



**INTERNATIONAL
FERRO METALS**

Interim Management Statement and Production Report Q1 2009



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**David Kovarsky
Stephen Turner
Jannie Muller**



www.ifml.com

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CONTENTS

- Executive Summary
- Ferrochrome Market
- Production Update
- Financial Update
- BEE transaction
- Outlook

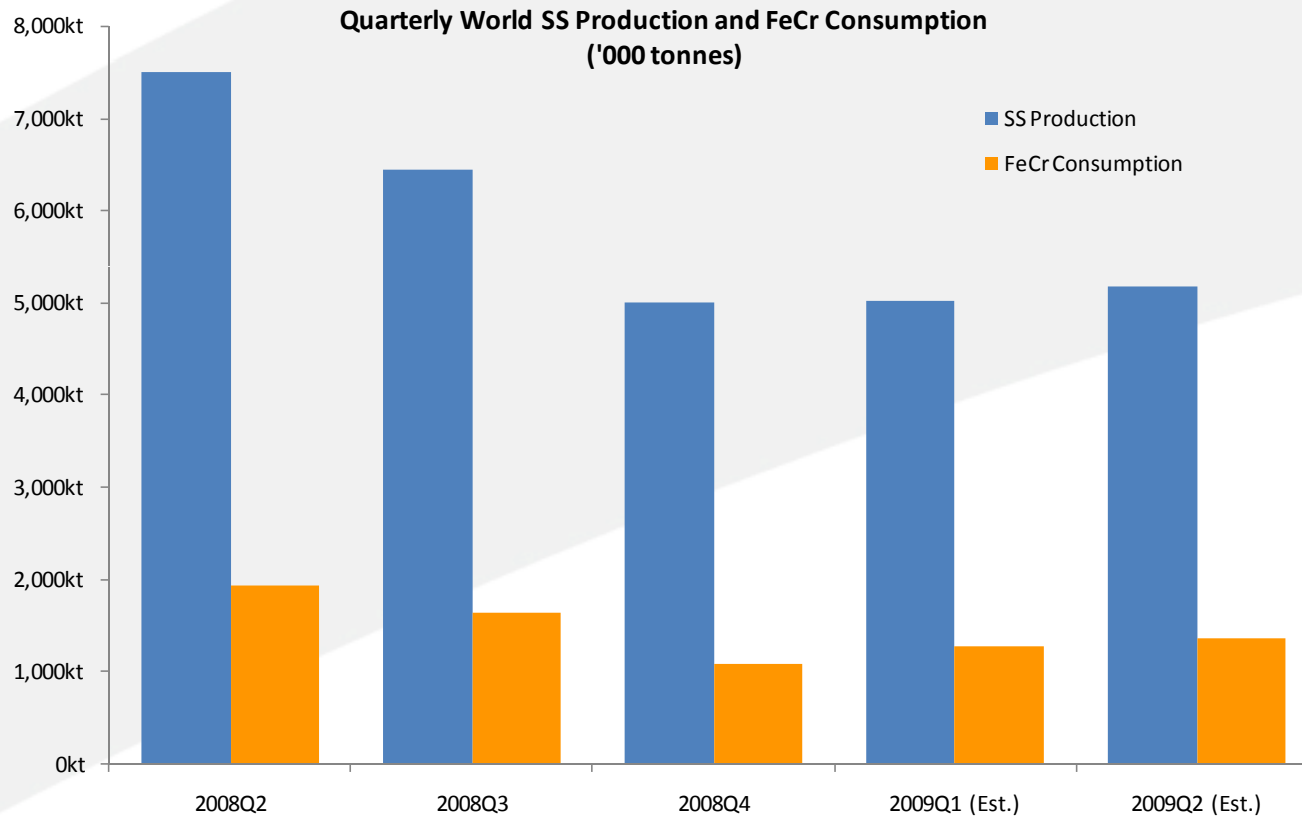
Executive Summary



IFL is well positioned for a recovery in FeCr demand

- Capital management -
 - Healthy cash balance, no debt
 - Ongoing cost cutting
 - Monetising inventory
- Ready for the recovery -
 - Furnace maintenance & upgrade complete
 - Restarted 1st furnace on 20 April 2009

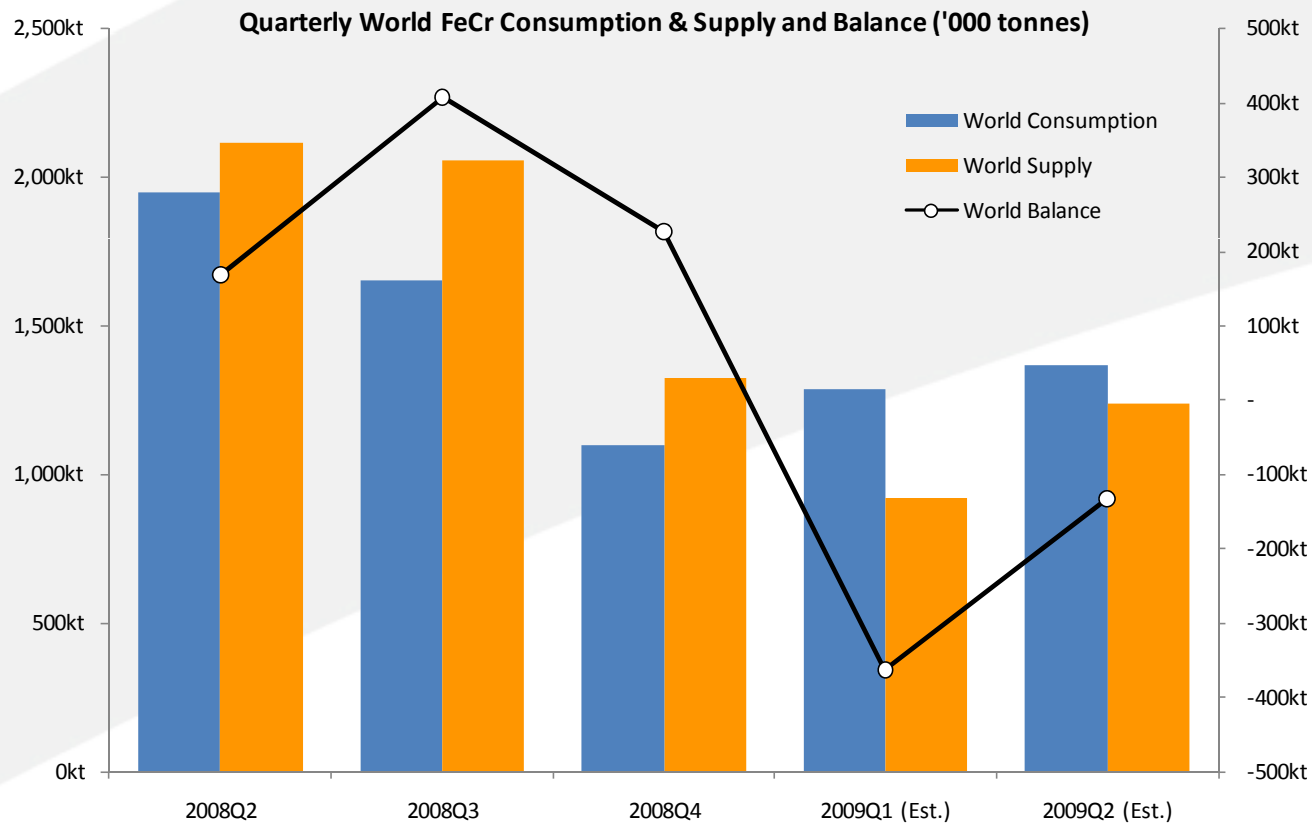
Signs of bottoming out, demand weak



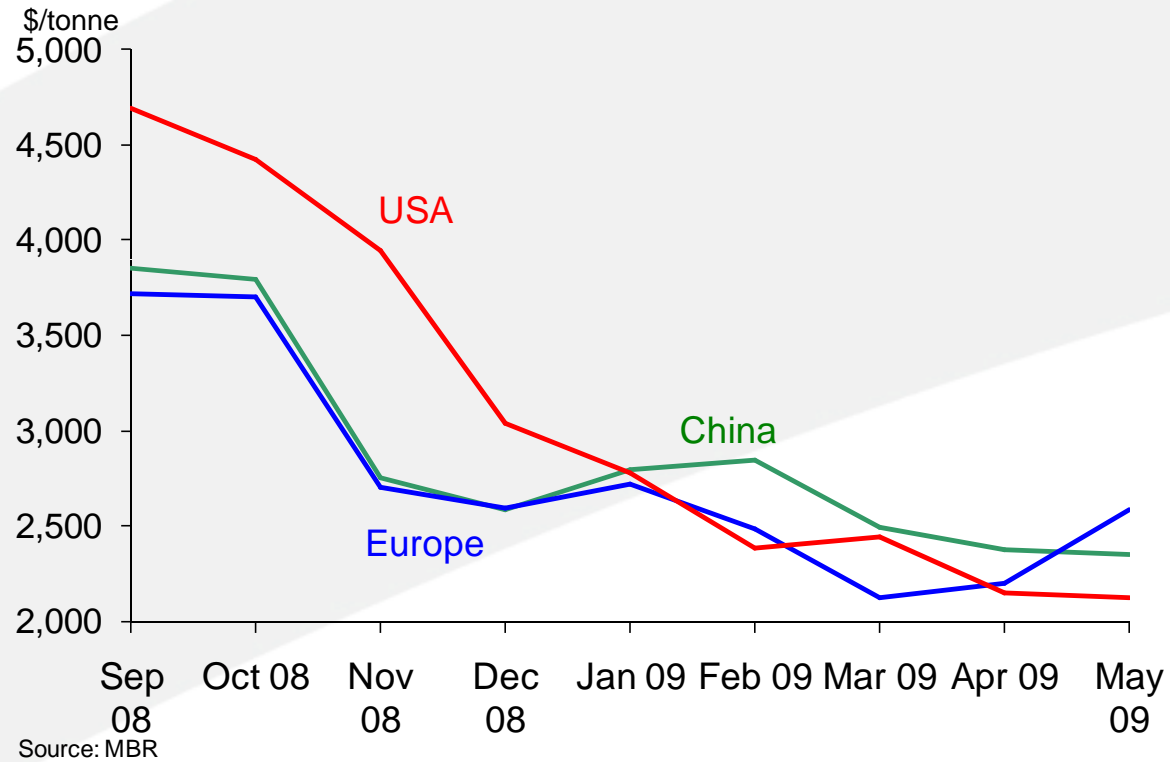
Source: CRU Analysis (May 2009)

Global production remains constrained, with some positive impact on pricing

Low demand offset by lower global production

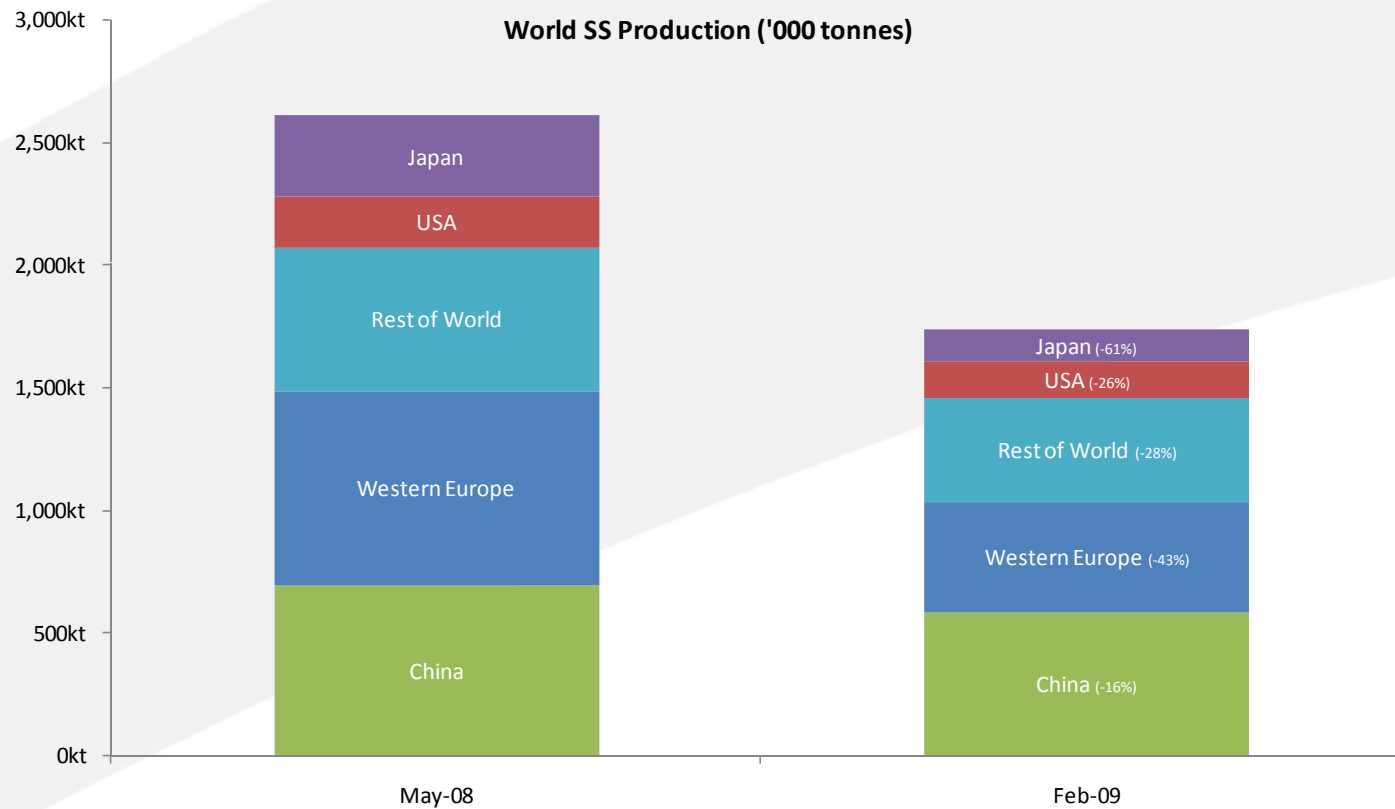


Stainless Steel Price



MBR sees full price recovery in 2010

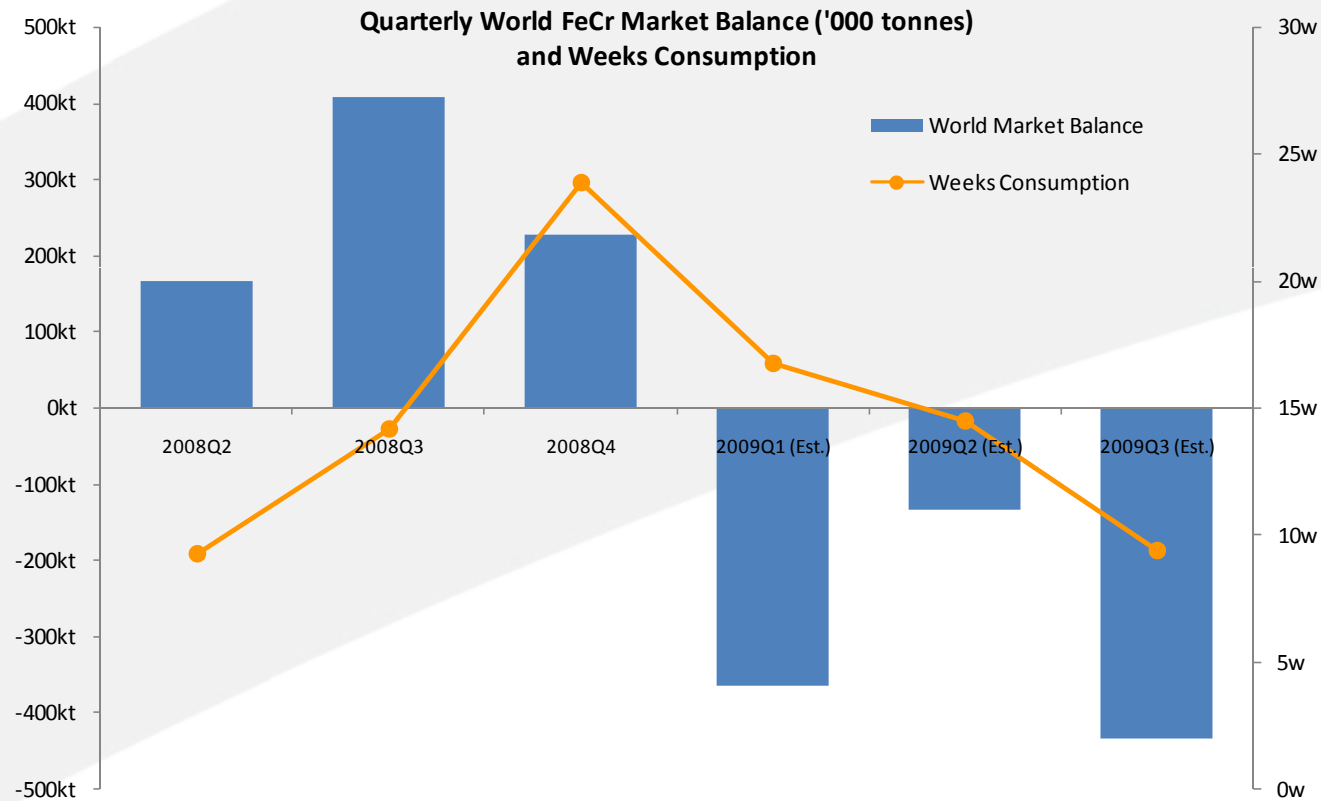
World Stainless Steel Production



Source: CRU Analysis (May 2009)

Very low ferrochrome demand persists as steelmakers continue to suffer from the global economic fallout

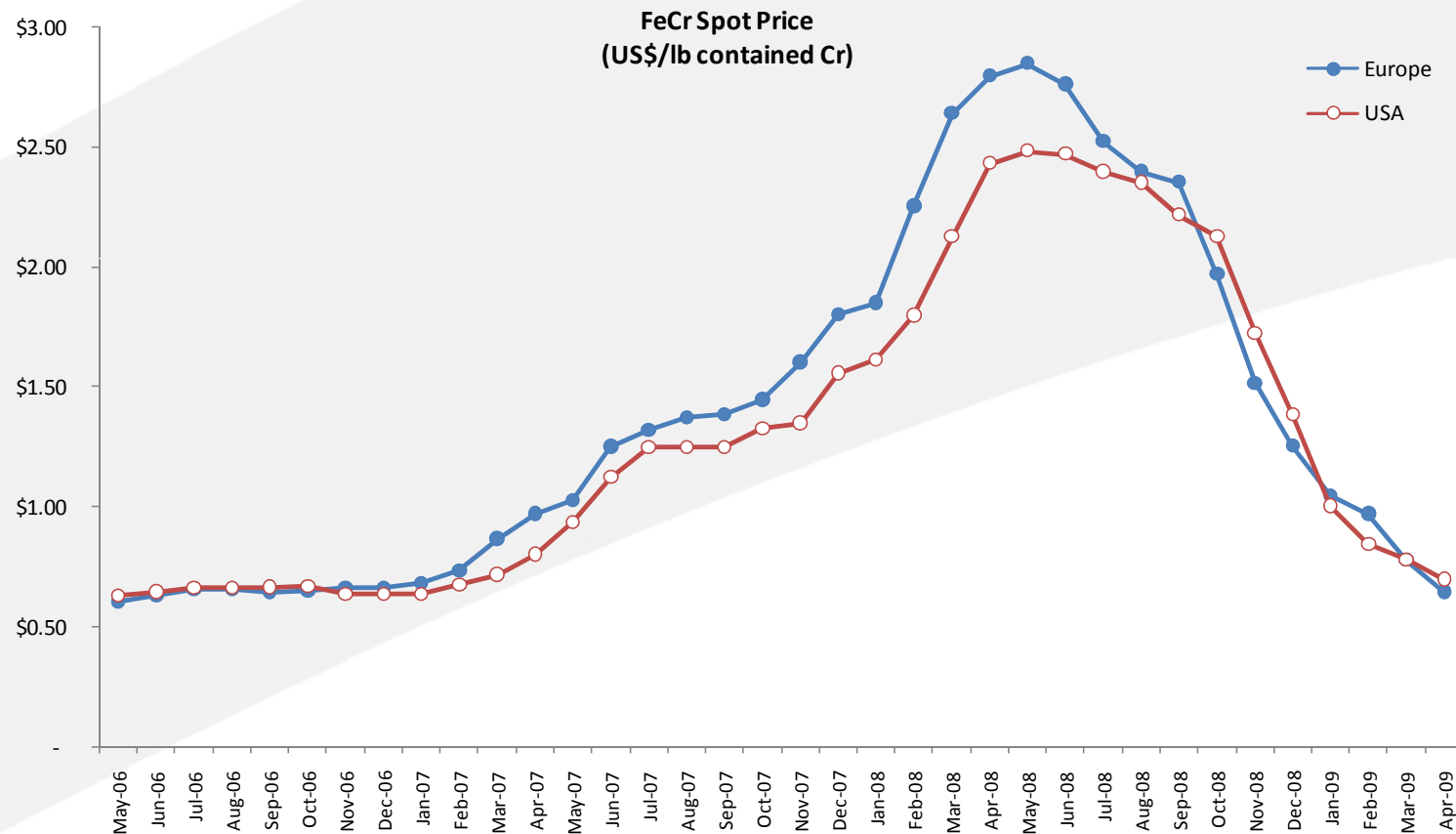
Ferrochrome Inventories Falling



Source: CRU Analysis (May 2009)

CRU reports ferrochrome inventories have fallen from over 23 weeks of consumption at end Dec 2008 to just under 15 weeks at end March 2009
10 weeks is considered to be the optimal FeCr inventory level for efficient stainless steel production

Lower FeCr prices



Source: Metal Bulletin (May 2009)

Lower contract prices in current quarter – prices down to \$0.69/lb from \$0.79/lb
Prices yet to firm to a point that justifies production beyond July 2009

Production update



- Ferrochrome production for the quarter of 1,168 tonnes from metal recovery plant
- Metal recovery plant planned to resume operation in Q3 after operational efficiencies completed
- Approx 1,500 tonnes of ferrochrome yet to be recovered from slag
- One furnace restarted 20 April 2009 to monetise inventories and contribute towards fixed overheads by converting inventory, comprising mainly chrome ore and coke, to ferrochrome
- Maintenance and furnace upgrades completed on time and on budget
- All operating efficiencies met, smooth restart with high availabilities.

Financial Update



- Focus on capital management; monetising inventory and reducing costs
- Sales volumes for the March 2009 quarter were 10,484 tonnes compared to 21,410 tonnes. Sales efforts into Chinese market intensifying
- Co-generation plant capex delayed. When complete, project will produce 10% + more power at low cost
- Further savings expected to be realised in Q3 2009 as the previously announced redundancies and 10% cut in salaries take effect

Financial Update – cash balance



- Cash balance of ZAR510m as at 31 March 2009 (31 December 2008: ZAR504m)
- Cash balance of ZAR370m as at 19 May 2009 - reduction in cash position since 31 March 2009 due to:

Forex losses on Euros held due to strengthening of ZAR	- ZAR44m
Payment to capex suppliers (furnace refurbishment)	- ZAR60m
Fixed overheads and start up of furnace	- ZAR30m

Black Economic Empowerment Transaction



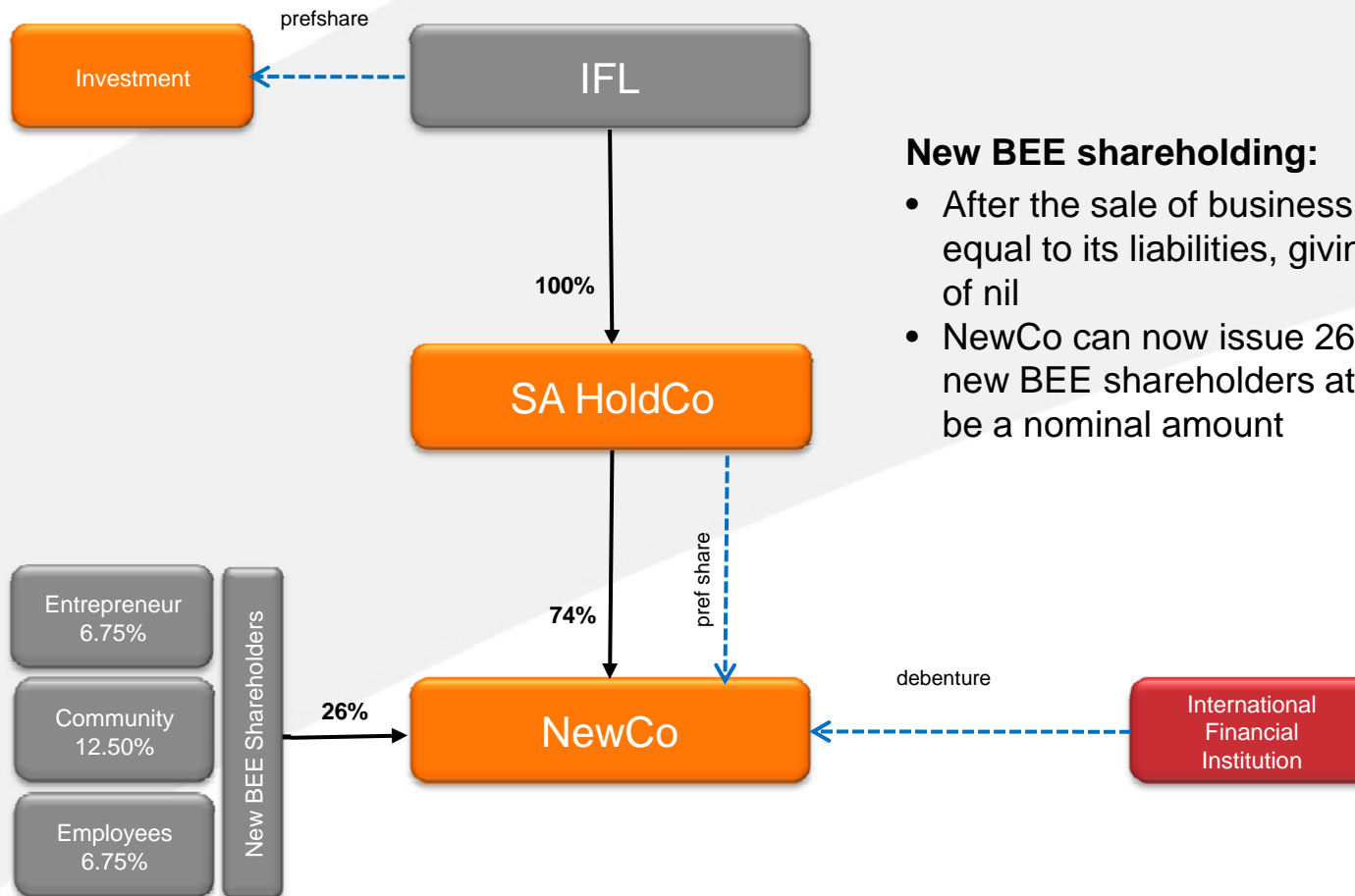
- Proposed Black Economic Empowerment transaction submitted to the Department of Minerals and Energy (DME)
- Awaiting DME approval of New Order Mining Rights
- Transaction effective 2 months after DME conversion of IFL mining rights to New Order Rights
- Once approved, transaction brings immediate 26% BEE compliance as per DME requirement
- Mining Charter requires 15% BEE shareholding by 30 April 2009 and 26% by 30 April 2014. DTI Codes (February 2007) require broad based empowerment
- After restructuring, NewCo's assets equal its liabilities and 26% holding issued to BEE shareholders

BEE Transaction - Benefits



- In line with government need for Broad-Based BEE (employees, entrepreneur and communities)
- Sustainable - BEE shareholders are not financially encumbered
- Reduced dilutionary effects as business is sold at fair value
- Optimal BEE points
- Flexibility in financing structure (preference share/debenture mix)

BEE Transaction – New BEE shareholder structure



New BEE shareholding:

- After the sale of business NewCo's assets are equal to its liabilities, giving it a net asset value of nil
- NewCo can now issue 26% of its shares to the new BEE shareholders at fair value, which will be a nominal amount

Outlook

- Focussed on capital management -
 - healthy cash balance
 - ongoing cost control
 - monetising inventory
- Ready for market recovery –
 - upgrades and maintenance complete
 - full production ramp-up possible within 4 weeks from commencement
- However, timing of recovery unclear -
 - will review prices and demand at end of current programme

IPL has taken decisive action and is positioned for eventual recovery
in FeCr demand