



SOUTH AMERICAN FERRO METALS LIMITED

ABN 27 128 806 977

NOTICE OF EXTRAORDINARY GENERAL MEETING EXPLANATORY MEMORANDUM

Date of Meeting

18 February 2011

Time of Meeting

10 am (Sydney time)

Place of Meeting

Level 11, 151 Macquarie Street, Sydney NSW 2000

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that the Extraordinary General Meeting of the Shareholders of South American Ferro Metals Limited ("SAFM" or the "Company") will be held at 10am (Sydney time) on 18 February 2011 at Level 11, 151 Macquarie Street, Sydney NSW.

Resolution 1: Removal of Auditor

To consider and, if thought fit, to pass, with or without amendment the following **ordinary resolution**:

"That Bentleys Audit & Corporate (WA) Pty Ltd be removed as auditors of the Company."

Resolution 2: Appointment of Auditor

To consider and, if through fit, to pass, with or without amendment the following as a **special resolution**:

"That Grant Thornton Audit Pty Ltd be appointed as auditors of the Company."

Resolution 3: South American Ferro Metals Limited Incentive Option Scheme

To consider and, if thought fit, to pass, with or without amendment the following **ordinary resolution**:

"That the South American Ferro Metals Limited Incentive Option Scheme ("Scheme") (formerly the "Riviera Resources Limited Incentive Option Scheme") be amended as described in the Explanatory Statement accompanying this Notice of Meeting and that the amended Scheme and all future issues under the amended Scheme be approved for all purposes, including for the purposes of Listing Rule 7.2 exception 9."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 3 by:

- any Director of the Company except one who is ineligible to participate in any employee incentive scheme in relation to the Company; and
- any associate of those Directors.

However, the Company need not disregard a vote cast on Resolution 3 if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4: Issue of options to Patermat Pty Ltd

To consider and, if thought fit, to pass, with or without amendment the following **ordinary resolution**:

"That for all purposes, including for the purposes of ASX Listing Rules 7.1 and 10.14, a total of up to 5,000,000 Options to subscribe for the equivalent number of fully paid ordinary Shares in the Company be issued to Patermat Pty Ltd, a company associated with Terence Willsteed, a Director of the Company in accordance with the South American Ferro Metals Limited Incentive Option Scheme Rules and as summarised in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 4 by:

- any Director of the Company except one who is ineligible to participate in any employee incentive scheme in relation to the Company; and
- any associate of those Directors.

However, the Company need not disregard a vote cast on Resolution 4 if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5: Issue of options to Stephen Fabian

To consider and, if thought fit, to pass, with or without amendment the following **ordinary resolution**:

"That for all purposes, including for the purposes of ASX Listing Rules 7.1 and 10.14, a total of up to 2,500,000 Options to subscribe for the equivalent number of fully paid ordinary Shares in the Company be issued to Stephen Fabian, a Director of the Company, in accordance with the South American Ferro Metals Limited Incentive Option Scheme Rules and as summarised in the Explanatory Memorandum accompanying this Notice.

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 5 by:

- any Director of the Company except one who is ineligible to participate in any employee incentive scheme in relation to the Company; and
- any associate of those Directors.

However, the Company need not disregard a vote cast on Resolution 5 if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6: Issue of options to Stephen Turner

To consider and, if thought fit, to pass, with or without amendment the following **ordinary resolution**:

"That for all purposes, including for the purposes of ASX Listing Rules 7.1 and 10.14, a total of up to 2,500,000 Options to subscribe for the equivalent number of fully paid ordinary Shares in the Company be issued to Stephen Turner, a Director of the Company, in accordance with the South American Ferro Metals Limited Incentive Option Scheme Rules and as summarised in the Explanatory Memorandum accompanying this Notice.

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 6 by:

- any Director of the Company except one who is ineligible to participate in any employee incentive scheme in relation to the Company; and
- any associate of those Directors.

However, the Company need not disregard a vote cast on Resolution 6 if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7: Issue of options to Parkinson Corporate Pty Ltd

To consider and, if thought fit, to pass, with or without amendment the following **ordinary resolution**:

"That for all purposes, including for the purposes of ASX Listing Rules 7.1 and 10.14, a total of up to 3,500,000 Options to subscribe for the equivalent number of fully paid ordinary Shares in the Company be issued to Parkinson Corporate Pty Ltd, a company associated with Phillip Re, a Director of the Company, in accordance with the South American Ferro Metals Limited Incentive Option Scheme Rules and as summarised in the Explanatory Memorandum accompanying this Notice.

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 7 by:

- any Director of the Company except one who is ineligible to participate in any employee incentive scheme in relation to the Company; and
- any associate of those Directors.

However, the Company need not disregard a vote cast on Resolution 7 if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8: Issue of options to Coral Brook Pty Ltd

To consider and, if thought fit, to pass, with or without amendment the following **ordinary resolution**:

"That for all purposes, including for the purposes of ASX Listing Rules 7.1 and 10.14, a total of up to 3,500,000 Options to subscribe for the equivalent number of fully paid ordinary Shares in the Company be issued to Coral Brook Pty Ltd, a company associated with Paul Lloyd, a Director of the Company, in accordance with the South American Ferro Metals Limited Incentive Option Scheme Rules and as summarised in the Explanatory Memorandum accompanying this Notice.

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 8 by:

- any Director of the Company except one who is ineligible to participate in any employee incentive scheme in relation to the Company; and
- any associate of those Directors.

However, the Company need not disregard a vote cast on Resolution 8 if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Other Business

To transact any other business which may be lawfully brought forward in accordance with the Constitution and the *Corporations Act 2001(Cth)*.

By order of the Board

Dion Cohen

Company Secretary

19 January 2011

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of Extraordinary General Meeting of South American Ferro Metals Limited ABN 27 128 806 977 ("SAFM" or "the Company")

Resolution 1: Removal of Auditor

In accordance with section 329 (1A) of the Corporations Act the Company received a notice of intention to remove the current auditors Bentleys Audit & Corporate (WA) Pty Ltd. Accordingly, shareholder approval is sought to remove the current auditors.

Under section 329 of the Corporations Act, an auditor of a Company may be removed from office by resolution at a general meeting of which notice of intention to move the resolution has been given.

This is part of a proposal to replace the current auditors and appoint Grant Thornton Australia Limited to replace them for the reasons set out below:

The Directors unanimously recommend that you vote in favour of this resolution.

Resolution 2: Appointment of Auditor

The Company has received a notice of nomination from a director and shareholder of the Company for the appointment of Grant Thornton Audit Pty Ltd as auditors of the Company. A copy of this notice of nomination is set out in Schedule 1. The Company has also received the consent of Grant Thornton Australia Limited to the appointment as the Company's auditors. A copy of this consent is set out in Schedule 2.

Under section 327D of the Corporations Act, the Company in general meeting may appoint an auditor to replace an auditor removed in accordance with section 329. Accordingly, approval is sought from the shareholders for the appointment of Grant Thornton Audit Pty Ltd as auditors of the Company.

The key reason for the change of auditors arises because, where previously the Company's business and assets were solely in Australia, the Company recently acquired a project in Brazil, so that the key business and asset of the Company and its controlled entities are now outside Australia.

- Grant Thornton Audit Pty Ltd is considered by the Directors to be well suited to be auditors of the Company for the following reasons:
 - Grant Thornton Audit Pty Ltd has offices in Australia and Brazil; and
- as Grant Thornton Audit Pty Ltd has operations in both these jurisdictions, the Directors believe that having one international audit firm for the Company and its controlled entities will result in a more efficient audit process and is in the best interests of the Company and its shareholders.

The Directors unanimously recommend that you vote in favour of this resolution.

Resolution 3: South American Ferro Metals Limited Incentive Option Scheme

In June 2008 the Board of the Company established an Incentive Option Scheme ("Scheme") to attract, retain and motivate eligible executives and employees by offering eligible participants an opportunity to participate in the Company's future performance through awards of Options to take up ordinary shares in the Company ("Options").

Since the establishment of the Scheme, the Company has not granted any Options under the Scheme.

The Company wishes to amend the Scheme in order to reflect the change of the Company's name from Riviera Resources Limited to South American Ferro Metals Limited and to allow for the imposition of vesting conditions which apply before Options will vest and can be exercised to better align the Scheme to the recent changes to the regime for the taxation of shares and rights under employee share schemes under Division 83A of the Income Tax Assessment Act.

A copy of the amended rules of the Scheme is available by request from the Company Secretary.

ASX Listing Rule 7.1 provides a formula that limits the number of equity securities the Company may issue within any 12 month period without shareholder approval. The formula allows the Company to issue a maximum number of equity securities equal to 15% of its issued share capital, subject to various exceptions under Listing Rule 7.2.

Listing Rule 7.2, exception 9, provides that issues under an employee incentive scheme are exempt for a period of three years if shareholders approve the Scheme and the issue of securities under the Scheme as an exception to ASX Listing Rule 7.1, as is proposed by Resolution 3.

The terms and conditions of the Scheme are summarised below.

Eligibility

Under the Scheme, the Board may offer Options to full or part-time employees, directors, consultants and contractors of the Company or an associated body corporate of the Company, which the Board determines, should be entitled to participate in the Scheme ("Eligible Participants").

Grant of Options

Options will be granted to Eligible Participants for free. The Company will not apply for ASX quotation of any Options issued under the Scheme.

Exercise Price

The exercise price per Share for an Option will be determined by the Board and specified by the Board at the time of offering the Options to Eligible Participants.

Exercise Period

Options will be exercisable during the Option exercise period specified by the Board at the time of offering the Options to Eligible Participants.

Vesting

Options will only vest upon satisfaction of any vesting conditions specified by the Board at the time of offering the Options to Eligible Participants.

Exercise of Options

Subject to the satisfaction of any applicable vesting or exercise conditions, Options are exercisable during the specified exercise period by giving notice of the exercise to the Company and by paying the exercise price for the Options exercised.

Issue of Shares upon exercise of options

Each Option exercised entitles the holder to subscribe for one Share. The Shares issued upon exercise of the Options will rank equally and carry the same rights and entitlements as other Shares on issue, except for entitlements which had a record date before the date of issue of that Share.

New issues of Securities

An option holder will not be entitled to participate in new issues of Shares or other securities made by the Company to holders of its Shares, unless the Options are exercised and the respective Shares are issued before the record date for determining entitlements to the new issue.

Bonus Issues

If the Company makes a bonus issue of Shares to its Shareholders prior to the Options being exercised, and an Option is not exercised prior to the record date, the Option will entitle the holder to one Share plus the number of bonus Shares which would have been issued to the holder if the Option had been exercised prior to the relevant record date.

Rights Issues

If the Company makes a pro rata issue of securities (except a bonus issue) to its Shareholders (other than in lieu of dividends or by way of a dividend reinvestment) the Option exercise price will be reduced according to the formula specified in the ASX Listing Rules.

Capital Reorganisation

If there is a reorganisation of the capital of the Company, the number of Options and/or the exercise price of the Options will be correspondingly reorganised in a manner that is necessary to comply with the ASX Listing Rules.

Acceleration of Exercise

If a takeover bid is made to acquire all of the issued Shares of the Company, or a notice of meeting to approve a scheme of arrangement under section 411 of the *Corporations Act 2001* is issued by the Company or a Shareholder has sufficient Shares to replace all or a majority of the Board, the Directors may give notice to Option holders entitling them to exercise their Options notwithstanding the Option exercise period has not commenced or applicable vesting or exercise conditions have not been satisfied.

Lapse of Options

If an Option holder ceases to be an employee or director of, or render services to, the Company or a related body corporate ("Ceasing Date"), then unless the Board otherwise determines:

- (a) any unvested Options will lapse; and
- (b) for those Options which are vested and are otherwise exercisable, the Option holder will have a period of 60 days after the Ceasing Date in which to exercise those Options. Any unexercised Options will then lapse.

A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.

Resolution 4 to 8: Issue of Options to the Directors

Resolutions 4 to 8 will be voted on separately, however the information outlined below is relevant to all of those resolutions.

Shareholder approval is sought for the grant of a total up to 17,000,000 Options to the Directors of the Company (or their nominated associates) to subscribe for up to a total of 17,000,000 fully paid ordinary Shares in the Company, in accordance with the Scheme Rules, as follows:

Director	Number of Options
Patermat Pty Ltd a company associated with Non Executive Chairman, Mr Terence Willsteed	5,000,000
Managing Director, Mr Stephen Fabian	2,500,000
Non Executive Director, Mr Stephen Turner	2,500,000
Parkinson Corporate Pty Ltd, a company associated with Non Executive Director, Mr Philip Re	3,500,000
Coral Brook Pty Ltd , a company associated with Non Executive Director, Mr Paul Lloyd	3,500,000

The proposed issue of Options is designed to provide an incentive for the Directors to improve the performance of the Company. In particular, the vesting conditions for the Options are aligned to the achievement of key milestones for SAFM's Ponto Verde project in Brazil. If the Options are exercised, the exercise price payable for the Shares also will generate cash flow for the Company.

Shareholder approval is required under ASX Listing Rule 10.14 because Mr Willsteed, Mr Fabian, Mr Lloyd, Mr Re and Mr Turner are each a Director of the Company. ASX Listing Rule 10.15A requires this Notice of Meeting to include the following information in relation to the Options which may be granted to these Directors pursuant to the Scheme.

Maximum number of Securities

The maximum number of securities which will be acquired by these Directors is a total of up to 17,000,000 Options to subscribe for a total of up to 17,000,000 fully paid ordinary Shares in the Company, which are to be issued to each Director as outlined above.

The date of issue of Options

If approved, the Options will be issued within 30 days of the approval by the Shareholders.

Exercise price of Options

The Options will be granted for nil consideration. The exercise price of the Options will be \$0.36.

First exercise date for Options

The Options are exercisable in three equal tranches, the tranches becoming exercisable on the fulfilment of the vesting conditions and exercise conditions set out below or where a special circumstance arises giving rise to an earlier exercise.

Vesting Conditions

Options granted under the Plan to the Directors will be subject to the following Vesting Conditions.

- (a) one third of the Options will vest upon the Company's achievement of a production run rate over a continuous three month period from the Ponto Verde Project ("Project") of at least 800,000 tonnes per annum;
- (b) a further one third of the Options will vest upon the Company identifying a JORC compliant resource of iron ore on the Project reaching or exceeding 50 million tonnes; and
- (c) the final one third of the Options will vest upon the earlier of:
 - (i). the Company identifying a JORC compliant resource of iron ore at the Project reaching or exceeding 140 million tonnes; or
 - (ii). the Company achieving a production run rate over a continuous 12 month period from the Project of at least 800,000 tonnes per annum.

Exercise Conditions

In addition to the Vesting Conditions set out above, the Exercise Condition that must be satisfied before Options can be exercised is that the volume weighted average price of the Company's Shares traded on the ASX during the five days prior to exercise of the Options being at least \$0.50.

Last exercise date for Options

All Options will lapse automatically if not exercised by 31 December 2015.

Estimated Value

The value assessed for the Options will be calculated at the time of issue and the value will be expensed over the service period, in accordance with the Australian Accounting Standards (AASB 2).

For illustrative purposes, using binomial methodology and Monte Carlo analysis, if the Options were issued on 12 January 2011 (Effective Valuation Date) and using the following assumptions, the Options would have an estimated remuneration value as follows:

Assumptions	
Share price at Effective Valuation Date	\$0.31
Exercise price	\$0.36
Risk free rate	4.5%
Volatility	80%
Expiry date	31 December 2015
Estimated value per Option	2.91 cents

Based on the estimated value per Option the value of Options to be issued to the Directors would be as follows:

	Number	Value (A\$)
Patermat Pty Ltd (Terence Willstead)	5,000,000	145,500
Stephen Fabian	2,500,000	72,750
Stephen Turner	2,500,000	72,750
Parkinson Corporate Pty Ltd (Phillip Re)	3,500,000	101,850
Coral Brook Pty Ltd (Paul Lloyd)	3,500,000	101,850
Total	17,000,000	494,700

Other Information

ASX Listing Rule 10.15A requires disclosure of the following additional information in relation to the offer of Options to the Directors:

- no Director or other person referred to in Listing Rule 10.14 has previously received Options under the Scheme.
- all Directors are entitled to participate in the Scheme.
- the Company will not provide any loan funding to the Directors in order to acquire or exercise the Options;
- details of any Options and/or Shares issued under the Scheme will be published in each annual report of the Company relating to the period in which Options or Shares have been issued, and that approval for the issue of Options or Shares was obtained under Listing Rule 10.14.
- any additional persons who become entitled to participate in Scheme after the resolution is approved who are not named in the Notice of Meeting will not participate until approval is obtained under Listing Rule 10.14.

A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.

* * * * *

We ask for your support by attending the Extraordinary General Meeting, however, should you not be able to attend and vote at the meeting in person and wish to appoint a proxy, please complete and return the attached proxy form in accordance with the instructions in this pack.

Registered office

South American Ferro Metals Limited
Level 11, 151 Macquarie Street, Sydney 2000
Telephone number: +61 2 8298 2008
Facsimile number: +61 2 8298 2028

Attendance and voting at the meeting

For the purpose of voting at the meeting, the Directors have determined that all Shares in the Company are taken to be held by the persons who are registered as holding them at 7pm (Sydney time) on 16 February 2011. The entitlements of members to vote at the meeting will be determined by reference to that time.

You may vote by attending the meeting in person or by proxy (see below).

Ordinary resolutions require the support of more than 50% of those Shareholders voting in person, by proxy, by representative or by attorney.

Special resolutions required the support of more than 75% of those Shareholders voting in person, by proxy, by representative or attorney.

Every question arising at this Extraordinary General Meeting will be decided in the first instance by a show of hands. A poll may be demanded in accordance with the Company's Constitution.

On a show of hands, every Shareholder who is present in person or by proxy, representative or attorney, will have one vote. Upon a poll, every person who is present in person or by proxy, representative or attorney will have one vote for each Share held by that person.

Proxies and corporate representatives

A member who is entitled to attend and vote at the meeting may appoint a person, who need not be a member of the Company, as the member's proxy to attend and vote on behalf of the member.

A proxy form is provided with this notice.

A member who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

A proxy form accompanies this Notice of Meeting. Should you wish to appoint a proxy, please complete the proxy form included with this Notice and return it at least 24 hours prior to the meeting:

- by delivery or mail to Level 11, 151 Macquarie Street, Sydney NSW 2000; or
- by facsimile to facsimile number +61 (0)2 8298 2028.

If the appointment is signed by an attorney, the power of attorney or a certified copy of it must be sent with the proxy form.

If a representative of a corporate shareholder or a corporate proxy is to attend the Extraordinary General Meeting pursuant to section 250D of the Corporations Act 2001, a certificate of appointment of the representative may be obtained from the Company's share register.

Schedule 1

The Company Secretary
South American Ferro Metals Limited
Level 11, 151 Macquarie Street
Sydney, NSW
2000

20 December 2010

South American Ferro Metals Limited ACN 128 806 977

In accordance with the provisions of s329(1A) of the Corporations Act 2001, I being a Director and shareholder of South American Ferro Metals Limited, requests that the Company convene a General Meeting, failing which I intend to myself convene a General Meeting of the Company to consider and if thought fit, pass the following resolutions:

- “that Bentleys Audit & Corporate (WA) Pty Ltd be removed as auditors of the Company” and
- “that Grant Thornton Audit Pty Ltd be appointed auditor of the Company.”

The key reason for the change of auditors arises because, where previously the Company's business and assets were solely in Australia, the Company recently acquired a project in Brazil, so that the key business and asset of the Company and its controlled entities are now outside Australia. Grant Thornton has operations in both these jurisdictions and therefore having one international audit firm for the Company and its controlled entities will result in a more efficient audit process and is in the best interests of the Company and its shareholders.

Yours sincerely



Stephen Turner
Director

Schedule 2



The Board of Directors
South American Ferro Metals Limited
Level 1, 322 Hay Street
Subiaco WA 6008

Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 17, 383 Kent Street
Sydney NSW 2000
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

17 December 2010

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W www.granthornton.com.au

Dear Sirs

CONSENT TO ACT

This letter is our formal consent to act as statutory auditor of the South American Ferro Metals Limited, if we are appointed at the next general meeting.

The appointment proposed, and to which we consent, is an appointment as statutory auditor only and not, in the absence of written arrangements to the contrary, as auditor with duties other than those prescribed or implied by the Corporations Act 2001.

We would be pleased to provide any additional services compatible with our appointment that may be required from time to time, although such services are to be regarded as distinct from the performance of our duties as statutory auditor.

If we are appointed, an engagement letter will be forwarded to you in due course confirming our arrangements as your auditors.

This consent shall remain in force until cancelled in writing.

Yours faithfully
GRANT THORNTON AUDIT PTY LTD

A handwritten signature in blue ink, appearing to be "A G Rigele", written over a faint circular stamp.

A G Rigele
Director - Audit & Assurance