

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICA OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL. THIS ANNOUNCEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE OF SECURITIES REFERRED TO HEREIN IN THE UNITED STATES, CANADA, SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, REPUBLIC OF IRELAND, JAPAN OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL PRIOR TO REGISTRATION, EXEMPTION FROM REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.



3 August 2009

**International Ferro Metals Limited**  
**("IFL" or the "Company")**

**PLACING OF NEW ORDINARY SHARES**

IFL announces that it has raised £22.2 million (ZAR284 million) (before expenses) through the placing by Numis Securities Limited ("**Numis Securities**") of 50,364,367 new ordinary shares (the "**Placing Shares**") with certain existing shareholders including Jiuquan Iron & Steel Group Company Ltd ("**JISCO**") and new institutional investors at 44 pence per share (the "**Placing**").

**Highlights**

- £22.2 million raised (before expenses)
- 50,364,367 new ordinary shares representing 9.99% of the total number of existing shares placed at 44 pence per share
- New equity issued to certain existing shareholders (including JISCO) and new institutional investors
- Proceeds will be used principally to fund investment in the Clean Development Mechanism ("CDM") compliant electricity co-generation plant (the "**Plant**" or "**Project**")
- The Plant is expected to generate an average of about 13.7 MW, being c.11% of IFL's overall electricity requirements, thereby reducing costs
- The Plant will displace c.144,000 tonnes of carbon dioxide equivalent per annum
- Possible annual Certified Emission Reductions ("**CER**" or "**Carbon Credit**") income of approximately EUR1.4 million per annum at current prices

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICA OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL. THIS ANNOUNCEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE OF SECURITIES REFERRED TO HEREIN IN THE UNITED STATES, CANADA, SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, REPUBLIC OF IRELAND, JAPAN OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL PRIOR TO REGISTRATION, EXEMPTION FROM REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

- The Plant will allow IFL to achieve 100% production capacity (up from the Eskom constrained 90%) using proven technology

David Kovarsky, Chief Executive of International Ferro Metals commented “We are delighted to announce a share placing across a broad base of new and existing shareholders. The success of the placing illustrates support for the Company, the ferrochrome market and the proposed co-generation project. By investing in the co-generation facility, IFL will achieve a significant reduction in carbon dioxide emissions. The plant will produce c.11% of overall power requirements and allow for re-instatement of the 10% ferrochrome production capacity lost as a result of Eskom’s restrictions, thus allowing us to take advantage of strong demand from the Chinese market.”

#### **Expanding to take advantage of sustainable increased demand**

The Plant was conceived in January 2007 as a CDM project under the framework provided by the Kyoto Protocol. The dramatic tariff increases by Eskom, electricity supply shortages and potential Carbon Credit revenue make the Project economically viable and suitable for immediate implementation. AAP Carbon Limited has been appointed as the Owners’ Engineer and Carbon Asset Manager for the Project.

Based on market information and its strong customer relationships, the Board of IFL believes the increase in demand for ferrochrome over recent months marks the conclusion of, or close to the conclusion of, the ferrochrome destocking cycle. Ferrochrome inventories reduced from 24.3 weeks in December 2008 to 8 weeks in June 2009 (source: CRU July 2009). Stainless steel plant utilisation rates are also rising with European utilisation towards 60% compared to sub-50% previously. Korean utilisation rates have also risen sharply and Chinese and Taiwanese rates are close to capacity. In addition, Q3 European benchmark ferrochrome prices have increased from US\$0.69 to \$0.89 per lb of contained ferrochrome.

The Directors believe that the current increase in both prices and demand are sustainable. The Company has recently conducted an intensive marketing campaign in China and believes demand is sufficient to justify increasing production capacity to 100% (267ktpa) from the current 90% capacity, which power supply constraints have necessitated.

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICA OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL. THIS ANNOUNCEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE OF SECURITIES REFERRED TO HEREIN IN THE UNITED STATES, CANADA, SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, REPUBLIC OF IRELAND, JAPAN OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL PRIOR TO REGISTRATION, EXEMPTION FROM REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

The Project has four key benefits:

- Firstly, the Plant will displace c.144,000 tonnes of carbon dioxide equivalent, reducing IFL's environmental impact.
- Secondly, it will allow the Company to monetise the displaced carbon dioxide and earn CERs for 10 years, which are expected to generate an income of c. EUR1.4 million in the first full year of operation (based on current CER pricing) and contribute towards a reduction in IFL's electricity costs.
- Thirdly, by generating c.11% of overall electricity requirements it is expected to reduce IFL's electricity costs by around 10%. Eskom's per unit cost has increased by 69% since April 2007 and further above-inflation increases are expected.
- Finally, it will allow the Company to achieve 100% production capacity of 267ktpa by providing the power currently limited by Eskom's restrictions.

Construction of the Plant is expected to cost approximately ZAR255 million. It will use a proven technology manufactured by General Electric Jenbacher and is expected to take about 13 months to install and commission. The Plant is expected to be commissioned in September 2010 and ramp-up is expected to take one month. Once completed, production capacity will be able to be restored from the current power-supply constrained level of 240ktpa to full capacity of 267ktpa. The proceeds of the Placing will be used to pay the outstanding costs of the Plant, contribute to working capital, and to strengthen further the Company's balance sheet.

### **The Placing**

IFL has raised £22.2 million (ZAR280.2 million) (before expenses) through the placing by Numis Securities of the Placing Shares, with certain existing shareholders (including JISCO) and new institutional investors at 44 pence per Placing Share. The Placing was underwritten by Numis Securities (other than in respect of those Placing Shares subscribed for by JISCO).

As part of the Placing, the Company has issued and allocated 14,602,356 Placing Shares (the "**JISCO Subscription Shares**") to JISCO pursuant to a subscription agreement, at a price of 44 pence per JISCO Subscription Share (the "**JISCO Subscription**"). Following the Placing, JISCO will have an interest of 161,216,344 ordinary shares or 29.1% of the issued share capital of IFL. The Company has also issued and allocated 250,000 Placing Shares to Mineral Associated SA, an associate of Terry Willsted, a director of the Company.

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICA OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL. THIS ANNOUNCEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE OF SECURITIES REFERRED TO HEREIN IN THE UNITED STATES, CANADA, SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, REPUBLIC OF IRELAND, JAPAN OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL PRIOR TO REGISTRATION, EXEMPTION FROM REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

Following the Placing, Mineral Associated SA will have an interest of 250,000 ordinary shares or 0.02 % of the issued share capital of IFL.

IFL's issued share capital following the issue of the Placing Shares will be 554,008,047 ordinary shares.

Application will be made for the Placing Shares to be admitted to trading on the Official List of the UK Listing Authority and to the London Stock Exchange's Main Market for listed securities. Dealings in the Placing Shares are expected to commence at 8.00 a.m. on 3 August 2009.

### **Statistics**

Number of Placing Shares being issued pursuant to the Placing 50,364,367

Number of JISCO Subscription Shares 14,602,356

Number of ordinary shares in issue immediately following the Placing 554,008,047

Approximate percentage of existing issued ordinary share capital subject to the Placing 9.99%

Approximate percentage of existing issued ordinary share capital to be held by JISCO following the Placing 29.1%

Estimated gross proceeds receivable by the Company pursuant to the Placing £22.2 million

### **General**

Numis Securities, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as broker to the Company in connection with the Placing and other matters referred to in this announcement and will not be responsible to any person other than the Company for providing the protections afforded to customers of Numis Securities, or for advising any such person on the contents of this Announcement or any other transaction, arrangement or matter referred to herein.

This Announcement does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for securities in the United States, Canada, New Zealand, the Republic of Ireland, Australia, the Republic of South Africa or Japan or any jurisdiction in which such offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company or Numis Securities and should not be relied upon in connection with any decision to acquire ordinary shares or any other IFL securities.

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICA OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL. THIS ANNOUNCEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE OF SECURITIES REFERRED TO HEREIN IN THE UNITED STATES, CANADA, SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, REPUBLIC OF IRELAND, JAPAN OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL PRIOR TO REGISTRATION, EXEMPTION FROM REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

The information contained in this Announcement is not for release, publication or distribution, directly or indirectly, to persons in the United States. Neither this announcement nor any copy of it may be: (i) taken or transmitted into the United States; (ii) distributed, directly or indirectly, in the United States or to any US Person (within the meaning of regulations made under the Securities Act; (iii) taken or transmitted into or distributed in Canada, the Republic of Ireland, New Zealand, Australia, the Republic of South Africa or Japan or to an resident thereof for the purpose of solicitation or subscription or offer for sale of any securities or in the context where the distribution thereof may be construed as such a solicitation or offer. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any such jurisdiction.

The ordinary shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) (the "Securities Act") or under the securities laws, or with any securities regulatory authority, of any state or other jurisdiction of the United States or of any province or territory of Canada, Republic of Ireland, New Zealand, Australia, the Republic of South Africa or Japan. Accordingly, unless an exemption under any applicable law is available, the ordinary shares may not be directly or indirectly offered, sold, taken up or delivered, in, into or from the United States, Canada, New Zealand, Australia, the Republic of South Africa or Japan or to or for the account or benefit of any national, resident or citizen of the United States or any person resident in Canada, Australia, New Zealand, the Republic of Ireland, the Republic of South Africa or Japan.

The distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe any applicable requirements. Any failure to comply with these requirements may constitute a violation of the securities laws or other laws of any such jurisdiction. This announcement has been prepared for the purposes of complying with English law and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside England.

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICA OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL. THIS ANNOUNCEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE OF SECURITIES REFERRED TO HEREIN IN THE UNITED STATES, CANADA, SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, REPUBLIC OF IRELAND, JAPAN OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL PRIOR TO REGISTRATION, EXEMPTION FROM REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

## **APPENDIX I**

### **RISK FACTORS**

#### **RISK FACTORS**

*Any investment in IFL and its subsidiaries ("Group") is subject to a number of risks. Some of the following factors relate principally to the Group's business and the sector in which it operates. Other factors relate principally to an investment in ordinary shares in the Company ("Ordinary Shares"). The risks and uncertainties described below are not intended to be exhaustive and are not the only ones facing the Group. Additional risks and uncertainties not currently known to the Group, or that the Group currently deems immaterial, may also have a material adverse effect on the Group's business, financial condition and results of operations. If this occurs, the price of the Ordinary Shares may decline and shareholders could lose all or part of their investment. Investors should consider carefully whether an investment in Ordinary Share is suitable for them in light of the information in this document and their personal circumstances*

#### **Risks specific to the Group's operations**

The successful completion of the Plant depends on the following key matters: the timely delivery of the necessary engines, parts and materials; agreeing contracts for construction on appropriate terms; the obtaining of necessary permits and rights to enable construction of the Plant; the sourcing of suitable equipment and labour in an economic manner and the Company's reliance on contractors. Problems arising with any of these elements may prevent the Group from successfully completing the planned Plant.

Any weakening of the Group's relationship with Jenbacher could adversely affect the construction of the Plant.

Increases in the price of electricity are widely anticipated. Any increase in the price of electricity, which is a major element of the Group's cost structure and which is subject to a range of different factors, could have a negative impact on the Group's future profitability.

Interruptions in the electricity supply to the Group's operations may adversely affect the Group's business due to the downtime to the furnaces that they cause. An inadequate supply of water, which has been a problem at certain occasions in the past, may negatively impact production.

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICA OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL. THIS ANNOUNCEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE OF SECURITIES REFERRED TO HEREIN IN THE UNITED STATES, CANADA, SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, REPUBLIC OF IRELAND, JAPAN OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL PRIOR TO REGISTRATION, EXEMPTION FROM REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

The failure to retain or recruit key senior personnel of the appropriate calibre would adversely affect the Group's business due to the Group's dependence on the experience and expertise of such senior employees.

The failure to retain or recruit sufficient skilled labour from the local populace may cause a loss in productivity to the Group's operations.

The Group's operations may be adversely affected by labour disputes or changes in South African labour laws.

The proceeds of placing are in GBP while the Group's revenue is US\$ denominated while expenditure is generally in EUR & ZAR. All of these currencies are subject to fluctuation and this may have a negative impact on the Group's financial position.

The Kyoto Protocol is due to terminate at the end of 2012 and may not be superceded by a similar agreement. This would negatively impact on the Group's ability to generate revenue from CERs.

Any disruption or weakening in the Group's current key business relationships, particularly with JISCO and CMC Cometals, could have a negative impact on the Group's ability to carry on its business.

### **Risks specific to the Group's South African location**

South African land and mineral rights could be subject to land claims, which could impose significant costs and burdens on the Group. In addition, some uncertainty exists in relation to the legislation surrounding South African Black Economic Empowerment mining transactions, which could have a negative impact on the Group's ability to procure new order mining rights.

Changes to legislation including that governing royalties and taxes could negatively impact the Group's financial position.

If the outstanding land claim relating to the farm Buffelsfontein 465 JQ is successful, the Group may have to mediate and potentially pay compensation.

There is no assurance that future political and economic conditions in South Africa will be conducive to the development of natural resources by foreign financial investors.

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICA OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL. THIS ANNOUNCEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE OF SECURITIES REFERRED TO HEREIN IN THE UNITED STATES, CANADA, SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, REPUBLIC OF IRELAND, JAPAN OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL PRIOR TO REGISTRATION, EXEMPTION FROM REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

HIV/AIDS is perceived as a serious threat to maintaining a skilled workforce from the local populace.

### **Risks specific to the Group's industry**

Fluctuations in the price of ferrochrome and other materials, which can occur through many different factors, may adversely impact the Group's business.

The Group's business operations are subject to risks and hazards inherent in the mining industry, which could adversely effect, among other things, the development of the decline facilities at the Lesedi property, production quantities and rates, and various costs and expenditures.

There can be no guarantee that an identified reserve or resource will become or continue to qualify as a commercially mineable and exploitable deposit.

Legal proceedings may arise from time to time in the course of the Company's business. There can be no guarantee that the Group will be successful in any litigation or that it will be able to negotiate an acceptable settlement.

The Company's insurance may not provide adequate cover in certain unforeseen circumstances, and insurance against certain risks (including certain liabilities for environmental pollution or other hazards as a result of exploration and production) is not generally available.

The Group is subject to environmental risks inherent in the mining industry which may materialise in the form of significant costs relating to any clean-up or rehabilitation.

Failure to comply with health and safety legislation could result in litigation which in turn could adversely affect the Group's business.

### **Risks relating to the Ordinary Shares**

There is no guarantee that JISCO's interests will be aligned to the interests of holders of Ordinary Shares.

Unforeseen economic and political events may have a negative impact on the Group's share price.

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICA OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL. THIS ANNOUNCEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE OF SECURITIES REFERRED TO HEREIN IN THE UNITED STATES, CANADA, SOUTH AFRICA, AUSTRALIA, NEW ZEALAND, REPUBLIC OF IRELAND, JAPAN OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL PRIOR TO REGISTRATION, EXEMPTION FROM REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

IFL's share price is subject to market and other forces and may consequently be volatile.

For further information please visit [www.ifml.com](http://www.ifml.com) or contact:

**International Ferro Metals Limited**

David Kovarsky, Chief Executive Officer

Mob: +27 82 650 1192

**Brunswick Group**

Patrick Handley / Carole Cable

Tel: +44 (0) 20 7404 5959

**Numis Securities Limited**

John Harrison / Stuart Skinner

Tel: +44 (0) 20 7260 1000

**About International Ferro Metals:**

International Ferro Metals produces ferrochrome, the essential ingredient in stainless steel, from its integrated chromite mine and ferrochrome processing operations in South Africa. International Ferro Metals is listed on the London Stock Exchange under the symbol IFL.

**Forward Looking Statements**

This announcement contains certain forward looking statements which by their nature, contain risk and uncertainty because they relate to future events and depend on circumstances that occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements.