

UPDATED JORC RESOURCE STATEMENT

Highlights:

- The Ponte Verde JORC resource has increased to 262.4 Mt at 41.69% Fe, of which 167.5 Mt comprise of Measured and Indicated Resources.
- The Phase II Resource Definition Program was completed with a total of 3,400 metres of drilling.

South American Ferro Metals Limited (ASX: SFZ) (“SAFM” or the “Company”) is pleased to present the following updated JORC Resource statement:

Ponte Verde Iron Ore Project Grade x Tonnage Table – Cut-off Grade Applied: 25% Fe		
Resource Class	Tons (Mt)	Fe (%)
Measured	66.9	41.92
Indicated	100.6	41.29
Measured + Indicated	167.5	41.54
Inferred	94.9	41.94

The Phase II Resource Definition Program was focused on increasing the level of confidence of the Measured and Indicated Resource to support SAFM’s planned expansion strategy to 8 Mtpa. The Phase I Resource Definition Program that was announced in December 2011 defined a maiden JORC resource of 230Mt @ 44.5% Fe. This Resource included an Indicated component of 60 Mts at 41.61% Fe and an Inferred component of 170 Mt at 45.55% Fe. The updated Resource statement significantly increases the Measured and Indicated components of the Resource from 60 Mts at 41.61% Fe to 167.5 Mt of 41.54% Fe - an increase of 180% and will support SAFM’s first stage expansion program to 8 Mtpa.

A review of the full mineralised envelope is currently being evaluated which is expected to increase the Inferred component of the Resource.

The majority of the updated Resource has been calculated to an average depth of 70 metres below the surface. However, exploration drilling at depth has highlighted that mineralisation extends to over 320 metres depth. Based on this, SAFM is currently planning a Phase III exploration program that would target the core of the deposit at depth which will have the potential to significantly increase the size of the deposit.

SAFM Chief Executive Officer and Executive Director Philip Hopkins said:

“The Board and Management of SAFM are satisfied with the results of the Phase II Resource Definition Program. The drilling program was well targeted. The program’s goal of increasing the Measured and Indicated Resource is key to providing the base Resource for the current Definitive Feasibility Study. We are currently looking at further drilling in Phase III of this program that would explore the ore body at depth.”

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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.

Competent Persons

Information in this statement that relates to the JORC resource at Ponto Verde is based on information compiled by Mr Bernardo Hurta de C Viana (Phase I) and Mr Porfirio Cabaleiro (Phase II) both of Coffey Mining (Brazil). Both are Members of the Australasian Institute of Mining and Metallurgy. Mr Viana and Mr Cabaleiro have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a “Competent Person” as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves (the JORC Code). Mr Viana and Mr Cabaleiro have consented to the inclusion in this announcement of the statements based on his information in the form and context in which they appear.

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.

Website: www.safml.com