

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 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

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 | Unlisted 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 | 22,500,000 Unlisted Options |

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3 Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)

Options: 20,000,000 Unlisted Options
Exercise Price: 7c per share
Expiry Date: 26 November 2018

Options: 2,500,000 Unlisted Options
Exercise Price: 12c per share
Expiry Date: 26 November 2018

For all Options - First Exercise Date:
The Options are exercisable in three equal tranches, the tranches becoming exercisable on the fulfilment of the vesting conditions and automatic exercise trigger 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 2014;
- one third of the options will vest if employed by the Company on 31 December 2015; and
- one third of the options will vest if employed by the Company on 31 December 2016.

Automatic exercise trigger:

The vested options are automatically exercisable if the volume weighted average price of the Company's Shares traded on the ASX during the five days prior to exercise of the Options, is equal to or greater than \$0.50 per share.

+ See chapter 19 for defined terms.

4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • 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 	<p>Each Option exercised entitles the holder to subscribe for 1 (one) Ordinary share. Upon exercise, the share issued will rank equally and carry the same rights and entitlements as other shares on issue.</p>
5	<p>Issue price or consideration</p>	<p>Nil</p>
6	<p>Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Options have been issued to Directors as part of the South American Ferro Metals Limited Incentive Option Scheme.</p>
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>Yes.</p>
6b	<p>The date the security holder resolution under rule 7.1A was passed</p>	<p>27 November 2013</p>
6c	<p>Number of +securities issued without security holder approval under rule 7.1</p>	<p>Nil</p>

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6d	Number of +securities issued with security holder approval under rule 7.1A	Nil.				
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil.				
6f	Number of +securities issued under an exception in rule 7.2	22,500,000 Unlisted Options				
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Not Applicable.				
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	28 October 2013.				
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Listing Rule 7.1: 61,372,149 Listing Rule 7.1A: 40,914,765				
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	19 December 2013.				
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>409,147,659</td> <td>Ordinary Shares</td> </tr> </tbody> </table>	Number	+Class	409,147,659	Ordinary Shares
Number	+Class					
409,147,659	Ordinary Shares					

+ See chapter 19 for defined terms.

	Number	+Class												
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	<table border="1"> <tr> <td>16,630,000</td> <td>Options: Exercise Price: 36c per share Expiry Date: 31 December 2015</td> </tr> <tr> <td>12,500,000</td> <td>Options: Exercise Price: 12c per share Expiry Date: 15 November 2017</td> </tr> <tr> <td>20,457,383</td> <td>Options: Exercise Price: 7.3c per share Expiry Date: 24 July 2018</td> </tr> <tr> <td>6,500,000</td> <td>Options: Exercise Price: 7c per share Expiry Date: 23 October 2018</td> </tr> <tr> <td>20,000,000</td> <td>Options: Exercise Price: 7c per share Expiry Date: 26 November 2018</td> </tr> <tr> <td>2,500,000</td> <td>Options: Exercise Price: 12c per share Expiry Date: 26 November 2018</td> </tr> </table>	16,630,000	Options: Exercise Price: 36c per share Expiry Date: 31 December 2015	12,500,000	Options: Exercise Price: 12c per share Expiry Date: 15 November 2017	20,457,383	Options: Exercise Price: 7.3c per share Expiry Date: 24 July 2018	6,500,000	Options: Exercise Price: 7c per share Expiry Date: 23 October 2018	20,000,000	Options: Exercise Price: 7c per share Expiry Date: 26 November 2018	2,500,000	Options: Exercise Price: 12c per share Expiry Date: 26 November 2018
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6,500,000	Options: Exercise Price: 7c per share Expiry Date: 23 October 2018													
20,000,000	Options: Exercise Price: 7c per share Expiry Date: 26 November 2018													
2,500,000	Options: Exercise Price: 12c per share Expiry Date: 26 November 2018													
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 - Deleted Not Applicable

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.

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- 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 is not available now, we 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: Date: 19 December 2013
(Director/Company secretary)

Print name: Dion Cohen

+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	409,147,659
Add the following: <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	409,147,659

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Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	61,372,149
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
“C”	Nil
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	61,372,149
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.15] – “C”	61,372,149

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Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	409,147,659
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	40,914,765
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
“E”	Nil

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Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	40,914,765
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.10] – “E”	40,914,765 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.