russian Rouble and is therefore exposed to exchange rate risk associated with fluctuations in the relative values of US Dollars. Exchange rate risks are mitigated to the extent considered necessary by the Board of Directors, primarily through holding the relevant currencies and entering into foreign currency forward contracts to hedge the Group's Russian Rouble exposure.

Employees and Emolument Policies

As at 31 December 2017, the Group employed approximately 1,440 employees (31 December 2016: 1,477 employees). The total staff costs excluding share-based payments was US$21.7 million for 2017 (31 December 2016: US$17.8 million). The emolument policy of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence with reference to market conditions and trends.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited financial statements for the year ended 31 December 2017:

Opinion

We have audited the consolidated financial statements of IRC Limited (the "Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the consolidated financial statements which states that as at 31 December 2017, the Group's current liabilities exceeds its current assets by US$36.0 million and that the Group is refinancing its loan facilities to enable it to meet its liquidity needs for the next twelve months from the end of the reporting period. The refinancing is subject to approval by the banks indicating that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid note 2 to the consolidated financial statements in the extract from the Independent Auditor's Report are disclosed in note 2 to this Results Announcement.

OTHER INFORMATION

Resource and Reserves information

In conjunction with rule 18.14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), IRC has updated its Resources and Reserves information and further details are set out in IRC's 2017 annual report.

Corporate Governance

The Board of Directors (the "Board") of IRC is committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Detailed disclosure of the Company's corporate governance policies and practices is available in the 2017 Annual Report.

Throughout the year, the Company was in compliance with the provisions set out in the CG Code except that Non-Executive Director Mr Cai Sui Xin was unable to attend the annual general meeting of the Company held on 20 June 2017 as provided for in CG Code provision A.6.7, due to his overseas engagements at the time.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code during the year and they have confirmed their full compliance with the required standard set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and holding companies, who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and of the Company (www.ircgroup.com.hk). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

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

Hong Kong, People's Republic of China
Tuesday, 27 March 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.

IRC Limited
6H, 9 Queen's Road Central Hong Kong
Tel: +852 2772 0007
Fax: +852 2772 0329
Email: ir@ircgroup.com.hk
Website: www.ircgroup.com.hk

For further information please visit www.ircgroup.com.hk or contact:

Kent Lo
Manager – Communications & Investor Relations
Telephone: +852 2772 0007
Mobile: +852 9688 8293
Email: kl@ircgroup.com.hk