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IRC Limited 鐵江現貨有限公司

(Incorporated in the Hong Kong with limited liability)

(Stock code: 1029)

K&S SIGNED LONG-TERM OFFTAKE CONTRACT & PRODUCTION CAPACITY UPDATE

Friday, 29 December 2017: IRC Limited (“IRC” or the “Company”, together with its subsidiaries, the “Group”; Stock Code 1029) is pleased to announce that K&S has signed a long-term offtake contract with a Russian customer which will provide a stable source of revenue to IRC and can alleviate the impact of the railway congestion issues. Meanwhile, the ramping up process of the Drying Unit continues while the K&S site team resolves a number of commissioning issues.

As stated in IRC’s 2017 Third Quarter Trading Update, the Trans-Siberian Railway congestion was affecting shipment of products eastwards to customers in China. Although the congestion caused by heavy rain is gradually being resolved, K&S has concluded a long-term offtake contract with a Russian customer for a monthly offtake of K&S’ iron ore concentrate. As this Russian customer is located west of K&S, the shipment will be unaffected by the railway issue and will provide stable cashflow streams to IRC.

K&S has also been ramping up the use of the Drying Unit, which is an integral part of the K&S production process during winter. While ramping up the use of the Drying Unit, the commissioning team has encountered certain technical issues which are mainly due to poor quality of work by the contractors to the K&S project. Although the Drying Unit is still functional, these technical issues have affected production volumes at K&S which has resulted in the K&S plant not operating at load. The K&S site team continues to seek to resolve the problems identified timely. IRC notes, however, that the need for the Drying Unit as part of the K&S production process will gradually be reduced over the first quarter next year as the winter weather subsides.

The K&S plant has proved to be capable of operating at load, having successfully completed the 24-hour loading test at 90% capacity earlier in the year when the Drying Unit was not required to be in use. If the iron ore price environment continues to be maintained at the current price level and the railway and commissioning issues are resolved in a timely manner, K&S will continue to bring positive cashflow to IRC. IRC continues to monitor its going concern status and implement measures to improve its cashflow position, including restructuring of the ICBC loan and potential fund-raising exercises if considered appropriate.

Commenting on the news above, Yury Makarov, Chief Executive Officer of IRC said:

“We are pleased to have entered into a long-term offtake arrangement for K&S which will secure continuous cashflow streams to IRC. K&S has proven to be capable of operating at 90% capacity at the time when the Drying Unit is not required to be in use. While the K&S site team is resolving the bottlenecks of the Drying Unit, these technical issues are non-recurring and their impact will be short term. More importantly, despite not operating at full capacity, K&S continues to bring positive cashflow to IRC.”

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

Hong Kong, People’s Republic of China
Friday, 29 December 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 (Mr Benjamin Ng as his alternate), Mr Raymond Kar Tung Woo and Mr Cheng Chi Kin. 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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