16 March 2011

Media Release/ASX Announcement **ASX Code: SFZ**

SAFM INTERIM FINANCIAL REPORT

The Board of Directors of South American Ferro Metals Limited ("SAFM") releases the Company's first Interim Financial Report following its relisting on the Australian Securities Exchange in November 2010 and the acquisition of the Ponto Verde Iron Ore Project in Brazil.

Financial Highlights for the six months ended 31 December 2010 include:

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") of $182,021 and pretax profit of $29,843 (before the impairment of goodwill of $5.6 million arising from the consolidation of SAFM with SAFM BVI) for the six months ended 31 December 2010
- Cash on hand of $10 million at 31 December 2010
- Refurbishment of the beneficiation plant and facilities at Ponto Verde completed; commissioning of the plant commenced on 5 February 2011
- Production from Ponto Verde is steadily increasing and is expected to build up to a rate of 60,000 tonnes per month to meet annual production targets
- Successful equity raising of $15 million following the placement of 41,666,667 ordinary shares at $0.36 per share on 12 November 2010

SAFM Chairman Terence Willsteed commented: "The early start of iron ore production has enabled SAFM to quickly secure cashflow and report positive EBITDA from Ponto Verde, even as we continue to ramp up our beneficiation plant. Production from the plant is increasing and, combined with our strong cash position, this will underpin our expansion plans and resource drilling during the coming months."

--Ends—

For further information please contact:

South American Ferro Metals Limited	**MAGNUS Investor Relations & Corporate Communication**
Dion Cohen, Company Secretary	Dudley White
+61 2 8298 2008	+61 2 8999 1010

About South American Ferro Metals Limited:

South American Ferro Metals Limited owns 100% of the mineral rights and property of the Ponto Verde Iron Ore Project in Brazil. Ponto Verde is located in the heart of the Iron Ore Quadrilateral, 55 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.

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.

SAFM

SOUTH AMERICAN FERRO METALS LIMITED

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

CORPORATE INFORMATION

ABN 27 128 806 977

This interim report covers South American Ferro Metals Limited ("SAFM") and the entities it controlled at the end of, or during, the six months ended 31 December 2010. The presentation currency of the Group is Australian Dollars ("$").

SAFM ("The Company") is a company limited by shares incorporated in Australia whose shares and options are publicly traded on the Australian Securities Exchange ("ASX") and are currently listed on the ASX under the codes "SFZ" and "SFZO".

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' report on page 4. The Directors' report is not part of the financial statements.

Directors

Terence Willsteed (Chairman)
Stephen Fabian
Stephen Turner
Philip Re
Paul Lloyd

Auditors

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney, NSW,
Australia, 2000

Company Secretary

Dion Cohen

Registered office

Level 11
151 Macquarie Street
Sydney, New South Wales,
Australia, 2000
Telephone: +61 2 8298 2008
Facsimile: +61 2 8298 2028

Brazil office

Av Afonso Pena 3130
SL903 – Parte Cruzeiro
30130-009
Belo Horizonte MG
Telephone: + 55 31 3281 8777
Facsimile: + 55 31 3281 8997

Solicitors

Baker & McKenzie
Level 27, AMP Centre
50 Bridge Street
Sydney, NSW,
Australia, 2000

Bankers

National Bank of Australia
Level 36, 100 Miller Street
North Sydney, NSW,
Australia, 2060

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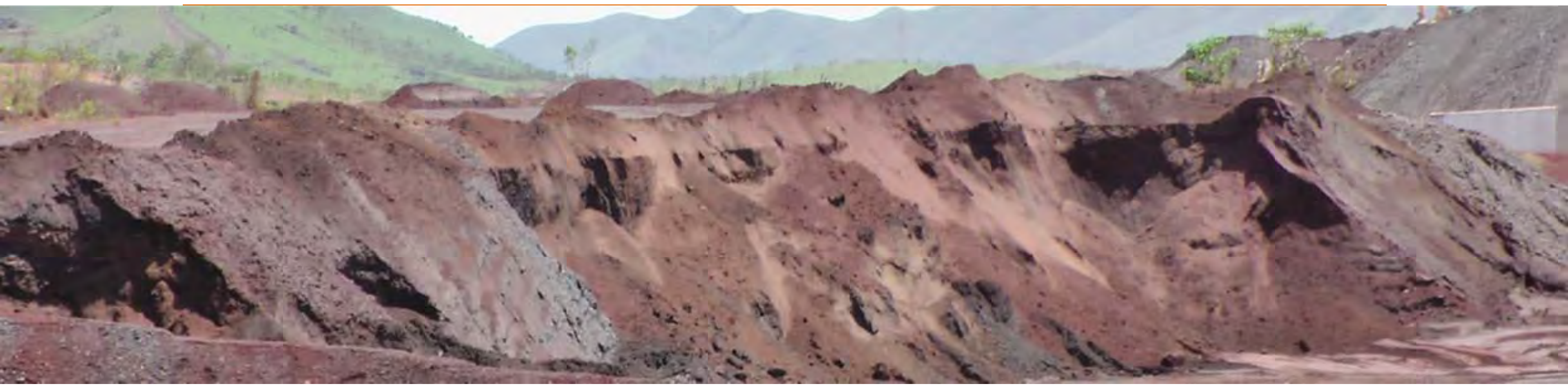

DIRECTORS' REPORT

Your Directors' submit the financial report of the consolidated Group for the half-year ended 31 December 2010.

DIRECTORS

The names of the Company's Directors in office during the six months ended 31 December 2010 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Name	Current Position	Date of appointment to Board
Terence Willsteed	Chairman	11 November 2010
Stephen Fabian	Executive Managing Director	11 November 2010
Stephen Turner	Non-executive director	11 November 2010
Philip Re	Non-executive director	25 November 2010 (re-elected)
Paul Lloyd	Non-executive director	25 November 2010 (re-elected)
Mark Foster	Non-executive director	6 December 2007 (resigned 12 November 2010)
Nick Revell	Non-executive director	24 June 2008 (resigned 12 November 2010)

REVIEW AND RESULTS OF OPERATIONS

Set out below is a review of significant activity within South American Ferro Metals Limited for the six months ended 31 December 2010.

Group Structure

The legal parent company changed its name from Riviera Resources Limited ("RVE") to South American Ferro Metals Limited ("SAFM") on 13 September 2010. On 22 September 2010, SAFM consolidated its issued share capital on a one for two basis and on 11 November 2010 acquired all the shares in a company incorporated in the British Virgin Islands by the same name - South American Ferro Metals Limited ("SAFM BVI"), which owned 100% of SAFM Mineração Limitada ("SAFM Brazil"). The acquisition price of US$66 million was settled via the issue of shares as follows:

Class of share	Number (Pre-consolidated)	Number (Post-consolidated)	Milestone
Ordinary shares	167,955,934	83,977,967	n/a
Class A Performance Shares	167,955,934	83,977,967	The production run rate over a continuous three month period is equal to or greater than 800,000 tonnes per annum.
Class B Performance Shares	167,955,934	83,977,967	A certified JORC compliant resource of iron ore of at least 50,000,000 tonnes
Class C Performance Shares	167,955,934	83,977,967	The earlier of: Identifying a JORC compliant resource of Iron ore of at least 140,000,000 tonnes; or The production run rate over a continuous twelve month period is equal to or greater than 800,000 tonnes per annum.

On 12 November 2010, SAFM raised equity capital amounting to $15,000,000 via the placement of 41,666,667 ordinary shares at $0.36 per share.

A summary of the ordinary share capital of SAFM Limited at 31 December 2010 is set out below:

	Number of shares	Share capital ($)
Share capital at 30 June 2010	63,138, 248	4,571,853
One for two consolidation	31,569,124	4,571,853
Purchase of SAFM BVI	83,977,967	33,591,187
Capital raising	41,666,667	13,998,049
Total share capital at 31 December 2010	157,213,758	52,161,089

On 28 February 2011, the Company announced that the production milestone for the conversion of Class A Performance Shares had been met by production over a continuous three month period at a rate equal to or greater than 800,000 tonnes per annum. As a result, the Company issued 83,977,967 ordinary shares on that date.

Environmental Licensing Process

The State Environment Policy in Brazil is governed by the State Council of the Environment ("CONAMA"). CONAMA prescribes the conditions, limitations and measures over the control and use of natural resources in Brazil, and is responsible for the issuing of Operating Licenses required to commence mining operations ("LO").

The regulation of and monitoring of compliance to the policy is handled by the local municipality, Itabrito. CONAMA and the local municipality are also responsible for issuing Preliminary Licenses required to perform environmental studies and impact assessments ("LP") as well as Installation Licenses permitting plant and infrastructure to be established on site ("LI").

SAFM Brazil received its LP and LI on 30 August 2010 and its LO on 26 October 2010.

Contract with LGA Mineração e Siderurgia ("LGA")

In November 2010, SAFM Brazil negotiated and concluded a short-term supply agreement with LGA Mineração e Siderurgia ("LGA"), an iron ore processor situated approximately 56 kilometres south of Ponte Verde Mine ("PVM").

The contract included the following salient terms and conditions:

- SAFM Brazil allowed LGA to use its outstanding ROM allocation (1.5 million tonnes) under its mining license for the remaining duration of the 2010 calendar year (3 months).
- LGA purchased the ROM at a Sales price of US$4 per tonne (excluding ICMS).
- LGA was responsible for the cost of production and extraction of ROM, as well as all transport costs and related taxes.
- LGA committed to a minimum monthly delivery of approximately 45,000 tonnes which would translate to R$300,000. This cash flow provided SAFM Brazil the necessary funds to cover its monthly fixed costs and report a gross profit.

The LGA contract expired on 31 December 2010 and SAFM Brazil invoiced LGA for total sales of $2,416,878 (R$3,913,973), relating to approximately 663,000 tonnes of ROM for the period ended 31 December 2010.

Financial Review

The turnover of the business arose solely from the short-term mining and supply contract with LGA disclosed above.

The Company reported Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") of $182,021 (before impairment of Goodwill) and a loss before tax of $5.6 million for the six months ended 31 December 2010.

DIRECTORS' REPORT (continued)

The impairment of goodwill of $5.6 million represents the difference between the fair value of the shares issued on acquisition, calculated based on the shares price of SAFM for 5 days ending 11 November 2010 and the fair value of the net assets and liabilities of SAFM.

At 31 December 2010, the Company had cash on hand of $10 million and borrowings of $1 million owing to Banco Itau in Brazil. The borrowing owing to Banco Itau has been repaid after 31 December 2010.

Given the significant change to the business, from the previous financial year, the financial review has not incorporated a comparative period review.

Subsequent to year end

Commencement of Operations

Following the end of the short-term mining and supply contract with LGA on 31 December 2010, SAFM Brazil commenced its own mining operations at Ponte Verde in January 2011.

Refurbishment of the beneficiation plant and facilities was completed and commissioning of the plant commenced on 5 February 2011. Production is steadily increasing and is expected to build up to a rate of 60,000 tonnes per month with extra shifts being worked, if required, to meet annual production targets. The feed rate has reached 200 tonnes per hour and following completion of a number of adjustments, SAFM Brazil expects to achieve capacity of 300 tonnes per hour.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the acquisition described under Group Structure in the Directors' report above there were no other significant changes in the state of affairs of the Group for the half-year ended 31 December 2010.

ROUNDING

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the Directors' report have been rounded off to the nearest $1,000.

AUDITOR'S INDEPENDENCE DECLARATION

An Auditor's Independence Declaration has been received from our auditors, Grant Thornton, which immediately follows this Directors' report.

Signed in accordance with a resolution of the Directors.

Stephen Fabian
Managing Director
Sydney
15 March 2011

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

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To The Directors of South American Ferro Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of South American Ferro Metals Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A G Rigele
Director - Audit & Assurance

Sydney, 15 March 2011

CONSOLIDATED INCOME STATEMENT
for the half-year ended 31 December 2010

	Note	CONSOLIDATED 31 Dec 2010 $'000	31 Dec 2009 $'000
Sales revenue	3	2,417	-
Cost of goods sold		-	-
Gross profit		2,417	-
Other income / expenses			
Finance income		174	-
Other income		-	18
Foreign exchange gain/(loss)		(13)	(1,575)
Administrative and other expenses		(2,221)	(1,764)
Depreciation and amortisation		(103)	-
Impairment of goodwill		(5,614)	-
Finance costs		(223)	(7)
Loss before tax		(5,583)	(3,328)
Current tax expense		-	-
Loss after tax for the period		(5,583)	(3,328)
Earnings per share (cents per share)	4		
- basic earnings per share		(0.05)	(0.04)
- diluted earnings per share		(0.05)	(0.04)

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2010

	CONSOLIDATED	
	31 Dec 2010 $'000	31 Dec 2009 $'000
Loss for the period	(5,583)	(3,328)
Exchange differences on translating foreign controlled entities	(838)	(1,445)
Total comprehensive loss for the period, net of tax	(6,421)	(4,773)
Attributable to:		
Members of the parent entity	(6,421)	(4,773)
	(6,421)	(4,773)

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2010

		CONSOLIDATED	
	Note	31 Dec 2010 $'000	30 June 2010 $'000
Assets			
Current assets			
Cash and cash equivalents		10,048	1,283
Trade and other receivables		3,097	15
Total current assets		13,145	1,298
Non-current assets			
Property, plant & equipment	5	2,300	425
Exploration and evaluation assets		1,358	-
Mining properties	6	12,283	13,682
Total non-current assets		15,941	14,107
Total assets		29,086	15,405
Equity and liabilities			
Current liabilities			
Trade and other payables		1,177	4,680
Interest-bearing loans and borrowings	8	1,041	2,426
Provisions	9	337	43
Total current liabilities		2,555	7,149
Non-current liabilities			
Provisions	9	4,865	3,246
Total non-current liabilities		4,865	3,246
Total liabilities		7,420	10,395
Net assets		21,666	5,010
Shareholders' equity			
Contributed equity	10	48,312	25,235
Foreign currency translation reserve		(2,228)	(1,390)
Accumulated losses		(24,418)	(18,835)
Total shareholders' equity		21,666	5,010

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2010

	Contributed equity $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total Equity $'000
At 1 July 2009	8,722	-	(6,145)	2,577
Comprehensive income attributable to members of the parent entity	-	(1,445)	(3,328)	(4,773)
Total comprehensive income for the period	**-**	**(1,445)**	**(3,328)**	**(4,773)**
Equity Transactions with owners				
Issue of ordinary shares	1,031	-	-	1,031
Share issue costs	(120)	-	-	(120)
At 31 December 2009	**9,633**	**(1,445)**	**(9,473)**	**(1,285)**
At 1 July 2010	25,235	(1,390)	(18,835)	5,010
Comprehensive income attributable to members of the parent entity	-	(838)	(5,583)	(6,421)
Total comprehensive income for the period	**-**	**(838)**	**(5,583)**	**(6,421)**
Equity Transactions with owners				
Issue of ordinary shares	15,000	-	-	15,000
Share issue costs	(1,002)	-	-	(1,002)
Reverse acquisition equity issued (Note 7)	9,079	-	-	9,079
At 31 December 2010	**48,312**	**(2,228)**	**(24,418)**	**21,666**

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2010

	CONSOLIDATED 31 Dec 2010 $'000	31 Dec 2009 $'000
Cash flows from operating activities		
Receipts from customers	2,417	-
Payments and advances to suppliers and employees (exclusive of GST and ICMS)	(8,221)	(3,346)
Interest received	174	-
Interest paid	(223)	(7)
Net cash used in operating activities	(5,853)	(3,353)
Cash flows from investing activities		
Payments for property, plant & equipment	(19)	-
Net cash used in investing activities	(19)	-
Cash flows from financing activities		
Proceeds from issues of shares	15,000	911
Proceeds from borrowings	8	709
Repayment of borrowings	(860)	(60)
Repayment of shareholders' loan	(1,131)	-
Payment of share issue costs	(1,002)	-
Net cash used in financing activities	12,015	1,560
Net increase / (decrease) in cash held	6,143	(1,793)
Cash acquired from acquisition	2,106	-
Cash at the beginning of the financial period	1,283	(7)
Effects of exchange rates on cash holdings in foreign currencies	516	1,726
Cash and cash equivalents at the end of the period	10,048	(74)

These financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2010

1. CORPORATE INFORMATION

The financial statements of South American Ferro Metals Limited ("SAFM"), previously Riviera Resources Limited ("RVE") for the half year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors' on 15 March 2011.

On 24 March 2010, RVE announced that it had signed an agreement to acquire the mineral rights and property at Ponto Verde, located in the heart of the Iron Ore Quadrilateral, 55 kilometres from the town of Belo Horizonte in Minas Gerais State, Southern Brazil.

A formal share sale agreement was executed pursuant to which the Company acquired 100% of the issued capital of SAFM BVI who in turn owned 100% of SAFM Brazil, the owner of the Ponto Verde project ("PVM").

The Company's sole investment, prior to the above mentioned acquisition was a 100% interest in the Three Sisters Project located 250km south of Charters Towers in Central Eastern Queensland. This project includes two gold exploration permits.

The Company is a company limited by shares incorporated in Australia whose shares and options are listed on the ASX the codes "SFZ" and "SFZO".

2. ACCOUNTING POLICIES

Basis of preparation

These general-purpose financial statements, have been prepared in accordance with AASB 134 "*Interim Financial Reporting*" and the Corporations Act 2001. The interim financial report has also been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. The principal accounting policies used by the Company comply with International Financial Reporting Standards (IFRS).

This interim financial report does not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as a full financial report.

On 11 November 2010, SAFM acquired SAFM BVI, the acquisition met the requirements of reverse acquisition accounting and has been treated in accordance with AASB 3 Business combinations. The acquiree, the trading entity, SAFM BVI is treated as the acquirer in the acquisition because it has obtained control over the operations of the legal parent, SAFM, as such the Consolidated financial statements represent the share capital of SAFM BVI prior to the business combination plus the fair value of SAFM determined under AASB 3. The retained earnings and other reserves reflect SAFM BVI. The comparative information presented is that of SAFM BVI.

It is recommended that the interim financial report be considered together with any public announcements made by SAFM during the half-year ended 31 December 2010 and up to the issue date of this report, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Material accounting policies adopted in the preparation of this interim financial report are presented below and have been consistently applied unless otherwise stated.

Rounding of amounts

The interim financial report and directors' report are presented in Australian Dollars and all values are rounded to the nearest thousand Dollar ($'000) unless otherwise stated under the relief available to the Company under ASIC Class Order 98/100.

In the application of IFRS, management is required to make judgements, estimates, and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable in the relevant notes to the financial statements.

(a) Basis of consolidation

The Consolidated financial statements incorporate the assets and liabilities of all entities controlled by SAFM at the end of the reporting period. A controlled entity is any entity over which SAFM has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

The Company and its controlled entities together are referred to as the Group. The effects of all transactions between entities in the Group are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

(b) Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 39 in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) The consideration transferred
(ii) Any non-controlling interest
(iii) The acquisition date fair value of any previously held equity interest.

Over the acquisition date fair value of net identifiable assets acquired.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at the cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash generating units that expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(c) Foreign currency translation

Functional currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Australian dollars ($), which is the parent entity’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when the fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

(c) Foreign currency translation (continued)

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
ii) Income and expenses are translated at average exchange rates for the period; and
iii) All resulting exchange differences are recognised in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at each reporting date.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, and other short-term deposits with an original maturity of three months or less. Bank overdrafts are shown separately in current liabilities on the Statement of Financial Position. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Trade and other receivables

Trade receivables, which are due for settlement no more than 30 days from the date of the final invoice, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for uncollectible amounts. The final invoice is issued once the product is received and final specification agreed by the customer. Collectibles of trade debtors are reviewed on an ongoing basis and a provision for non-recovery is made accordingly. Debts which are known to be uncollectible are written off. The difference between the carrying value of receivables and present value of the expected future cash flows are accounted for against the carrying value of receivables and as an interest charge. Fair value adjustments from commodity price sensitive sales are accounted for against the relevant receivables.

(f) Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and any impairment. The carrying value of assets is reviewed for impairment at the balance sheet date. An asset is immediately written down to its recoverable amount if the carrying value of the asset exceeds its estimated recoverable amount.

The depreciation rates per annum for each class of fixed asset are as follows:

- Property & buildings: 4%
- Plant and equipment: between 10% - 20%
- Furniture & fittings: 10%
- Computer equipment: 20%
- Motor vehicles: 20%

(f) Property, plant and equipment (continued)

Subsequent expenditure relating to an item of property, plant and equipment, that has already been recognised, is added to the carrying amount of the asset if the recognition criteria are met.

All assets are depreciated over their anticipated useful lives up to their residual values using a straight-line depreciation basis. These useful lives are determined on the day of capitalisation and are re-assessed annually by management.

The decommissioning asset is amortised over the expected remaining life of mine being 20 years, using the unit of production method based on proven and probable ore reserves. Land is not depreciated

Major maintenance and repairs

Expenditure on major maintenance re-builds or repairs comprise the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset which is immediately written off. All other day to day maintenance costs are part of production cost.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable or at least on an annual basis.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amount.

(g) Mining properties

Mining properties, comprising of mineral rights and surface rights, are recorded at historical cost less accumulated amortisation and any impairment. The carrying value of assets is reviewed for impairment at the balance sheet date. An asset is immediately written down to its recoverable amount if the carrying value of the asset exceeds its estimated recoverable amount.

Mining properties that are being depleted are amortised over the expected remaining life of mine being 20 years, using the unit of production method based on proven and probable ore reserves.

Subsequent expenditure relating to mineral rights or surface rights, that have already been recognised, is added to the carrying amount of the asset if the recognition criteria are met.

Impairment

The carrying values of mining properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable or at least on an annual basis.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amount.

(h) Acquisition, exploration, evaluation and development costs

Acquisition costs

Exploration and evaluation costs arising from acquisitions are carried forward where exploration and evaluation activities have not reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Exploration and evaluation costs

Costs arising from exploration and evaluation activities are expensed as incurred. These costs are capitalised where it is expected that the expenditure will be recouped by future exploitation or sale of the area of interest.

Development costs

Costs arising from development activities are capitalised as incurred to the extent that such costs, together with any costs arising from acquisition, exploration and evaluation carried forward in respect of the area of interest, are expected to be recouped through future exploitation or sale of the area of interest.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas; the value of the area of interest is written off to the income statement or provided against.

(i) Employee Benefits

Equity settled compensation:

The Group provides benefits to employees (including Directors) of the Group and other service providers or strategic equity partners in the form of share-based payment transactions, whereby employees or other parties render services or provide goods in exchange for shares or rights over shares (“equity-settled transactions”).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an option pricing method as well as a Monte Carlo simulation analysis is applied, if required, and taking into account vesting and probability conditions.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of SAFM (“market conditions”).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“vesting date”).

(i) Employee benefits (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects:

i) the extent to which the vesting period has expired; and
ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance sheet date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Where shares are issued at a discount to fair value either by reference to the current market price or by virtue of the Group providing financing for the share purchase on favourable terms, the value of the discount is considered a share based payment.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Environmental Rehabilitation provision:

The estimated cost of rehabilitation, comprising liabilities for decommissioning and restoration is based on current legal requirements and existing technology and reassessed annually by management. The costs of the provisions do not take into account the potential proceeds from the sale of the assets at the end of their useful lives.

Decommissioning and Restoration:

The discounted value of the estimated obligation to decommission, being the cost to dismantle all structures and rehabilitate the land that arose from establishing a mine or plant, is included in long term provisions. The unwinding of the obligation is included in the income statement under finance costs. The initial related decommissioning asset is recognised as part of property, plant and equipment and amortised based on the rate of production. Management reviews the estimations on an annual basis. Any changes in estimates are taken to profit and loss.

(k) Financial assets – initial recognition and subsequent measurement

Initial recognition and measurement

Financial assets are categorised as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the categorisation of its financial assets at initial recognition. Categorisation is re-evaluated at each financial year end. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except where the instrument is classified as "at fair value through profit or loss", in which case transaction costs are expensed to profit and loss immediately.

Subsequent measurement

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently remeasured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature in twelve months after the end of the period (All other loans and receivables are included as non-current assets).

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset and not transferred control of the asset, a new asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(k) Financial assets – initial recognition and subsequent measurement (continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows excluding assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

(l) Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

i) At fair value through profit & loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Options granted that are not part of a continuing share based payment relationship (i.e. there is no ongoing provision of goods and/or services and are denominated in a currency other than the entity's functional currency) are accounted for as derivative liabilities in accordance with AASB 139: "Financial Instruments: Recognition and Measurement" and IFRIC guidelines. Such options are recorded on the balance sheet at fair value with movements in fair value between being recorded in the income statement. In respect of the derivative liability, the change in the fair value of the derivative liability, during the period and cumulatively, is not attributable to changes in the credit risk of that liability.

In addition, contractual arrangements whereby the Company agrees to issue a variable number of shares are accounted for as a liability. To the extent that these contractual arrangements meet the definition of a derivative, the value of the contractual arrangement is recorded on the balance sheet at fair value with movements in fair value being recorded in the income statement.

ii) Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the considerations received less directly attributable transaction cost. After initial recognition loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

(l) Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

(m) Trade and other payables

Trade and other payables amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of invoice.

(n) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

(o) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. The weighted average number of shares was based on the consolidated weighted average number of shares in the reporting period, taking into account those issued in the reverse acquisition.

(q) Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(r) Goods and services and sales tax

Australia

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of the asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(r) Goods and services and sales tax (continued)

Brazil

Revenues, expenses and assets are recognised net of the amount of Tax on the Circulation of Goods, Interstate and Intercity Transportation and Communication Services (ICMS), Social Integration Program and Contribution for Financing of Social Security tax (PIS/COFINS) and Brazilian Royalty tax on Mineral Exploration (CFEM) except:

- where the amount of ICMS or PIS/COFINS incurred is not recoverable from the taxation authority, it is recognised as part of the cost of the asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of ICMS or PIS/COFINS.

The net amount of ICMS or PIS/COFINS recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(s) Operating segments

Operating segments are identified based on the internal reports that are regularly reviewed by the Board of Director's, the entities' Chief Operating Decision Maker for the purpose of allocating resources and assessing performance. The adoption of this "management approach" has resulted in the identification of reportable segments. The operating segments have been reviewed annually for impairment.

(t) Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholder's right to receive the payment is established.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the half-year ended 31 December 2010

3. SALES REVENUE

	CONSOLIDATED 31 Dec 2010 $'000	31 Dec 2009 $'000
Net sales revenue	2,417	-

4. EARNINGS PER SHARE

	CONSOLIDATED 31 Dec 2010 $'000	31 Dec 2009 $'000
Basic earnings per share (cents per share)	(0.05)	(0.04)
Diluted earnings per share (cents per share)	(0.05)	(0.04)
Earnings used in calculating basic and diluted earnings per share	(5,584)	(3,328)
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share ('000)	108,390	87,197
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	121,584	87,197

5. PROPERTY, PLANT & EQUIPMENT

Consolidated 31 December 2010	Cost $'000	Accumulated depreciation $'000	Carrying Value $'000
Decommissioning asset (a)	1,912	(8)	1,904
Plant and equipment	342	-	342
Furniture & Fittings	2	(1)	1
Computer equipment	26	(11)	15
Motor Vehicles	55	(17)	38
	2,337	(37)	2,300

Consolidated 31 December 2010	Carrying value $'000	Foreign translation currency reserve $'000	Disposals $'000	Additions $'000	Depreciation $'000	Carrying Value $'000
Decommissioning asset (a)	-	-	-	1,912	(8)	1,904
Plant and equipment	377	(36)	-	1	-	342
Furniture & Fittings	2	-	-	-	(1)	1
Computer equipment	15	(1)	-	3	(2)	15
Motor Vehicles	31	(2)	-	14	(5)	38
	425	(39)	-	1,930	(16)	2,300

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the half-year ended 31 December 2010

5. PROPERTY, PLANT & EQUIPMENT (continued)

Consolidated 30 June 2010	Cost $'000	Accumulated depreciation $'000	Carrying Value $'000
Plant and equipment	377	-	377
Furniture & Fittings	2	-	2
Computer equipment	25	(10)	15
Motor Vehicles	45	(14)	31
	449	(24)	425

Consolidated 30 June 2010	Carrying value $'000	Foreign translation currency reserve $'000	Disposals $'000	Additions $'000	Depreciation $'000	Carrying Value $'000
Plant and equipment	355	22	-	-	-	377
Furniture & Fittings	2	-	-	-	-	2
Computer equipment	23	(3)	-	-	(5)	15
Motor Vehicles	78	5	(37)		(15)	31
	458	24	(37)	-	(20)	425

a) The provision for decommissioning and restoration represents management's estimate of the restoration and closure costs associated with the operation. It is expected that these costs will be incurred at the end of the life of the plant and operations. The provisions have been calculated by estimating the cost of the rehabilitation and restoration, extrapolating the estimates to the end of the estimated life of the project by applying an inflation rate of 5.91% and then discounting this estimated amount to a present value, using a pre-tax discount of 9%. The restoration costs and the decommissioning cost are capitalised as a fixed asset and amortised over the rate of production.

6. MINING PROPERTIES

Consolidated 31 December 2010	Cost $'000	Accumulated Amortisation $'000	Carrying Value $'000
Surface rights (a)	2,934	(20)	2,914
Mineral rights (a)	9,433	(64)	9,369
	12,367	(84)	12,283

Consolidated 31 December 2010	Carrying value $'000	Foreign translation currency reserve $'000	Disposals $'000	Additions $'000	Depreciation $'000	Carrying Value $'000
Surface rights (a)	3,246	(311)	-	-	(21)	2,914
Mineral rights (a)	10,436	(1,000)	-	-	(67)	9,369
	13,682	(1,311)	-	-	(88)	12,283

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the half-year ended 31 December 2010

6. MINING PROPERTIES (continued)

Consolidated 30 June 2010	Cost $'000	Accumulated depreciation $'000	Carrying Value $'000
Surface rights (a)	3,246	-	3,246
Mineral rights (a)	10,436	-	10,436
	13,682	-	13,682

Consolidated 30 June 2010	Carrying value $'000	Foreign translation currency reserve $'000	Disposals $'000	Additions $'000	Depreciation $'000	Carrying Value $'000
Surface rights (a)	3,172	74	-	-	-	3,246
Mineral rights (a)	10,197	239	-	-	-	10,436
	13,369	313	-	-	-	13,682

a) On 11 November 2010, the Company acquired SAFM BVI. The consideration was settled through an issue of the Company's shares to the SAFM BVI shareholders. Through this acquisition the Company acquired the Mineral and Surface rights to the Ponto Verde project in Brazil. The Mineral and Surface rights amounting to $13.7 million (US$11.6 million) have been accounted for as at 28 January 2008 as per the agreement. The amortisation of the Mineral and Surface rights are based on the level of production at the mine from its commencement date being 19 October 2010.

7. BUSINESS COMBINATIONS

RVE was incorporated as a public company on 6 December 2007 and changed its name to South American Ferro Metals Limited (the Company) on 13 September 2010. Following the acquisition of all the shares in SAFM BVI for US$66 million on 11 November 2010, the issue of shares resulted in the shareholders of SAFM BVI holding 73% of the issued capital of the Company and thus obtaining effective control over the operations of the Company. As consideration for the acquisition, the Company issued ordinary shares and performance shares to the shareholders of SAFM BVI.

The details of the acquisition were as follows:

- On 22 September 2010, the Company consolidated its share capital in a ratio of one for two;
- On 11 November 2010 the Company acquired all the shares in SAFM BVI for an issue price of $0.40 per share;
- The effect of the transaction resulted in SAFM BVI shareholders effectively owning 73% shareholding in the Company and thus assuming control over the business;

This transaction meets the requirements for reverse acquisition accounting.

7. BUSINESS COMBINATIONS (continued)

	Acquiree's Carrying amount $'000	Fair Value $'000
Purchase consideration:		
Cash	-	-
Equity issued	9,079	9,079
Less:		
Cash	2,106	2,106
Exploration and evaluation assets	1,359	1,359
Identifiable assets acquired and liabilities assumed	3,465	3,465
Goodwill		5,614
Settlement of acquisition		9,079

The loss of SAFM has been consolidated from 11 November 2010, the date of acquisition and included in the Statement of Comprehensive Income.

8. INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	31 Dec 2010 $'000	30 June 2010 $'000
Bank debt (a)	1,033	1,296
Finance lease liability	8	-
Other loans	-	1,130
	1,041	2,426

a) SAFM Brazil entered into a loan with Banco Itau for $R2 million on 10 June 2010 to finance its short term working capital requirements. Interest charged on the loan was 2.41% per month and the loan was settled in full on 5 January 2011.

9. PROVISIONS

	CONSOLIDATED	
	31 Dec 2010 $'000	30 June 2010 $'000
Current provisions		
Payroll liabilities	24	43
Environmental cost provision	290	-
Royalty provision	23	-
	337	43
Non-current provisions		
Rehabilitation provision (a)	1,912	-
Provision for surface rights payment (b)	2,953	3,246
	4,865	3,246

a) The provision is the estimated cost of rehabilitation, comprising liabilities for decommissioning and restoration which is based on current legal requirements and existing technology and reassessed annually by management.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the half-year ended 31 December 2010

9. PROVISIONS (continued)

b) This provision represents the outstanding liability that must be paid within five days of the registration of the surface rights. This instalment is unlikely to be paid in the near future due to the existence of the proceedings regarding ownership of the surface. However, despite the existence of these proceedings, and the fact that the payment instalment is not yet required to be paid, SAFM Brazil is entitled to mine the deposit under the Mining Permit without hindrance.

10. CONTRIBUTED EQUITY

	CONSOLIDATED 31 Dec 2010 $'000	30 June 2010 $'000
Movement in ordinary shares on issue		
Opening balance	25,235	8,722
Reverse acquisition equity issued (Note 7)	9,079	-
Shares issued to employees and directors	-	3,840
Conversion of shareholder loan	-	9,302
Shares issued in lieu of services	-	1,860
Issue of ordinary shares (a)	13,998	1,511
Closing balance	48,312	25,235

31 December 2010	Shares '000	Shares '000
Opening balance	122,786	80,391
Shares issued to employees and directors	-	6,400
Conversion of shareholder loan	-	23,728
Shares issued in lieu of services	-	3,100
Reversal of shares in SAFM BVI (Note 7)	(122,786)	-
Issue of shares in SAFM (Note 7)	83,978	-
Acquisition of SAFM (Note 7)	31,569	-
Issue of ordinary shares (a)	41,667	9,167
Closing balance	157,214	122,786

a) On 12 November 2010, the Company raised $15 million through the issue of 41,666,667 shares at $0.36 per share.

11. OPERATING SEGMENTS

The Group has determined operating segments based on the information provided to the Board of Directors (Chief Operating Decision Maker).

The Group operates predominately in one business segment, being the mining and processing of iron ore in Brazil and sale of iron ore. There is no material differences between the financial information presented to the Chief Operating Decision Maker and the financial information presented in this report.

12. DIVIDENDS

The Board of Directors resolved not to declare an interim dividend for the period ended 31 December 2010.

13. CAPITAL COMMITMENTS

There are no capital commitments as at 31 December 2010.

14. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities as at 31 December 2010. (30 June 2010: nil)

15. EVENTS AFTER THE END OF REPORTING PERIOD

The following events occurred after 31 December 2010:

a) Issue of Tranche A Performance shares

On 28 February 2011, the Company announced that the production milestone for the conversion of Class A Performance Shares under the Share Sale agreement had been met by production over a continuous three month period at a rate equal to or greater than 800,000 tonnes per annum.

b) Issue of Share Options to Directors and Management

Following the approval of shareholders in general meeting on 18 February 2011 it was resolved that the Directors and Management of the Company be awarded 22,000,000 share options on the stipulated terms and conditions:

Exercise price of Options

The exercise price of the options is $0.36 per share.

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 will be subject to the following Vesting Conditions:

- 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 PVM of at least 800,000 tonnes per annum;
- 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;
- the final one third of the Options will vest upon the earlier of:
  a) the Company identifying a JORC compliant resource of iron ore at the Project reaching or exceeding 140 million tonnes; or
  b) 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.

15. EVENTS AFTER THE END OF REPORTING PERIOD (continued)

c) Issue of Share Options in lieu of services

On 15 March 2011, the Board of Directors approved the issue of 5,000,000 share options to Veritas Securities Limited in lieu of corporate advisory services to be provided by the company to SAFM from that date until 4 February 2013.

The terms of the share options are as follows:

Vesting Conditions

The options vest on the date of issue.

Exercise price of Options

The exercise price of the options is $0.45 per share.

Last exercise date for Options

All Options will lapse automatically if not exercised by 30 June 2013.

DIRECTORS' DECLARATION

The directors' of the company declare that:

(a) The financial statements and notes as set out on pages 8 to 32 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and

(ii) complying with Accounting Standard AASB 134 Interim Financial Reporting.

(b) In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Stephen Fabian
Managing Director
Sydney
15 March 2011

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

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report
To the Members of South American Ferro Metals Ltd

We have reviewed the accompanying half-year financial report of South American Ferro Metals Ltd ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of South American Ferro Metals Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Basis for qualified conclusion

Due to the accounting methodology used for reverse acquisitions under AASB3: Business Combinations the legal subsidiary, South American Ferro Metals Limited, (an entity incorporated in the British Virgin Islands and known by the same name as the legal parent listed on the Australian Stock Exchange) is the acquirer in the business combination and becomes the continuing entity. The financial report of South American Ferro Metals Limited for the year ended 30 June 2010 and period ended 31 December 2009 have not been audited or reviewed. Accordingly we are not in a position to and do not express an opinion on the comparatives for 31 December 2009 and 30 June 2010 or the opening balances as at 1 July 2010, which impact on the current year financial performance.

Qualified conclusion

Based on our review, which is not an audit, except for the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year report of South American Ferro Metals Ltd is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2010; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A G Rigele
Director - Audit & Assurance
Sydney, 15 March 2011