



24 January 2012

International Ferro Metals Limited

("IFL" or the "Company")

Production Report for the three months to 31 December 2011

Highlights:

- Ferrochrome ("FeCr") production of 54,142 tonnes ("t") for the quarter, up 71% on previous quarter and up 15% on prior year corresponding period
- Sales of 58,389t achieved in the quarter, up 39% from the previous quarter and down 22% on prior year corresponding period
- Furnace roof rebuild project successfully completed, on time and on budget; first full production quarter expected in Q1 of calendar 2012
- Sky Chrome mining operations continued to ramp up, produced 122,000t run-of-mine ore for the quarter, up from 72,000t in previous quarter
- Co-generation plant produced 10GWh of electricity for the quarter, 4.4% of total requirement
- Construction by Anglo Platinum of Chrome Tailings Re-treatment plant completed, commissioning to be completed end of January with supply of UG2 chrome concentrate expected in February 2012
- 12% of targeted production cost savings achieved; on track to hit target in current financial year
- Net borrowings increased from ZAR367 million at 30 September 2011 to ZAR458 million at 31 December 2011
- ZAR32 million capex for the quarter
- Operations expected to be cash generative in Q1 2012
- Zero fatality track record maintained and further significant improvement in overall safety performance

Post period highlights:

- Cogeneration plant modifications underway to increase hydrogen operating range, expected to be completed April 2012
- Benchmark European FeCr price decreased by 5¢ to US\$1.15/lb for the quarter ending March 2012

	Three months to 31 December 2011 (tonnes)	Three months to 30 September 2011 (tonnes)	Three months to 31 December 2010 (tonnes)
FeCr production	54,142	31,637	47,054
FeCr sales	58,389	41,929	74,917
FeCr stock at quarter end	10,737	14,983	14,487

Commenting on the update, Chief Executive Chris Jordaan said:

“The furnace roof rebuild project was successfully completed on time and on budget, with the furnaces ramping up to full load during the quarter with no water leaks, improved furnace efficiencies and reduced costs. Management is pleased with this outcome and has further strengthened its active marketing programme, recording new business wins in the USA and higher volumes in existing markets to drive demand for increased production.

Cost savings continue to be a focus for the Company, with initiatives completed or underway across smelting, mining and inputs including power and chrome concentrate. The Company has already achieved 12% of targeted production cost savings and are on track to hit the target of 10.9¢/lb on FY2011 production costs within the current financial year.

The combination of solid operations, active marketing to a broader range of customers and cost savings should place IFL in a healthy position to take full advantage of the robust long-term outlook for stainless steel.”

Stainless steel and ferrochrome markets

Our customers have noted that stainless steel mill capacity utilisation remained at lower levels in Europe at 60-70% due to the Eurozone debt crisis, compared to the USA at 80-85%. In Asia, mills were at relative constant capacity utilisation levels throughout the quarter. Wavering demand as spot prices edged lower towards the end of the quarter was in line with working capital and stock reduction in these markets.

In Q4 of calendar 2011 the Q3 European benchmark price was rolled over at US\$1.20/lb. During this period spot prices declined as the calendar year drew to an end. This was mainly due to European stainless steel mills reducing their working capital in response to the Eurozone debt crisis.

IFL responded successfully to this and secured term contracts. Customers reported that FeCr stock levels in relation to production capacity remained low at mills. The market remained cautious during the quarter in expectation of a lower FeCr price in Q1 of calendar 2012 and uncertainty in the European markets.

Health and Safety, and the Environment (“HSE”)

The Company had no fatalities during the quarter and remains fatality free since inception, representing 20.1 million fatality free man hours which equates to 2.52 million fatality free shifts as at 31 December 2011. The 12 month moving average lost time injury frequency improved further from 4.88 at 31 December 2010 to 2.99 at 31 December 2011 as the Company continues to focus on HSE and to continually improve training.

Annual Environmental and Quality Management Audits, ISO 9000 and 14000, were conducted and certifications were successfully maintained.

No environmental incidents were reported in the period under review.

Mining

Run-of-mine ore production for the quarter to 31 December 2011 increased to 271,000t from 263,000t in the prior quarter. Lesedi production was down due to strike action by the mining contractor's employees over a 2 week period, while Sky Chrome production increased from 72,000 to 122,000t as ramp up continues. The ramp up of the Sky Chrome open pit mine is on track and will augment ore production as Lesedi open pit operations cease towards the end of FY2012. While the Company expects production from Lesedi will stay at current levels over calendar H1 2012, it will begin to reduce toward the end of the financial year and be replaced by cheaper ore from Sky Chrome as its production continues to ramp up.

Chrome ore production	Three months to 31 December 2011 (tonnes)	Three months to 30 September 2011 (tonnes)	Three months to 31 December 2010 (tonnes)
Lesedi	149,000	191,000	204,000
Sky Chrome	122,000	72,000	0
Total	271,000	263,000	204,000
Recovery rate (%)	58%	59%	64%

Recoveries for the quarter from the ore beneficiation plant averaged 58% compared to 59% in the previous quarter. As previously announced, lower recoveries are expected during the initial shallow mining phase of the Sky Chrome open-pit as weathered ore is extracted. This will improve as the open-pit reaches unweathered deeper levels. Blasting commenced on schedule during November 2011.

Further to this, the Company successfully commissioned an ore concentrate recovery plant in the quarter. The plant is integrated into the beneficiation plant and retreats current coarse ore and historical waste from the beneficiation plant. This will further enhance ore recovery rate contributing potentially an additional 40,000t/annum of beneficiated ore concentrate.

Smelting

Management is pleased with the outcome of the furnace rebuild project. FeCr production for the quarter increased to 54,142t from 31,634t in the prior quarter. This compares favourably with past full production quarters as both furnaces were restarted in the previous quarter after the successful completion of the furnace roof rebuilds. The furnaces ramped up to full load during September and October 2011 respectively and furnace availability has improved significantly over the quarter. No downtime due to water leaks was recorded. This enabled improved furnace efficiencies and throughput resulting in reduced costs compared to periods prior to the roof refits.

The Company therefore expects its first full production quarter in Q1 of calendar 2012.

Co-generation plant

During the quarter to 31 December 2011 the cogen plant generated 10.0GWh of electricity which represents 4.4% of the Company's total electricity requirement for the quarter. At full production the cogen plant should provide the Company with approximately 11% of its total energy requirements.

The furnace gas composition has stabilised at elevated hydrogen levels relative to the original engine design parameters. Engine 1 has been successfully modified to operate at these elevated hydrogen levels and modifications to the balance of the engines are underway at a cost of ZAR11 million. The engine restart will be staggered to allow continued testing and modifications as required, and we expect the plant to reach full output during Q2 of this calendar year.

UG2 Plant

Construction by Anglo Platinum of the UG2 Chrome Re-Treatment Plant ("CRP") at Anglo Platinum's Waterval operations in Rustenburg was successfully completed in January 2012 and the plant is currently being commissioned. Piping configuration changes were made to improve safety conditions which resulted in a 3 week delay. The first delivery of UG2 chrome concentrate is now expected in February 2012.

The supply agreement entitles IFL to receive 15,000tpm of chrome concentrate (almost 30% of IFL's beneficiated ore requirements) until November 2020. The delivered cost per tonne of the CRP concentrate is significantly below the Company's in-house cost of concentrate production. There are no additional costs other than the cost of transporting the concentrate to IFL's facilities at Buffelsfontein, which is about 50km from the CRP, and any government royalties that may be payable.

Sales and inventory

FeCr sales for the quarter to 31 December 2011 were up 39% to 58,389t compared with 41,929t for the previous quarter. FeCr inventory decreased to 10,737t at 31 December 2011 from 14,983t at 30 September 2011. Management expects to maintain stock at approximately this level for the foreseeable future, subject to market conditions and IFL's operations remaining unchanged.

IFL continues to strengthen its active marketing approach and has secured recent new business wins in the USA and higher volumes in the Company's existing Asian markets. This gives the Board continued confidence in the demand outlook for IFL's increased FeCr production.

Ore sales for the quarter to 31 December 2011 reduced to 26,000t compared with 130,000t for the previous quarter. This was due to the reduced levels of stockpile low-grade material and increased internal consumption to convert ore to a higher value ferrochrome product.

Cost reduction programme

The management team is targeting total cost reductions of ZAR76c/lb (US10.9¢/lb at FY2011's average exchange rate of ZAR7.00/USD) on a FY2011 production cost of ZAR6.25/lb (US89.4¢/lb) as a number of projects are implemented. These targets strip out changes in unit electricity and unit reductant costs, which are outside the management's control and affect all other South African producers.

The underlying cost reductions are beginning to be realised. On an underlying basis the reductions were ZAR9c/lb which equates to 12% of the target. The reduction was mainly as a result of the reductants having a higher anthracite mix and improved production volumes.

The Company is on track to achieve its targeted cost reduction when the full effects of higher production volumes and normalised electricity consumption, together with full co-generation capacity and commencement of UG2 supply are realised.

Cash

The Company's net borrowings increased to ZAR458 million at 31 December 2011, against net borrowings of ZAR367 million at 30 September 2011. Cash from operations (before working capital changes) utilised ZAR3 million, working capital utilised ZAR56 million and capital expenditure utilised ZAR32 million. Capex mainly comprised ZAR17 million for UG2 plant, ZAR7million for the furnace roofs and ZAR7 million for mining. All capex for the furnace roof upgrade project has now been spent and there is ZAR11 million outstanding on the UG2 project.

The Company maintains a conservative interest bearing debt to equity ratio of 25% and continues to operate within its banking facilities. At current Rand/U.S. Dollar exchange rates and FeCr prices operations are expected to be cash generative in the coming quarter. Cash generation is also expected to improve as further targeted production cost savings are achieved.

The Company's major shareholder, JISCO, has agreed to provide a guarantee for a short-term banking facility and documentation is being prepared.

Outlook

Stainless steel mills remained cautious during the quarter maintaining relatively low inventory levels in the midst of the current Eurozone debt crisis. However, with Eskom electricity price increases due on 1 April 2012, and significantly higher winter tariffs during June to August, restocking in the ferrochrome market may be expected after the Chinese New Year in early February 2012. Spot prices for FeCr have already shown signs of recovery early in January according to Metal Bulletin, who note that this is the first increase in FeCr spot prices since July 2011. A similar trend is observed by the Company in recent offers received for ore.

Full implementation of the Company's major cost reduction initiatives should place International Ferro Metals in a healthy position to take full advantage of the robust long-term outlook for stainless steel.

Analyst / investor Conference call

Management will discuss these results in a conference call with the investment community on Tuesday 24 January at 08.30am (London). Dial in details are below:

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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 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.