



**South American Ferro Metals
Limited (ASX:SFZ)**

*The only ASX-listed pure-play
iron ore producer in Brazil*

Update to Stakeholders

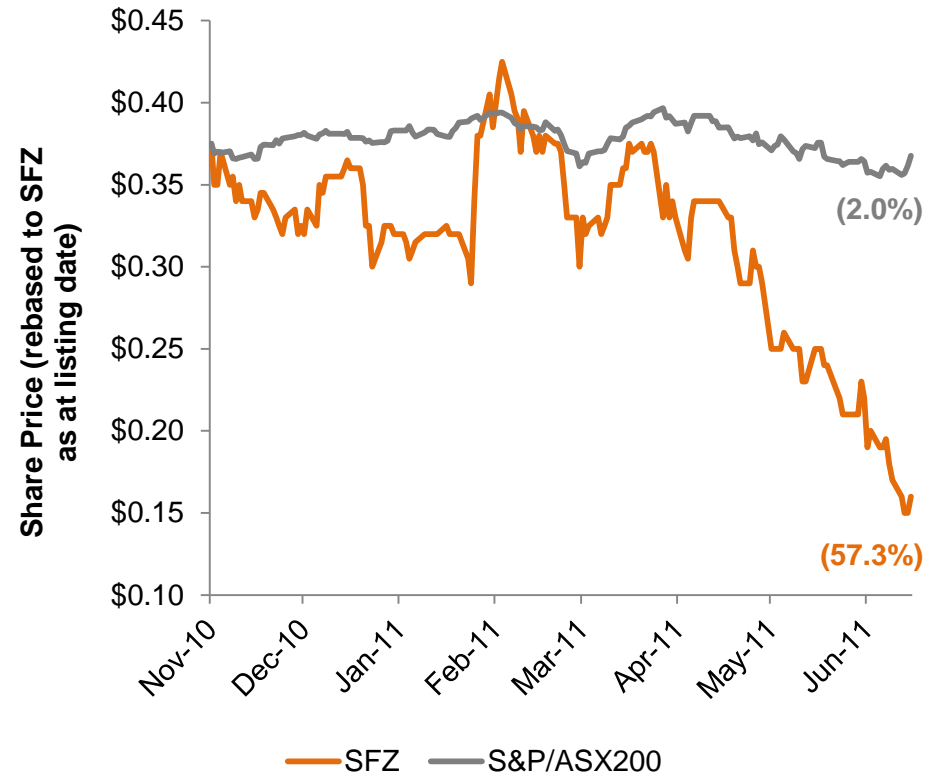
Philip Hopkins
Chief Executive Officer

Perth – July 2011

Company Snapshot

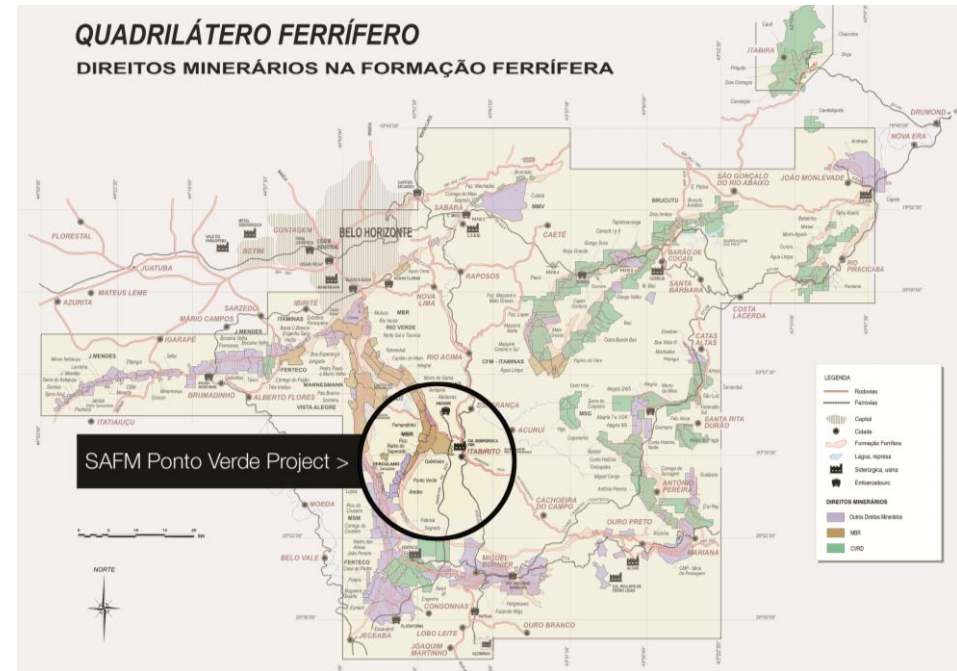
ASX Code	SFZ
Listing Date	November 2010
Market Capitalisation (30/6/11)	~ \$40 million
Shares Outstanding	241.2 million
Stock Turnover	~ 16% since listing
Current Production Rate	+75Ktpm (June 2011)
Target Production Rate	120Ktpm equivalent to 1.5Mtpa
Revenue (1HFY11)	\$2.4 million

Share Price Performance Since Listing



Ponto Verde Iron Ore Project

- Mineral rights and property 100% owned by SAFM
- Located in the heart of the Iron Ore Quadrilateral in Brazil – prolific iron ore mining area
- In close proximity to established mining operations (Vale, CSN, Gerdau), iron and steel plants and existing infrastructure
- Commenced production in November 2010
- Geology is well understood
- Local steel producers provide current market for product
- Indicative exploration target of 140-150m tons of hematite-rich Itabirite ore (33-41% Fe)
- Clear development pathway with production ramp up targeting full permitted rate of 1.5Mtpa by end December quarter 2011





Operations Update

Company Update

- Restructured Leadership Team in May – Positioned for production & growth
- Chief Operating Officer transitioned in May – Glauco Mol appointed Acting COO
- Country President transitioning end of July – may stay on a contract basis
- Currently recruiting for COO, Projects Director and Geologist
- Management reporting systems in place – close tracking of site performance
- Moved to two shifts per day at the end in May 2011
- Phase I of a staged resource definition program commenced in June 2011
- Operating initiatives:
 - Plant, office & site upgrades;
 - Debottlenecking of secondary crusher circuit;
 - Concentrator Project progressed; and
 - Further mine site enhancements
- Focused on three shift operation by end of December quarter 2011

Site Enhancements



Site Enhancements



Milestones delayed

- Resource definition program
- Concentrator Project construction
- Second shift start up

Issues

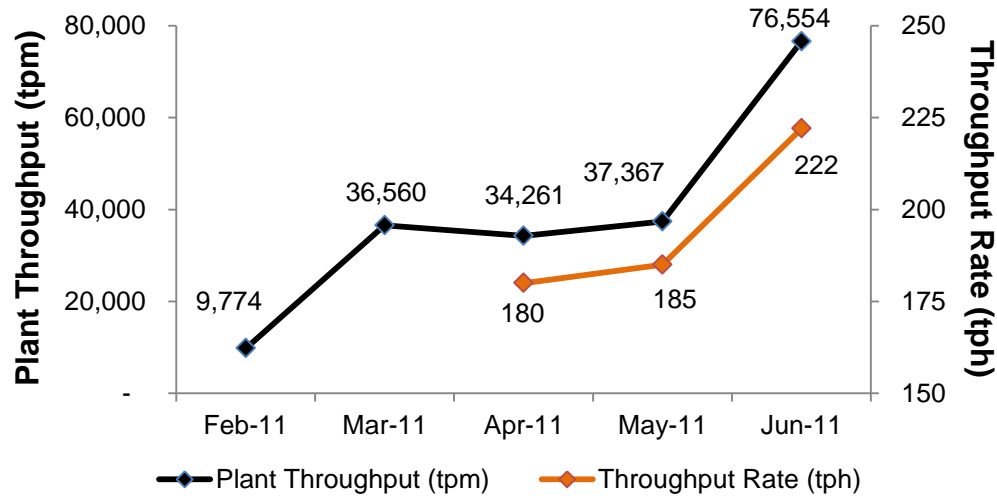
- Management alignment and focus
- Team orientation
- Projects skills and support

Resolutions

- Expansion and strengthening of senior management team
- COO transition
- Country President transition
- Recruitment for Projects Director
- Priority setting and tracking

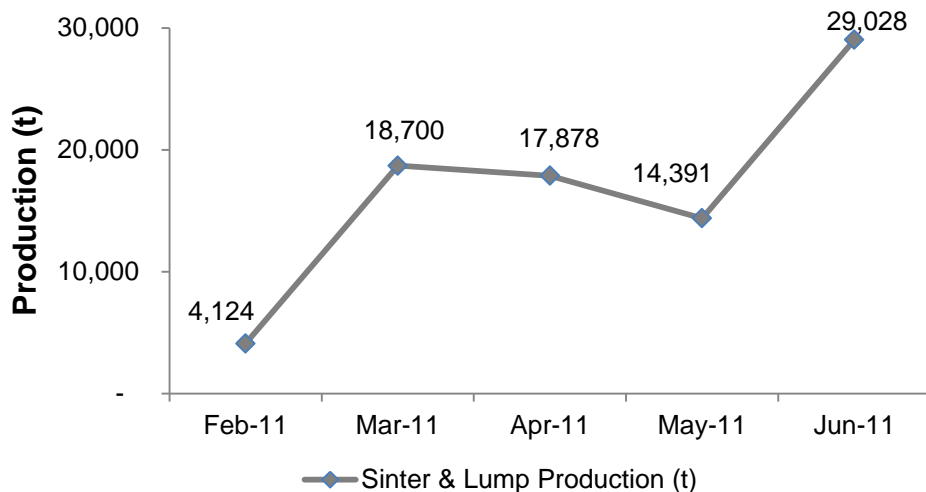
Production Update

Throughput



- Production ramp up targeting full permitted production rate of 120,000tpm (1.5Mtpa)
- Throughput rate of 250tph over the last 10 days
- Waste stripping increased to 1:0.65

Sinter & Lump Production



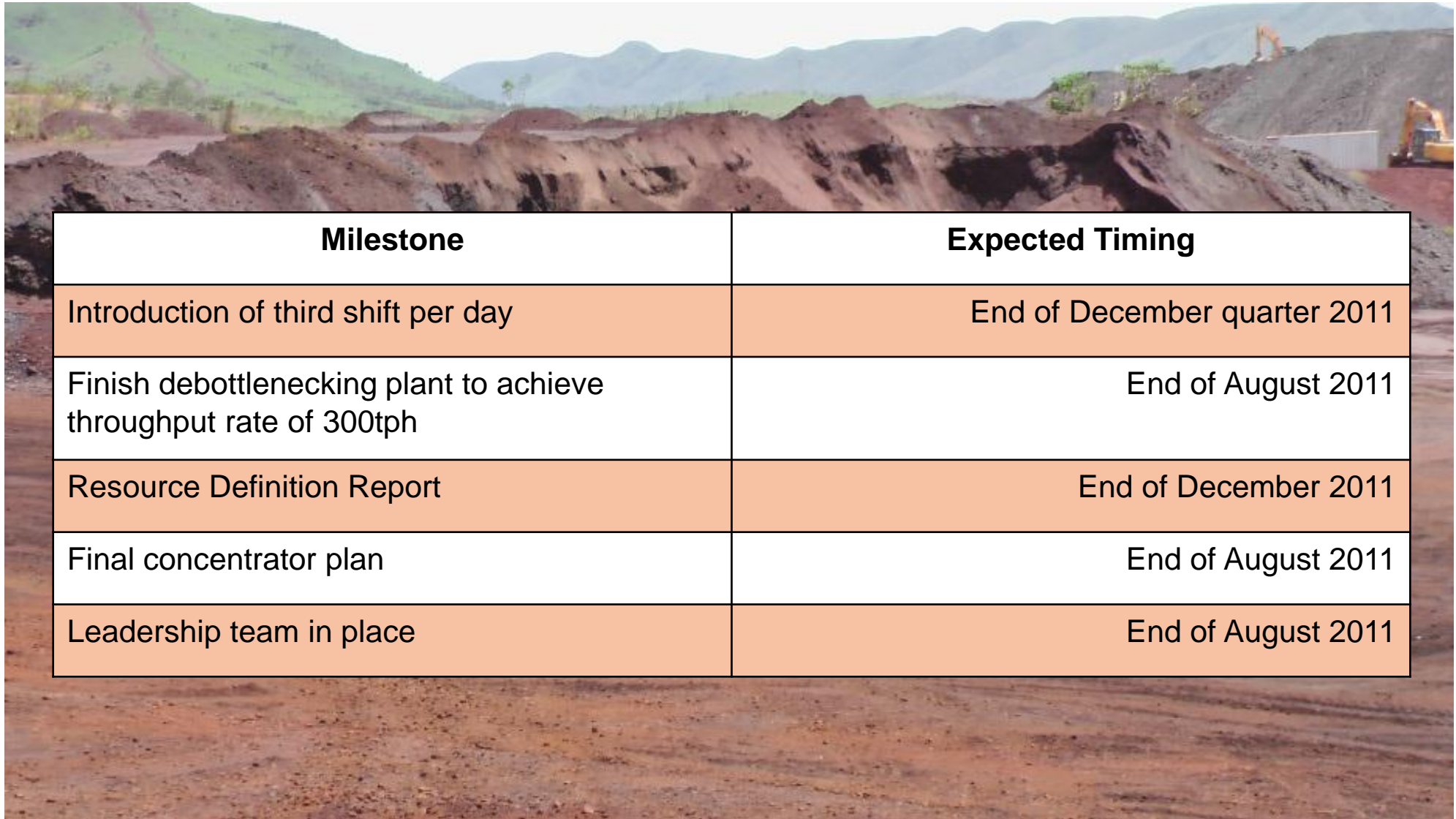
- Quality: consistent at ~60% Fe for both Sinter Feed and Lump

- Staged resource drilling program has commenced – Phase I focused on confirming +50 million tons to JORC compliance
- Four rigs on site
- Two additional rigs by mid-July 2011
- Coffey Mining appointed to undertake the Resource Definition Program to confirm the Ponto Verde resource to JORC standard
 - Includes supervision and data management, resource model and report completion
 - Expected completion: End of December Quarter 2011



- Design work completed by Brazilian consulting firm, Senior Consultants
- Final detailed design report received in June 2011
- Project justification to be completed by end July 2011
- Initial economics for the concentrator are strong
- Should the project progress, commissioning is targeted for end Q1 CY2012

Key Milestones for FY2012



Milestone	Expected Timing
Introduction of third shift per day	End of December quarter 2011
Finish debottlenecking plant to achieve throughput rate of 300tph	End of August 2011
Resource Definition Report	End of December 2011
Final concentrator plan	End of August 2011
Leadership team in place	End of August 2011



People Update

New Leadership Team

Role	Name & Description
Chief Executive Officer	Philip Hopkins (appointed May 2011) Perth-based
Chief Operating Officer (<i>transitioning</i>)	<i>Currently recruiting</i> Glauco Mol (Acting COO) Brazil-based
Projects Director (<i>new position</i>)	<i>Currently recruiting</i> Brazil-based
Marketing, Sales and Legal Manager (<i>temporary</i>)	Rodrigo Branco Brazil-based
Administration and Purchasing Director (<i>new position</i>)	Eduardo Freitas Brazil-based
Chief Financial Officer & Company Secretary	Dion Cohen Sydney-based

Conclusion

Recalibrated SAFM Story

- Focus on completing the Leadership Team – defining collaborative focus
- Focus on continuing strong work to date and ‘closing of gaps’ to deliver on Plan
- Phase I resource definition program focused on confirming +50 million tons to JORC compliance
- Focus on product quality and maximisation
- Cash flow management
- Project fundamentals remain sound with some upside
- Targeting full permitted production rate of 1.5Mtpa
- Growth opportunities are being evaluated

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