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

**FIRST QUARTER TRADING UPDATE  
FOR THE THREE MONTHS ENDED 31 MARCH 2023  
8.6% INCREASE IN SALES VOLUME OVER THE LAST QUARTER**

**CONFERENCE CALL**

A conference call will be held today at 14h00 Hong Kong time to discuss the first quarter trading update. The number is +852 2112 1888 and the passcode is 9710511#. Presentation slides to accompany the call are available at [www.ircgroup.com.hk](http://www.ircgroup.com.hk). A replay call will be available from 18 May 2023 at [http://www.ircgroup.com.hk/en/ir\\_presentations.php](http://www.ircgroup.com.hk/en/ir_presentations.php).

**Wednesday, 17 May 2023:** The Board (“**Board**”) of Directors (“**Directors**”) of IRC Limited (“**IRC**” or the “**Company**”), together with its subsidiaries, the “**Group**”) is pleased to provide the First Quarter Trading Update for the three months ended 31 March 2023 (“**Q1 2023**”).

**HIGHLIGHTS – Q1 2023**

**K&S**

- 8.6% increase in sales volume over the previous quarter (i.e. the three months ended 31 December 2022) (“**Q4 2022**”)
- 6.8% increase in production volume over Q4 2022
- Continuous preparation of the Sutara deposit with the aim of starting the mining operation at Sutara by the end of 2023

**Corporate & Industry**

- Cash balance reduced to US\$24.1 million (31 December 2022: US\$36.9 million) and net debt increased to US\$51.7 million (31 December 2022: US\$41.6 million), mainly due to vessel purchase outflows. Subsequent sale proceeds are expected to be received in the second quarter of 2023 (“**Q2 2023**”);
- Average Platts 65% iron ore index increased by 26% over Q4 2022 to US\$140 per tonne;
- Russian Rouble depreciated by 14% over Q4 2022 to an average of RUB73 per US Dollar;
- More shipments have been made via the Amur River Bridge;
- The trading of a vessel is expected to result in a one-off gain of c.US\$0.5 million following sale completion in Q2 2023.

## FIRST QUARTER TRADING UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2023

### SUMMARY OF PERFORMANCE

	Q1 2023	Q4 2022	Change	Q1 2022	Change
Platts 65% Fe (average price per tonne)	USD140	USD111	26.1%	USD170	(17.6%)
Iron Ore concentrate					
– Production (tonnes)	661,335	619,184	6.8%	593,074	11.5%
– Sales (tonnes)	695,382	640,251	8.6%	579,438	20.0%

As reported in the previous trading updates, the Russian cross-border railway congestion was one of the major bottlenecks in the operation of K&S. With the Amur River Bridge becoming operational towards the end of 2022, K&S managed to report an 8.6% increase in sales of iron ore concentrate over Q4 2022 with 695,382 tonnes of the product being shipped to its customers. In line with the sales increase, production volume also grew by 6.8%.

During Q1 2023, IRC benefitted from strong iron ore prices and weak Russian Rouble. When comparing with Q4 2022, average Platts 65% iron ore index surged by about 26% to US\$140 per tonne while average Rouble depreciated by about 14% to RUB73 per US dollar. With the improved operating environment, IRC has diverted more of its sales to the Chinese seaborne customers to broaden the customer base.

IRC has been seeking and pursuing a more diverse range of investment opportunities to expand the business portfolio. During Q1 2023, the Group successfully traded a vessel which, upon transaction completion, is expected to give rise to a one-off gain of approximately US\$0.5 million. The Group has been receiving the sales proceeds of the Vessel (as defined below) by instalments.

Cash balance at the end of Q1 2023 reduced to US\$24.1 million (31 December 2022: US\$36.9 million) and net debt increased to US\$51.7 million (31 December 2022: US\$41.6 million), primarily due to cash flows related to the vessel transaction.

**Commenting on the performance of the first quarter, Denis Cherednichenko, Chief Executive Officer of IRC said,** *“After the difficulties we faced in the Q4 2022, 2023 started well for IRC with improvements in iron ore price, Rouble exchange rate, as well as production and sales volumes. We are particularly encouraged by the alleviation of the railway congestion, allowing us to increase our shipment volume. The positive operating environment has also given us the opportunity to resume seaborne sales, an important marketing strategy of K&S.*

*However, as we enter into the second quarter of 2023, the market iron ore price has softened following slower than expected China post-COVID economic recovery. While we hope that the falling price levels are short-term, we must not let our guard down. As mentioned in our 2022 Annual Report, the Russian legislators are considering to impose an additional one-off ‘windfall’ tax on the excess profit of 2021-2022. Against this backdrop, as always, IRC will remain vigilant in navigating through the uncertainties and challenges.”*

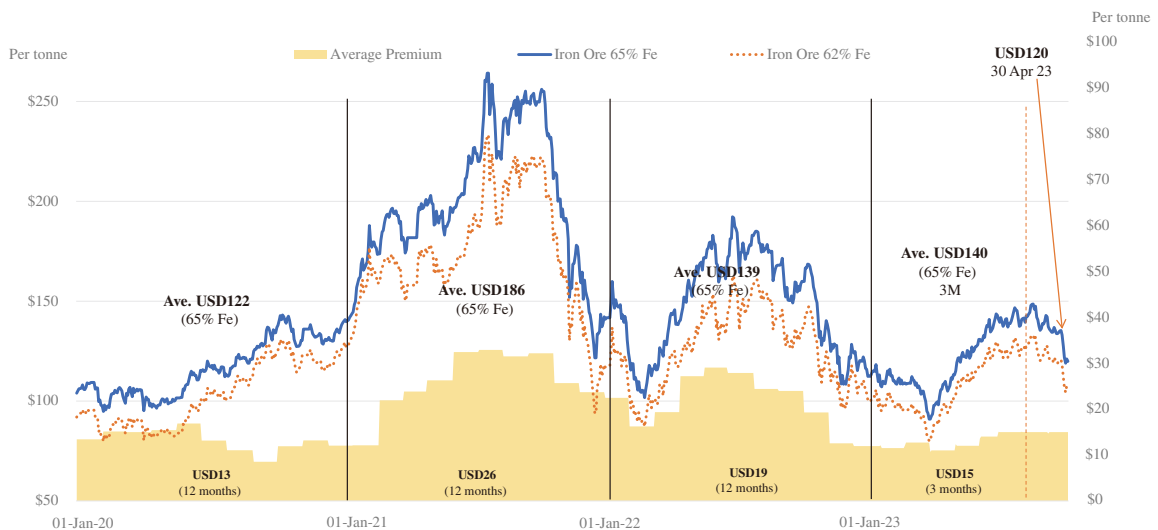
## MARKETING, SALES AND PRICES

### Iron Ore

In the Q1 2023, iron ore prices increased substantially with the average Platts 65% iron ore price climbing to US\$140 per tonne, a 26% increase quarter over quarter. Higher iron ore price was triggered by China's relaxation of pandemic control measures which fuelled positive sentiments for a recovery in demand in 2023. With the resumption of production of steel mills, the purchase demand is released. Market reports suggested that work had resumed at many construction sites in China after the Lunar New Year.

However, iron ore price turned bearish and declined in April 2023 as the market had expected too much for the demand after the epidemic, and the recovery of the supply side was quicker than that of the demand side. Platts 65% iron ore price closed the month of April 2023 at about US\$120 per tonne.

#### Platts 65% Fe vs 62% Fe



Source: Platts (as of 30 April 2023)

The selling price of the K&S's product is determined with the reference to the international Platts iron ore price indices. The achieved selling price of K&S in Q1 2023 is not published in this trading update for commercial reasons. The relevant information will be analysed and disclosed in the 2023 interim results announcement.

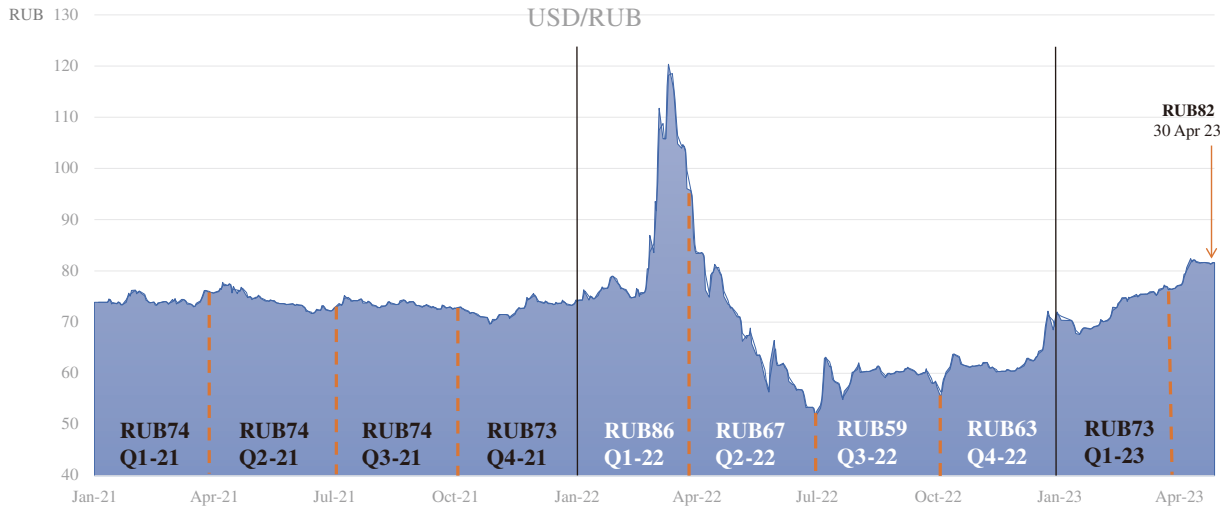
### Iron Ore Hedging

Currently, IRC does not have any open iron ore hedging position, given that it is difficult to achieve meaningful hedges with the forward iron ore curve in backwardation. IRC would continue to monitor the price movements and could enter into hedging transactions if the hedging terms are considered favourable.

## Foreign Exchange Movements and Hedging

The Russian Rouble lost 14% and depreciated to an average of RUB73 per US Dollar in Q1 2023.

### The Movement of Russian Rouble



Source: Bank of Russia (as of 30 Apr 2023)

The weakening of the Russian Rouble has a positive impact on the Group's operating margin, as the operating costs of the Group are mainly denominated in Russian Roubles and revenue is mainly denominated in US Dollars. To provide protection against the appreciation of the currency, for the month of January 2023, about US\$2 million equivalent of Rouble expenditure has been hedged using zero-cost collars with puts' strike at about RUB75 and calls' strike at about RUB94. The Group may consider entering into further foreign exchange hedging contracts if deemed appropriate. It should be noted that the hedging is not speculative in nature and is for risk management purposes. The hedging that IRC has entered into serves as a counter-measure against the strengthening of Rouble.

## 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 on a federal highway 130 km away from the regional capital Birobidzhan and 300 kilometres from Khabarovsk, the principal city of the Russian Far East.

### K&S – Sales, Production and Sutara Development

As disclosed above, the Russian cross-border railway congestion was one of the major bottlenecks in the operation of K&S in terms of transporting products to its customers. With the Amur River Bridge becoming operational towards the end of 2022, the congestion had been alleviated during Q1 2023. This allowed K&S to ship 695,382 tonnes of iron ore concentrate to its customers, representing an increase of 8.6% over the Q4 2022.

The drying unit functioned well and the K&S processing plant was performing effectively during winter. There were no serious breakdowns or stoppages during Q1 2023, aside from the plant's usual scheduled maintenance and repair. In line with the sales increase, production volume also grew by 6.8% with 661,335 tonnes of iron ore concentrates being produced.

As reported in the previous trading updates, due to adverse operating environment, shipments to seaborne customers in China were becoming uneconomical and sales to these customers had been scaled down. The recovery of iron ore price and the weakening of the Russian Rouble in 2023 have allowed IRC to recommence seaborne sales. Nevertheless, the macroeconomy and operating conditions are volatile and IRC would continue monitoring the situation and adjust its marketing strategy accordingly.

### Key mining data of K&S for Q1 2023

K&S	Q1 2023	Q4 2022	Changes
Mining (tonnes)	<b>2,159,100</b>	2,457,800	(12.2%)
Drilling (metre)	<b>161,721</b>	158,371	2.1%
Blasting (cubic metre)	<b>3,657,000</b>	3,860,600	(5.3%)
Rock mass moved (cubic metre)	<b>4,604,000</b>	4,552,200	1.1%
Ore fed to the primary processing plant (tonne)	<b>2,384,700</b>	2,185,800	9.1%
Pre-concentrate produced	<b>1,634,100</b>	1,461,321	11.8%

Generally, the third-party mining contractors performed satisfactorily during Q1 2023 and the variances in mining volumes over Q4 2022 are mainly due to timing and seasonal fluctuations.

### K&S – Sutara Development

K&S comprises of two main pits, Kimkan and Sutara. The Kimkan operation comprises two key ore zones – Central and West. Open pit mining at the Kimkan deposit is currently carried out at both zones. Mining works were originally performed only at the Kimkan Central pit. As the development of the Kimkan Central pit advances, K&S has started to mine at the Kimkan West pit, which has lower grades of iron ore magnetic properties than Kimkan Central. As a result, beneficiation properties of the ore blend fed to the processing plant have resulted in a lower yield of commercial concentrate from the ore than designed. This is currently affecting K&S's ability to increase production capacity. The production capacity issues are expected to improve when the Sutara pit becomes operational. The Company expects the Sutara pit will be the long-term solution as the geological information confirms that the ore at Sutara has higher grades of iron magnetic properties.

In Q1 2023, K&S continued development of the Sutara project: construction of the permanent reinforced-concrete bridge over the Sutara River commenced; preparatory works for the construction of the federal highway overcrossing were completed; works continued on construction of powerline and substation. At the Sutara deposit, stripping and dewatering works began.

It is estimated that the total initial capital expenditure required to bring the Sutara pit into operation would amount to approximately US\$51.1 million. Up to 31 March 2023, approximately US\$23.1 million had been incurred. The remaining sum of US\$28.0 million of the pre-production capital expenditure is expected to be self-funded by cashflow generated by K&S.

## **COVID-19**

To date, there has been no material impact on IRC's operations due to COVID-19. The Group has taken the necessary measures to support the prevention of COVID-19 at its operations and will continue to monitor closely the situation.

## **Update of Estimated Unit Cash Cost**

Cost control is always an important element in improving profitability, and IRC will continue to apply stringent cost control measures.

Inflation is a key concern among Russian businesses. Based on statistical data, the Russian Producer Price Index surged by about 3.4% during the first three months of 2023. Inflation has a negative impact on K&S's operational costs as most of these costs are paid in Russian Rouble.

The relevant cash cost information for the first half of 2023 will be analysed and disclosed in the 2023 interim results announcement.

## **Impact of U.S. Sanctions Against Russia**

IRC is listed on the Hong Kong Stock Exchange with operational mines in Russian Far East. Most of the Group's suppliers and customers are based in China and Russia. The Company continues to review and consider the impact, if any, of the UK, EU and US sanctions. As of now, and so far as the Board is aware, based on its current assessment and the information currently available, the sanctions have no material direct impact on the Group or its operations. Although the Group's operations and activities in Russia and elsewhere are currently continuing as usual, as the geopolitical situation continues to develop, there is a risk of supply chain disruptions affecting K&S's operation, the purchase of mining fleet and the development of the Sutara pit. The Company will continue to closely monitor sanctions developments and will, if necessary, make further announcement(s).

## **CORPORATE AND INDUSTRY UPDATE**

### **Trading of a vessel**

On 4 January 2023, Ariti HK Limited ("**Ariti HK**"), a wholly-owned subsidiary of the Company, as purchaser and Kirgan Holding S.A. as seller entered into a memorandum of agreement pursuant to which Ariti HK agreed to purchase and Kirgan Holding S.A. agreed to sell a crane vessel named "ATLAS DOUBLE" with Belize Flag (the "**Vessel**") at the consideration of US\$20,500,000 (equivalent to approximately HK\$159,900,000) according to the terms and conditions of the memorandum of agreement which has been further set out in the announcement of the Company dated 5 January 2023.

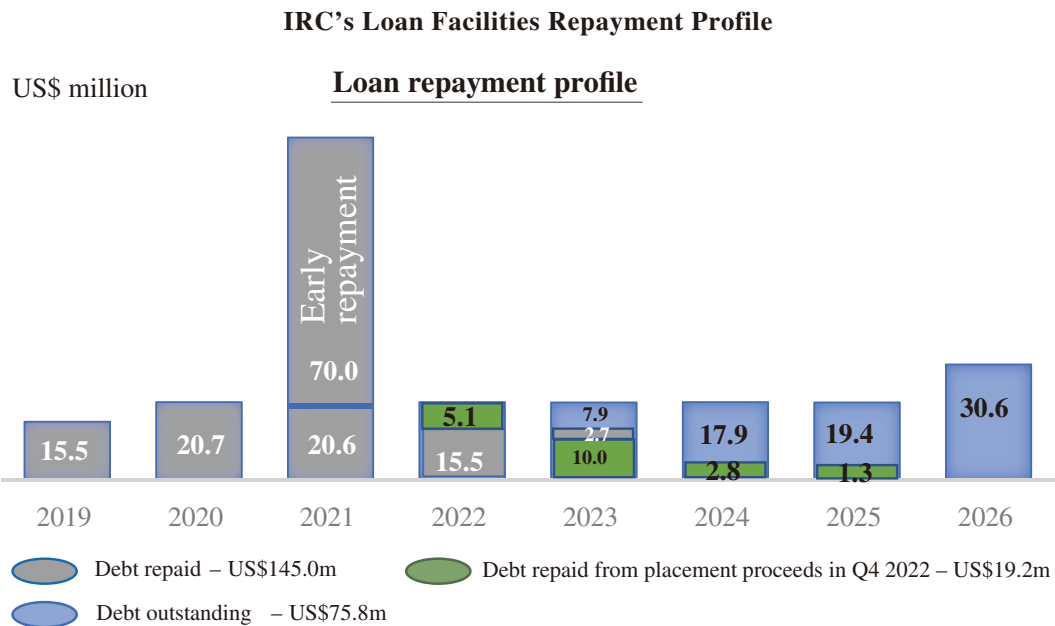
On 3 March 2023, Ariti HK as vendor and Limited Liability Company TK Wagon Trade as purchaser entered into a memorandum of agreement (the "**MOA**") pursuant to which Ariti HK agreed to sell and Limited Liability Company TK Wagon Trade agreed to purchase the Vessel at the consideration of US\$23,195,000 (equivalent to approximately HK\$180,921,000) according to the terms and conditions of the MOA which has been further set out in the announcement of the Company dated 3 March 2023 (the "**Disposal**").

In light of the complex external operating environment and the market challenges in recent period, the Group has been actively looking for investment opportunities. The Directors considered that the acquisition of the Vessel to be a favourable investment option for the Group, as crane vessels of similar type, size, condition of maintenance and age have a steady level of market demand. By entering into the MOA, the Disposal is revenue generating for the Group, with the net proceeds being the difference between the consideration for the Disposal and the price Ariti HK paid for the acquisition of the Vessel and other ancillary expenses, and therefore being approximately US\$0.5 million (equivalent to approximately HK\$3.9 million). The Directors believe that the Disposal will enable the Group to enhance its working capital position and further strengthen its liquidity. The Group intends to keep all net sale proceeds as general working capital of the Group. The Group has been receiving the sales proceeds by instalments in the second quarter of 2023, and completion of the Disposal is yet to take place.

### Group’s Cashflow Position and Loan Facility

In the first half of 2022, Gazprombank (Joint-Stock Company) assigned its rights under two facility agreements for a loan in aggregate of US\$240 million (the “**GPB Facilities**”) to MIC invest Limited Liability Company (“**MIC**”), a company wholly-controlled by Ms. Marina Kolesnikova. So far as the Company is aware, the assignments have not resulted in any change to the terms and conditions of the documentation for the GPB Facilities that the Group previously entered into.

IRC drew down the US\$240 million loan facility in 2019 and since then IRC has repaid US\$164.2 million and the total debt due to MIC amounted to US\$75.8 million as of 31 March 2023. The repayment profile of the loan is as follows:

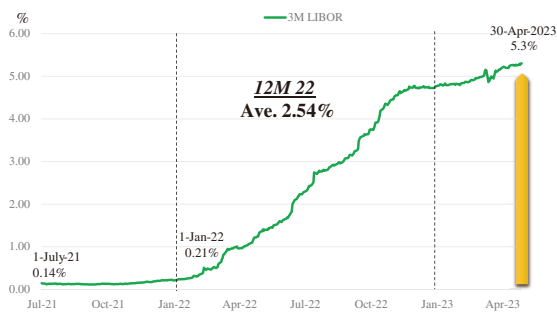


Source: IRC Limited (as of 30 April 2023)

The interest rate of the loan facility is determined based on London Interbank Offered Rate (“LIBOR”). The rising global inflation is pushing interest rate into a more aggressive position. The three-month LIBOR has been steadily rising with an average interest rate of 4.92% in Q1 2023 (2022: 2.41%). The significant reduction in the loan principal has put IRC in a better position to withstand the volatile interest rates. In addition, the loan is no longer being guaranteed, saving the Group from making guarantee fee payments to guarantor.

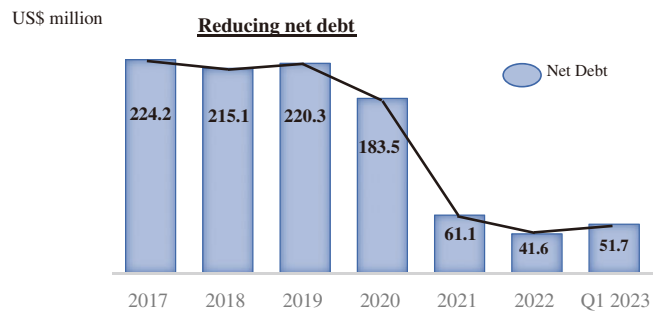
Cash balance reduced to US\$24.1 million as of 31 March 2023 (31 December 2022: US\$36.9 million) and net debt increased to US\$51.7 million (31 December 2022: US\$41.6 million), mainly due to purchase consideration paid for the vessel of US\$20.5 million, and the principal and interest payments to MIC of US\$4.8 million in Q1 2023. Subsequent sales proceeds of the vessel are expected to be received in Q2 2023.

### The Movement of 3 Months LIBOR



Source: Bloomberg (as of 30 April 2023)

### Low Net Debt of IRC



Source: IRC Limited (as of 30 April 2023)

### Russian Windfall Tax

As reported in the 2022 annual results announcement, the Russian authorities are considering to implement a windfall tax, being a one-off tax payment for the profit of the Group for the years ended 31 December 2021 and 2022. The relevant legislative bill for this tax regime has yet to be finalised and promulgated by the Russian authorities. According to the local media, the base rate of the tax will be 10% and the tax will be calculated based on the profit for the years ended 31 December 2021 and 2022 with certain adjustments, but an incentive tax rate of 5% would apply if payments are made by 31 December 2023. The aforementioned information in relation to the windfall tax regime is based on the assumption that the windfall tax regime will be implemented in accordance with the information currently reported by the local media, and preliminary review and assessment by the Board with reference to the latest available financial and other information of the Group. The Company will continue to closely monitor relevant developments and will, if necessary, make further announcement(s).

### Amur/Heilongjiang River Bridge

As reported in the Company’s trading update of Q4 2022, the Amur River Bridge (the “**Bridge**”) commenced operation towards the end of 2022 with limited capacity and K&S had made successful trial shipments via the Bridge. During Q1 2023, more shipments had been made via the Bridge. K&S is planning to increase the usage of the Bridge but this will be subject to the Bridge’s capacity, which is currently limited given that it has just become operational.



The 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 as well as its customers will benefit from the project with the reduced transportation distance and shipment time. The Bridge can also alleviate the railway congestion of the region. Shipping time to customers in China will be reduced from 3-5 days to 1-3 days.

\* *Figures in this announcement may not add up due to rounding. All volume tonnage used in this announcement, unless specify, refer to wet metric tonnes. All dollars refer to United States Dollar unless otherwise stated.*

*Production volumes disclosed in this announcement are determined net of the excessive moisture content within the products, as shipped to the customers. Production rate of K&S is calculated based on an annual production capacity of approximately 3,155 thousand wet metric tonne.*

By Order of the Board  
**IRC Limited**  
**Denis Cherednichenko**  
*Chief Executive Officer*

Hong Kong, People's Republic of China  
Wednesday, 17 May 2023

*As at the date of this announcement, the executive Director is Mr. Denis Cherednichenko. The Chairman and non-executive Director is Mr. Nikolai Levitskii. The independent non-executive Directors are Mr. Dmitry Dobryak, Ms. Natalia Ozhegina, Mr. Alexey Romanenko and Mr. Vitaly Sheremet.*

**IRC Limited**

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