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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 2024
ORE QUALITY & MINING CONTRACTORS ISSUES
CONTINUED TO AFFECT PRODUCTION**

CONFERENCE CALL

A conference call will be held on 27 May 2024 (Monday) at 14h00 Hong Kong time to discuss the first quarter trading update. The number is +852 2112 1888 and the passcode is 1631622#. Presentation slides to accompany the call are available at www.ircgroup.com.hk. A replay call will be available from 28 May 2024 at http://www.ircgroup.com.hk/en/ir_presentations.php

Friday, 24 May 2024: The Board (“**Board**”) of Directors (“**Directors**”) of IRC Limited (“**IRC**” or “**Company**”, together with its subsidiaries, “**Group**”) is pleased to provide the First Quarter Trading Update for the three months ended 31 March 2024 (“**Q1 2024**”).

HIGHLIGHTS – Q1 2024

K&S

- 8.2% decrease in production volume over the previous quarter (i.e. the three months ended 31 December 2023) (“**Q4 2023**”) as issues with ore quality and mining conditions at the depleting Kimkan mine continued to hamper production;
- Sales volume decreased by 10.4% over Q4 2023, in line with the decreasing production volume; and
- Continuous preparation of the Sutara deposit with the aim of starting the mining operation in the third quarter of 2024 (“**Q3 2024**”).

Corporate & Industry

- Cash balance reduced to US\$49.8 million (31 December 2023: US\$56.6 million) and net debt increased accordingly to US\$13.4 million (31 December 2023: US\$11.2 million), mainly due to the servicing of the MIC loan of US\$6.4 million, the timing of cash flows and working capital movements;
- Average Platts 65% iron ore index decreased by 1.4% over US\$138 per tonne in Q4 2023 to US\$136 per tonne for Q1 2024;

- Russian Rouble slightly appreciated by 2.2% in Q1 2024 to an average of RUB91 per US Dollar; and
- Mandatory unconditional cash offers launched by Axioma Capital FZE LLC (“**Axioma**”) was completed on 22 February 2024; Axioma now holds 56.76% of the issued shares of IRC.

FIRST QUARTER TRADING UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2024

SUMMARY OF PERFORMANCE

	<u>Q1 2024</u>	<u>Q4 2023</u>	<u>Change</u>	<u>Q1 2023</u>	<u>Change</u>
Platts 65% Fe (average price per tonne)	US\$136	US\$138	-1.4%	US\$140	-2.9%
Iron Ore concentrate					
– Production (tonnes)	531,172	578,718	-8.2%	661,335	-19.7%
– Sales (tonnes)	526,329	587,413	-10.4%	695,382	-24.3%

During Q1 2024, 531,172 tonnes of iron ore concentrate were produced, 8.2% lower than that in the previous quarter. The ore quality issue, lack of mining fronts at the Kimkan site, and the poor performance of the third-party mining contractors continued to affect the production in Q1 2024. In line with the decreasing production, sales volume of 526,329 tonnes was 10.4% lower when compared with that in Q4 2023.

Cash balance decreased to US\$49.8 million (31 December 2023: US\$56.6 million) and net debt increased accordingly to US\$13.4 million (31 December 2023: US\$11.2 million), mainly due to the servicing of the MIC loan of US\$6.4 million, the timing of cash flows and working capital movements.

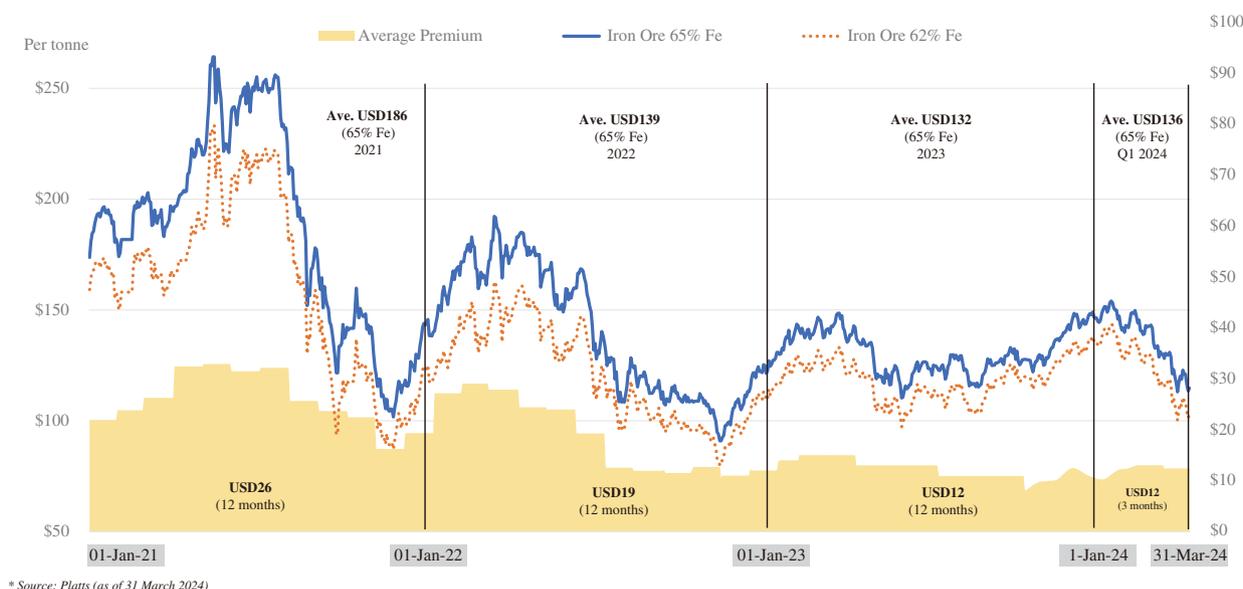
K&S continued to advance construction and preparatory works at the Sutara deposit targeting to start commercial mining operations in Q3 2024.

Commenting on the performance of the first quarter, Denis Cherednichenko, Chief Executive Officer of IRC said, “K&S started 2024 on the back foot as its operation continued to be hampered by the quality of the ore at the Kimkan site. Despite our best efforts to mitigate the impacts, our production volume is lower than the previous quarter. However, we must note that IRC is currently in a transition phase as we work towards opening the Sutara pit, which is expected to provide an improvement in the quality of ore and enhance our production capabilities. I am pleased to report that we are making good progress on this new pit. This is a major milestone for IRC and brings us one step closer to resolving our production challenges.”

MARKETING, SALES AND PRICES

Iron Ore

During Q1 2024, there was a slight decrease in iron ore prices, with an average price of Platt's 65% iron ore of US\$136 per tonne, marking a 1.4% decrease compared to the previous quarter. The price index further declined to US\$115 per tonne by the end of March 2024. The decline in iron ore prices in Q1 2024 was influenced by factors such as the long New Year holidays in China, delayed recovery in demand, and cautious purchasing behaviour by the steel companies. These factors collectively contributed to the weakening of the iron ore market.



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 2024 is not published in this trading update for commercial reasons. The relevant information will be analysed and disclosed in the 2024 interim results announcement.

Iron Ore Hedging

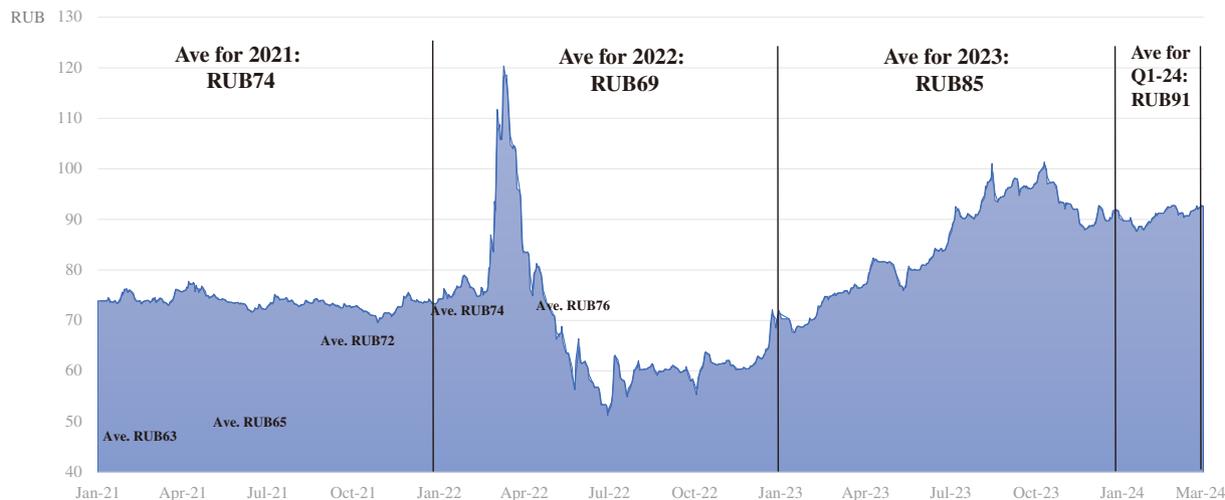
Currently, IRC does not have any open iron ore hedging position, given that it is difficult to achieve meaningful hedges with the forward iron ore curve in backwardation. IRC would continue to monitor the price movements and could enter into hedging transactions if the hedging terms are considered favourable.

Foreign Exchange Movements and Hedging

The Russian Rouble slightly appreciated by 2.2% to an average of RUB91 per US Dollar in Q1 2024, supported by the decision of Russian authorities to extend the requirement for the sale of foreign currency earnings by exporters until the end of 2024.

The strengthening of the Russian Rouble has a negative 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.

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.



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

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 Q1 2024, 531,172 tonnes of iron ore concentrate were produced, 8.2% lower than that in the previous quarter. In line with the decreasing production, sales volume of 526,329 tonnes in Q1 2024 was 10.4% lower when compared with that in Q4 2023.

As disclosed above, production in Q1 2024 continued to be hampered by the lower yield of iron ore concentrate from ore due to the lower content of Fe_{mag} in the ore processed. 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. Proactive measures had been taken to address the ore quality issue. By taking advantage of IRC’s extensive operational experience and after making certain upgrades and modifications to K&S’s plant and its production process, the plant is able to process lower quality ore without compromising the quality of the final product. This has allowed K&S to process the current ore from Kimkan more effectively and mitigate the impact to the minimum.

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.

Also contributing to the production shortfall was the underperformance of the mining contractors resulting from the low readiness of the equipment due to technical issues. Some of the mining equipment was not operational due to shortage of spare parts. The shortage of mining fronts at the pit site also affected the mining efficiency. K&S is now actively working with the contractors to resolve the issues.

K&S continued using the Amur River Bridge for railway shipments to the Chinese customers with about 399 kt of iron ore concentrate being delivered via the Bridge during Q1 2024. 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 would continue monitoring the market situation and adjust its marketing strategy accordingly.

Key mining data of K&S for Q1 2024

K&S	Q1 2024	Q4 2023	Changes
Mining (tonnes)	1,486,500	2,020,900	-26.4%
Drilling (metres)	129,993	124,416	4.5%
Blasting (cubic metres)	3,034,800	2,934,500	3.4%
Rock mass moved (cubic metres)	4,084,900	5,209,700	-21.6%
Ore fed to the primary processing plant (tonnes)	2,130,900	2,359,900	-9.7%
Pre-concentrate produced (tonnes)	1,416,988	1,627,000	-12.9%

The underperformance of the mining contractors is reflected in the lower mining volume. In light of the ore quality and mining issues, K&S plant has started to actively utilise the stockpiles of the low-quality ore, which had been accumulated in the previous years. This has allowed K&S to compensate for the decreasing ROM (Run-of-Mine) ore feed with the stockpiled ore feed. Hence despite a 26.4% decrease of mining volumes in Q1 2024, processing plant feed has only reduced by 9.7%. While this provides a positive impact on working capital movement, stockpile ore has lower Fe content and higher impurities.

K&S – Sutara Development

K&S is actively preparing the Sutara deposit for operation with the aim of starting to mine ore from Sutara in Q3 2024. It is estimated that the total initial capital expenditure required to bring the Sutara pit into operation would amount to approximately US\$50.4 million. Up to 31 March 2024, approximately US\$33.8 million had been incurred. The remaining sum of US\$16.6 million is expected to be spent over 2024, partly after the mining works have been started. The capital expenditure is self-funded by the cashflow generated by K&S.

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. Current inflationary pressures are gradually easing but remain high. Inflation has a negative impact on K&S's operational costs as most of these costs are paid in Russian Rouble. According to the Bank of Russia's forecast and given the Russia's monetary policy stance, annual inflation will decline to 4.3-4.8% in 2024 and return to 4% in 2025.

The relevant cash cost information for the first half of year of 2024 will be analysed and disclosed in the 2024 interim results announcement.

Impact of U.S. Sanctions Against Russia

IRC is listed on The Stock Exchange of Hong Kong Limited 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 and the development of the Sutara pit. The Company will continue to closely monitor sanctions developments and will, if necessary, make further announcement(s).

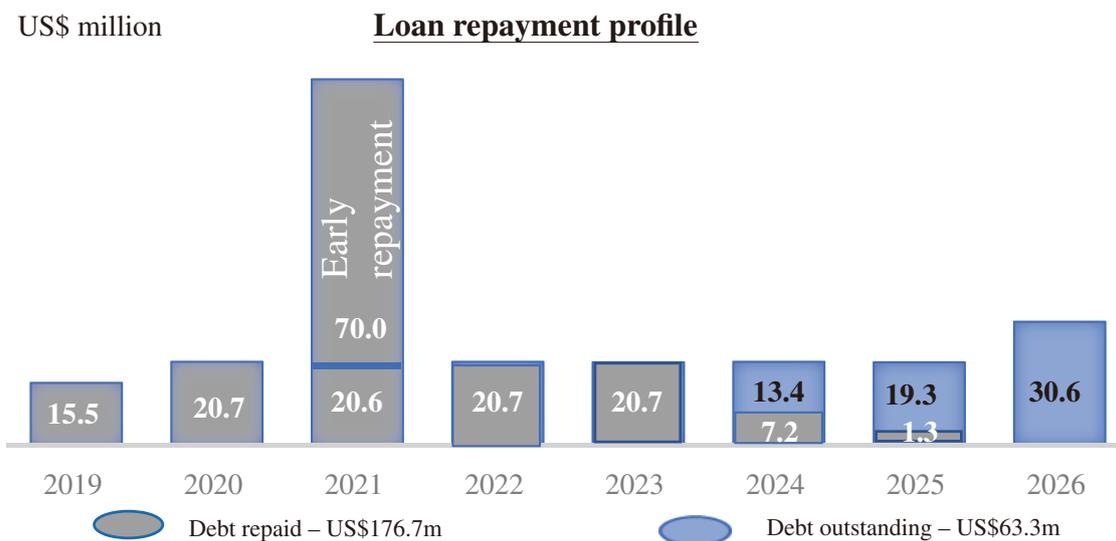
CORPORATE AND INDUSTRY UPDATE

Mandatory Conditional Cash Offer

As announced in the Q4 2023 Trading Update, the mandatory conditional cash offer (the “Offer”) was closed on 22 February 2024. Axioma now holds 56.76% of the issued shares of IRC. Please refer to the Q4 2023 Trading Update for details of the Offer.

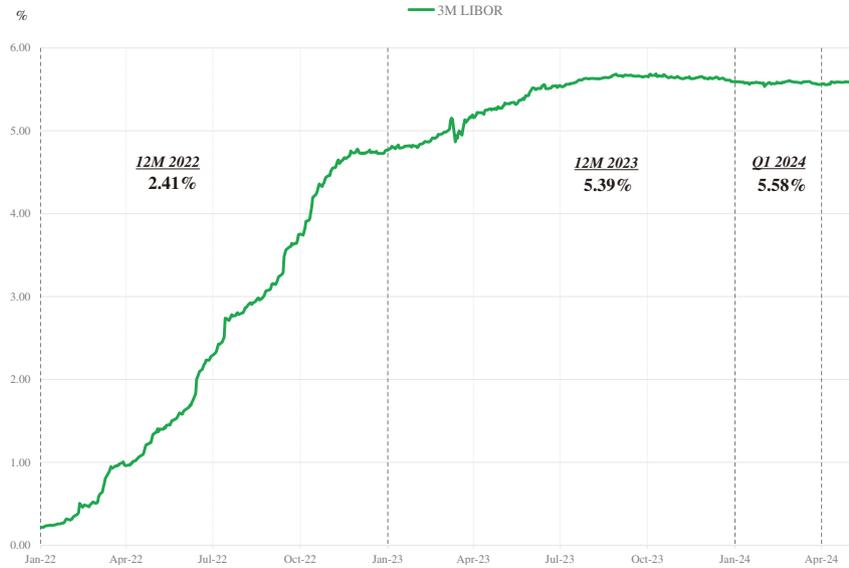
Group’s Cashflow Position and Loan Facility

IRC drew down the US\$240 million loan facility in 2019 and since then IRC has repaid US\$176.7 million and the total debt due to MIC Invest Limited Liability Company (“MIC”) amounted to US\$63.3 million as of 31 March 2024. The repayment profile of the loan is as follows:



Source: IRC Limited (as of 31 March 2024)

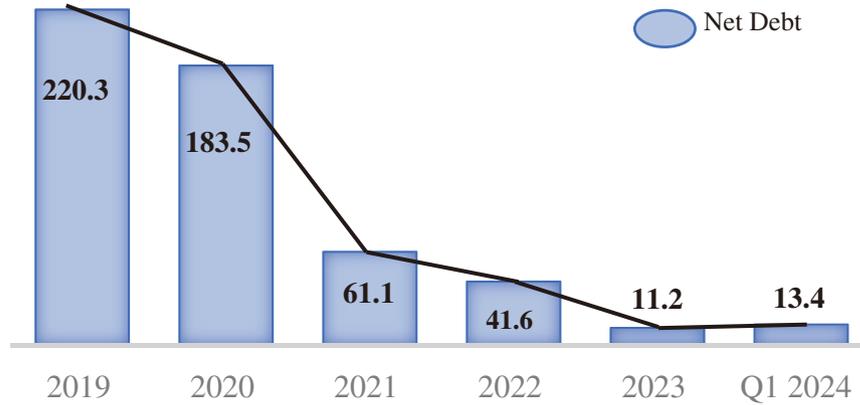
The interest rate of the loan facility is determined based on London Interbank Offered Rate (“LIBOR”). The rising global inflation is pushing interest rate into a more aggressive position. The average three-month LIBOR interest rate remained at a high level of 5.58% in Q1 2024 (Q4 2023: 5.64%). Fortunately, 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\$49.8 million as of 31 March 2024 (31 December 2023: US\$56.6 million) and net debt slightly increased to US\$13.4 million accordingly (31 December 2023: US\$11.2 million), mainly due to the servicing of the MIC loan of US\$6.4 million, the timing of cashflows and working capital movements.

US\$ million

Reducing net debt



Amur/Heilongjiang River Bridge

As reported in the Company's previous trading update, the Amur River Bridge (the "**Bridge**") has commenced operation and more shipments have been made via the Bridge. In Q1 2024, about three-quarter of K&S's shipments were made via the Bridge.

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 otherwise specified, 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
Friday, 24 May 2024

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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