

INCREASE IN SCOPE OF PONTO VERDE'S EXPANSION PROJECT

Highlights:

- **Adoption of direct shipping for future exports results in the expansion of the DFS scope of work, including the design of the logistics transport systems.**
- **The expanded DFS scope of work extends the completion date of the study through to the end of September 2013.**
- **The time frame for expansion to 8Mtpa (end 2015) has not changed as the expansion's critical path elements remain on schedule. This includes the logistics corridor definition together with the necessary regulatory approvals.**
- **The commissioning of the Stage II Concentrator remains on schedule for April 2013.**

As previously announced in March 2012, the Company commenced its Definitive Feasibility Study (DFS) for the first stage of the expansion of the Ponto Verde Operations. This Stage I Expansion is to increase the ROM throughput rate from the current licence of 1.5Mtpa to 8Mtpa. It is planned that following the Stage I Expansion, a Stage II Expansion will further increase the ROM throughput of the operation to 16Mtpa through the effective duplication of the Stage I design. In the initial scope of the DFS work, it was assumed that the production from the expanded operation would be sold at the mine gate to a Brazilian based major iron ore company due to the uncertainty of being able to access available production logistics infrastructure.

Following positive discussions with regional railway infrastructure operators and with Sepitiba Bay port operators (south of Rio de Janeiro), there is an opportunity to transport site production to port for direct shipping. The ability to directly export future production will be expected to enhance the already strong economics of this expansion. As a result of this development, the DFS scope of work has been expanded to include the definition, design and approvals associated with the product shipping logistics. This expanded scope of the DFS extends the period of the study which is now targeted to be completed by the end of September 2013.

The overall expansion from the current 1.5 Mtpa ROM throughput to 8 Mtpa remains on track for completion by end of FY2015. The critical path items for this expansion are the definition, field evaluation and design of the logistics corridors to the rail lines and the associated approvals and permitting. This work is progressing as planned.

The Company's other expansion project, being the Stage II Concentrator remains on budget and schedule for start up in April 2013 with full production expected by the end of June 2013.

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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 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.

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.

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