

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

South American Ferro Metals Limited

ABN

27 128 806 977

We (the entity) give ASX the following information.

### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |   |  |
|---|---|--|
| 1 | +Class of +securities issued or to be issued  | Options to subscribe for fully paid ordinary shares. |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 12,500,000 Options                                   |

+ See chapter 19 for defined terms.

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- 3 Principal terms of the <sup>+</sup>securities (eg, if options, exercise price and expiry date; if partly paid <sup>+</sup>securities, the amount outstanding and due dates for payment; if <sup>+</sup>convertible securities, the conversion price and dates for conversion)

Options:

Exercise Price: 12c per share

Expiry Date: 15 November 2017

First Exercise Date:

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.

- one third of the options will vest if employed by the Company on 31 December 2013;
- one third of the options will vest if employed by the Company on 31 December 2014; and
- one third of the options will vest if employed by the Company on 31 December 2015.

Exercise Conditions

In addition to the Vesting Conditions set out above, the further 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, must be at least \$0.50 per share.

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<sup>+</sup> See chapter 19 for defined terms.

4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?  If the additional securities do not rank equally, please state: <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	Each Option exercised entitles the holder to subscribe for 1 Ordinary share. Upon exercise, the share issued will rank equally and carry the same rights and entitlements as other shares on issue.						
5	Issue price or consideration	Nil						
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Options have been issued to Non-Executive Directors and Senior Management as part of the Incentive Share Options Scheme.						
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	20 December 2012.						
8	Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding: 2px;">Number</th> <th style="text-align: left; padding: 2px;">+Class</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">409,147,659</td> <td style="padding: 2px;">Ordinary Shares</td> </tr> <tr> <td style="padding: 2px;">22,430,879</td> <td style="padding: 2px;">Listed Options Exercise Price: 20c, Expiry Date: 31 December 2014</td> </tr> </tbody> </table>	Number	+Class	409,147,659	Ordinary Shares	22,430,879	Listed Options Exercise Price: 20c, Expiry Date: 31 December 2014
Number	+Class							
409,147,659	Ordinary Shares							
22,430,879	Listed Options Exercise Price: 20c, Expiry Date: 31 December 2014							

+ See chapter 19 for defined terms.

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	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	5,000,000	Options: Exercise Price: 45c Date: 31 December 2013
	29,500,000	Options: Exercise Price: 36c Date: 31 December 2015
	12,500,000	Options: Exercise Price: 12c Date: 31 December 2017
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not Applicable	

**Part 2 - Deleted – Not Applicable**

**Part 3 - Quotation of securities**

*You need only complete this section if you are applying for quotation of securities*

34 Type of securities  
*(tick one)*

(a)  Securities described in Part 1

(b)  All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

**Entities that have ticked box 34(a)**

**Additional securities forming a new class of securities**

*Tick to indicate you are providing the information or documents*

35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

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+ See chapter 19 for defined terms.

- 36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over
- 37  A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

- 38 Number of securities for which +quotation is sought
- 39 Class of +securities for which quotation is sought
- 40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?
- If the additional securities do not rank equally, please state:
- the date from which they do
  - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
  - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
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- 41 Reason for request for quotation now
- Example: In the case of restricted securities, end of restriction period
- (if issued upon conversion of another security, clearly identify that other security)
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+ See chapter 19 for defined terms.

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	Number	+Class
42 Number and +class of all +securities quoted on ASX ( <i>including</i> the securities in clause 38)		

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+ See chapter 19 for defined terms.

**Quotation agreement**

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
  
- 2 We warrant the following to ASX.
  - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
  
  - There is no reason why those +securities should not be granted +quotation.
  
  - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.  
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
  
  - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
  
  - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
  
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
  
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:   
(Director/Company secretary)

Date: 21 December 2012

Print name: Dion Cohen== == == == ==

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+ See chapter 19 for defined terms.