



## News Release

12 November 2008

**International Ferro Metals Limited**

**("IFL" or the "Company")**

**Interim Management Statement & Production Report for the three months to 30 September 2008  
and Results of the Annual General Meeting held on 12 November 2008**

### **Highlights:**

- Strong operating performance with ferrochrome production at 59,470 tonnes.
- Ferrochrome sales were 28,025 tonnes, impacted by lower stainless steel demand.
- Market ferrochrome price was US\$2.05 per pound over the period.

Since 30 September 2008, deterioration in stainless steel and ferrochrome demand has led to the decision by the Company to:

- Reduce ferrochrome production from 1 December 2008 by up to 40%;
- Cut costs at both operational and overhead levels; and
- Defer its capital expenditure projects.

However, management believe IFL is in a better position than most to respond to the current economic climate through:

- its strong balance sheet with ZAR871m net cash and no bank debt,
- low cost production; and
- guaranteed offtake agreements for 170,000 tonnes per annum of ferrochrome with JISCIO and CMC Cometals.

**Commenting on the September quarter production results and the outlook for IFL, Chief Executive Stephen Turner said:**

“IFL is pleased to announce a strong operational performance. However, these challenging and volatile markets have impacted the demand for our product and we have responded prudently and swiftly to ensure the Company is in the best position to weather the current storm. We intend to cut production and delay expansion plans until the outlook becomes less uncertain. Our belief in long term stainless steel demand remains intact and our expansion plans are well developed which will allow the Company to respond quickly to an improvement in ferrochrome demand.

The management is confident that with new and efficient production facilities, which are capable of expansion, offtake agreements in place, and a strong balance sheet position, the Company is well placed to take advantage of opportunities for organic growth as they arise. In the meantime, the Company continues to review acquisition targets that could allow it to expand its business on favourable terms.”

**Production**

Strong operating performance resulted in ferrochrome production for the three months ended September 2008 of 59,470 tonnes which was 5% higher than the June quarter and 41% higher than the same period last year when the plant was in a state of ramp up. With design capacity of 267,000 tonnes per annum being limited to 240,000 tonnes due to general South African electricity cutbacks, annual production is currently stable and is achieving adjusted nameplate capacity.

As the global economic environment has deteriorated and the near and medium term outlook for ferrochrome demand remains uncertain, we are focused on operational excellence and the prudent management and conservation of cash. Production discipline is paramount at this time of demand weakness and we plan to reduce current ferrochrome production by up to 40% from 1 December 2008 and will thus produce about 12,000 tonnes per month of ferrochrome. The offtake agreements in place with JISCO and CMC Cometals ensure sales volumes of an average of 14,160 tonnes per month for the coming year, allowing a drawdown of company inventory. The JISCO offtake agreement has a minimum term of a further five years and the CMC Cometals agreement has a minimum term of a further seven years.

We have also reviewed the timing of our capital expenditure programme and have decided to defer key capital expenditure projects. The projects that will be deferred are the ore beneficiation plant, and the pelletising and sintering projects along with the construction of additional furnaces. The expansion of mining production will also be deferred. Certain long lead items have already been ordered and been paid for and a minimal amount of civil work will be completed. The nature of the deferral is flexible, allowing for a rapid reinstatement when market conditions return to normality.

**Inventory**

Inventory levels have increased over the period under review from the abnormally low levels at 30 June 2008 of 1,934 tonnes to a level of 33,265 tonnes as at 30 September 2008 due to the weak demand for ferrochrome and the irregularity of shipments. It is the intention of the Company to reduce the stockpile to around 20,000 tonnes by the end of the financial year.

### **Sales**

Sales volumes for the period were impacted by the traditionally soft third quarter and more significantly by falling ferrochrome demand towards the end of the quarter. The same factors, particularly a slowdown in demand from Chinese consumers, which have influenced the decline in volumes and selling prices of other commodities, have also influenced ferrochrome demand. Additionally it would appear, as a result of the South African power cutbacks which began in January 2008, ferrochrome consumers' concerns about the lack of supply led to a desire to build up inventory through the purchase of larger than normal tonnages. Ferrochrome stockpiles, particularly in China, are now unusually high which have further affected ferrochrome demand.

The Company's sales of ferrochrome during the period under review were 28,025 tonnes, compared with 29,450 tonnes in the same period last year and 89,091 tonnes in the June quarter of 2008. The JISCO and Cometals offtake agreements which apply to annual commitments are not spread evenly across each quarter; this is evident in the sales figures for the period under review. Both offtake partners have recently confirmed that they will honour the terms of their agreements, with JISCO also agreeing to temporarily waive its sales commission.

### **Cost control**

As cost inflation continues to impact the global mining industry, management is committed to keeping costs under control and IFL's cost of production remains in the lower quartile of global ferrochrome producers. As a matter of ongoing cost control, expenses are reviewed on a regular basis and costs at the plant and at head office have been identified and will be reduced. IFL will continue to investigate technology initiatives that have the potential to provide the Company with per unit cost savings but these will only be pursued after rigorous testing and in accordance with our strategy to conserve cash.

### **Executive Management Changes**

Tony Grey, Executive Chairman and Stephen Turner, Chief Executive Officer, have announced that they will step down from their current executive roles to non executive positions at 31 December 2008. Tony Grey will become Non Executive Chairman and Stephen Turner will become Non Executive Deputy Chairman. David Kovarsky, the current Managing Director, will become Chief Executive Officer at the same time.

The Board would like to thank both Tony and Stephen for their hard work and commitment during the Company's vital start-up and early growth stages, and welcome David Kovarsky to the position of CEO.

### **Share buyback programme**

On 30 September 2008, the Company announced an on-market share buyback programme. As at the date of this announcement, IFM had purchased 3,919,000 ordinary shares through this programme, all of which had voting rights and have been duly cancelled. As a result, the Company's issued share capital has been reduced to 503,643,682.

### **Results of AGM**

All resolutions proposed to shareholders at its Annual General Meeting held in Sydney, Australia, on 12 November 2008 were duly passed. Prior to the Annual General Meeting held today it was proposed that employee share options be issued to each of Tony Grey, Stephen Turner and Xiaoping Yang. This proposal, contained in Ordinary resolutions 4, 5 and 6, was withdrawn prior to the AGM and no resolution regarding options was put to the meeting.

### **Cash position**

International Ferro Metal's cash resources at 30 September 2008 were ZAR871m and the Board is committed to ensure that these resources are actively managed to the fullest possible extent. The ZAR 101m reduction in cash balances from 30 June to 30 September 2008 was utilised by the inventory increase, a temporary increase in debtors and capital expenditure.

Other than as detailed above in this Interim Management Statement and Production Report, there have been no material events or transactions in the period from 1 October 2008 to 12 November 2008.

There will be a conference call for analysts and investors today, Wednesday 12 November, at 08.30 am (London time). Dial in details are as follows:

UK Free Call	0800 073 1807
UK Standard International	+44 (0) 1452 541 076
USA Free Call	1866 223 9754
Conference ID	73439597

A replay facility of the conference call will be available for 48 hours on the following numbers:

Replay Access Number: 73439597#

International Dial in: +44 (0) 1452 55 00 00

UK Free Call Dial In: 0800 953 1533

USA Free Call Dial In: 1866 247 4222

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**About International Ferro Metals:**

International Ferro Metals produces ferrochrome, the essential ingredient in stainless steel, from its integrated chromite mine and ferrochrome processing operations in South Africa. International Ferro Metals is listed on the London Stock Exchange under the symbol IFL.

**Forward Looking Statements**

This announcement contains certain forward looking statements which by nature, contain risk and uncertainty because they relate to future events and depend on circumstances that occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements.