



**INTERNATIONAL  
FERRO METALS**

## **Operations Update H1 FY09**



**23 February 2009**

**Tony Grey  
David Kovarsky**



[www.ifml.com](http://www.ifml.com)

## DISCLAIMER

International Ferro Metals Limited and each of its respective directors, officers and agents believe that the information contained in this presentation is correct and that any estimates, opinions or conclusions contained in this presentation are reasonably held or made as at the time of compilation. However, no warranty is made as to the accuracy or reliability of any estimates, opinions, conclusions or other information contained in this document. International Ferro Metals and its directors, officers and agents disclaims all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from this presentation. This presentation is for the intended recipient. No part of this document may be reproduced without the permission of International Ferro Metals Limited.

## CONTENTS

- Ferrochrome Market – Update
- Operations
  - Interim Financial Results
  - Cost Control & Capital Commitments
  - General Comment
- Summary / Outlook
- Appendix

# 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 in Jan 2009 (c. 20% of global production) and is dropping (Metal Bulletin Jan 2009)
- Sharp drop in ferrochrome spot prices
  - Decline in demand – Japan, Europe & USA softer than China
  - Cost of production and delivery is reducing
- Producer response
  - 72% of world ferrochrome production idle (CRU Feb 2009)

## Ferrochrome Market Update (continued)



- Continuing consumption of ferrochrome and low production rates are lowering inventories
- Current estimates imply that ferrochrome market should experience a deficit of 644,000 tonnes in 2009, reducing inventory stocks from 22.1 weeks to 8.1 weeks of consumption by year end (CRU Feb 2009)

# Interim Financial Results for the half year to 31 December 2008



<b>Summary P&amp;L</b>	<b>Six months to 31 December 2008 (ZAR'000)</b>	<b>Six months to 31 December 2007 (ZAR'000)</b>	<b>Six months to 30 June 2008 (ZAR'000)</b>	<b>% Change between six months to 31 Dec 2008 &amp; six months to 30 June 2008</b>
<b>Sales revenue</b>	526,057	367,525	1,551,871	(66%)
<b>Cost of goods sold</b>	(456,560)	(349,595)	(841,331)	(46%)
<b>Gross profit</b>	69,497	17,930	710,540	(90%)
<b>Net (loss) / profit before tax</b>	(26,809)	(23,858)	654,217	(104%)
<b>Net profit / (loss) after tax</b>	3,251	(23,858)	602,040	(99%)
<b>Production volumes (tonnes)</b>	90,759	93,317	112,290	(19%)
<b>Sales volumes (tonnes)</b>	49,435	61,866	145,996	(66%)

- Reduced revenues reflect the sharp reduction in ferrochrome demand, with resultant low prices, over the last quarter of calendar 2008
- Operating costs were limited by powering down the furnaces in November 2008 and focussing on selling the inventory

## Interim Financial Results for the half year to 31 December 2008



- Net cash, adjusted for short term borrowings , and including restricted cash, was ZAR526m at 31 December 2008
- Net current assets at 31 December 2008 ZAR1044m

## Operations: cost control & capital commitments



- Mining contracts terminated
- Major capital projects suspended (with the exception of maintenance and plant upgrade and co-gen spend)
- Coke purchases suspended
- Ongoing fixed costs reduced
- Estimated monthly running costs ZAR35m
- Upgrade includes:
  - Expansion of feed bins to provide greater input flexibility
  - Redesign of feed chutes to reduce maintenance
  - Modification to pressure rings to allow increased electricity input into furnaces
  - Total cost R100m
  - On track to complete by end of March 2009

## General Comment



- Price renegotiations on outstanding shipments finalised
- Outstanding receivables should be collected by mid-March 2009
- Inventory levels reduced to 33,338 tonnes by 31 January 2009
- Furnace maintenance and upgrade on track to be completed by end March 2009, four weeks required to ramp up to full production
- Focus on preservation of cash resources

## Summary / Outlook



- Strong balance sheet
  - ZAR526m net cash and no debt
- World class ferrochrome facility
  - Upgrading plant efficiencies, able to restart rapidly
- Cost control
  - Capex deferred, fixed costs reduced, mining contracts terminated, coke purchases suspended
- Sales
  - Sales continue to Jisco and Cometals
  - World wide ferrochrome inventories reducing
  - Global ferrochrome inventories could reduce to 8 weeks by end 2009 from 22 weeks (Source: CRU, February 2009)

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

# Appendix



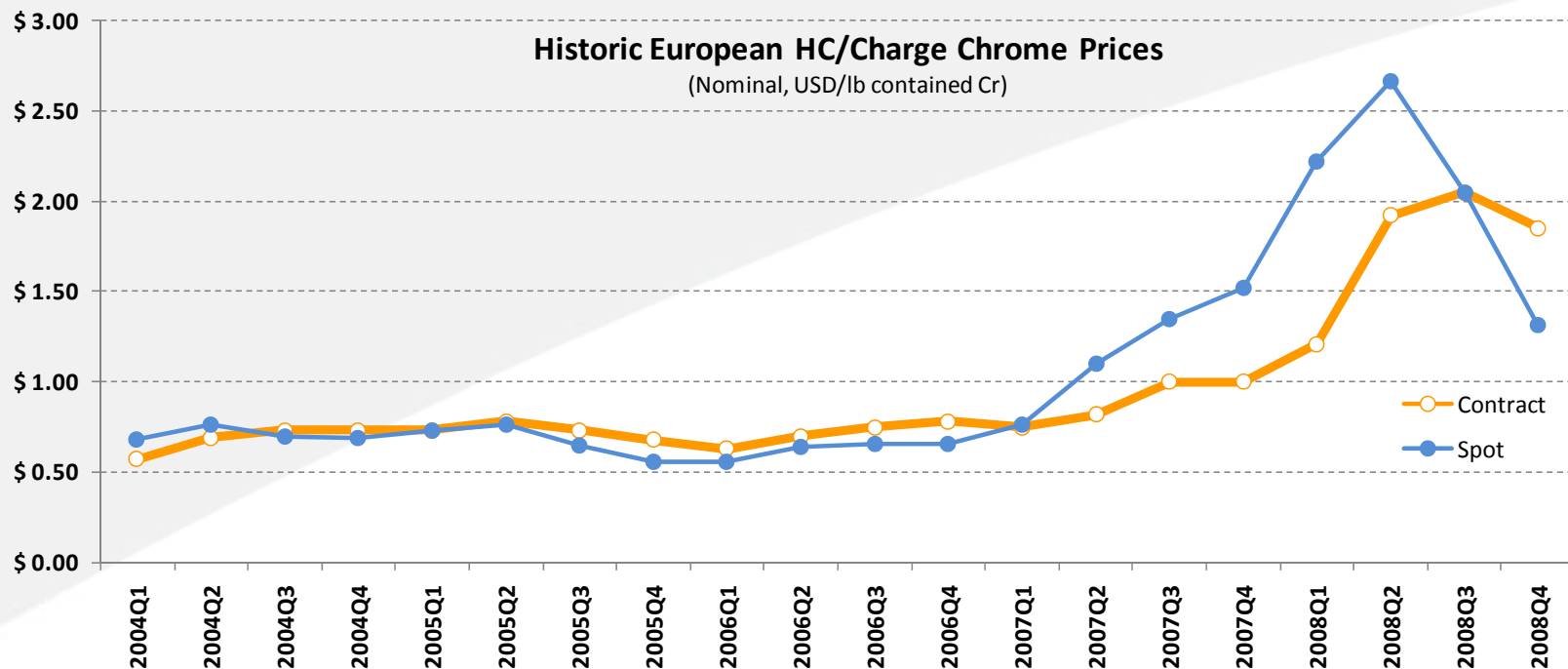
- Ferrochrome prices from 2004 to 2008
- World stainless steel production from 2005 to 2010f
- Ferrochrome plant shutdowns
- Ferrochrome production, by country
- Ferrochrome cost of production, by country
- Ferrochrome total cost (delivered), by country
- IFL's offtake agreements

# 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.

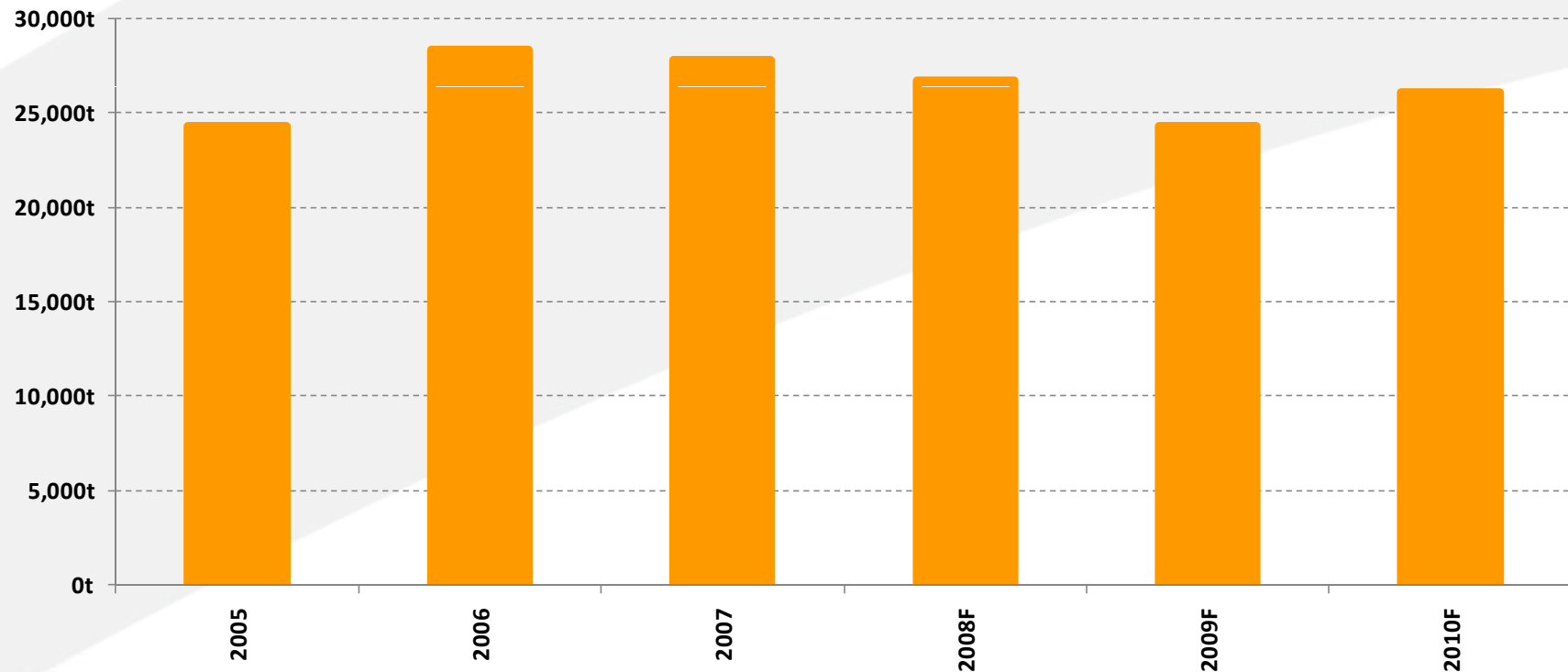


Source: CRU

# 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



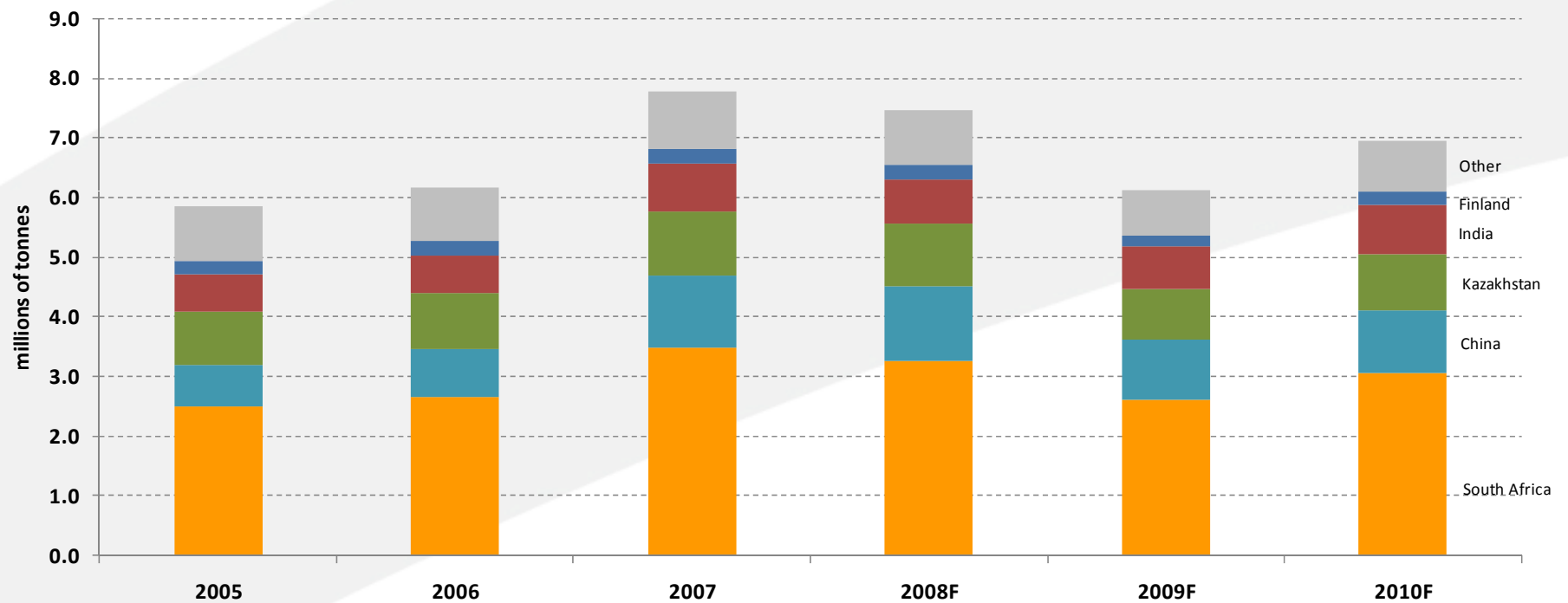
- Ferrochrome industry has reacted swiftly in reducing production
- 73% of global capacity has been shut down since October 2008

## 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>

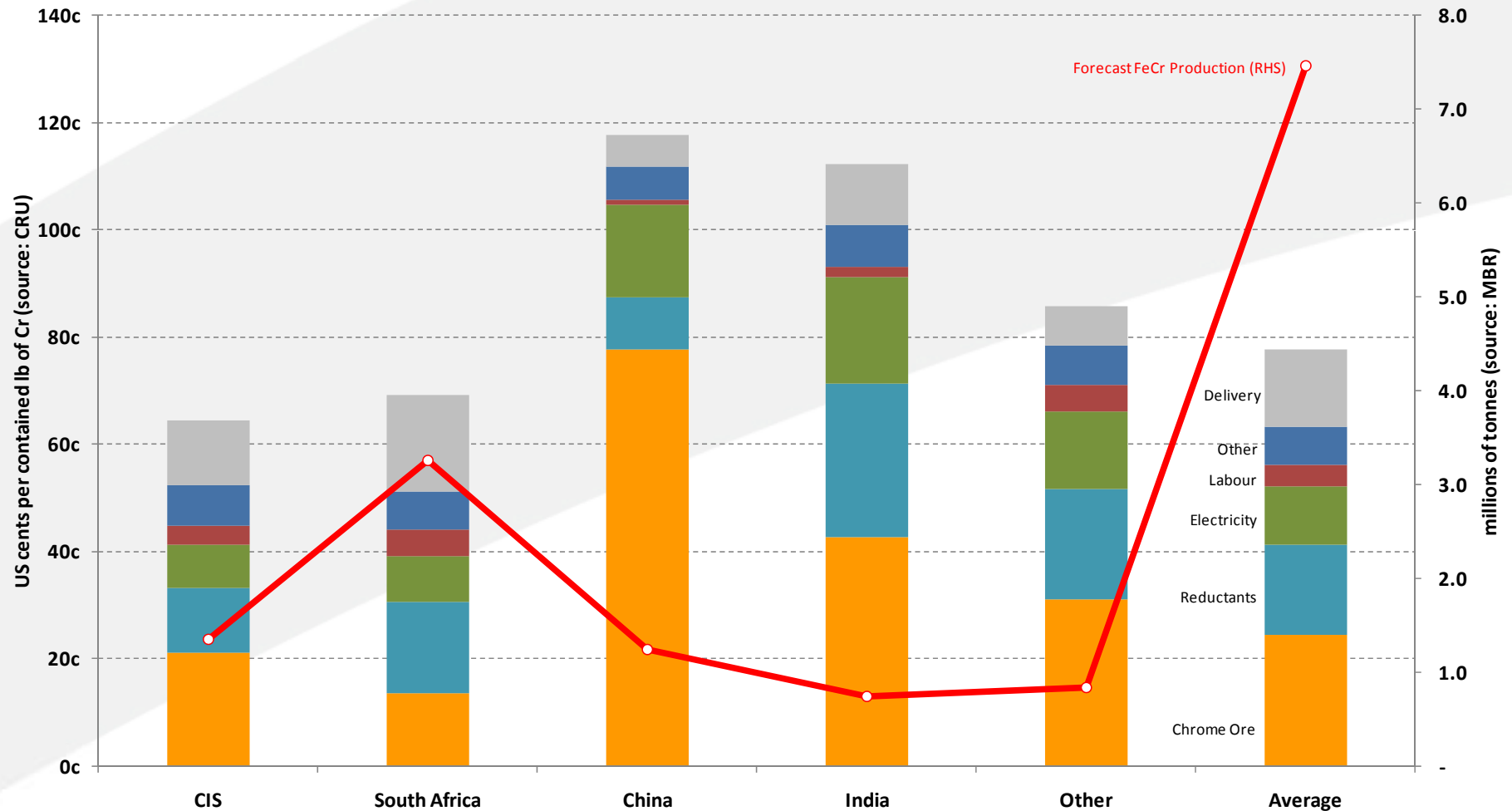
Source: IFL, CRU, Metal Bulletin estimates

# Ferrochrome production, by country



Source: Metal Bulletin Research

# Ferrochrome cost of production, by country, 2008

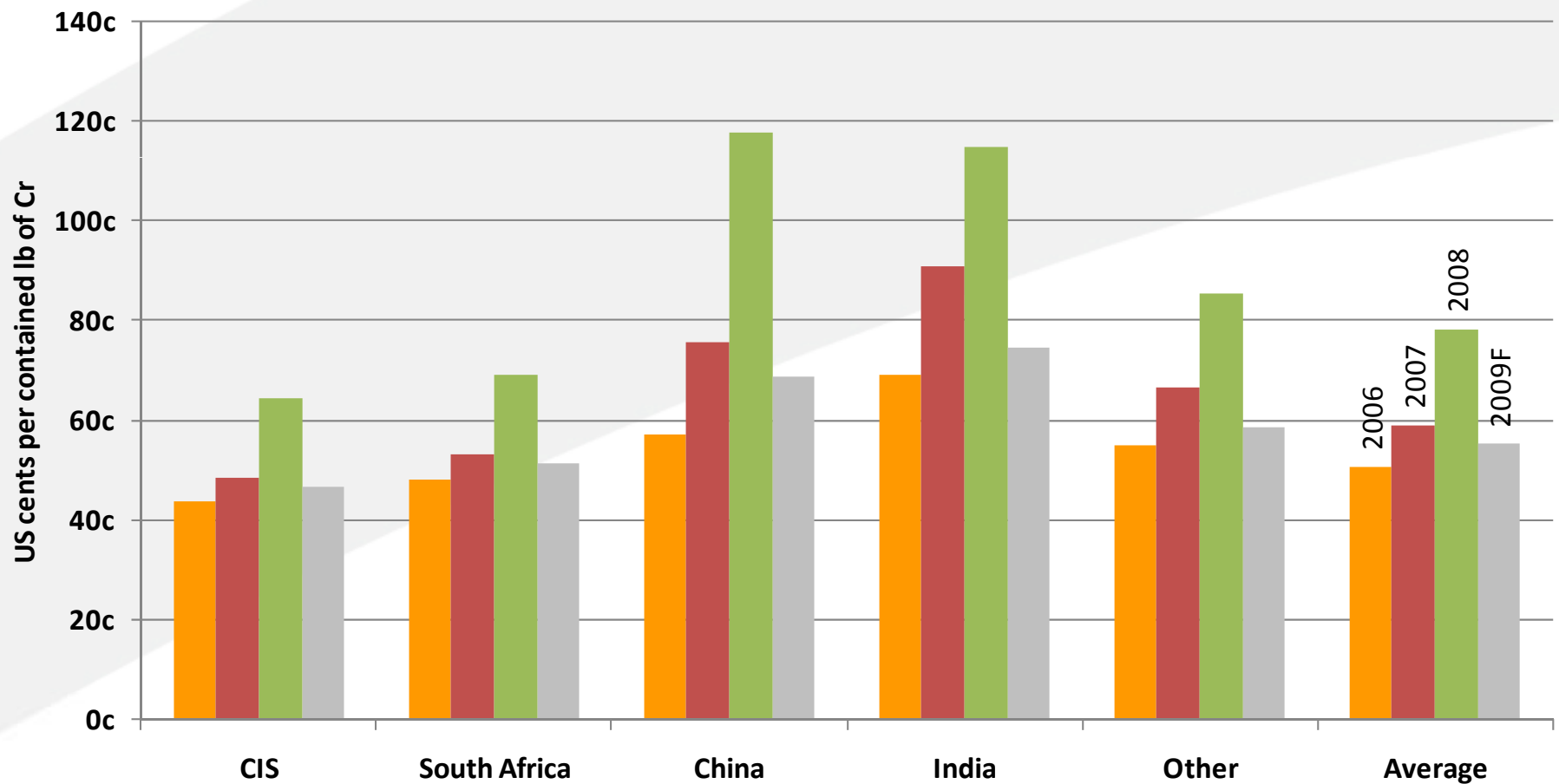


Source: CRU

# 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