



**HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2009**

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 six months ended 31 December 2009. 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 statements.

Directors

A J Grey
S J Turner
D C Kovarsky
X Yang
T V Willsteed
S D Oke
T Xia

Company Secretary

W J Kernaghan

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Bankers

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Brokers

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London, United Kingdom, EC4M 7LT

Auditors

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

Directors' Report

Your directors submit their report for the half-year ended 31 December 2009.

DIRECTORS

The names of the Company's directors in office during the six months ended 31 December 2009 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
Xiaoping Yang	Non-executive Director	12 October 2005
Terence Willstead	Non-executive Director	12 October 2005
Ian Watson	Non-executive Director	Resigned 12 November 2009
Stephen Oke	Non-executive Director	16 November 2005
Tian Xia	Non-executive Director	16 November 2005

REVIEW AND RESULTS OF OPERATIONS

During November 2008 the Company turned off both its furnaces due to the sharp and sudden collapse in ferrochrome demand. In April 2009 one furnace was restarted to convert raw materials to finished product. The market began to show some improvement and the furnace was kept in production after the raw materials conversion campaign ended.

A recovery in ferrochrome market conditions in the second half of 2009 led to the start up of the second furnace, increased sales and significantly improved results from the previous six months. The results however remained markedly below levels reached in the six months to 31 December 2008 ("the comparative period") during which record ferrochrome prices were achieved. The Company reported a loss before tax of R144.8 million for the six months ended 31 December 2009 ("the period") against a loss of R429 million in the previous six months and a loss of R26.8 million for the comparative period.

The average European ferrochrome benchmark price for the period of US\$0.96/lb was US\$0.99 lower than the US\$1.95/lb average price for the comparative period but US\$0.20 higher than the previous six months.

While ferrochrome production increased by only 4% (to 95kt) from the comparative period, sales volumes increased by 43% to 71kt. The more than halving of ferrochrome prices and the strengthening Rand however resulted in sales revenue decreasing by 14% to R452 million from the comparative period but increased by 77% from the previous six months.

Production costs in Rand terms were in line with budget and significantly lower than in the comparative period during which coke prices reached record levels however this was partially offset by the increase in electricity prices. The production cost per pound for the period was US\$0.80/lb at an average exchange rate of R7.63/\$ compared with the Company's forecast made in September 2009 of US\$0.72/lb at R8.25/\$ which equates to US\$0.78/lb at R7.63/\$.

Administration and other expenses decreased from R196 million in the comparative period to R67 million. This was primarily due to a reduction in both inventory write-downs and unabsorbed fixed costs and the Company's continued focus on controlling costs.

The Company has been rebuilding its ferrochrome inventory from the low levels at the end of June 2009 of 9,362 tonnes to 32,504 tonnes at the end of December 2009, in order to take advantage of the expected increases in ferrochrome and electricity prices.

REVIEW AND RESULTS OF OPERATIONS (continued)

In July 2009 the Company secured a R500 million three year irrevocable working capital facility from Bank of China of which R200 million was drawn down as at 31 December 2009. On 3 August 2009 the Company raised R284 million, before expenses, through a share placement. The net cash balance at 31 December 2009 was R248 million against a net cash balance of R340 million at 30 June 2009. The R248 million cash is calculated as R395 million cash on balance sheet plus R52 million cash guarantees for the co-generation plant, less the R200 million drawn on the working capital facility.

Operating activities utilised R274 million cash during the period of which R244 million relates to increased inventories of ferrochrome and raw materials. Capital expenditure for the period was R61 million and the budget for the remainder of the financial year is R304 million which includes R187 million for the electricity co-generation plant and R58 million for mine development.

EBITDA loss for the period increased to a loss of R102 million from a loss of R2 million for the comparative period, however decreased significantly from a loss of R394 million for the previous six months. The positive tax charge of R40 million to the income statement is a deferred tax credit resulting from the Company's unclaimed calculated tax losses and unredeemed capital balance available for offset against future profits. Headline earnings per share decreased from a profit of R0.01 per share for the comparative period to a loss of R0.19 per share.

DIVIDENDS

The Board of Directors resolved not to declare an interim dividend for the half-year ended 31 December 2009.

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 2009.

ROUNDING

The amounts contained in the half-year financial statements 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.

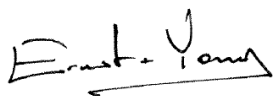
Signed in accordance with a resolution of the directors.

A handwritten signature in black ink that reads "David Kovarsky". The signature is written in a cursive style with a large initial 'D' and a long, sweeping underline.

David Kovarsky
Chief Executive Officer
South Africa,
23 February 2010

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 2009, 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.



Ernst & Young



Anton Ivanyi
Partner
23 February 2010

Consolidated Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

		CONSOLIDATED	
		31 Dec 2009 R'000	31 Dec 2008 R'000
Sales revenue		451,917	526,057
Cost of goods sold		(509,055)	(456,560)
Gross (loss) / profit		(57,138)	69,497
Other income / expenses			
Administrative and other expenses	3	(67,147)	(196,343)
Share-based payment (expense) / income		(2,848)	43,924
Foreign exchange (loss) / gains		(9,608)	49,543
Loss before interest and tax		(136,741)	(33,379)
Finance income		6,540	27,215
Finance costs		(14,641)	(20,645)
Loss before tax		(144,842)	(26,809)
Deferred tax		39,867	31,698
Current tax expense		(118)	(1,638)
(Loss) / profit after tax for the period		(105,093)	3,251
Attributable to:			
Non-controlling interests		(1,134)	(864)
Equity holders of the parent		(103,959)	4,115
		(105,093)	3,251
Earnings per share (cents per share)	4		
- basic (loss) / earnings per share		(19.08)	0.81
- diluted (loss) / earnings per share		(19.08)	0.81

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED	
	31 Dec 2009 R'000	31 Dec 2008 R'000
(Loss) / profit for the period	(105,093)	3,251
Other comprehensive income	-	-
Total comprehensive income for the period, net of tax	(105,093)	3,251
Attributable to:		
Non-controlling interests	(1,134)	(864)
Equity holders of the parent	(103,959)	4,115
	(105,093)	3,251

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED	Attributable to the equity holders of the parent					Non-Controlling Interests R'000	Total Equity R'000
	Contributed equity R'000	Accumulated losses R'000	Share based payment reserve R'000	Non-Distributable reserve R'000			
At 1 July 2008	2,834,412	(78,036)	6,617	-	8,653	2,771,646	
Profit for the period	-	4,115	-	-	(864)	3,251	
Total comprehensive income	-	4,115	-	-	(864)	3,251	
Equity Transactions:							
Cancellation of shares/share buy back	(20,032)	-	-	-	-	(20,032)	
Dividends paid	-	(76,148)	-	-	-	(76,148)	
Share based payment	-	-	1,655	-	-	1,655	
Balance at 31 December 2008	2,814,380	(150,069)	8,272	-	7,789	2,680,372	
At 1 July 2009	2,814,380	(489,313)	8,272	(6,044)	1,817	2,329,112	
(Loss) for the period	-	(103,959)	-	-	(1,134)	(105,093)	
Total comprehensive income	-	(103,959)	-	-	(1,134)	(105,093)	
Equity Transactions:							
Issue of ordinary shares	286,755	-	-	-	-	286,755	
Share placement costs	(12,895)	-	-	-	-	(12,895)	
Balance at 31 December 2009	3,088,240	(593,272)	8,272	(6,044)	683	2,497,879	

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2009

	Notes	CONSOLIDATED	
		31 Dec 2009 R'000	30 June 2009 R'000
Assets			
Current assets			
Cash and cash equivalents		395,344	340,089
Trade and other receivables		69,132	81,059
Prepayments		18,553	6,263
Inventories	5	434,619	195,820
Other current financial assets	6	52,447	-
Total current assets		970,095	623,231
Non-current assets			
Deferred tax asset	7	106,520	66,653
Financial assets		10,712	8,550
Property, plant & equipment		1,829,698	1,798,151
Intangible assets		9,882	10,062
Other non-current financial assets	6	22,490	18,234
Total non-current assets		1,979,302	1,901,650
Total assets		2,949,397	2,524,881
Equity and liabilities			
Current liabilities			
Interest-bearing loans and borrowings	8	8,959	24,988
Provisions		17,890	12,411
Trade and other payables		138,344	81,010
Total current liabilities		165,193	118,409
Non-current liabilities			
Interest-bearing loans and borrowings	8	265,308	64,053
Provisions		21,017	13,307
Total non-current liabilities		286,325	77,360
Total liabilities		451,518	195,769
Net assets		2,497,879	2,329,112
Shareholders' equity			
Contributed equity	9	3,088,240	2,814,380
Share-based payment reserve		8,272	8,272
Accumulated losses	10	(593,272)	(489,313)
Non-distributable reserve		(6,044)	(6,044)
Equity attributable to equity holders of the parent		2,497,196	2,327,295
Non-controlling interests		683	1,817
Total shareholders' equity		2,497,879	2,329,112

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED	
	31 Dec 2009	31 Dec 2008
	R'000	R'000
Cash flows from operating activities		
Receipts from customers	464,033	805,706
Payments and advances to suppliers and employees (inclusive of goods and services tax)	(724,030)	(1,109,570)
Phantom options exercised and paid	(427)	-
Interest paid	(13,530)	(17,534)
Net cash flows utilised in operating activities	(273,954)	(321,398)
Cash flows from investing activities		
Payments for property, plant & equipment	(60,772)	(103,785)
Restricted cash payments	(58,157)	-
Interest received	6,540	27,215
Net cash flows utilised in investing activities	(112,389)	(76,570)
Cash flows from financing activities		
Proceeds from issues of shares	286,755	-
Proceeds from borrowings	200,000	200,000
Repayment of borrowings	(21,797)	(6,094)
Payment of share issue costs	(12,895)	-
Payment of share buyback	-	(20,032)
Equity dividends paid	11	(76,148)
Net cash flows from financing activities	452,063	97,726
Net increase / (decrease) in cash held	65,720	(300,242)
Cash at the beginning of the financial period	340,089	972,190
Effects of exchange rate changes on cash	(10,465)	31,875
Cash and cash equivalents at the end of the period	395,344	703,823

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. CORPORATE INFORMATION

The financial statements of International Ferro Metals Limited (the Company) for the half year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 23 February 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are a general-purpose financial report, which have been prepared in accordance with AASB 134 “*Interim Financial Reporting*”, the Corporations Act 2001, IAS 34 “*Interim Financial Reporting*” and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis, except for certain financial assets and liabilities which have been measured at fair value. The principal accounting policies used by the Company comply with International Financial Reporting Standards (IFRS).

These half-year financial statements do 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. These half-year financial statements should be read in conjunction with the Annual Report of International Ferro Metals Limited as at 30 June 2009.

It is also recommended that the half-year financial statements be considered together with any public announcements made by International Ferro Metals Limited and its controlled entities during the half-year ended 31 December 2009 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 except for the adoption of new and revised Accounting Standards listed under (c).

(b) Basis of accounting

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

These financial statements are 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.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

(b) Basis of accounting (continued)

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.

(c) Significant accounting policies

The accounting policies applied by the Group in these financial statements are the same as those applied by the Group in the consolidated financial statements for the year ended 30 June 2009, except for the adoption of the following new and revised Accounting Standards.

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in these financial statements on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in these financial statements include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reporting that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, consolidated financial information is reported on a monthly basis via board packs and information packs. The data reported consists of a condensed consolidated income statement, balance sheet and cash flow. The formats of these are similar to those presented in the financial statements.

(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 Income Statement and Statement of Financial Position respectively.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

(d) Basis of consolidation (continued)

Where control of an entity is obtained during a financial period, its results are included in the consolidated Income Statement 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 2009	31 Dec 2008
	R'000	R'000
Write down of ferrochrome & raw material inventories to net realisable values	19,216	79,622
Unabsorbed fixed costs due to plant shutdown	2,577	33,831
Other administrative expenses	45,354	82,890
	67,147	196,343

4. EARNINGS PER SHARE

	CONSOLIDATED	
	31 Dec 2009	31 Dec 2008
	R'000	R'000
Basic (loss) / earning per share (cents per share)	(19.08)	0.81
Diluted (loss) / earning per share (cents per share)	(19.08)	0.81
Earnings used in calculating basic earnings per share (R'000)	(103,959)	4,115
Weighted average number of ordinary shares used in the calculation of basic (loss) / earnings per share	544,925,948	505,858,898
Weighted average number of ordinary shares used in the calculation of diluted (loss) / earnings per share	544,925,948	505,858,898

5. INVENTORIES

	CONSOLIDATED	
	31 Dec 2009	30 June 2009
	R'000	R'000
Consumable stock at cost (June 2009: net realisable value)	21,684	17,019
Ore stock at cost (June 2009: net realisable value)	144,167	112,800
Raw materials at net realisable value	75,538	23,113
Finished product at net realisable value	193,230	42,888
	434,619	195,820

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

6. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	31 Dec 2009	30 June 2009
	R'000	R'000
Current financial assets		
Restricted cash (a)	52,447	-
	52,447	-
Non-current financial assets		
Restricted cash (a)	21,320	17,100
Deposits	1,170	1,134
	22,490	18,234

(a) Restricted cash represents cash set aside for bank guarantees provided by Standard Bank and Bank of China to the Department of Trade and Industry as well as to certain suppliers.

7. DEFERRED TAX ASSET

The Group has recognised a deferred tax asset as it is considered probable that it will be recovered through future taxable profits.

8. INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	31 Dec 2009	30 June 2009
	R'000	R'000
Current liability		
Short-term portion of finance lease liability (b)	8,959	24,988
Non-current		
Working capital debt (a)	200,000	-
Long-term portion of finance lease liability (b)	62,265	64,722
Debt establishment costs	(1,742)	(5,313)
Other loans (c)	4,785	4,644
	265,308	64,053

(a) On 29 June 2009 the Group entered into a 36 month working capital facility agreement with the Bank of China for an amount of R500 million. The initial drawdown on 7 August 2009 of R80 million was split into two currencies, USD6.1 million (R48 million) and R32 million. The facility interest is charged at USD:LIBOR plus 1.5% on the USD portion of the loan while the Rand portion of the loan is charged at JIBAR plus 1.9%. Forward cover, for the USD portion of the transaction, was taken out with the first draw down having matured on the 7 December 2009. A second draw down of R200 million was made on 30 November 2009 and this was used to settle the initial draw down of R80 million on 7 December 2009 and to further fund working capital. The parent Company, IFML, guarantees the facility on behalf of International Ferro Metals (SA) (Pty) Limited ("IFMSA"). Certain assets of IFMSA have been pledged as collateral for the loan facility. Undrawn loan facilities at 31 December 2009, excluding debtors discounting facilities, amounted to R300 million.

(b) The weighted average effective interest rate on finance leases is 9.75%.

(c) Other loans constitute the 20% tribal participation of funding provided to Sky Chrome by IFM. The loan is interest free and payable before earnings distributions are made.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

9. CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2009 R'000	30 June 2009 R'000
Movement in ordinary shares on issue		
Opening balance	2,814,380	2,834,412
Issue of ordinary shares (a)	286,755	-
Share placement costs	(12,895)	-
Share buy-back	-	(19,853)
Transaction costs	-	(179)
Closing balance	3,088,240	2,814,380
	Shares	Shares
Opening balance	503,643,680	507,562,680
Issue of ordinary shares (a)	50,364,367	-
Share buy-back	-	(3,919,000)
Closing balance	554,008,047	503,643,680

- (a) On 3 August 2009 IFM raised GBP22.2 million (R284 million) (before expenses) through the placing of 50,364,367 new ordinary shares with certain existing shareholders including Jiuquan Iron & Steel Group Company Ltd and new institutional investors at 44 pence per share.

10. ACCUMULATED LOSSES

	CONSOLIDATED	
	31 Dec 2008 R'000	30 June 2009 R'000
Opening balance	(489,313)	(78,036)
Dividend payments	-	(76,148)
Loss on fair value of investment	-	64
Cancellation of shares	-	(1,418)
After tax loss attributable to the owners of the parent	(103,959)	(333,775)
Closing balance	(593,272)	(489,313)

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

11. DIVIDENDS

	CONSOLIDATED	
	31 Dec 2009	31 Dec 2008
	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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The Board of Directors resolved not to declare an interim dividend for the period ending 31 December 2009.

12. SEGMENT INFORMATION

The Group operates predominantly in one business segment, being the mining and processing of chromite in South Africa and sale of ferrochrome. There are no material differences between the financial information presented to the chief operating decision maker and the financial information presented in this report.

13. CAPITAL COMMITMENTS

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

Capital commitments contracted for have increased from R89 million to R126 million. The remaining approved budget for the financial year is R304 million which includes R187 million for the electricity co-generation plant and R58 million for mine development.

14. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities outstanding or recorded at 31 December 2009.

15. EVENTS AFTER THE END OF REPORTING PERIOD

The following events occurred subsequent to the reporting period:

- (a) An additional drawdown on the Bank of China working capital facility of R100 million was made on 14 January 2010 to fund working capital requirements.
- (b) On 17 February 2010, the Company entered into an agreement with Rustenburg Platinum Mines Limited ("RPM") a subsidiary of Anglo Platinum Limited whereby IFM will pay for the construction of a chrome re-treatment plant ("CRP") to treat the tailings arising from RPM's UG2 concentrator situated at their Waterval section. The CRP's primary objective will be to extract chromite from the tailings. The CRP will be constructed and commissioned by an EPCM Contractor and owned, maintained and operated by RPM. The cost is estimated at between ZAR115 million and ZAR150 million.

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 2009 and of its 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 2010

To the members of International Ferro Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying 31 December 2009 financial report of International Ferro Metals Limited, which comprises the statement of financial position as at 31 December 2009, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 period.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with 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 half-year 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 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of International Ferro Metals Limited and the entities it controlled during the 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.

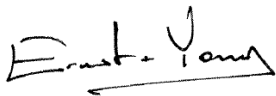
Independence

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 follows 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 half-year 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 2009 and of its performance for the six months ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'A. Ivanyi'.

Anton Ivanyi
Partner
Sydney
23 February 2010