23 April 2015

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

Production Report for the three months to 31 March 2015

Highlights

Financial highlights

- Ferrochrome ("FeCr") sales of 51,412 tonnes ("t"), down 3.9% on the previous quarter to 53,517t
- Net borrowings increased to ZAR485 million at 31 March 2015 from ZAR451 million at 31 December 2014, in line with previous guidance. Net borrowings are expected to range between ZAR480 million to ZAR490 million until October 2015.

Operational highlights

- FeCr production of 49,085t marginally down on the previous quarter, driven by lower metal recovery from slag processing
- Lesedi underground mine produced 45,774t RoM, up 31% on 34,839t in the previous quarter
- Rooderand mine produced 22,495t RoM, up from 8,392t in the previous quarter
- Co-generation plant modifications postponed due to capital expenditure rationing. Works expected to recommence in September 2015.
- FeCr inventory of 8,658t at 31 March 2015, down 21% from the previous quarter
- Zero fatality track record maintained; continued improvement in overall safety performance to lowest level in the Company's history

Post period

- European Benchmark Price for Q2 of calendar 2015 remained at 108¢/lb
- Eskom electricity price increased 12.69% on 1 April 2015
- South African Rand continued to depreciate against U.S. dollar

	Three months to 31 Mar 2015 (tonnes)	Three months to 31 Dec 2014 (tonnes)	Three months to 31 Mar 2014 (tonnes)	% Change 31 Mar 2014 to 31 Mar 2015 (tonnes)
FeCr production	49,085	49,800	54,329	(10%)
FeCr sales	51,412	53,517	60,521	(15%)
FeCr stock at quarter end	8,658	10,985	9,984	(13%)

Chris Jordaan, Chief Executive Officer of IFL commented:

"The temporary shutdown of the metal recovery plant over three weeks in February, following an internal safety inspection, has impacted both production volumes and costs during the quarter; however, March has shown a marked improvement on both fronts and full year production guidance remains approximately 200kt of ferrochrome. We are pleased with the increase in production at Lesedi, as we continue to make headway with our long-term objective of securing our own chrome ore supply.

Conditions remain challenging within the chrome industry, with the benchmark price having fallen a further 6% at the start of the calendar year. Europe's increased imports of stainless steel from China during the quarter have hampered any upward revision of the benchmark price heading into the second quarter. Although there has been some revenue relief owing to the easing of the rand / dollar exchange rate, this will be offset going forward by the increase in Eskom's electricity tariffs. European Union's recently imposed anti-dumping duties on stainless steel from China should result in increased demand for ferrochrome from Europe and upward pressure on prices"

Stainless steel and ferrochrome markets

The global stainless steel industry showed positive signs leading into the first quarter of 2015. The industry remains sensitive to market fundamentals and is reported to be operating in excess of 80% of capacity.

The European Benchmark Price decreased by 7¢ to US$1.08 per pound for the quarter ended 31 March 2015, which was greater than expected by market commentators. This price was rolled over into the next quarter.

Ferrochrome prices in China and Europe are now on par. Internal ferrochrome supply in China remains tight due to lower local ferrochrome production. This prompted Tisco, a major stainless steel producer in China, to announce an increase of RMB50/t for FeCr alloy for March 2015 purchases. This signalled the first ferrochrome price increase in China since the beginning of 2015. At the same time China also increased its reliance on ferrochrome imports.

The weakening of the Rand against the U.S. dollar has had a positive impact on revenues of South African based producers. However, increased exports of stainless steel from China to Europe dampened the prospects of an increased European FeCr Benchmark Price. Nonetheless, stainless steel production in Europe is expected to benefit from the European Union's recently imposed anti-dumping duties on imports of cold-rolled flat stainless steel from China and Taiwan.

Health and Safety, and the Environment ("HSE")

The Company had no fatalities during the quarter and remains fatality free since inception, representing 29.3 million fatality free man-hours which equate to 3.7 million fatality free shifts as at 31 March 2015.

During the quarter, 3 lost time injuries (LTI'S) occurred and the 12 month moving average lost time injury frequency increased from 0.89 at 31 March 2014 to 4.09 at 31 March 2015. The number of LTI's remained relatively unchanged in the current quarter compared to the previous two quarters where 3 and 4 LTI's were reported during Q1 and Q2 respectively.

The Company continues to focus on improving safety performance which is evident in the total recordable injury rate. The 12 month moving average total recordable injury rate improved from 29.28 at 31 March 2014 to 25.29 at 31 March 2015. Total recordable injury rate reduced by 13.6% year on year, despite the restart of Lesedi underground mine. In addition to current initiatives Behavioural Based Care is being introduced as a key initiative to improve personal and colleague to colleague safe operations.

No significant environmental or health incidents were reported in the quarter.

Mining

The Lesedi underground mine ramp up is progressing well, resulting in a marked increase in production quarter on quarter. The mine produced 45,774 tonnes of RoM ore for the quarter, an increase of 31% compared to the previous quarter. The targeted production level of approximately 25kt/m ROM ore by the financial year end is on track.

Lesedi mines both the MG1 and MG2 reef horizons. MG1 is mined via a conventional breast stoping method and MG2 utilises a room and pillar layout. A face drill rig and support bolter were successfully introduced for mining the MG2 seam during the first quarter of 2015. The goal is to fully mechanise mining on the MG2 seam.

The accelerated mine ramp up plan is in line with the overall Company strategy of becoming self-sufficient in terms of ore supply. Significant infrastructure developments are currently taking place to support the accelerated ramp up with particular focus on ore reserve development to ensure sustainability of ore supply. In addition, the tip points on both horizons are being extended and the load haul dumper (LHD) rebuild programme has commenced. These two key initiatives are designed to decrease downtime and tramming distances to enable increased production levels of 40kt/m by the end of calendar 2016.

In line with expectations, and the Company's stated strategy to acquire higher-grade feed stock for the furnaces, mining at Chrometco's Rooderand LG6 open pit mine commenced in November 2014. The first run of mine ore was transported to the Lesedi beneficiation plant in January 2015. The drilling programme was initially targeting 200kt of LG6 ore reserves. Production increased significantly quarter on quarter but was below expectations.

The ramping up of Rooderand proved more difficult than expected due to the ore body exhibiting a higher degree of geological faulting, steeper dips and a higher degree of weathering.

As a result, production cost at Rooderand is higher than what was targeted and above the price at which similar ore can be purchased in the market. As a result, the mine plan is currently being reviewed to assess the impact of the new geological information.

The lower overall recovery rate was due to lower historic tailings retreatment volumes; all historic tailings have now been retreated.

Chrome ore production	Three months to 31 March 2015 (tonnes)	Three months to 31 December 2014 (tonnes)	Three months to 31 March 2014 (tonnes)
Lesedi	45,774	34,839	-
Sky Chrome	-	-	33,384
Rooderand	22,495	8,392	-
Total	68,269	43,231	33,384
Recovery rate	48%	52%	61%

Smelting

FeCr production for the quarter was 49,085t compared with 54,329t in the comparative quarter and 49,800t in the previous quarter. The small decrease from the previous quarter's production was mainly due to the temporary shutdown of operations at the Metal Recovery Plant ("MRP"). The MRP shutdown emanated from an internal safety inspection which found that the operating and maintenance company did not adhere to Company standards. This resulted in a 3 week shutdown of the MRP in February. March showed a marked improvement in both production volumes and cost at the MRP.

Furnace operations were affected by tip losses on the electrodes. The root causes were identified in collaboration with the electrode paste supplier and mitigating steps have been taken resulting in improved performance of the electrodes during March and in the post period.

Supply of the appropriate ores, reductants and stable electrode performance was achieved towards the end of the quarter. Post period the furnaces are benefitting from improved stability and production rates have increased in line with expectation.

Notwithstanding this, and as mentioned at the interim results, the Company has reduced its production guidance for the year to approximately 200kt of ferrochrome.

Co-generation plant

The co-generation plant remains shut down. The chiller unit, which should reduce the load on the engine components, has arrived on site. However, all remedial work on the plant has been put on hold due to capital expenditure rationing. It is now anticipated that work will re-commence in September, after the winter period.

At full and stable furnace production, the Cogen plant should generate approximately 10% of the Company's total electricity requirements.

UG2 supply agreement

The Company has a supply agreement with Anglo Platinum to provide 15,000t per month of UG2 chrome concentrate until 2020. This beneficial agreement delivers UG2 at a cost significantly below the Company's in-house cost of concentrate production.

The supply of UG2 accounted for 53kt during the quarter, compared with the contractual 45kt. Due to the protracted strike action at Anglo Platinum from February to June 2014, a backlog of UG2 ore was created, which at 31 March 2015 was approximately 83kt. Anglo Platinum is obliged under the agreement to make up any shortfalls from future production, and the Company will benefit from a higher supply of UG2 ore, which is a direct contributor to profitability.

Sales and inventory

FeCr sales for the quarter to 31 March 2015 were down 4% to 51,412t, compared with 53,517t in the previous quarter. The distribution of sales remained balanced between Asia/Far East and Europe/USA. Sales into previously reported new markets have been sustained.

FeCr inventory was 8,658t at 31 March 2015, down 2,327t from the previous quarter's 10,985t. This is in line with the company's strategy to reduce working capital. FeCr stocks are expected to remain at these levels over the next quarter.

The Company is focussed on reducing working capital to optimal levels. As part of this strategy, ore sales amounted to 24,978t during the quarter.

Production cost

Ferrochrome production cost for the quarter was ZAR8.43/lb, up 7.8% from the previous quarter's ZAR7.82/lb. The increase in production cost was mainly due to lower recoveries on ore beneficiation, lower UG2 consumption due to committed UG2 sales, and a lower ratio of alloy recovery production relative to furnace production.

During the quarter unplanned maintenance was required on the metal recovery plant which resulted in the loss of 3 weeks' alloy recovery from slag and consequently a lower dilution of per unit fixed cost.

The Company is targeting to increase the use of its UG2 chrome concentrate to 100% of the contractual allocation into its ore blend. This will contribute to a drop in average costs of ore to the furnaces. Ore input cost is therefore expected to decrease not only due to the higher UG2 utilisation in the pelletiser but also the ramp-up of underground production at Lesedi, which should reduce the requirement of the buy-in of ore sweetener.

The Company has also initiated a major new cost-cutting exercise to further reduce costs, both in overheads and operationally. The primary focus areas are operational fixed costs, materials handling, corporate overheads and transport costs.

Eskom

The company has not been required to shut down or reduce any capacity during the quarter. However, the winter period is fast approaching ushering in a time when especially municipalities' demand increases and intensive energy users typically cut back power consumption during the peak tariff hours between June and August.

The annual electricity tariff increase was 12.69% effective 1 April 2015; this does not yet include the increase in the environmental levy of R0.02/kWh which is expected to take effect in July 2015. The combined tariff and environmental levy increases translate to an average year-on-year FeCr production cost increase of 3USc/lb. During March 2015, Eskom applied to the National Energy Regulator of South Africa ("NERSA") for a further increase of 9.58% over and above the 12.69%. NERSA is expected to rule on the application before 30 June 2015.

Cash

The Company's net borrowings increased by ZAR34 million to ZAR485 million at 31 March 2015 from net borrowings of ZAR451 million at 31 December 2014.

Cash from operations (before working capital changes) utilised ZAR16 million, working capital generated ZAR11 million, investing activities utilised ZAR15 million and financing activities utilised ZAR15 million.

Net borrowings are expected to range between ZAR480 million to ZAR490 million until October 2015, as a result of the lower FeCr pricing environment and the higher Eskom winter tariffs but should then reduce, subject to no unforeseen events. We are making every effort to manage the liquidity of the Company to ensure we can remain within the limits of our ZAR500 million banking facility.

DC furnace

A bankable feasibility study ("BFS") for a 60MW DC furnace was commissioned in April 2014 and was completed in December 2014. The feasibility study is still being evaluated. As previously announced the DC furnace is expected to increase total ferrochrome capacity by about 42%, and at an estimated incremental cost of 12% below the current cost of production.

The Company is currently assessing appropriate and prudent financing options which will protect and enhance shareholder returns. A number of potential investors are evaluating the project and the Company will engage with them during the coming quarter to enhance financing options.

Outlook

According to the IMF, potential growth in advanced economies is likely to increase slightly going forward, albeit at a moderate rate. However, the prospects for growth potential in emerging markets are less optimistic due to weaker investment and productivity growth.

Global stainless steel production showed a moderate decline in Q4 2014 and Q1 2015 as producers in China, which account for more than 50% of global supply, scaled back output due to weaker demand. Stainless steel production is expected to recover in the second half of 2015 in response to improved market conditions and global output is forecast to increase by 4% to a level of approximately 44Mt compared to 42Mt in 2014.

Ferrochrome production levels in South Africa showed a steady increase to approximately 3.6Mt during 2014 and are expected to stabilise close to 4Mt going forward as most producers are operating at optimal production levels. Although the exchange rate offered some relief in recent months, Eskom electricity price increases could add between 3-5 USc/lb to South African production costs. Additionally, ferrochrome output levels in China slowed during the latter part of 2014 due to cost pressures with annual production dropping below 3.9Mt compared to 4Mt in 2013. Current output is still running at reduced levels due to low prices in China and there is a greater reliance on imports to meet internal demand.

Ferrochrome prices are expected to respond to an improvement in market conditions as well as global cost pressures in the second half of 2015 and specifically electricity cost increases in South Africa. The latest forecast by CRU suggests that prices could recover in the second half of 2015. Should prices not respond, the global ferrochrome industry would come under severe pressure.

Growth projections beyond 2015 suggest that additional ferrochrome output will be required and that chrome ore availability will present a great challenge to meet demand due to a relatively stagnant ore supply pool and a lack of investment in new mining ventures.

Operationally it is expected that production will increase in the second half as well as a marked reduction in costs. The diversified market into which IFL sells its alloy will allow the Company to optimise the sales distribution. FeCr prices are low and parity exists between China and especially Europe. Cost pressures on producers in both China and South Africa and buoyant stainless steel growth, augmented by low ore and alloy stocks, bodes well for prices in the short term. Marginal producers' latent capacity could however subdue significant price increases in the short term.

IFL's strategy to ensure an uninterrupted long-term competitive ore supply for ferrochrome production, supported by an expanding regional market presence is tailored to meet the demand of the market going forward.

Analyst / investor Conference call

Management will discuss these results in a conference call with the investment community today, Thursday 23 April 2015, at 08.30am (GMT). Dial in details are below:

Dial in: +44 (0) 2071 928000
Conference ID: 32237298

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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.