



28 April 2011

ASX Announcement

ASX Code: SFZ

## QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2011

### HIGHLIGHTS:

- A total amount of 53,441 tonnes of iron ore produced from Ponto Verde during the quarter
- Ponto Verde processing plant was commissioned on 5 February 2011
- Production steadily increasing to an expected 60,000 tonnes per month in the June 2011 quarter
- Coffey Mining appointed to undertake Exploration Program to confirm JORC compliant resource; planning work underway

The Board of South American Ferro Metals Limited (ASX: SFZ) ("SAFM" or "The Company") presents the following commentary, to be read in conjunction with Appendix 5B.

### Ponto Verde Iron Ore Project, Brazil

SAFM owns 100% of the mineral rights and property of the Ponto Verde Mine ("PVM"), located in the heart of the Iron Ore Quadrilateral, 55 kilometres from the city of Belo Horizonte in Minas Gerais State, Southern Brazil.

#### 1. Production

The production results over this period were as follows:

ROM production:	53,441 tonnes
ROM Stock at Ponto Verde at 31 March 2011	6,192 tonnes
Finished Stock produced	22,074 tonnes
Finished Stock at Ponto Verde at 31 March 2011	22,074 tonnes

#### 2. Mine production

The operating performance of the mine has been below management expectations and several studies and tests are underway to improve ore grade and contractor performance during the June Quarter.

Further steps that have been introduced to increase availability include: the procurement of spare parts to minimize any future stoppages, installation of a weigh bridge and upgrades to the water pipeline.

Production is steadily increasing and is expected to increase to a rate of 60,000 tonnes per month during the June Quarter.

The Company is seeking to introduce a second production shift by 15 May 2011. This will increase the operating hours from 10 hours to 18 hours per day and this would increase production rates from 2,000 tonnes per day to its maximum plant capacity of 3,600 tonnes per day.

### **3. Commissioning of the processing plant**

The PVM processing plant was commissioned on 5 February 2011. The following plant performance has been reported:

February 2011	10.0 tonnes for 36 operating hours
March 2011	36.6 tonnes for 197 operating hours

### **4. Planned construction of Concentration plant**

The Company is currently designing a concentration plant to recover fine high-grade materials. It is anticipated that the concentrate produced will be sold to local pellet plants. The installation of the plant is planned to be completed in the December 2011 quarter.

### **5. Exploration programme**

The Company has appointed Coffey Mining to undertake the Exploration Program to confirm the Ponto Verde resource to JORC standard. Field mapping has commenced and tenders for drilling work are currently being received.

### **6. Sale contract negotiations**

A number of customers are currently undertaking chemical analysis of SAFM's products, prior to placing orders for the product. SAFM is also currently in discussions regarding the appointment of a sales agent for its Small Lump product.

*-Ends-*

For more information:

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**About South American Ferro Metals Limited:**

South American Ferro Metals Limited owns 100% of the mineral rights and property of the producing 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.