



**HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2007**

Corporate Information

ABN 31 099 355 790

This half-year report covers International Ferro Metals Limited and its subsidiaries (“the Group”). The Group’s functional and presentation currency is South African Rand (“ZAR”).

A description of the Group’s operations and of its principal activities is included in the review of operations and activities in the directors’ report on pages 3 to 4. The directors’ report is not part of the financial report.

DIRECTORS

A Grey
S Turner
I Watson
X Yang
T Willsteed
T Xia
S Oke
R Barnard

COMPANY SECRETARY

W J Kernaghan

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AUDITORS

Ernst & Young
680 George Street
Sydney NSW 2000
Australia

Directors' Report

Your directors submit their report for the half-year ended 31 December 2007.

DIRECTORS

The names of the Company's directors in office during the six months ended 31 December 2007 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

- Anthony Grey
- Stephen Turner
- Ian Watson
- Xiaoping Yang
- Terence Willstead
- Stephen Oke
- Tian Xia
- Ronald Barnard (appointed 14 November 2007)
- David Kovarsky (appointed 1 February 2008)

OPERATING AND FINANCIAL REVIEW

The IFM Group reported a loss of ZAR23.9 million for the half-year ended 31 December 2007.

Highlights

- Replacement programme for electrode pressure rings successfully completed one month ahead of schedule.
- Sales for the six months ended 31 December 2007 exceeded sixty three thousand tonnes of charge chrome.
- Production for the six months ended 31 December 2007 exceeded ninety three thousand tonnes of charge chrome.
- Ferrochrome industry anticipates an increase from 1 January 2008 in the published ferrochrome price to above US\$1.2 per lb of ferrochrome.
- David Kovarsky joined the Board as Managing Director on 1 February 2008.
- IFM and other South African ferrochrome producers have been granted approval from Eskom to operate at 90%. Future ferrochrome supply has been constrained due to electricity constraints in South Africa. It is expected that the limited future capacity of ferrochrome to come on stream will further support the current high ferrochrome prices.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the above there were no significant changes in the state of affairs of the Group for the half-year ended 31 December 2007.

ROUNDING

The amounts contained in the half-year financial report have been rounded to the nearest ZAR1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR’S INDEPENDENCE DECLARATION

We have obtained the Auditor’s Independence Declaration from our auditors, Ernst & Young, which immediately follows this Directors report.

Signed in accordance with a resolution of the directors.

A handwritten signature in grey ink, appearing to be 'ST', with a long horizontal stroke extending to the right.

Stephen Turner
Director
Sydney,
2 March 2008



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Auditor's Independence Declaration to the Directors of International Ferro Metals Limited

In relation to our audit of the financial report of International Ferro Metals Limited for the half-year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'M. Elliott'.

Michael Elliott
Partner
Sydney,
2 March 2008

Consolidated Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

| | | CONSOLIDATED | |
|---|---|-----------------|-----------------|
| | | 31 Dec 2007 | 31 Dec 2006 |
| Notes | | ZAR'000 | ZAR'000 |
| Sales revenue | | 367,525 | 4,441 |
| Cost of goods sold | | (349,595) | (3,600) |
| Gross profit | | <u>17,930</u> | <u>841</u> |
| Other income /expenses | | | |
| Administrative and other expenses | | (38,658) | (30,865) |
| Gains/(Losses) on mark-to-market of derivatives | | 6,615 | (27,495) |
| Net loss before interest and tax | | <u>(14,113)</u> | <u>(57,519)</u> |
| Finance income | | 30,334 | 17,709 |
| Finance costs | | (40,079) | (31,818) |
| Net loss before tax | | <u>(23,858)</u> | <u>(71,628)</u> |
| Income tax expense | | - | - |
| Net loss for the period | | <u>(23,858)</u> | <u>(71,628)</u> |
| Attributable to: | | | |
| Minority interest | | (1,117) | (701) |
| Members of the parent | | (22,741) | (70,927) |
| | | <u>(23,858)</u> | <u>(71,628)</u> |
| Loss per share (cents per share) | 3 | | |
| - basic loss per share | | (4.54) | (17.29) |
| - diluted loss per share | | (4.54) | (17.29) |

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Recognised Income and Expense

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

| | CONSOLIDATED | |
|---|-----------------|-----------------|
| | 31 Dec 2007 | 31 Dec 2006 |
| | ZAR'000 | ZAR'000 |
| Loss for the period | (23,858) | (71,628) |
| Total recognised income and expense for the period | <u>(23,858)</u> | <u>(71,628)</u> |
| Attributable to: | | |
| Equity holders of the parent | (22,741) | (70,927) |
| Minority interest | (1,117) | (701) |
| | <u>(23,858)</u> | <u>(71,628)</u> |

Consolidated Balance Sheet

AS AT 31 DECEMBER 2007

| | | CONSOLIDATED | |
|---------------------------------------|--------------|---------------------|---------------------|
| | | 31 Dec 2007 | 30 June 2007 |
| | | ZAR'000 | ZAR'000 |
| | Notes | | |
| Current assets | | | |
| Cash and cash equivalents | | 341,721 | 43,929 |
| Trade and other receivables | | 99,144 | 33,073 |
| Prepayments | | 767 | 4,044 |
| Inventories | | 251,052 | 140,821 |
| Other current assets | | - | 141,916 |
| Total current assets | | 692,684 | 363,783 |
| Non-current assets | | | |
| Property, plant & equipment | | 1,632,301 | 1,632,388 |
| Other non-current assets | | 126,427 | 124,371 |
| Total non-current assets | | 1,758,728 | 1,756,759 |
| Total Assets | | 2,451,412 | 2,120,542 |
| Current liabilities | | | |
| Interest bearing loans and borrowings | 5 | 50,000 | - |
| Trade and other payables | | 105,304 | 134,406 |
| Derivative liability | | - | 20,994 |
| Provisions | | 9,440 | 23,118 |
| Total current liabilities | | 164,744 | 178,518 |
| Non-current liabilities | | | |
| Interest bearing loans and borrowings | 5 | 115,622 | 898,631 |
| Derivative liability | | 39,855 | 42,432 |
| Provisions | | 29,215 | 33,971 |
| Total non current liabilities | | 184,692 | 975,034 |
| Total liabilities | | 349,436 | 1,153,552 |
| Net assets | | 2,101,976 | 966,990 |
| Shareholder's equity | | | |
| Contributed equity | 6 | 2,767,935 | 1,607,075 |
| Share based payment reserve | | 5,464 | 7,480 |
| Accumulated losses | | (673,956) | (651,215) |
| Parent entity interests | | 2,099,443 | 963,340 |
| Minority interests | | 2,533 | 3,650 |
| Total shareholders equity | | 2,101,976 | 966,990 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

| | CONSOLIDATED | |
|--|-----------------------|----------------------|
| | 31 Dec 2007 | 31 Dec 2006 |
| | ZAR'000 | ZAR'000 |
| Cash flows from operating activities | | |
| Receipts from customers | 297,205 | 4,441 |
| Payments and advances to suppliers and employees (inclusive of goods and services tax) | (479,241) | (53,378) |
| Payment of Phantom options | (14,434) | - |
| Interest paid | (39,764) | (15,418) |
| Net cash flows from operating activities | <u>(236,234)</u> | <u>(64,355)</u> |
| Cash flows from investing activities | | |
| Payments for property, plant & equipment | (33,538) | (492,096) |
| Investment in subsidiary | - | (7,168) |
| Interest received | 30,334 | 16,053 |
| Net cash flows from investing activities | <u>(3,204)</u> | <u>(483,211)</u> |
| Cash flows from financing activities | | |
| Proceeds from issues of shares | 1,196,207 | - |
| Payment of share issue costs | (51,679) | - |
| Proceeds from borrowings | 50,800 | 480,669 |
| Proceeds from restricted cash | 139,861 | - |
| Repayment of borrowings | (826,076) | - |
| Proceeds from the issue of options | 17,366 | - |
| Payment of Treasury shares | - | (10,365) |
| Net cash flows from financing activities | <u>526,479</u> | <u>470,304</u> |
| Net increase /(decrease) in cash held | 287,041 | (77,262) |
| Cash at the beginning of the financial period | 43,929 | 85,348 |
| Effects of exchange rate changes on cash | 10,751 | 3,105 |
| Cash and cash equivalents at the end of the period | <u><u>341,721</u></u> | <u><u>11,191</u></u> |

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

The financial report of International Ferro Metals Limited (the Company) for the half year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 2 March 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report has been prepared on the historical cost basis and the principal accounting policies used by the Company comply with International Financial Accounting Standards.

The half-year financial report should be read in conjunction with the Annual Report of International Ferro Metals Limited as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by International Ferro Metals Limited and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) Basis of accounting

This half-year general purpose financial report has been prepared in accordance with AASB 134 “*Interim Financial Reporting*”, the Corporations Act 2001 and IAS 34 “*Interim Financial Reporting*”.

This financial report has been prepared in accordance with the historical cost convention, except for certain assets, which are at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The financial report is presented in South African Rand and all values are rounded to the nearest thousand Rands (ZAR’000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

In the application of AIFRS, management is required to make judgements, estimates, and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from estimate.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable in the relevant notes to the financial statements.

No Australian Accounting Standards issued but not yet effective have been adopted. It is not considered early adoption of these standards would have a material impact on the results of the Group.

(c) Significant accounting policies

Since 1 July 2007 the Group has adopted the following Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 7 *Financial Instruments: Disclosures*.
- AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 1, 4, 1023 and 1038)*.
- Interpretation 8 *Scope of AASB 2 Share-based Payment*.
- Interpretation 9 *Reassessment of Embedded Derivatives*.
- Interpretation 10 *Interim Financial Reporting and Impairment*.

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by International Ferro Metals Limited (IFM) at the end of the reporting period. The Company and its controlled entities together are referred to as the Group. The effects of all transactions between entities in the Group are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

3. LOSS PER SHARE

| | CONSOLIDATED | |
|---|---------------------|--------------------|
| | 31 Dec 2007 | 31 Dec 2006 |
| | ZAR'000 | ZAR'000 |
| Basic loss per share (cents per share) | (4.54) | (17.29) |
| Diluted loss per share | (4.54) | (17.29) |
| Loss used in calculating basic and diluted loss per share (ZARm) | (22,741) | (70,927) |
| Weighted number of ordinary shares in issue in calculation of basic loss per share | 500,527,386 | 410,283,623 |
| Number of potential ordinary shares that are not dilutive and not used in calculation of diluted loss per share | 4,806,346 | 21,632,982 |
| Weighted number of ordinary shares in issue used in calculation of diluted loss per share | 500,527,386 | 410,283,623 |

4. DIVIDENDS PAID AND PROPOSED

No dividends have been paid or proposed.

INTERNATIONAL FERRO METALS LIMITED – HALF-YEAR FINANCIAL STATEMENTS

5. INTEREST BEARING LIABILITIES

| | CONSOLIDATED | |
|--------------------------|---------------------|---------------------|
| | 31 Dec 2007 | 30 June 2007 |
| | ZAR'000 | ZAR'000 |
| Current | | |
| Working capital debt (a) | 50,000 | - |

| | CONSOLIDATED | |
|-----------------------------------|---------------------|---------------------|
| | 31 Dec 2007 | 30 June 2007 |
| | ZAR'000 | ZAR'000 |
| Non-Current | | |
| Junior debt (b) | - | 150,000 |
| Senior debt (b) | - | 473,647 |
| Working capital debt (b) | - | 119,400 |
| Capitalised interest facility (b) | - | 62,981 |
| Finance lease liability (c) | 115,622 | 92,603 |
| | <u>115,622</u> | <u>898,631</u> |

- (a) The Company entered into a loan facility agreement on 20 December 2007 with the Bank of China for an amount of ZAR100 million. The term of the facility is for twelve months. The loan is secured by a cession and pledge by International Ferro Metals Limited (Holding Company), supported by a deposit of €10.5 million for the granting of the above facilities to its subsidiary International Ferro Metals (SA) Pty Limited. Interest is charged at South African Prime less 0.30%. The loan was repaid on 29 January 2008.
- (b) On 5 September 2007, the Company decided to voluntarily settle in full all amounts outstanding under the senior, junior and working capital debt facilities at 28 September 2007. The facilities were cancelled as from that date. The amount repaid at that date was ZAR853 million and includes interest, breakage fees and the fee for the early cancellation of the options held in the Company by the banking counterparties. Under the original banking facilities, these repayments were to commence from 30 June 2008.
- (c) The weighted average effective interest rate on finance leases is 11.5%.

6. CONTRIBUTED EQUITY

| | CONSOLIDATED | |
|------------------------------|---------------------|---------------------|
| | 31 Dec 2007 | 30 June 2007 |
| | ZAR'000 | ZAR'000 |
| Opening balance | 1,607,075 | 1,360,675 |
| Issue of ordinary shares (a) | 1,215,590 | 245,310 |
| Purchase of treasury shares | - | (10,515) |
| Issue of treasury shares | - | 11,605 |
| Share placement costs | (54,730) | - |
| Closing balance | <u>2,767,935</u> | <u>1,607,075</u> |

CONSOLIDATED

| | 31 Dec 2007 | 30 June 2007 |
|---------------------------------|--------------------|---------------------|
| | Shares | Shares |
| Opening balance | 428,161,896 | 410,283,623 |
| Issue of ordinary shares | 75,848,896 | 17,878,273 |
| Purchase of treasury shares (a) | - | 2,000,000 |
| Issue of treasury shares (a) | - | (2,000,000) |
| Closing balance | <u>504,010,792</u> | <u>428,161,896</u> |

(a) On 9 July 2007, the Company raised ZAR1.2 billion (£85.2 million) (before expenses) by the issue of 71,000,000 ordinary shares under a placement and JISCO subscription, bringing the total issued capital to 504,010,792 ordinary shares. On that same date certain directors and senior management (and persons connected with them) of IFM exercised 2,250,000 of their share options. Certain directors and senior management agreed to sell 8,108,333 ordinary shares to JISCO at a price of 120 pence per ordinary share, subject to Foreign Investment Reserve Board ("FIRB") approval. FIRB approval was received on 29 August 2007.

7. SHARE-BASED PAYMENT PLANS

Phantom Share Option Plan

As at 30 June 2007 the total number of phantom options ("Options") issued was 5,689,000. On varying dates between 1 March 2007 to 1 December 2007 1,313,000 additional Options were granted to employees of IFM. This brings the total number of Options to 7,002,000. An Option grants the eligible employee, subject to the satisfaction of certain vesting and exercise conditions as outlined below, a cash amount determined by reference to the excess of the market price of an Ordinary Share in the Company at the time of exercise of the Options. The Options vest in equal tranches over three years subject to continued employment by the Company. The Options are capped to a maximum of £1.50. At a board meeting on 31 July 2007, it was resolved that the vesting date of the first tranche of the Options under the scheme be brought forward to 1 August 2007 from 1 January 2008 and that the cap governing the Options would be up to a maximum of £3.50 on the following bases:

- Tranche one of the existing Options on issue would continue to have a maximum price of £1.50 except the new Options issued, these have a maximum price of £2.50;
- Tranche two of the Options would now have a maximum price of £2.50;
- Tranche three of the Options would now have a maximum price of £3.50.

The options expire five years after the grant date.

Options of 1,499,999 were exercised during the six months ended 31 December 2007.

The following table lists the inputs to the Options valuation model used for the half-year ended 31 December 2007:

| | |
|-------------------------|------|
| | 2007 |
| Expected volatility | 51% |
| Risk-free interest rate | 6.0% |

The estimated fair value of each Option, relating to the 5,689,000 Options, at grant date is ZAR3.73 (£0.35). The average estimated fair value of each Option, relating to the 1,313,000 Options, at grant date is ZAR15.19 (£1.07).

8. DIRECTORS' LOANS

The loan owing by Ian Watson amounting to A\$133,334 was repaid on 31 August 2007.

9. SEGMENT INFORMATION

The Group operates predominantly in one business segment, being the processing of chromite in South Africa and sale of ferrochrome in the international market.

10. CAPITAL COMMITMENTS

There are no capital commitments other than those disclosed in the most recent annual financial report.

11. CONTINGENT ASSETS AND LIABILITIES

A claim has been brought against the Company for R37 million by a contractor. No liability has been recorded in the financial statements with respect to this claim on the basis that the directors believe that the Company will successfully defend this claim.

12. EVENTS AFTER THE BALANCE SHEET DATE

The following events occurred subsequent to the balance date:

On 23 January 2008 the Company announced that Mr David Kovarsky would be joining as Managing Director effective from 1 February 2008 and became a member of the Board.

At a board meeting on 6 February 2008, the Board of Directors approved the issue of three million phantom options to Directors and senior management under the phantom option scheme, subject to certain production targets being met prior to the vesting of the phantom options. The phantom options have an exercise price of £1.00 with an expiry date of three years from date of issue and a cap of £2.50 each.

At a board meeting on 8 February 2008, the Board of Directors approved the issue of one million options to Mr Kovarsky. These options have an exercise price of £0.88, being the market price at the time of grant and an expiry date of 31 December 2010. The options vest in three equal portions on 30 June 2008, 30 June 2009 and 30 June 2010.

Directors' Declaration

In accordance with a resolution of the directors of International Ferro Metals Limited, I state that:

1. In the opinion of the directors:
 - (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of the performance for the period ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Stephen Turner
Director
Sydney,
2 March 2008



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Independent Review Report

To the members of International Ferro Metals Limited

Report on the Interim Financial Report

We have reviewed the accompanying half-year financial report of International Ferro Metals Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of recognised income and expense and cash flow statement for the 6 months ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year period ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of International Ferro Metals Limited and the entities it controlled during half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which follows the Director's Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of International Ferro Metals Limited and the entities it controlled during the half-year is not in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



Ernst & Young



Michael Elliott
Partner
Sydney,
2 March 2008