



**INTERNATIONAL  
FERRO METALS**

## **Operations Update H1 FY09**



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# Ferrochrome Market - Update



- World stainless production decreased in 2008 and so far in 2009
- Inventory overhang
  - China – built up as precaution against SA electricity shortages
  - Ferrochrome inventory estimated at 1.5mt (c. 20% of global production)
- Sharp drop in ferrochrome spot prices
  - Decline in demand – Japan, Europe & USA softer than China
  - Cost of production and delivery is reducing
- Producer response
  - 70% of world ferrochrome production ceased

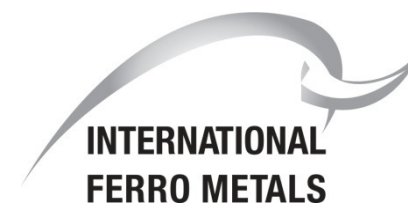
However...

## Ferrochrome Market – Update (cont'd)



- There are indications of a revival of demand from China since November 2008
  - At lower prices
  - The need to build inventory ahead of Chinese New Year
  - Chrome ore inventories will need to be converted and consumed

## Operations – Production & Sales for H1 FY09



- Production for half year to 31 December 2008 down 3% on 2007 despite plant shutdown and continued electricity cutbacks
- Both furnaces shut down on 25 November 2008
- Cash balance of R526m at the end of December 2008 (mostly EUR)
- Stock increase of 9,258 tonnes for the quarter

		H1 FY09	H1 FY08		Q2 FY09	Q2 FY08	
Production & Sales		(Jul-Dec 2008)	(Jul-Dec 2007)	% Change	(Oct-Dec 2008)	(Oct-Dec 2007)	% Change
FeCr Production	tonnes	90,759	93,317	-2.7%	31,289	51,212	-38.9%
FeCr Sales	tonnes	49,435	61,866	-20.1%	21,410	32,416	-34.0%

# Operations - Cost Control



- Mining contracts terminated
- Major capital projects suspended
- Coke purchases suspended
- Fixed costs down
- Estimated monthly running costs R35m
- Upgrade includes:
  - Expansion of feed bins to provide greater input flexibility
  - Redesign of feed chutes to reduce maintenance
  - Modification to pressure rings to allow greater electricity input into furnaces
  - Total cost R100m
  - Completed by end of March 2009

## Summary / Outlook



- Strong balance sheet
  - R526m cash and no debt
- World class ferrochrome facility
  - On care and maintenance / able to be restarted rapidly
- Cost control
  - Capex deferred
  - Fixed costs reduced
  - Mining contract terminated
  - Coke purchases suspended
- Sales
  - Sales continue to Jisco and Cometals

IFL has responded swiftly and is poised to act when the market returns

# Appendix



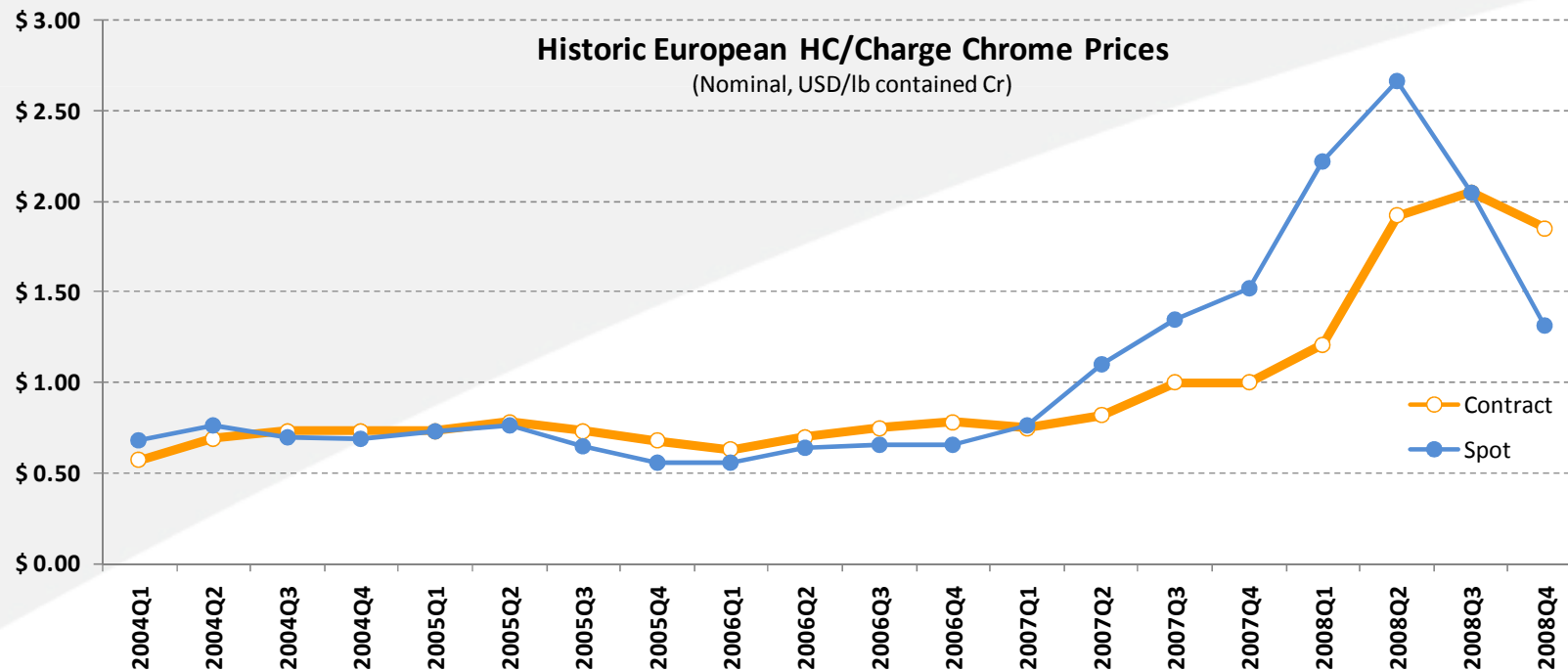
- Ferrochrome prices from 2004 to 2008
- World stainless steel production from 2005 to 2010f
- Ferrochrome plant shutdowns
- Ferrochrome production, by country
- Ferrochrome cost of production, by country
- Ferrochrome total cost (delivered), by country
- IFL's offtake agreements

# Ferrochrome prices



Downward pressure on both spot prices & Q1 contract prices resulted from:

- Freeze in buying of ferrochrome largely attributable to destocking by steel mills;
- Marginal producers dumping product on the spot market;
- Consumers postponing, cancelling, and renegotiating Q4 contract deliveries; and
- Tightened credit forcing liquidation of stockpiles.

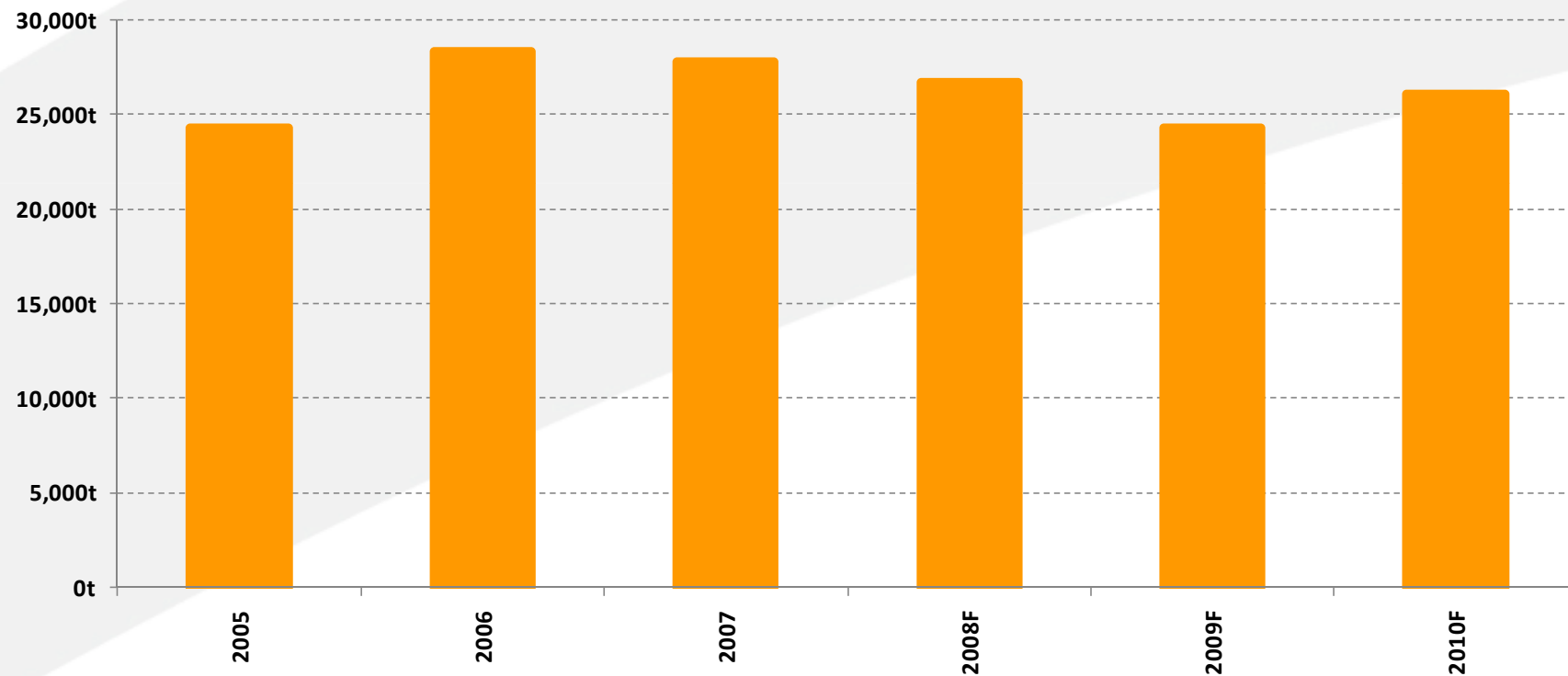


Source: CRU

# World stainless steel production

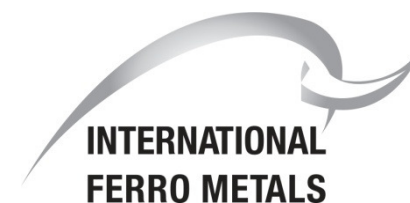


- World stainless steel production is running at 40% of capacity (CRU)
- Lower demand for stainless steel exacerbated by prolonged and accelerating fall in alloy surcharges causing a delay in buying



Source: Metal Bulletin Research

# Ferrochrome plant shutdowns



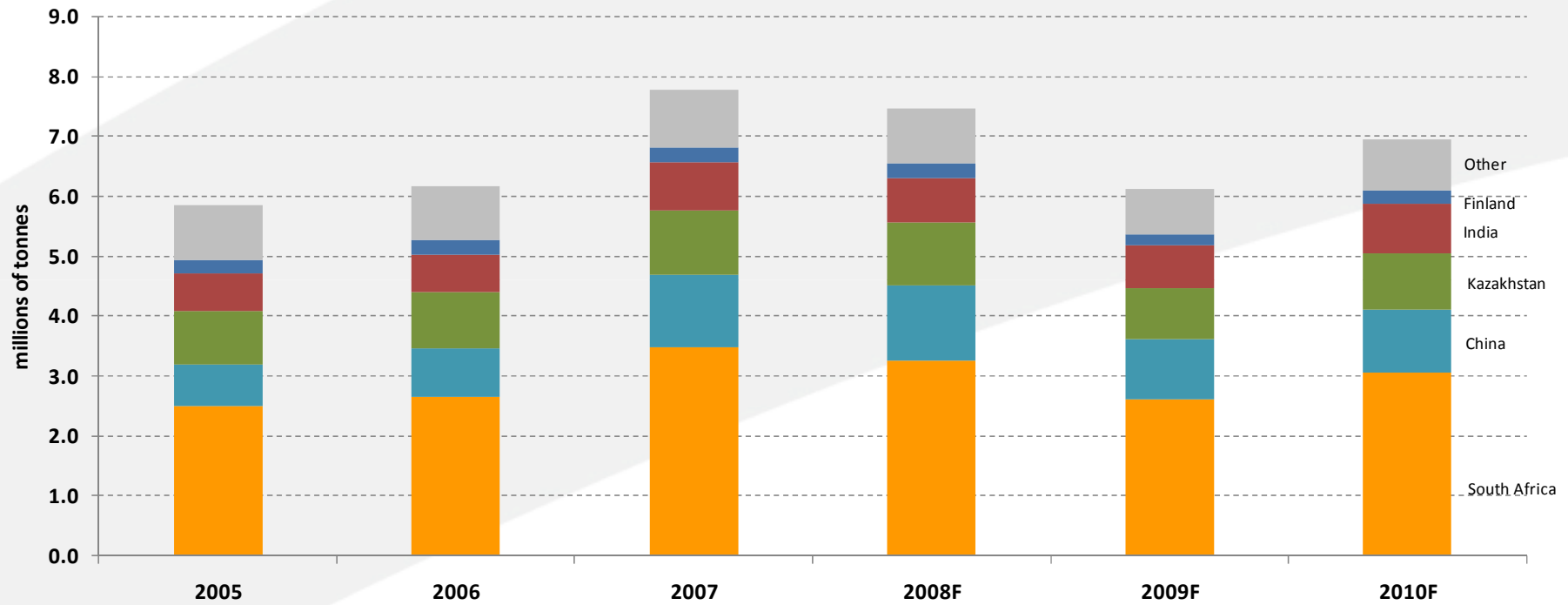
- Ferrochrome industry has reacted swiftly in reducing production
- 73% of global capacity has been shut down since October 2008

## HC FeCr / Charge Chrome production by company

Company	Country	Capacity (kt)	Utilisation %	Pro-forma annualised production (kt)
ASA Metals	South Africa	148	60%	89
Assmang	South Africa	241	30%	72
Hernic	South Africa	420	0%	-
IFM	South Africa	267	0%	-
Samancor	South Africa	980	0%	-
Xstrata & Merafe	South Africa	1,760	20%	352
Etikrom / Vargon	Sweden	136	50%	68
Etikrom	Turkey	87	40%	35
ENRC	Kazakhstan	1,100	58%	638
Serov	Russia	78	10%	8
Chelyabinsk	Russia	150	0%	-
Various	India	907	30%	272
Various	China	1,520	33%	502
Other		333	30%	100
<b>Grand Total</b>		<b>8,127</b>		<b>2,135</b>
<b>World FeCr Production - 2007</b>				<b>7,766</b>
<b>Pro-forma reduction (annualised)</b>				<b>73%</b>

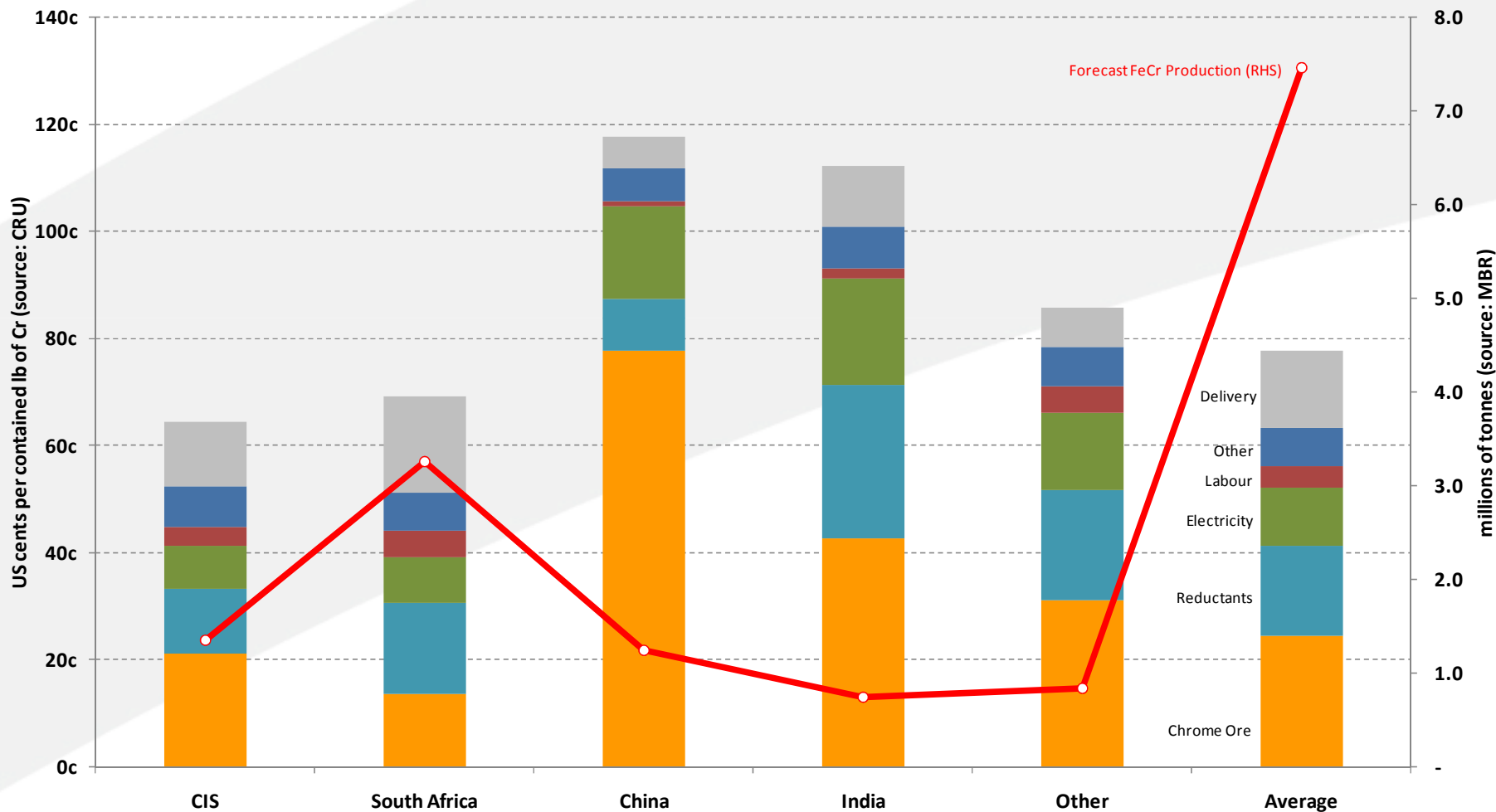
Source: IFL estimates

# Ferrochrome production, by country



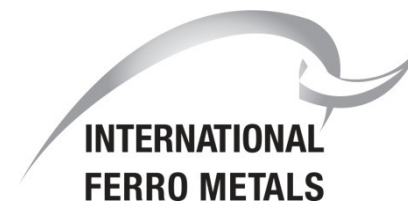
Source: Metal Bulletin Research

# Ferrochrome cost of production, by country, 2008

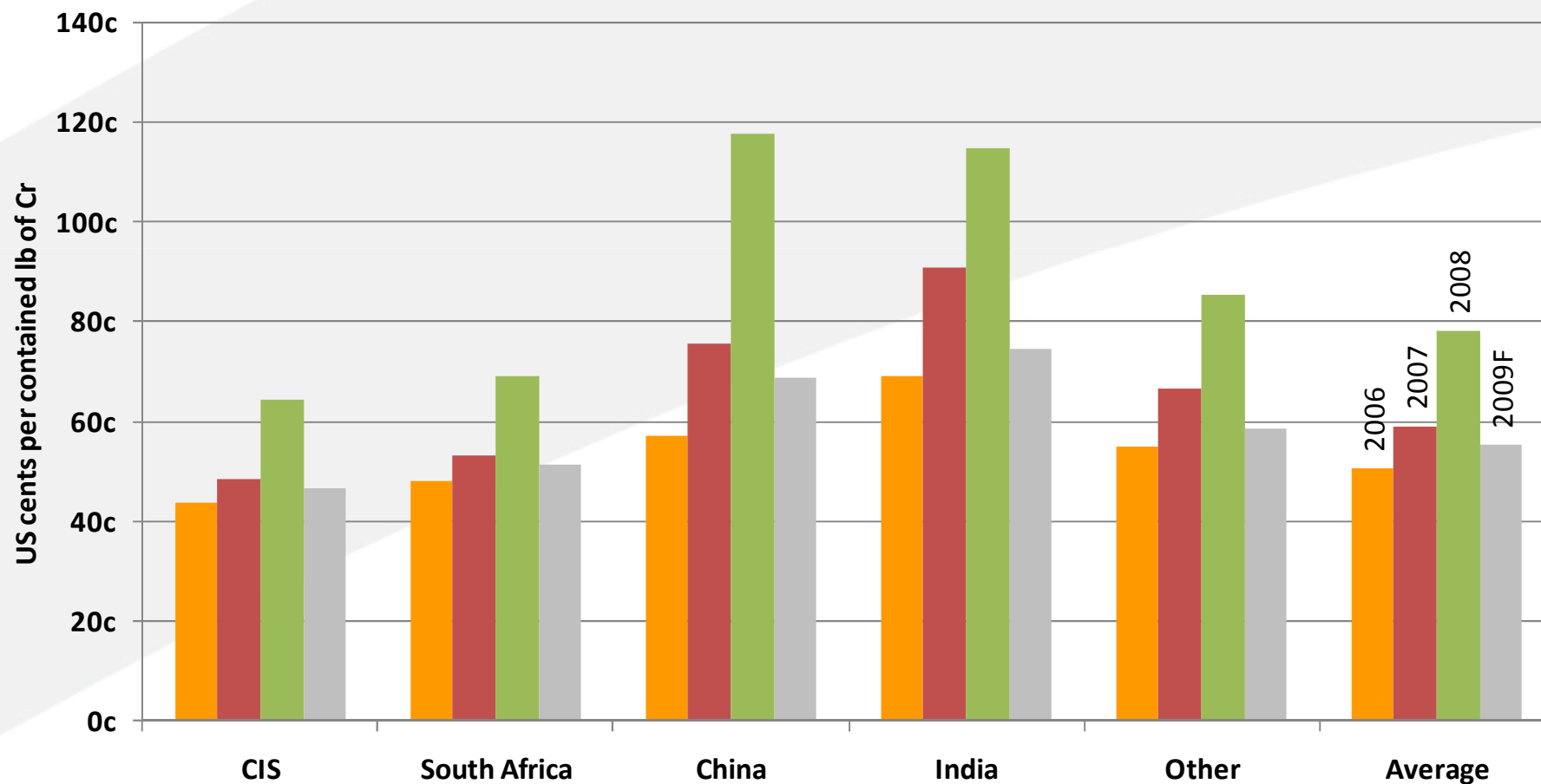


Source: CRU

# Ferrochrome total cost (delivered), by country



The ZAR depreciated against the USD by 27% during the last quarter of 2008



Source: CRU

## Offtake agreements



- Jisco has obligation to acquire 120,000tpa in a calendar year for resale in China, Japan, Korea and Taiwan
- Jisco pricing at Cometals price, however if Cometals tonnage below 12,000 tonnes in a quarter, then price has to be negotiated. If unable to agree on price, obligation reduces
- Cometals has right to buy 120,000tpa in a fiscal year for resale in all markets other than Jisco's markets and South Africa
- Cometals has obligation to purchase a minimum of 50,000tpa of which 20,000 tonnes are fines