



#### 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

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### **ASX ANNOUNCEMENT SAFM RECEIVES FINAL PRODUCTION APPROVAL**

### **OPERATING LICENCE FOR PONTO VERDE IRON ORE PROJECT IN BRAZIL HAS BEEN GRANTED**

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#### **HIGHLIGHTS**

- **SAFM** has achieved a **KEY MILESTONE** towards becoming an iron ore producer in Brazil after receiving approval to commence mining (**LO, Licence to Operate**) at its **Ponte Verde Iron Ore Project** in Brazil
- The **Definitive Operating Licence** received from **COPAM** is the final licence required to start production at **Ponto Verde**
- **Production** scheduled to commence in **December 2010**
- **SAFM** will be one of the few **ASX** listed companies offering **Australian exposure** to the growing iron ore **Industry in Brazil**
- **Existing and refurbished operating plant** in place with capacity to produce **1 million tonnes per annum**
- **Exploration** will now recommence along with engineering studies to increase production to the next phase, **3 million tonnes per year at +60%Fe**
- **Exploration target** of **140 – 150 million tonnes<sup>1</sup>** of **Haematite rich Itabirite** at a range of **33% to 41% Fe in situ, upgradeable to +60% Fe**

Emerging iron ore producer South American Ferro Metals Limited (ASX: SFZ) is pleased to announce that it has received approval to commence mining at its Ponto Verde Iron Ore Project in Brazil after being granted a Definitive Operating Licence (LO).

Receipt of this licence from COPAM, the Brazilian Government Licence authority is a key milestone for South American Ferro Metals, enabling the start of production from Ponto Verde in late 2010. The approval comes shortly after South American Ferro Metals closed a \$15 million share offer that was significantly oversubscribed.

**SAFM Managing Director Stephen Fabian said:**

“Receipt of this licence is a major achievement for SAFM, allowing the company to successfully complete the transformation from exploration company to production in one of the world’s most prolific iron ore regions. Once production has been established, we will be the only pure iron ore company listed on the ASX with revenue from Brazil’s main iron ore-producing area.

“We believe that the Ponto Verde project offers SAFM considerable potential for expansion and we are already furthering our work on phase 2, expanding output from the project to more than 3 million metric tons a year of saleable product. The project lies at the heart of Brazil’s key iron ore-producing region and is close to established mining operations, iron and steel plants and existing infrastructure.

“We believe that the fundamentals of Ponto Verde are extremely robust and following receipt of the operating licence, we are now focused on achieving first production from the project during the current quarter.”

**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> tons 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 initial production is expected to be sold to domestic steel mills or large producers such as Vale.

The transaction includes the existing plant which is capable of producing 1 million tonnes per annum. Therefore no significant capital expenditure is required.

The 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.

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

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*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.*

*1- 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.*