SAFM ANNOUNCES MAIDEN JORC RESOURCE OF 230.6 Mt AT 44.52% Fe AT PONTO VERDE IRON ORE PROJECT, BRAZIL, CONFIRMING WORLD CLASS DEPOSIT

- **Phase I of the Resource Definition Programme has been completed on schedule at the Ponto Verde Iron Ore Project confirming a JORC-compliant resource of 230.6 Million tonnes (Mt) at 44.52% Fe with grade cut off of 30% Fe applied. This Resource includes a Measured and Indicated component of 60.6Mt at 41.61% Fe.**

- **The mineralisation remains open to the north, southeast and at depth, with additional new geological targets to the west.**

- **This defined JORC Resource represents a 55% increase from the previous target of 149.1 Mt.**

- **Improvement in overall grade to 44.52% Fe from 39.18% Fe.**

- **Phase II of the Resource Definition Programme will commence in first quarter of 2012 with the focus on upgrading the classification levels of some of the Resource as well as increasing the overall Resources. This Programme will include the drilling of some of the unexplored areas to the north, west, southeast and at depth.**

- **Follows achievement of full production of 125,000 ROM tonnes per month (equivalent to the mining licence level of 1.5 million ROM tonnes per year) in September 2011.**

South American Ferro Metals Limited (ASX: SFZ) ("SAFM" or the "Company"), the only ASX-listed pure iron ore producer in Brazil, is pleased to announce the completion of Phase I of its Resource Definition Programme, delivering a maiden JORC resource at its Ponto Verde Iron Ore Project in Brazil's Iron Ore Quadrilateral.

Bernardo Horta de C. Viana, BSc(Geo) MAIG, of Independent Mining Consultant, Coffey Mining, as a Competent Person, has completed the **Ponto Verde Mine Independent JORC Resource Determination Report**. A resource estimate of 230.6 Million tonnes at 44.52% Fe has been determined to JORC standards (combined Indicated and Inferred Resource), underpinning SAFM's expansion strategy to process up to 10 Million tonnes per annum for more than 20 years. Importantly, approximately 26% has been categorised in the Indicated category, confirming confidence in the quality and continuity of the Resource. The overall grade has also improved from 39.18% Fe to 44.52% Fe, from initial exploration target estimates.

South American Ferro Metals

The Ponto Verde Mineral Resource estimate is set out in Table 1 below:
(*Additional detail is provided in the Appendix*)

Table 1: Ponto Verde Iron Ore Project – December 2011 Resource Estimate

Grade Tonnage Table – 19th Dec 2011
Mineral Resources - SAFM – Ponto Verde Iron Ore Mine – Global JORC Resource
Block Model: 50m X 25m X 10m (25m X 12.5m X 10m) – Grade cut off applied: 30%Fe

Lithology	Resource Class	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	Mn (%)	P (%)	LOI (%)
Total - Global JORC Resource								
Total	Indicated	60.6	41.61	32.88	2.02	1.449	0.076	3.26
	Inferred	170.0	45.55	24.33	3.27	1.499	0.075	4.06
	Total	230.6	44.52	26.58	2.94	1.484	0.075	3.86

This initial Phase I Programme was primarily limited to the exploration of the first vertical 70m of the deposit from surface with a limited number of holes drilled deeper to confirm deposit continuity and the extent of some of the iron ore formations. Additional deep drilling, along with the exploration of the areas or zones not accessed from the Phase I Programme, will be explored in subsequent phases.

SAFM Chief Executive Officer Philip Hopkins said:

"The delivery of the maiden JORC resource at Ponto Verde marks a significant milestone for SAFM and follows the company's move to full production capacity from September 2011. The Project has progressed extremely well in the Company's first 12 months to November and the upgraded Resource estimate of 230.6 million tonnes underpins the long-term viability and potential of our operating mine in Brazil as we begin to examine plans to increase production up to 10 million tonnes per annum."

For more information:

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About South American Ferro Metals

South American Ferro Metals Limited owns 100% of the producing Ponto Verde Iron Ore Project in the heart of the Iron Ore Quadrilateral in Brazil, 35 kilometres from the town of Belo Horizonte in the state of Minas Gerais. The Iron Ore Quadrilateral is a prolific iron ore mining area, and the Project is located proximate to established mining operations, iron and steel plants and existing infrastructure.

Website: www.safml.com

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.

Competent Persons' Statement

The "Competent Person" who prepared the mineral resource estimates presented in this announcement is Mr. Bernardo Horta de Cerqueira Viana, who is a geologist, with 10 years of geological and mining related experience ranging from execution, management and coordination of geology projects, to resource estimation in a variety of commodities including Fe, independent of SAFM and an employee of Coffey Mining. Please note that statements relating to past milestones or future plans or programs remain the responsibility of SAFM and are not related to the Competent Person authority in this matter.

The information in this report that relates to exploration results is based on information compiled by the Competent Person. The Competent Person has sufficient experience relevant to the style of mineralisation and types of deposit under consideration to qualify as a Competent Person as defined by the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC).

APPENDIX

Ponto Verde Mine Independent JORC Resource Determination Report
Additional Technical details

Context:

The SAFM Ponto Verde Mine (Fazenda Retiro Novo Project) is located in the city of Itabirito, 35 km to the south of the city of Belo Horizonte, in the central region of the state of Minas Gerais.

In November 2009, Coffey Mining completed a Brazilian resource and reserve estimate on the Project and determined the Brazilian resource component to be 149.13Mt and a Fe grade of 39.18%. As SAFM is an Australian ASX-listed company it was required that this resource be evaluated under the JORC Guidelines and as such in July 2011, Phase I of the Resource Definition Programme was undertaken. An area on the south west area of the mining lease covering approximately 40 hectares of the full 150 hectare mining lease was explored in Phase I.
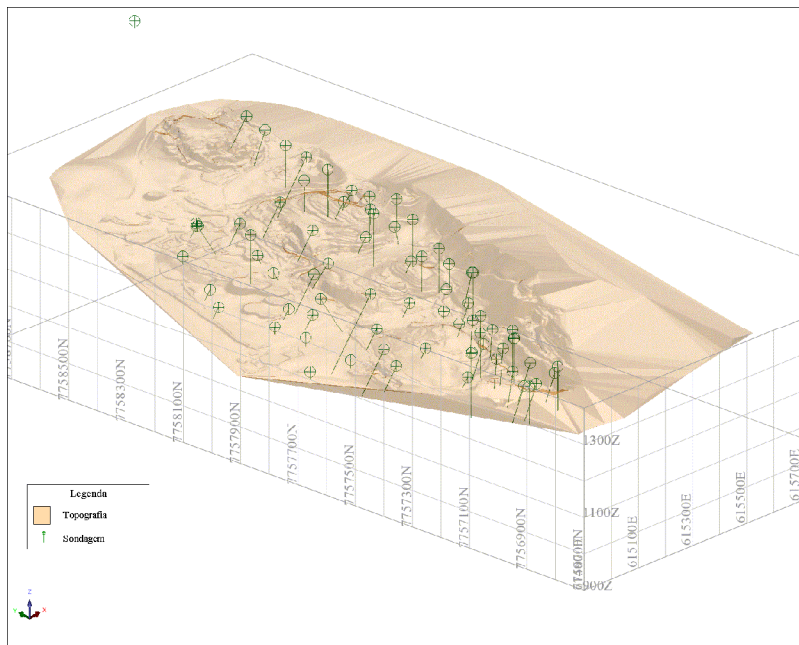
Ponto Verde Mining Lease (Shown in red – 150 hectares)
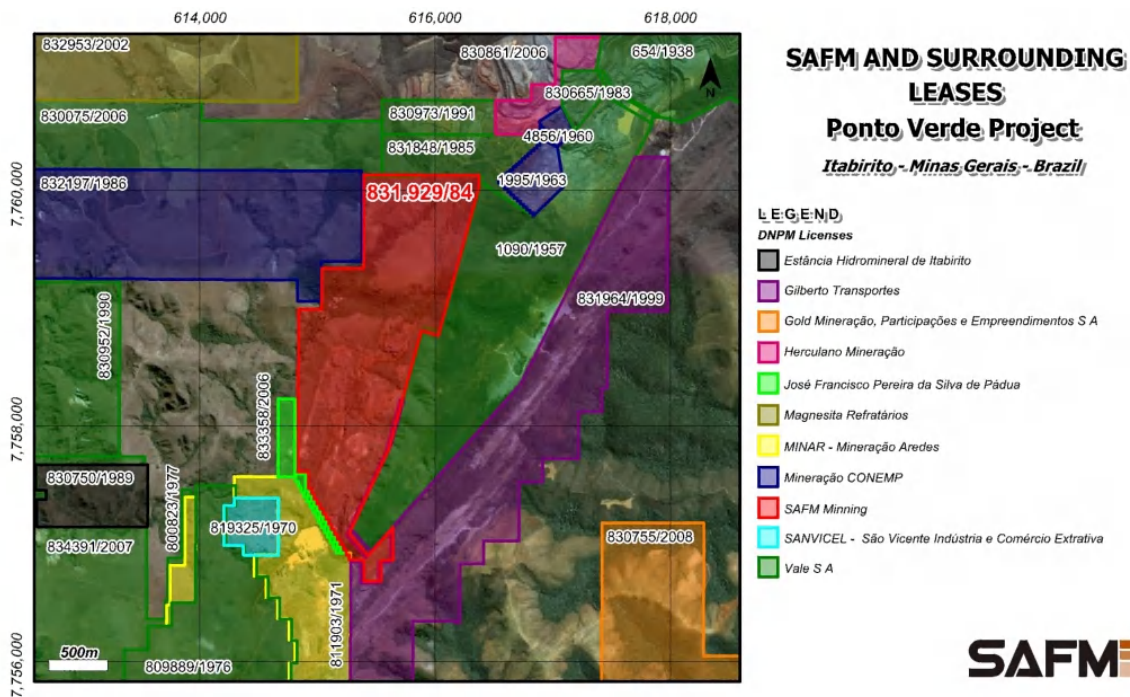
Drill Programme:

The programme was defined to be 3,000m of drilling to a nominal depth of 70m (with some deeper holes). In summary 3,235 metres of drilling was completed (46 holes - 783 samples). The drilling grid varied in areas from 100m x 100m to 50m x 50m in other areas.

Drill Hole Location Map (showing dip of hole drilling)

Geology:

Iron Mineralisation occurs in itabirite layers rich in hematite, with the main mineralized zone, belonging to the central part of the Quadrilátero Ferrífero region, located on the eastern edge of Sinclinal Moeda. These layers are from two metasedimentary sequences belonging to the Gandarela Formation (lesser thickness) and the Formação Cauê (greater thickness). Shallow colluviums itabirite deposits found in the area hold a small amount of mineralisation, unevenly distributed on the surface. The Cauê and Gandarela formation layers have an attitude of approximately N25E/75SE. The thickness of the Itabirite Cauê Formation in the region reaches 150m, while in Gandarela Formation the average thickness is close to 20m.

Geological Model:

A three dimensional geological wireframe model was prepared from the compiled data. All samples involved were analysed in the Intertek Laboratories (An independent laboratory) and included assay controls, storage and analysis using the international quality standards for global fractions. Twenty one vertical sections were derived for evaluation purposes. From these sections the following solid geological rock types were generated:

5

![SAFM South American Ferro Metals logo]

• Poor Itabirito Cauê (Fe grades between 30 and 45%)
• Rich Itabirito Cauê (Fe grades above 45%)
• Poor Itabirito Gandarela (Fe grades between 30 and 45%)
• Rich Itabirito Gandarela (Fe grades above 45%)
• Breach of magnetite matrix.

Mineral resources were estimated by ordinary kriging insde itabirites domains and IQD (inverse distance squared) inside the breccia domains (low number of samples). In this evaluation a new (previously unidentified) Breccia Zone was defined. The results of the chemical analysis of the breccia samples could demonstrate interesting values (the majority has more than 30% Fe).

Isometric Projection of the Modelled Deposit Zones
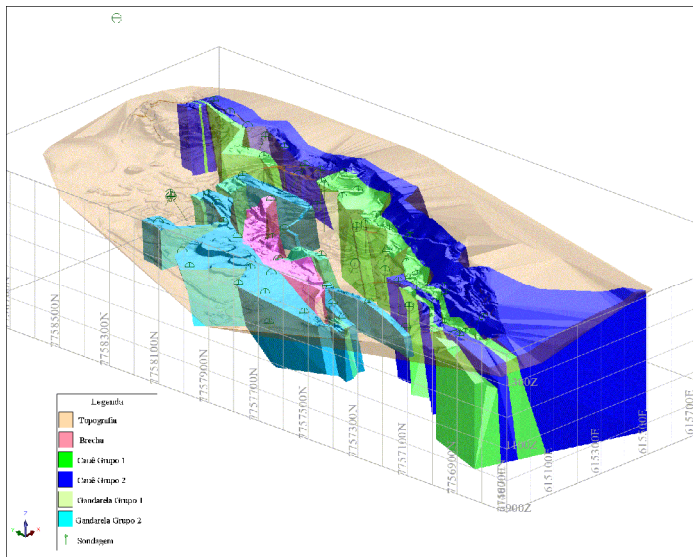
Newly Defines Breccia Zone
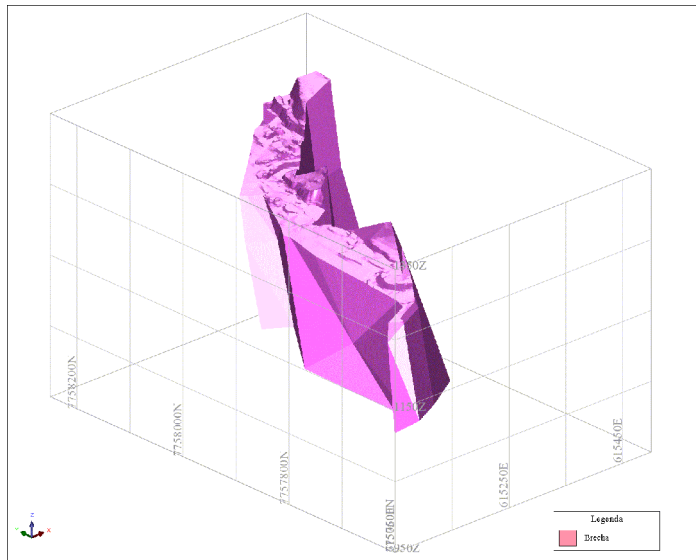
JORC Resource Definition Programme Results:

Fazenda Retiro Novo Project **JORC Grade Tonnage Table – 19th December 2011** **Mineral Resources - SAFM – Ponto Verde Mine (Fazenda Retiro Novo Project)** **Block Model: 50m X 25m X 10m (25m X 12.5m X 10m) – Grade cut off applied: 30%Fe**								
Lithology	**Resource Class**	**Tonnes (Mt)**	**Fe (%)**	**SiO$_2$ (%)**	**Al$_2$O$_3$ (%)**	**Mn (%)**	**P (%)**	**LOI (%)**
Cauê Group - Global Resource								
Rich Itabirite	Indicated	18.9	48.12	21.26	2.08	2.070	0.110	4.35
	Inferred	59.9	48.93	21.11	2.33	1.400	0.100	4.08
	Sub-Total	78.8	48.74	21.15	2.27	1.560	0.100	4.15
Poor Itabirite	Indicated	38.1	37.44	40.57	1.59	1.100	0.060	2.6
	Inferred	30.7	36.56	42.37	1.56	0.880	0.050	2.41
	Sub-Total	68.8	37.05	41.37	1.58	1.000	0.050	2.51
Total	Indicated	57.0	40.99	34.16	1.75	1.422	0.077	3.18
	Inferred	90.6	44.74	28.31	2.07	1.224	0.083	3.51
	Sub-Total	147.6	43.29	30.57	1.95	1.299	0.077	3.39
Gandarela Group - Global Resource								
Rich Itabirite	Indicated	3.5	51.92	11.91	6.15	1.910	0.060	4.57
	Inferred	58.0	49.72	15.48	5.58	2.030	0.070	4.36
	Sub-Total	61.4	49.85	15.28	5.61	2.020	0.070	4.37

Poor Itabirite	Indicated	0.1	36.59	26.15	10.78	0.690	0.040	6.29
	Inferred	5.4	36.19	35.57	4.84	2.080	0.040	3.36
	Sub-Total	5.5	36.19	35.4	4.95	2.050	0.040	3.41
Breccia	Indicated	0.0	0	0	0	0	0	0
	Inferred	16.1	38.26	30.03	1.21	0.940	0.060	6.33
	Sub-Total	16.1	38.26	30.03	1.21	0.940	0.060	6.33
Total	Indicated	3.6	51.49	12.31	6.28	1.876	0.059	4.62
	Inferred	79.4	46.48	19.79	4.65	1.813	0.066	4.69
	Sub-Total	83.0	46.70	19.47	4.71	1.813	0.066	4.69
Total - Global Resource								
	Indicated	60.6	41.61	32.88	2.02	1.449	0.076	3.26
	Inferred	170.0	45.55	24.33	3.27	1.499	0.075	4.06
Total	Total	230.6	44.52	26.58	2.94	1.484	0.075	3.86

Summary:

Phase I of the Ponto Verde Mine Resource Definition Programme was completed on schedule and provided a material improvement in the expected quality of the Resource (conversion to JORC standards) with a subsequent increase in tonnage from 149.1 Mt to 230.6 Mt (+55%) and grade from 39.18% Fe to 44.52% Fe. The drill programme was designed to be 3,000m and completed at 3,235 metres due to additional target drilling and repeat drilling. The Phase I drill programme focused on the central area of the deposit and drilled to a depth of 70m. The deposit continues at depth, to the north, south east and west. These yet unexplored areas will be the focus of subsequent phases.

Phase II of the Resource Definition programme is planned to commence in Q1 2012 with the details of this programme to be finalised.

The current Resource level would support the Company's plans to expand the operation to up to 10 Mt of throughput annually. The details of this expansion will be defined in the pending Expansion Feasibility Study.