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

**FOURTH QUARTER TRADING UPDATE
FOR THE THREE MONTHS ENDED 31 DECEMBER 2024
PRODUCTION AND SALES VOLUMES IMPROVED OVER THE PREVIOUS QUARTER
AND
PROFIT WARNING**

Thursday, 27 February 2025: The Board (“**Board**”) of Directors (“**Directors**”) of IRC Limited (“**IRC**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to provide the Fourth Quarter Trading Update for the three months ended 31 December 2024 (“**Q4 2024**”).

HIGHLIGHTS – Q4 2024

K&S

- 4.5% increase in production volume over the previous quarter (i.e. the three months ended 30 September 2024) (“**Q3 2024**”). Production volume for the 12 months ended 31 December 2024 (i.e. “**12M 2024**”) was 3.6% lower than the previous year, mainly due to ore quality issues in the first half of 2024.
- Sales volume increased by 5.1% over Q3 2024, in line with the production increase in this quarter. Sales volume in 12M 2024 was 7.4% lower than that in the 12 months ended 31 December 2023 (i.e. “**12M 2023**”).
- K&S continued to mine and process ore from the Sutara deposit.

Corporate & Industry

- Cash balance increased to US\$60.7 million (30 September 2024: US\$27.7 million) mainly due to the net proceeds of approximately US\$46.3 million from the rights issue. Net cash of US\$15.9 million (30 September 2024: net debt of US\$31.1 million) was recorded following the receipt of Rights Issue proceeds and principal repayment to MIC Invest Limited Liability Company (“**MIC**”) of US\$13.9 million;

- As announced in the 2024 Third Quarter Trading Update of the Company dated 19 December 2024 (the “**2024 Q3 Trading Update**”), MIC loan principal repayment instalment of US\$4.5 million was due on 20 September 2024 (the “**September Repayment Instalment**”). In light of the bank fund transfer issues, MIC has agreed to extend the repayment deadline to 22 November 2024. The September Repayment Instalment was fully repaid in early November 2024, before the extended deadline.
- During Q4 2024, apart from settling the loan principal repayment instalment of US\$4.5 million that was due on 20 December 2024, IRC also made voluntary early principal repayment to MIC of US\$5 million against the tranche that bears higher interest rate;
- Rights issue completed in December 2024 with IRC issuing approximately 4.3 billion rights shares to raise approximately US\$46.3 million;
- Average Platts 65% iron ore index increased by 3.5% over US\$114 per tonne for Q3 2024 to US\$118 per tonne for Q4 2024; and
- Russian Rouble depreciated to at an average of RUB100 per US Dollar (Q3 2024: RUB89 per US Dollar).

FOURTH QUARTER TRADING UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2024

SUMMARY OF PERFORMANCE

	<u>Q4 2024</u>	<u>Q3 2024</u>	<u>Change</u>	<u>Q4 2023</u>	<u>Change</u>	<u>12M 2024</u>	<u>12M 2023</u>	<u>Change</u>
Platts 65% Fe (average US\$ per tonne)	118	114	3.5%	138	-14.5%	123	132	-6.8%
Iron ore concentrate								
– Production (tonnes)	636,362	608,956	4.5%	578,718	10.0%	2,377,519	2,466,829	-3.6%
– Sales (tonnes)	627,265	596,618	5.1%	587,413	6.8%	2,342,633	2,528,596	-7.4%

During Q4 2024, 636,362 tonnes of iron ore concentrate were produced, an increase of 4.5% when compared with that produced in Q3 2024.

In Q4 2024, the issue with ore quality continued to improve after K&S commenced mining and processing Sutara ore in July 2024. In the second half of 2024, in total 3,676,000 tonnes of iron ore were mined at Sutara. Until crushing and screening plant at Sutara is commissioned, which is expected to be in the middle of 2025, Sutara ore is being transported 18 kilometres to the processing plant as is. After commissioning of the crushing and screening plant at Sutara, ore will first be pre-processed on-site, and then the resulting pre-concentrate will be trucked to Kimkan. The expected yield of pre-concentrate from raw ore is 82%, hence this would decrease transport volume and hauling costs by 18%.

In Q4 2024, Sutara ore accounted for approximately 63% of the total amount of ore mined during the period. In future, the share of Sutara ore will be further increasing.

For 12M 2024, K&S operated at an average capacity of approximately 75% to produce 2,377,519 tonnes of iron ore concentrate, 3.6% lower than the 2,466,829 tonnes of iron ore produced during 12M 2023, mainly due to the ore quality issue at Kimkan in the first half of 2024.

In line with the quarterly production increase, sales volume in Q4 2024 improved by 5.1% quarter-to-quarter. However, on a year-to-date basis, sales volume in 12M 2024 of 2,342,633 tonnes was 7.4% behind that of the 2,528,596 tonnes sold in 12M 2023.

IRC announced on 22 October 2024 an equity fund-raising exercise by way of rights issue on a non-underwritten basis to issue a maximum of 4,259,828,628 rights shares at a subscription price of HK\$0.085 per share (“**Rights Issue**”). The Rights Issue was completed in December 2024 with the Company raising approximately US\$46.3 million. For further details of the Rights Issue, please refer to the prospectus of the Company dated 21 November 2024 and the announcement of the Company dated 12 December 2024.

Cash balance increased to US\$60.7 million (30 September 2024: US\$27.7 million), mainly due to the net proceeds of approximately US\$46.3 million from the Rights Issue.

As reported in the 2024 Q3 Trading Update, the MIC loan principal repayment instalment of US\$4.5 million was due on 20 September 2024. In light of the bank fund transfer issues, MIC had agreed to extend the repayment deadline to 22 November 2024. The September Repayment Instalment was fully repaid in early November 2024, before the extended deadline. In addition, apart from repaying the US\$4.5 million scheduled principal repayment due on 20 December 2024, IRC also made a voluntary early repayment of US\$5 million against the US\$10 million bullet repayment tranche which bears higher interest rate.

IRC achieved a net cash position of US\$15.9 million (30 September 2024: net debt of US\$31.1 million) following the receipt of Rights Issue proceeds and US\$13.9 million principal repayment to MIC.

Commenting on the performance of IRC in Q4 2024, Denis Cherednichenko, Chief Executive Officer of IRC said, *“I am pleased to share with you our quarterly trading update which highlights several positive developments for our Company. Firstly, we have seen a modest improvement in the iron ore market price during the quarter which provided a favourable backdrop for our operations. Secondly, Sutara has been successfully commissioned and we are now ramping up its operation, and this milestone represents a significant achievement for the Company. Finally, I am pleased to announce the successful completion of the Rights Issue which has significantly strengthened our cash position, providing us with greater financial flexibility to pursue growth opportunities, reduce gearing, and navigate any potential market challenges.*

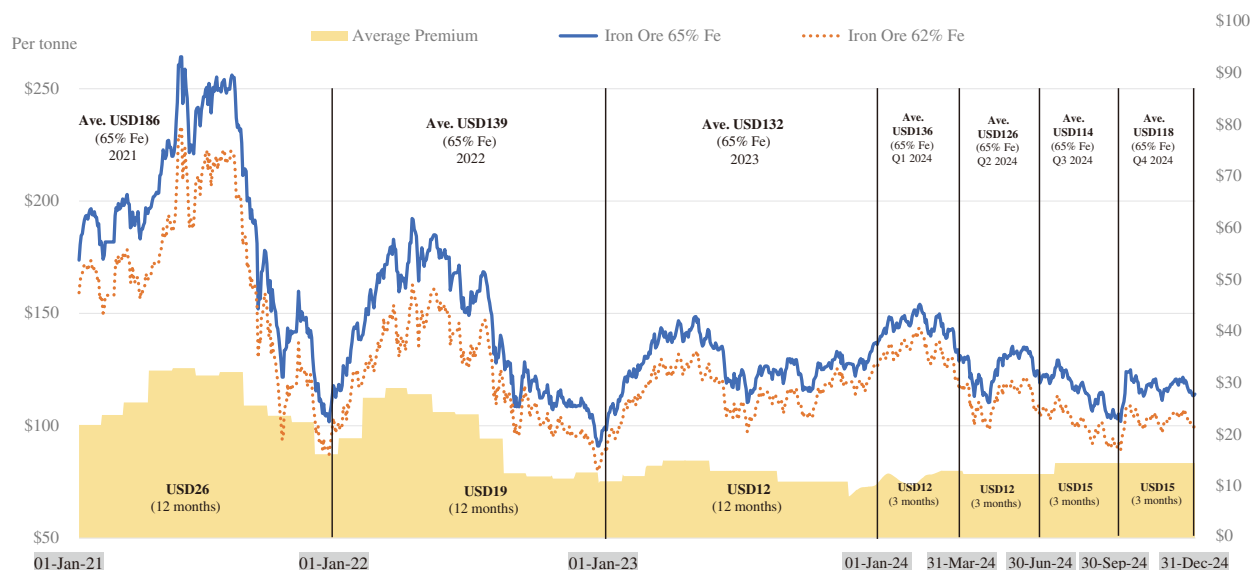
2024 proved to be a challenging year, but we are building a stronger, more resilient Company, and I am excited about the opportunities that lie ahead.”

MARKETING, SALES AND PRICES

Iron Ore

In Q4 2024, iron ore price showed a modest recovery with the Platts 65% iron ore price increased by 3.5% to an average of US\$118 per tonne. The winter stockpiling and inventory replenishment, supported by ongoing expectations of favourable macro policies, provided support to the iron ore market. However, for 12M 2024, the average Platts 65% iron ore price of US\$123 per tonne was 6.8% lower than that of last year. Reflecting on 2024, domestic demand remains subdued while supply continues to be relatively abundant. Against this backdrop, both iron ore futures and spot prices faced downward pressure. Although domestic and international macroeconomic policies offered periodic upward momentum, the iron ore market in 2024 in overall exhibited a pattern of higher prices earlier in the year followed by a decline and the price gradually softened downward.

Platts 65% Iron Ore Price vs 62% Iron Ore Price



* Source: Platts (as of 31 December 2024)

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 Q4 2024 is not published in this trading update for commercial reasons. The relevant information will be analysed and disclosed in the 2024 annual results announcement due for release by the end of March 2025.

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

During Q4 2024, Russian Rouble depreciated to an average of RUB100 per US Dollar (Q3 2024: RUB89 per US Dollar).

The Movement of Russian Rouble



* Source: Bank of Russia (as of 31 December 2024)

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 determined based on US Dollars. However, a weaker Russian Rouble contributes to a more inflationary environment, complicating cost control efforts.

The Group currently does not have any currency hedging position. To provide protection against the appreciation of the currency, the Group will closely monitor the foreign exchange movements of Russian Rouble and may take various hedging instruments to protect against the appreciation risk of the Russian Rouble if appropriate. It should be noted that the hedging (if executed) is not speculative in nature and is for risk management purposes.

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

During Q4 2024, 636,362 tonnes of iron ore concentrate were produced, an increase of 3.5% when compared with that produced in Q3 2024.

In Q4 2024, the issue with ore quality was largely resolved as K&S has commenced mining and processing Sutara ore since July 2024. Over Q4 2024, in total 1,987,900 tonnes (Q3 2024: 1,688,100 tonnes) of ore were mined at Sutara. Until crushing and screening plant at Sutara is commissioned, which is expected to be in the middle of 2025, Sutara ore is being transported 18 kilometres to the processing plant as is. After commissioning of the crushing and screening plant at Sutara, ore will first be pre-processed on-site, and then the resulting pre-concentrate will be trucked to Kimkan. This would allow the transport volume and hauling costs to decrease.

In Q4 2024, Sutara ore accounted for approximately 63% of the total amount of ore mined during the period. In future, the share of Sutara ore will be further increasing.

For 12M 2024, K&S operated at an average capacity of approximately 75% to produce 2,377,519 tonnes of iron ore concentrate, 3.6% lower than the 2,466,829 tonnes of iron ore produced during 12M 2023, mainly due to ore quality issues in the first half of 2024.

Sales volume in Q4 2024 improved by 5.1% quarter-to-quarter. However, on a year-to-date basis, sales volume in 12M 2024, which amounted to 2,342,633 tonnes, was 7.4% behind that of the 2,528,596 tonnes sold during 12M 2023.

Key mining data of K&S for Q4 2024

K&S	Q4 2024	Q3 2024	Changes
Mining (tonnes)	3,166,700	3,484,400	-9.1%
Drilling (metres)	116,034	134,301	-13.6%
Blasting (cubic metres)	2,920,600	3,889,200	-24.9%
Rock mass moved (cubic metres)	4,545,800	5,184,900	-12.3%
Ore fed to the primary processing plant (tonnes)	2,224,000	2,037,700	9.1%
Pre-concentrate produced (tonnes)	1,616,529	1,502,409	7.6%

K&S now predominantly uses the Amur River Bridge (the “**Bridge**”) for railway shipments to the Chinese customers. In Q4 2024, 367,648 tonnes of iron ore concentrate were shipped via the Bridge, which represents c. 57% of total shipments during the quarter. During 12M 2024, 1,611,075 tonnes were shipped via the Bridge (c. 68% of total). Although shipments made via the Bridge do not save much costs due to the high bridge tariff, this transportation route helps alleviate the railway congestion issues and allows K&S to ship its products more efficiently to its customers.

Seaborne sales continued to be suspended due to the volatile operating environment which makes such sales uneconomical. IRC continues to monitor the market situation and adjust its marketing strategy accordingly.

K&S – Sutara Development

In Q4 2024, K&S continued final stages of construction works at the Sutara deposit. Total capital expenditure on the Sutara project amounted to approximately US\$44.1 million by 31 December 2024. It is estimated that the remaining capital expenditure is approximately US\$9.5 million, and it is expected to be spent over 2025.

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.

According to the media, inflation in Russia accelerated to 9.5% in 2024 (2023: 7.4%), making the 2024 inflation rate the fourth highest in the last 15 years. The relevant cash cost information for 2024 will be analysed and disclosed in the 2024 annual results announcement due for release by the end of March 2025.

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, inter-bank funding movements, 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

Rights Issue

On 22 October 2024, the Company announced a Rights Issue to raise up to approximately US\$46.3 million after expenses by way of issuing a maximum of 4,259,828,628 rights shares (“**Rights Shares**”) at a subscription price of HK\$0.085 per Rights Share on the basis of one Rights Share for every two existing shares on a non-underwritten basis.

The Rights Issue was completed on 13 December 2024 in which the total number of 4,259,828,628 Rights Shares available for subscription under the Rights Issue have been fully subscribed for. As a result, the Company raised a net proceed of approximately US\$46.3 million and 4,259,828,628 Rights Shares were issued on 13 December 2024.

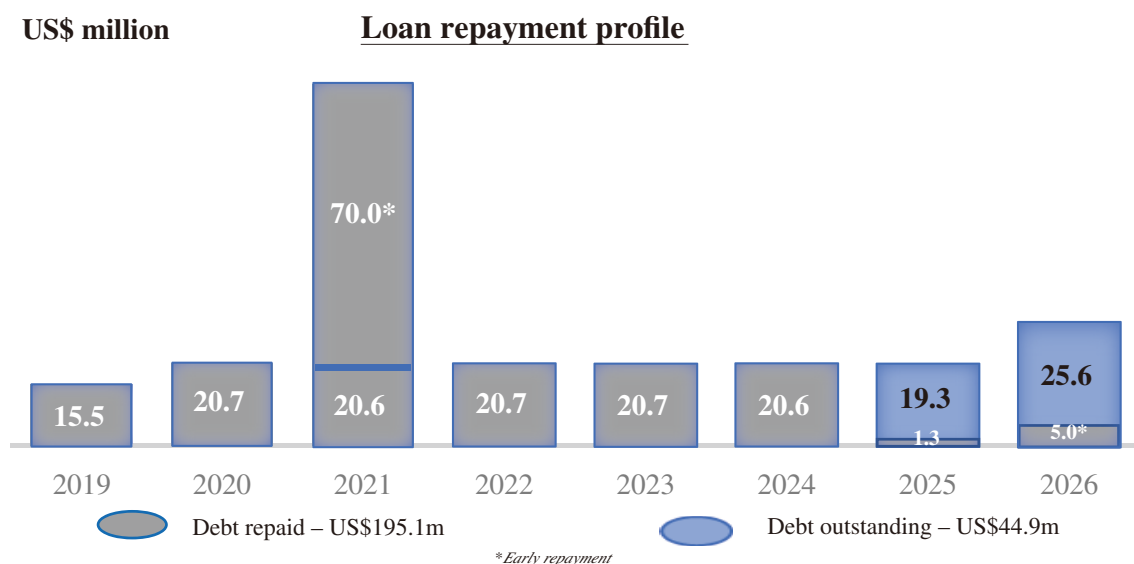
For further details of the Rights Issue, please refer to the prospectus of the Company dated 21 November 2024 and the announcement of the Company dated 12 December 2024.

Group’s Cashflow Position and Loan Facility

The loan from MIC is to be repaid on a quarterly basis, and the September Repayment Instalment was due on 20 September 2024. In light of the bank fund transfer issues, MIC had agreed to extend the repayment deadline to 22 November 2024. The September Repayment Instalment was fully repaid in early November 2024, before the extended deadline.

During Q4 2024, apart from settling the loan principal repayment instalment of US\$4.5 million that was due on 20 December 2024, IRC also made voluntary early principal repayment to MIC of US\$5 million against the US\$10 million bullet repayment tranche which bears higher interest rate.

IRC drew down the US\$240 million loan facility in 2019 and since then IRC has repaid US\$195.1 million and the total debt due to MIC amounted to US\$44.9 million as of 31 December 2024. The repayment profile of the loan is as follows:



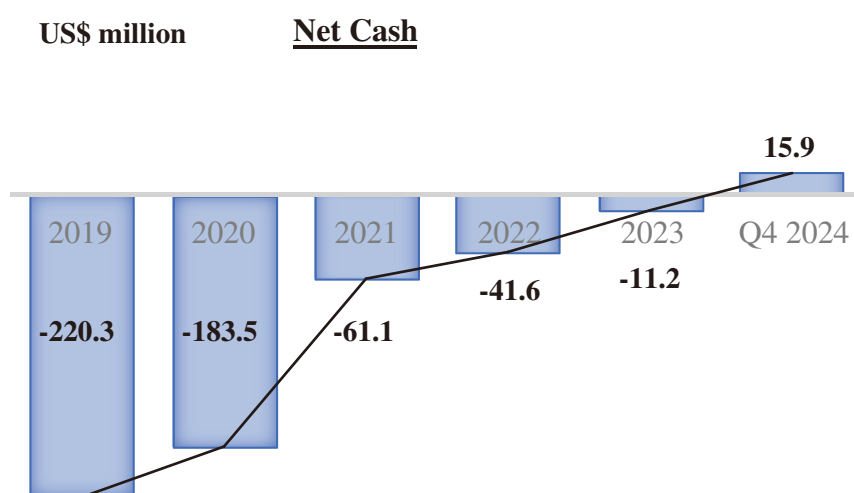
Source: IRC Limited (as of 31 December 2024)

The interest rate of the MIC loan facility was determined based on London Interbank Offered Rate (“**LIBOR**”). As LIBOR was discontinued from 1 October 2024, it has been agreed with MIC that the Secured Overnight Financing Rate (“**SOFR 90**”) would be used instead. Interests for the first loan tranche of US\$160 million (of which US\$39.9 million is outstanding as of 31 December 2024) and second loan tranche of US\$80 million (of which US\$5.0 million is outstanding as of 31 December 2024) would be determined based on SOFR 90 + 6.2% per annum and SOFR 90 + 8.2% per annum, respectively. The change in the basis of interest calculation is not expected to have material impact on the Group.

Cash balance increased to US\$60.7 million (30 September 2024: US\$27.7 million) mainly due to the net proceeds of approximately US\$46.3 million from the Rights Issue.

IRC achieved a net cash position of US\$15.9 million (30 September 2024: net debt of US\$31.1 million) following the receipt of Rights Issue proceeds and US\$13.9 million principal repayment to MIC.

The following graph shows the net cash/net debt position of the Group from 2019 to 2024.



Source: IRC Limited (as of 31 December 2024)

PROFIT WARNING

The Board wishes to advise its shareholders and potential investors that, pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), based on the preliminary assessment of the unaudited consolidated management accounts of the Group for 12M 2024 and the information currently available to the Board and before taking into account any possible adjustments (including but not limited to provision for assets impairment losses or reversal of assets impairment losses as at 31 December 2024, if any) in connection with the finalisation of the annual results of the Group for the year ended 31 December 2024, the Group expects to record a loss attributable to the owners of the Company ranging between approximately US\$20 million to US\$30 million as compared to the profit attributable to the owners of the Company of US\$7 million for 12M 2023, excluding assets impairment. The Board considers that the expected deterioration in the Group’s financial performance in 12M 2024 compared to 12M 2023 is mainly due to:

- 1) the decrease in production and sales volumes of K&S, due to issues with ore quality and mining. Sales volume in 12M 2024 was 7.4% lower than that in 12M 2023;
- 2) the decrease in the market iron ore price. The selling price of K&S’s product is determined with reference to the international Platts spot price of 65% iron ore concentrate. The average Platts spot price of 65% iron ore concentrate in 2024 was US\$123 per tonne, 6.8% lower than the US\$132 per tonne recorded for 2023; and
- 3) the high Russian inflation rate due to geopolitical issues. With the Group’s operation mostly being conducted in Russia, the high inflation rate resulted in increase in costs.

It should be noted that the Company is still in the process of assessing if provision for assets impairment losses or reversal of assets impairments losses is required as at 31 December 2024 (As at 31 December 2023: asset impairments losses of US\$164 million). The Company will make a further announcement about any such impairment, as and when appropriate.

The information contained in this announcement is based on the preliminary review and assessment by the Board with reference to the latest available financial and other information, and such information has not been audited nor reviewed by the auditor of the Company thus may be subject to further adjustments. The Group’s annual results for 12M 2024 may differ from the information contained in this announcement. Shareholders and potential investors of the Company are advised to read carefully the annual results announcement of the Company for 12M 2024 for further details, which is expected to be published by the end of March 2025 in compliance with the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company and, in case of doubt, to seek independent advice from professionals or financial advisers.

* *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 tonnes.

By order of the Board
IRC Limited
Denis Cherednichenko
Chief Executive Officer

Hong Kong, People's Republic of China
Thursday, 27 February 2025

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.

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