



23 May 2013

ASX Announcement

ASX Code: SFZ

SAFM SECURES LOAN FACILITY

South American Ferro Metals Limited (ASX:SFZ) ("SAFM") today announced that Deutsche Bank has committed to provide a US\$15 million, two year loan facility. The facility strengthens SAFM's working capital through the period to completion of its Bankable Feasibility Study for its Ponto Verde Project ("Project").

The terms and conditions of the loan are standard for a loan of this nature and financial close is subject to various conditions precedent, including execution of formal financing documentation and SAFM and its subsidiaries granting security over their assets. Financial close is expected to occur by 30 June 2013.

As part of this facility, SAFM has agreed to the issue to Deutsche Bank of 20.4 million, 5 year options, representing 5% of its issued share capital at an exercise price of a 50% premium to the 30 days weighted average share price prior to the issue date. Any funds raised from the exercise of the options will be used in connection with progressing the Project. These options can be issued within SAFM's existing placement capacity so that no shareholder approval will be required.

In addition, SAFM is working with Deutsche Bank towards the provision of project finance to fund the expansion.

SAFM Chief Executive Officer Stephen Turner commented:

Further to the progress on our Bankable Feasibility Study and the increase of our Resource that has been announced to the market, we are pleased to have secured the requisite funding to both complete our Bankable Feasibility Study and provide additional working capital. We look forward to working with Deutsche Bank as we expand our iron ore production.

For more information:

South American Ferro Metals Limited

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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 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.

SAFM currently sells three iron ore products from its Ponto Verde mine to local steel producers in Brazil. The Company is currently completing its Bankable Feasibility Study (BFS) to expand Ponto Verde to a capacity of 8 Mtpa ROM throughput, from its current 1.5 Mtpa licenced capacity.

Website: www.safml.com