



## **CHAIRMAN'S SPEECH**

### **ANNUAL GENERAL MEETING – 16 NOVEMBER 2011**

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South American Ferro Metals Limited (SAFM) has made a promising start to life as a public company, with production commencing soon after the relisting on the ASX with solid progress made in its first year of operation.

After receiving its production licence on 26 October 2010, SAFM started production less than a month later from the Ponto Verde iron ore project, located 50 kilometres south-east of Belo Horizonte in Minas Gerais state.

Ponto Verde is located close to established mining operations, iron and steel plants and existing infrastructure, which includes a shared lease boundary with Vale's Fabrica mine. SAFM'S independent technical consultants have previously estimated an exploration target for Ponto Verde of between 127 million tonnes and 157 million tonnes of hematite-rich Itabirite, upgradeable to +60% Fe content.

During FY2011, SAFM appointed Coffey Mining to undertake a resource definition programme to better define the resource base and confirm the Ponto Verde deposit to JORC standards. A staged resource drilling programme commenced in June 2011 and is expected to be completed by the end of calendar 2011. The full phased programme, when completed, will cover the entire southern area of the mining lease and the current mineral inventory.

Initially, ROM ore production from Ponto Verde began under an agreement with LGA Mineracao e Siderurgia ("LGA") which lasted until 31 December 2010. This gave SAFM time to commission its own plant and provided early cashflow to SAFM.

From February 2011, SAFM began producing Sinter Feed and Small Lump iron ore of ROM its own crushing and screening plant with products sold to major iron ore and steel producers including Vale, CSN / Namisa and Gerdau. Small Lump product is also sold to local independent pig iron producers. Fine products have been stockpiled and since the end of the financial year the construction of the concentration plant has commenced. Once complete, the plant will convert this material into high grade fines suitable for pellet and steel production.

For FY2011, 865,531 tonnes of ROM ore was mined and 71,178 tonnes of Small lump and Sinter Feed was produced. Maximum plant throughput of 125,000 tonnes per month was achieved in September 2011. Production from 30 June 2011 to 31 October 2011 has totalled 414,028 tonnes of ROM ore and 166,905 tonnes of products.

Since commencing production in November 2010, SAFM has progressed to achieve a number of important goals including: the recruitment of senior staff; the preparation of technical proposals for exploration drilling and plant design and enhanced site infrastructure. Supervision of contractor tendering, the mining operations, ore processing and road and environmental conditions has been established to high operational standards. During this time, Ponto Verde's production capability has been confirmed and progressed to expanded targets.

In May 2011, Philip Hopkins was appointed as Chief Executive Officer and he immediately implemented progressive management systems, spearheaded the expansion and strengthening of SAFM's leadership team and initiated enhanced safety and industrial relations performance. One notable achievement has been the delivery of SAFM's goals within budget, utilising shareholders' funds raised at listing and supplemented by operating cash flow.

The SAFM management team is now planning with confidence the future activities and production targets for Ponto Verde. We are looking to enhance future growth and value with

investment opportunities that are now available due to the company's solid platform, growth, and operational and management performance. With the completion of the resource estimation in the immediate future, the planning and optimisation of future production targets will be finalised and expansion feasibility studies commenced.

I would like to thank the enthusiastic efforts of SAFM's management, staff and directors whose efforts have resulted in SAFM making a successful and strong start to life as a listed iron ore producer.