

23 February 2010



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

**Interim Financial Results for the half year to 31 December 2009**

**Highlights**

Financial highlights

- Sales volumes increased to 71kt, up 35% on the June 2009 half
- Higher sales volumes but lower ferrochrome prices and a stronger Rand resulted in
  - Revenue of ZAR452m for the December 2009 half, down 14% on the December 2008 half, but up 77% on the June 2009 half
  - Loss before tax of ZAR145 million in the December 2009 half, an increase from the ZAR27 million loss in the December 2008 half but a significant improvement from the ZAR429 million loss in the June 2009 half
- Net cash balance of ZAR248 million as at 31 December 2009
- No interim dividend to be paid

Operational highlights

- Production volumes increased by 4% to 95kt
- Rand production costs in line with budget
- Second furnace started up during August 2009 and both furnaces are now operating at Eskom constrained capacity
- Ferrochrome inventory was 33kt as at 31 December 2009, reflecting management's decision to increase inventory above normal levels
- Electricity co-generation plant is on schedule and on budget for commissioning during the second half of calendar 2010

**Post period highlights**

- Innovative UG2 chrome supply contract with Anglo Platinum for 15kt per month expected to reduce costs
- Significantly improved ferrochrome market conditions

	Six months to 31 December 2009	Six months to 31 December 2008	Six months to 30 June 2009	% Change between six months to 31 December 2009 & six months to 30 June 2009
	(ZAR'000)	(ZAR'000)	(ZAR'000)	
Sales revenue	451,917	526,057	255,517	77%
Cost of goods sold	(509,055)	(456,560)	(412,417)	23%
Gross (loss) / profit	(57,138)	69,497	(156,900)	-64%
Loss before tax	(144,842)	(26,809)	(428,970)	-66%
Net (loss) / profit after tax	(105,093)	3,251	(341,830)	-69%
(Loss) / profit per share (ZAR cents)	(19.08)	0.81		
Production volumes (tonnes)	94,715	90,759	19,605	383%
Sales volumes (tonnes)	70,936	49,435	52,400	35%

David Kovarsky, Chief Executive Officer of IFL commented:

"With both our furnaces operating at full capacity for most of the half year under review, we were able to increase sales volumes by 35% albeit at a lower ferrochrome price and in a stronger Rand environment. Our Rand denominated costs have now stabilised and we are continuing to manage our inventory and look for further opportunities to increase our margins and production volumes. The announcement of our UG2 chrome supply contract with Anglo Platinum last week illustrates the innovation of the management team and our focus on finding opportunities to reduce costs. The cash on our balance sheet gives us the strength to take advantage of opportunities as they arise."

There will be a presentation to analysts of the interim results today, Tuesday 23 February 2010 at 8.30am (UK time) at 16 Lincoln's Inn Fields, London WC2A 3ED. The presentation slides and a recording of the presentation will be available on the Company's website.

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

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**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.

## Operational and Financial Review

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 volumes and significantly improved results over the previous six months. The results however remained markedly below levels reached in the six months to 31 December 2008 ("the comparative period"). The Company reported a loss before tax of ZAR144.8 million for the six months ended 31 December 2009 ("the period") against a loss of ZAR429 million in the previous six months and a loss of ZAR26.8 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 ZAR452 million from the comparative period but increasing 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, although these savings were 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 ZAR7.63/\$ compared with the Company's forecast made in September 2009 of US\$0.72/lb at ZAR8.25/\$ which equates to US\$0.78/lb at ZAR7.63/\$. The constituents of the US\$0.80/lb production costs were: ore 22.3c (28%); reductant 22.8c (29%); electricity 14.2c (18%); operating costs 5.2c (6%); fixed costs 11.0c (14%); and depreciation 4.2c (5%).

Administration and other expenses decreased from ZAR196 million in the comparative period to ZAR67 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.

In order to take advantage of the expected increases in ferrochrome and electricity prices, 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 July 2009 the Company secured a ZAR500 million three year working capital facility from Bank of China of which ZAR200 million was drawn down as at 31 December 2009. On 3 August 2009 the Company raised ZAR284 million, before expenses, through a share placement, the proceeds of which will be used principally to fund the electricity co-generation plant. The net cash balance at 31 December 2009 was ZAR248 million against a net cash balance of ZAR340 million at 30 June 2009. The ZAR248 million cash is calculated as ZAR395 million cash on balance sheet plus ZAR52 million cash guarantees for the co-generation plant, less the ZAR200 million drawn on the working capital facility.

Operating activities utilised ZAR274 million cash during the period of which ZAR244 million relates to increased inventories of ferrochrome and raw materials. Capital expenditure for the period was ZAR61 million and the budget for the remainder of the financial year is ZAR304 million which includes ZAR187 million for the electricity co-generation plant and ZAR58 million for mine development.

EBITDA loss for the period increased to a loss of ZAR102 million from a loss of ZAR2 million for the comparative period, although this represents a significant decrease from a loss of ZAR394 million for the previous six months. The positive tax charge of ZAR40 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 ZAR0.01 per share for the comparative period to a loss of ZAR0.19 per share.

### **Stainless Steel and Ferrochrome Market Review**

The stainless steel market continues to strengthen with European and US utilisation rates increasing significantly in recent weeks, albeit from a low base. Chinese utilisation rates continued at a high level right until the Chinese New Year. Ferrochrome demand has reflected increased stainless steel production and has increased consistently throughout the December 2009 quarter with spot prices increasing in all markets. Market commentators are predicting an increase in the ferrochrome price in the second quarter of 2010.

Over the past twelve months the Company has secured additional long term contracts in Europe and the United States with the objective of placing half of the Company's production under long term contracts. To date one third of IFL's production is under long term contract and it is expected that within six months the balance should be secured. The Company's relationship with major customers in all geographic areas is now well entrenched.

### **Agreement with Anglo Platinum for Supply of Chromite Derived from UG2**

The Company has entered into an agreement with Rustenburg Platinum Mines Limited ("RPM") a subsidiary of Anglo Platinum Limited whereby IFL will pay approximately ZAR150 million 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 concentrate from the tailings. The CRP will be constructed and commissioned by an EPCM Contractor and owned, maintained and operated by RPM.

The CRP plant will be capable of producing 50,000 tonnes of chrome concentrate per month and IFL will be entitled to 15,000 tonnes per month (tpm) of chromite at no cost other than the cost of transporting the concentrate to its facilities at Buffelsfontein, which is about 50km from the CRP. The 15,000tpm represents almost 30% of the Company's current beneficiated ore requirements and the effective cost of the concentrate would be significantly below the Company's in-house mining cost.

The contract endures for ten years from commencement of the project and IFL is entitled to 15,000tpm from the commissioning of the CRP. It is estimated that IFL should therefore receive concentrate for a period of nine years. Construction on the CRP is expected to commence in June 2010 and commissioning is expected to follow 12 months later. The Company will fund the project using existing cash facilities.

### **Mining Operations**

The earlier than anticipated start up of the second furnace in August 2009 and a revision of the Lesedi underground mine plan has resulted in the Company having to buy in chrome ore. The Anglo Platinum UG2 concentrate is expected to provide for the shortfall in supply in approximately one year's time and IFL has purchased ore to fulfil its production needs until the UG2 CRP has been commissioned. These requirements have not been fully secured for the next 12 months but the Company is confident that they will be met without a significant impact on overall costs. Because the open pit has significant quantities of low grade ore, the Company will continue to purchase high grade ore to blend with the open pit material. These purchases represent between ten and fifteen percent of ore requirements.

Mining operations were resumed on a limited scale in late 2009 and increased at the beginning of 2010. Most of the focus over the period under review has been on mine development. The negotiations regarding the appointment of a mine contractor are well advanced and it is expected that an appointment should be made by the end of March 2010. The winning contract is expected to be on a fixed cost basis over a three year period with allowances for escalations. Production of ore from the mine is expected to increase significantly shortly after the appointment of the contractor at costs materially below current mining costs.

The Company is reviewing the Sky Chrome mine plan and it is expected that this review will be completed within two months. The application for the Sky Chrome mining licence is proceeding according to expectations and it is expected to be granted by the middle of 2010.

## **Expansion**

The South African electricity crisis in early 2008 and the global economic crisis later that year put a hold on the Company's planned expansion activity. Before those crises it was expected that the company would expand from its current ferrochrome production capacity of 267,000 tonnes per year (tpy) to 665,000tpy. In light of current economic conditions and the anticipated electricity supply increase in 2012 from the Medupi power plant, the Company is conducting pre-feasibility studies on expanding its operations. The feasibility study will include a review of the use of other technologies such as pre-reduction and Direct Current (Plasma) furnaces. All of these technologies include the use of off-gases to generate power on the same basis as the co-generation plant which is expected to be commissioned in the second half of calendar 2010 that will supply the Company with 10% of its energy requirements. The Company is also exploring funding alternatives that range from project finance to joint ventures with stainless steel producers. It is expected that the feasibility studies will be completed by January 2011.

## **Dividends**

The Board of Directors resolved not to declare an interim dividend for the six months ended 31 December 2009.

## **Outlook**

Stainless steel utilisation rates have increased in the US, Europe and China over the past three months driven by restocking in developed countries and growth from fiscal stimulus in China. This has had a positive impact on demand for ferrochrome. Whilst we expect short term demand to remain positive, there may be volatility along the way. However, long term we are confident that demand for South African ferrochrome will remain strong as developing economies continue to urbanise and industrialise and look for diversity and security of supply. IFL will continue to look for and implement innovative ways to preserve margins and expand production in order to adapt to changing market conditions.

The interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). An abridged version of the financial statements follows; the full set for the period is available on the Company web site [www.ifml.com](http://www.ifml.com).

## Abridged Financial Statements

### Consolidated Income Statement For the half year ended 31 December 2009

	CONSOLIDATED	
	31 Dec 2009	31 Dec 2008
	R'000	R'000
Sales revenue	451,917	526,057
Cost of goods sold	(509,055)	(456,560)
<b>Gross (loss) / profit</b>	<b>(57,138)</b>	<b>69,497</b>
<b>Other income / expenses</b>		
Administrative and other expenses	(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)
<b>(Loss) / profit after tax for the period</b>	<b>(105,093)</b>	<b>3,251</b>
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)		
- basic (loss) / earnings per share	(19.08)	0.81
- diluted (loss) / earnings per share	(19.08)	0.81

**Consolidated Statement of Financial Position  
At 31 December 2009**

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

**Consolidated Statement of Cash Flows**  
**For the half year ended 31 December 2009**

	CONSOLIDATED	
	31 Dec 2009	31 Dec 2008
	R'000	R'000
<b>Cash flows from operating activities</b>		
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)
<b>Net cash flows utilised in operating activities</b>	<b>(273,954)</b>	<b>(321,398)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant & equipment	(60,772)	(103,785)
Restricted cash payments	(58,157)	-
Interest received	6,540	27,215
<b>Net cash flows utilised in investing activities</b>	<b>(112,389)</b>	<b>(76,570)</b>
<b>Cash flows from financing activities</b>		
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	-	(76,148)
<b>Net cash flows from financing activities</b>	<b>452,063</b>	<b>97,726</b>
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
<b>Cash and cash equivalents at the end of the period</b>	<b>395,344</b>	<b>703,823</b>