



16 November 2010

**DIRECTORS**

Terrence Willstead  
*Non-Executive Chairman*

Stephen Fabian  
*Managing Director*

Stephen Turner  
*Non-Executive Director*

Philip Re  
*Non-Executive Director*

Paul Lloyd  
*Non-Executive Director*

**SECRETARY**

Philip Re

**SHARE INFORMATION**

ASX Code: SFZ

**CAPITAL STRUCTURE**

Issued capital:

157.2 m Fully Paid Ordinary Shares (SFZ)

22.4 m Options (SFZO)

251.9m Performance Shares (unlisted)

**CONTACT INFORMATION**

Registered Office

Level 11

151 Macquarie Street,  
Sydney

Postal

GPO Box 2726

Sydney 2001

+61 2 82982000

F: +61 2 82982020

E: [info@rivieraresources.com.au](mailto:info@rivieraresources.com.au)

W: [www.rivieraresources.com.au](http://www.rivieraresources.com.au)

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**ASX ANNOUNCEMENT**  
**SAFM STARTS IRON ORE PRODUCTION IN BRAZIL;**  
**SHARES TO RE-LIST ON ASX (CODE SFZ)**

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**HIGHLIGHTS:**

- **Production starts from Ponto Verde Iron Ore Project in southern Brazil through mining contractor LGA Mineracao e Siderurgia (LGA)**
- Early production accelerates start of cashflow for SAFM
- SAFM shares to re-list on 16 November 2010 on the Australian Securities Exchange
- LGA to beneficiate ore from Ponto Verde using its own plant; sales to local buyers
- SAFM to initiate its own processing plant on site in final quarter of 2010
- Arrangements being made to confirm JORC-compliant resource at Ponto Verde

Emerging iron ore producer South American Ferro Metals Limited (ASX: SFZ) ("SAFM") has begun producing iron ore from its Ponto Verde Iron Ore Project in Brazil, through an agreement with LGA Mineracao e Siderurgia (LGA).

Under the terms of the agreement, LGA mines iron ore at Ponto Verde and trucks the ore to its own plant for beneficiation before selling it on to Vale and Brazilian steelmaker Gerdau. The agreement with LGA is due to be in place until 31 December 2010, giving SAFM time to commission its own plant at the Ponto Verde site.

The agreement with LGA delivers early cashflow to SAFM and allows the company to benefit from ongoing strength in iron ore demand. Initial testing of the iron ore being produced at Ponto Verde has also delivered encouraging results in terms of iron content.

This production coincides with the readmission of SAFM shares to the Australian Securities Exchange under the code SFZ, following the company's \$15 million capital raising, which closed oversubscribed and was led by Patersons Securities Ltd.

SAFM Managing Director Stephen Fabian said:

“SAFM has moved quickly to bring the Ponto Verde Iron Ore Project into production following receipt of the Definitive Operating License earlier this month. This agreement with LGA is a significant milestone for SAFM, allowing us to start generating revenue while at the same time giving us time to complete the commissioning of our own processing plant, which we expect to achieve in the coming weeks.

“Initial production results from Ponto Verde have been encouraging and the iron ore products being delivered have met with a favourable response from customers. While production has started, we are focussing on commissioning our own facilities on site, as well as working with Coffey Mining to convert the existing resource at the site to a JORC-compliant resource.”

### **Ponte Verde - Brazil Iron Ore Project**

SAFM has the potential to create significant shareholder value given the well established Brazilian iron ore industry.

The Ponto Verde Iron Ore Project has an exploration target of between 140 million and 150 million tonnes<sup>1</sup> of Haematite-rich Itabirite in a range of 33% to 41% Fe in situ, upgradeable to 60%+ Fe, and shares a common boundary to ground held by Brazilian mining giant Vale. The project includes an existing plant which is capable of producing 1 million tonnes per annum.

Initial production and beneficiation by LGA has produced three iron ore products:

- Sinter feed at 61% iron content
- Small lump ore at 61% iron content
- Concentrate at 66% iron content

The SAFM Ponto Verde project will be managed by the existing local, experienced and proven management team in Brazil.

A further drilling programme is planned in order to define a resource. This drilling programme is expected to recommence, along with engineering studies to increase production to 3 million tonnes per year at +60% Fe.

The project is close to existing infrastructure, and is located in the heart of a prolific iron ore mining area, neighbouring established mining operations.

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For further information in respect to South American Ferro Metals Limited, please contact:

SAFM  
Terry Willsted, Non-executive  
Chairman  
+61 2 82982000

MAGNUS Investor Relations + Corporate Communication  
John Gardner +61 413 355 997  
Dudley White +61 413 439 883

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<sup>1</sup> The potential quality and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

*Competent Persons: Aspects of this report on the South American Ferro metals Limited – Ponto Verde Project and Three Sisters Project that relate to Mineralisation, Mineral Resources or Ore Reserves are based on information compiled by persons who were Fellows or Members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and have sufficient relevant experience of the activity undertaken and of the mineralisation style and type of deposit described. They qualify as Competent Persons as defined in the 2004 Edition of the “Australasian Code of Reporting of Identified Mineral Resources and Ore Reserves” (JORC Code). The above statement fairly reflects the reports prepared by these Competent Persons and has been overviewed by T V Willsteed, BE (Min) Hons, BA FAusIMM as a Competent Person for South American Ferro Metals Limited. Mr Willsteed consents to the inclusion in this report of these matters based on their information in the form and context in which it appears.*