



**HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2008**

Corporate Information

ABN 31 099 355 790

This half year report covers International Ferro Metals Limited and the entities it controlled at the end of, or during, the 6 months ended 31 December 2008. The functional currency of each entity in the Group and the presentation currency of the Group is South African Rand (“R”).

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 page 3. The directors’ report is not part of the financial report.

Directors

A J Grey
S J Turner
D C Kovarsky
X Yang
T V Willstead
I W Watson
S D Oke
T Xia

Company Secretary

W J Kernaghan

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Share Register

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UK contact centre: + 44 (0) 870 702 0000

Solicitors

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Australia, 2000

Bankers

National Bank of Australia
Level 36, 100 Miller Street
North Sydney, NSW
Australia, 2060

Brokers

Numis Securities Limited
Cheapside House
138 Cheapside
London
United Kingdom, EC2V 6LH

Auditors

Ernst & Young
680 George Street
Sydney, NSW
Australia, 2000

Directors' Report

Your directors submit their report for the half-year ended 31 December 2008.

DIRECTORS

The names of the Company's directors in office during the six months ended 31 December 2008 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Anthony Grey	Non-executive Chairman	9 December 2002
Stephen Turner	Non-executive Deputy Chairman	26 January 2002
David Kovarsky	Chief Executive Officer	1 February 2008
Ronald Barnard	Chief Operating Officer	14 November 2007 (resigned 17 July 2008)
Xiaoping Yang	Non-executive Director	12 October 2005
Terence Willsteed	Non-executive Director	12 October 2005
Ian Watson	Non-executive Director	2 April 2003
Stephen Oke	Non-executive Director	16 November 2005
Tian Xia	Non-executive Director	16 November 2005

REVIEW AND RESULTS OF OPERATIONS

The Group reported a loss before tax of R26.8 million for the six month period ended 31 December 2008, compared to loss before tax of R23.9 million for the prior year comparable period and profit before tax of R654 million for the six months ended 30 June 2008. The significant decline in profit compared to the June 2008 half is attributable to the unprecedented sharp reduction in global ferrochrome demand and the resulting low prices experienced over the last calendar quarter of 2008 triggered by the financial economic crisis.

After achieving record production during the first quarter of FY2009, the Company responded swiftly to deteriorating market conditions by powering down its furnaces in November 2008 and focusing on selling its inventory. The conventional industry-wide ferrochrome pricing mechanism subsequently collapsed, resulting in retrospective downward price revisions of sales contracts. The Company therefore incurred significant price reductions and write downs of inventories over the December half. The value of finished stock has been written down to net realisable value. Total finished stock on hand at 31 December 2008 represents 42,523 tonnes of ferrochrome. Price negotiations on all outstanding shipments have now been finalised with minimal impact on revenues. All outstanding receivables are expected to be collected by March 2009.

As a result of sales volumes decreasing from 145,996 tonnes in the June half 2008 to 49,435 tonnes in the December half 2008 combined with significantly lower ferrochrome prices, revenue decreased by R1 billion, from R1.55 billion in June half 2008 to R526 million in December half 2008. Consequently gross profit decreased from R711 million in June half 2008 to R69 million in the December half 2008.

Administration and other expenses increased from R125 million in the June half 2008 to R196 million in the December half 2008, primarily due to the write down of inventories and the non-absorption of fixed production costs during the period.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased from R712 million in the June half 2008 to a loss of R2 million in the December half 2008. Net interest expense decreased by R39 million between December half 2008 and June half 2008, due to reduced debt levels. The Group recognised deferred tax of R31 million during the reporting period.

Profit after tax increased from a loss of R24 million in the December half 2007 to a profit of R3 million in the December half 2008, which translated into an increase in headline earnings per share from a loss of 4.54 cents per share (0.32p) to a profit of 0.81 cent per share (0.05p).

INTERNATIONAL FERRO METALS LIMITED – HALF-YEAR FINANCIAL STATEMENTS

There has been net cash flow utilised in operating activities of R321 million over the reporting period, arising from an increase in working capital of R268 million, including an increase in inventories, after write downs, of R397 million. Other significant cash flow expenditures during the December half 2008 were investment in property, plant and equipment of R104 million, dividend payments of R76 million and the purchase of 3.9 million IFL shares amounting to R20 million. The net cash balance, after short term borrowings and including restricted cash amount to R526 million at 31 December 2008.

DIVIDENDS

The Board of Directors resolved not to declare an interim dividend for the half-year ended 31 December 2008.

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 2008.

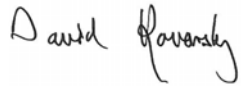
ROUNDING

The amounts contained in the half-year financial report have been rounded to the nearest R1,000 (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.



David Kovarsky
Chief Executive Officer
South Africa,
23 February 2009

Auditor independence declaration



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

In relation to our review of the financial report of International Ferro Metals Limited for the half-year ended 31 December 2008, 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
23 February 2009

Consolidated Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Notes	CONSOLIDATED	
		31 Dec 2008	31 Dec 2007
		R'000	R'000
Sales revenue		526,057	367,525
Cost of goods sold		(456,560)	(349,595)
Gross profit		69,497	17,930
Other income / expenses			
Administrative and other expenses	3	(196,343)	(46,899)
Share-based payment plans	4	43,924	(2,510)
Foreign exchange gains		49,543	10,751
Gains on mark-to-market of derivatives		-	6,615
Net loss before interest and tax		(33,379)	(14,113)
Finance income		27,215	30,334
Finance costs		(20,645)	(40,079)
Net loss before tax		(26,809)	(23,858)
Deferred tax		31,698	-
Current tax expense		(1,638)	-
Net profit/(loss) after tax for the period		3,251	(23,858)
Attributable to:			
Minority interest		(864)	(1,117)
Members of the parent		4,115	(22,741)
		3,251	(23,858)
Earnings per share (cents per share)	5		
- basic earning/(loss) per share		0.81	(4.54)
- diluted earning/(loss) per share		0.81	(4.54)

Consolidated Statement of Recognised Income and Expense

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	CONSOLIDATED	
	31 Dec 2008	31 Dec 2007
	R'000	R'000
Profit/(loss) for the period	3,251	(23,858)
Total recognised income and expense for the period	3,251	(23,858)
Attributable to:		
Minority interest	(864)	(1,117)
Equity holders of the parent	4,115	(22,741)
	3,251	(23,858)

Consolidated Balance Sheet

AS AT 31 DECEMBER 2008

	Notes	CONSOLIDATED	
		31 Dec 2008 R'000	30 June 2008 R'000
Current assets			
Cash and cash equivalents		703,823	972,190
Trade and other receivables		174,602	462,919
Prepayments		12,783	13,382
Inventories	6	506,736	109,752
Total current assets		1,397,944	1,558,243
Non-current assets			
Property, plant & equipment		1,736,467	1,672,281
Other financial assets		3,250	1,750
Other non-current assets	7	23,965	23,875
Total non-current assets		1,763,682	1,697,906
Total assets		3,161,626	3,256,149
Current liabilities			
Trade and other payables		128,858	204,009
Provisions		15,137	100,852
Interest-bearing loans and borrowings	8	209,808	9,140
Total current liabilities		353,803	314,001
Non-current liabilities			
Deferred tax liability		18,905	50,602
Provisions		22,592	27,184
Interest-bearing loans and borrowings	8	85,954	92,716
Total non-current liabilities		127,451	170,502
Total liabilities		481,254	484,503
Net assets		2,680,372	2,771,646
Shareholders' equity			
Contributed equity	9	2,814,380	2,834,412
Share-based payment reserve		8,272	6,617
Accumulated losses	10	(150,069)	(78,036)
Parent entity interests		2,672,583	2,762,993
Minority interests		7,789	8,653
Total shareholders' equity		2,680,372	2,771,646

Consolidated Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	CONSOLIDATED	
		31 Dec 2008 R'000	31 Dec 2007 R'000
Cash flows from operating activities			
Receipts from customers		805,706	297,205
Payments and advances to suppliers and employees (inclusive of goods and services tax)		(1,109,570)	(479,241)
Phantom options exercised and paid		-	(14,434)
Interest paid		(17,534)	(39,764)
Net cash flows utilized in operating activities		(321,398)	(236,234)
Cash flows from investing activities			
Payments for property, plant & equipment		(103,785)	(33,538)
Interest received		27,215	30,334
Net cash flows utilized in investing activities		(76,570)	(3,204)
Cash flows from financing activities			
Proceeds from issues of shares		-	1,196,207
Proceeds from issue of options		-	17,366
Proceeds from borrowings		200,000	50,800
Receipts from release of restricted cash		-	139,861
Repayment of borrowings		(6,094)	(826,076)
Payment of share issue costs		-	(51,679)
Payment of share buyback		(20,032)	-
Equity dividends paid	11	(76,148)	-
Net cash flows from financing activities		97,726	526,479
Net (decrease)/increase in cash held		(300,242)	287,041
Cash at the beginning of the financial period		972,190	43,929
Effects of exchange rate changes on cash		31,875	10,751
Cash and cash equivalents at the end of the period		703,823	341,721

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. CORPORATE INFORMATION

The financial report of International Ferro Metals Limited (the Company) for the half year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 19 February 2009.

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 Reporting Standards (IFRS).

The half-year financial report should be read in conjunction with the Annual Report of International Ferro Metals Limited as at 30 June 2008.

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 2008 and up to the issue date of this report, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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 (R'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 IFRS, 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 estimates.

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.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

(b) Basis of accounting (continued)

No Australian Accounting Standards or International Financial Reporting Standard 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

The accounting policies applied by the Group in this Financial Report are the same as those applied by the Group in the consolidated Financial Report for the year ended 30 June 2008.

(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 interest 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. ADMINISTRATIVE AND OTHER EXPENSES

	CONSOLIDATED	
	31 Dec 2008	31 Dec 2007
	R'000	R'000
Write down of ferrochrome & raw material inventories	79,622	-
Unabsorbed fixed costs due to plant shutdown	33,831	-
Other administrative expenses	82,890	46,899
	196,343	46,899

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

4. SHARE-BASED PAYMENT PLANS

The fair value of the share options is estimated as at the date of grant using a Binomial model taking into account the terms and conditions upon which the options were granted.

	2008
Expected volatility (%)	74.76%
Risk-free interest rate range (%)	1.04% - 3.08%
Option exercise price (Pence)	£0.16
Expected dividend yield range	0%-6.3%
Exercise multiple	4
Cap price	£1.00

Phantom Share Option Plan

As at 30 June 2008 the total number of phantom share options (“Options”) issued was 8,076,735, with an amortised liability value of R44.8 million. On 30 December 2008 the Board decided to cancel all existing Options and equity share options held by current officers and employees (amounting to 6,028,401 Options and 1,000,000 equity share options) and issue a new tranche of Options. Under the new issue, 17,083,000 Options have been granted at an exercise price of £0.16 being the 30 trading day weighted average share price on the London Stock Exchange prior to the grant date. These Options have an amortised liability of R0.037 million, resulting in a reversal to profit and loss of R44.8 million. The Options have a term of five years vesting in three equal and annual tranches, commencing 30 December 2009, and the maximum benefit will be capped by a reference share price of £1.00.

Equity-settled options

As at 30 June 2008, one million options were on issue to Mr Kovarsky to subscribe for shares in IFM within a three-year period up until 31 December 2010. These options were cancelled by the Board on 30 December 2008. As a result of the accelerated amortisation of the fair value of the options, R1 million has been recorded in profit and loss.

5. EARNINGS PER SHARE

	CONSOLIDATED	
	31 Dec 2008	31 Dec 2007
	R'000	R'000
Basic earnings/(loss) per share (cents per share)	0.81	(4.54)
Diluted earnings/(loss) per share (cents per share)	0.81	(4.54)
Earnings used in calculating basic earnings per share (R'000)	4,115	(22,741)
Weighted number of ordinary shares on issue in calculation of basic earnings per share	505,858,898	500,527,386
Number of potential ordinary shares that are not dilutive and not used in calculation of diluted earnings per share	-	4,806,346

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

6. INVENTORIES

	CONSOLIDATED	
	31 Dec 2008	30 June 2008
	R'000	R'000
Consumable stock at cost	14,290	6,895
Ore stock at cost	151,168	68,959
Raw materials at net realisable value (30 June 2008: at cost)	65,883	22,114
Finished product at net realisable value (30 June 2008: at cost)	275,395	11,784
	506,736	109,752

7. OTHER NON-CURRENT ASSETS

	CONSOLIDATED	
	31 Dec 2008	30 June 2008
	R'000	R'000
Restricted cash (a)	23,018	22,942
Deposits	947	933
	23,965	23,875

(a) Restricted cash represents cash set aside for bank guarantees provided by Standard Bank to the Department of Trade and Industry, Eskom and contractors.

8. INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	31 Dec 2008	30 June 2008
	R'000	R'000
Current		
Working capital debt (a)	200,000	-
Short-term-portion of finance lease liability (b)	9,808	9,140
	209,808	9,140
Non-current		
Other loans	-	2,115
Long-term portion of finance lease liability (b)	85,954	90,601
	85,954	92,716

(a) On 26 September 2008 the company entered into a loan facility agreement with the Bank of China for an amount of R267 million. The draw down facility is limited to the Rand equivalent balance of the EURO deposit held by International Ferro Metals Limited (Holding Company). The loan is secured by a cession and pledge by the Holding Company supported by a deposit of €18.9 million for the granting of the above facilities to its subsidiary International Ferro Metals (SA) Pty Limited. Interest is charged at the South African Prime rates. The term of the facility is for twelve months.

(b) The weighted average effective interest rate on finance leases is 12%.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

9. CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2008 R'000	30 June 2008 R'000
Movement in ordinary shares on issue		
Opening balance	2,834,412	1,607,075
Issue of ordinary shares	-	1,196,208
Exercise of options	-	85,860
Share placement costs	-	(54,731)
Share buy-back (a)	(19,853)	-
Transaction costs (a)	(179)	-
Closing balance	2,814,380	2,834,412
	Shares	Shares
Opening balance	507,562,680	428,161,896
Issue of ordinary shares	-	71,000,000
Exercise of options	-	8,400,784
Share buy-back (a)	(3,919,000)	-
Closing balance	503,643,680	507,562,680

- (a) On 30 September 2008, the Company announced an on-market share buy-back programme. As at the date of this report, International Ferro Metals Limited has purchased 3,919,000 ordinary shares through this programme, all of which had voting rights and had been duly cancelled. As a result, the Company's issued share capital has been reduced to 503,643,680. Transaction costs relate to commissions paid on the ordinary shares re-purchased.

10. ACCUMULATED LOSSES

	CONSOLIDATED	
	31 Dec 2008 R'000	30 June 2008 R'000
Opening balance	(78,036)	(651,215)
After tax profit attributable to the equity holders of the parent during the period/year	4,115	573,179
Dividends (note 4)	(76,148)	-
Closing balance	(150,069)	(78,036)

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

11. DIVIDENDS

	CONSOLIDATED	
	31 Dec 2008	31 Dec 2007
	R'000	R'000

Dividends declared and paid during the half year on ordinary shares:

Final unfranked dividend for the financial year ended 30

June 2008: 1 pence, paid 3 November 2008	76,148	-
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12. 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.

13. CAPITAL COMMITMENTS

The only changes to the commitments disclosed in the most recent annual financial report are:

The Board of IFM has resolved to defer all major capital expenditure except for capital committed relating to the maintenance and upgrade of the furnaces and IFM's Co-generation project. The Company is using the plant shutdown period to undertake maintenance of the plant and upgrade certain elements aimed at enhancing operational performance once production is resumed.

The total capital commitment amounts to R167 million, of which approx. R100 million is expected to be settled in this financial year. Furthermore, IFM is currently considering mining capital expenditure in relation to the continued development of its Lesedi mine.

14. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities outstanding or recorded at 31 December 2008.

15. EVENTS AFTER THE BALANCE SHEET DATE

The following events occurred subsequent to the balance date:

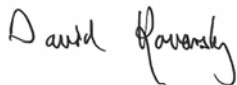
On 19 February 2009, the Board resolved to cancel 6,970,432 phantom options issued to employees.

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 2008 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



David Kovarsky
Chief Executive Officer
South Africa
23 February 2009



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Independent auditor's report to the members of International Ferro Metals Limited

Report on the Half-Year 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 2008 and the income statement, statement of recognised income and expense and cash flow statement for the half-year 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 Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the 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 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 Interim and Other Financial Reports 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 2008 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.

Liability limited by a scheme approved
under Professional Standards Legislation



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 is included in the Directors' 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 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 2008 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*.

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
23 February 2009