



27 July 2011

ASX Announcement

ASX Code: SFZ

Concentrator Approved for Ponto Verde Iron Ore Project

- **Concentrator to have capacity of 210,000 metric tonnes of concentrate a year**
- **Project to reduce environmental footprint and waste management costs**
- **Concentrator due to be operational in the second quarter of Calendar 2012**

South American Ferro Metals Limited (ASX: SFZ) ("SAFM" or the "Company"), the only ASX-listed pure play iron ore producer in Brazil, has approved the construction of a concentrator at the company's producing Ponto Verde Iron Ore Project in Brazil's Minas Gerais state.

The concentrator will treat the non-saleable fines material stockpiled at Ponto Verde with capacity of 210,000 metric tonnes a year, delivering additional revenue of R\$16 million (A\$9.6 million) a year based on current prices and pro-forma full annual production. It is expected to be operational in the second quarter of calendar 2012 at a total cost of R\$4.5 million. The project will be funded by a combination of operating cash flow and cash on hand.

The Ponto Verde mine currently has approximately 70,000 tonnes of non-saleable fines material stockpiled on site, with expectations that an additional +500,000 tonnes of fines may be in situ by the time the concentrator is operational.

The concentrate produced is expected to have an enhanced iron grade of +62% Fe. The concentrator is also expected to benefit the overall operation through reducing the environmental footprint of the Ponto Verde project, the area of land required for tailings storage and annual waste management costs.

SAFM Chief Executive Officer Philip Hopkins said:

"For a modest financial outlay, the addition of a concentrator at Ponto Verde will have substantial benefit for SAFM by producing additional higher margin saleable product from our stockpiled fines. Coupled with the improving production performance at Ponto Verde, and the additional benefit of lower waste management costs, this project is expected to improve the already compelling economics of the project, and we look forward to a successful start-up of the concentrator in the second quarter of 2012."

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For more information:

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About South American Ferro Metals:

South American Ferro Metals Limited owns 100% of the mineral rights and property of the Ponto Verde Iron Ore Project, located in the heart of the Iron Ore Quadrilateral in Brazil, 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 Ponto Verde Project is located proximate to established mining operations, iron and steel plants and existing infrastructure.

Website: www.safml.com