



15 February 2011

ASX Compliance Pty Limited  
Level 8 Exchange Plaza  
2 The Esplanade  
PERTH QA  
6000

Fax: 08-9221-2020

Dear Wade

**TIMING OF ANNOUNCEMENT RESPONSE**

Please find below the responses to your letter dated 15 February 2011:

1. No.
2. The Company received the final details on the refurbishment and commissioning of the plant on Friday, 11 February 2011 at 11.09pm.
3. n/a
4. The Company does not believe the information released to be inconsistent to that previously disclosed, but rather the statement of a milestone being reached. The company's announcement detailed the imminent completion of the refurbishment and commissioning of its plant in its Quarterly Activities Report dated 28 January 2011 as follows:

*"The Crushing and Screening plant had been refurbished in 2008. Additional plant installations were necessary to connect and supply water for product washing to enhance the iron ore quality. This has been completed, except for the supply of pumps which has been delayed due to recent flooding in the region."*

and

*"SAFM is currently preparing for the commissioning of the PVM processing plant and the mine operation and supporting facilities have been equipped to handle production of upgraded saleable small lump and sinter feed products. .... Following a delay in the delivery of pumping equipment caused by recent heavy rain, production is expected to build up to a rate of 60,000 tonnes per month commencing from mid-February 2011."*

5. Yes

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dion Cohen', is written over a horizontal line.

Dion Cohen  
Company Secretary

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SOUTH AMERICAN FERRO METALS LTD

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15 February 2011

Mr. Dion Cohen  
 Company Secretary  
 South American Ferro Metals Limited  
 Level 11, 151 Macquarie Street  
 SYDNEY NSW 2000

By email

Dear Dion

**South American Ferro Metals Limited (the "Company")**

We refer to the following:

1. The Company's announcement released to ASX at 10:00 AM AEDT on 14 February 2011 and titled "*Ponto Verde Plant Commissioning Reaches Advanced Stage*" (the "Announcement"). The Announcement included amongst other things, the following:

*"South American Ferro Metals Limited (ASX:SFZ) ("SAFM") is pleased to announce that the commissioning of the beneficiation plant at its Ponto Verde Iron Ore Mine ("PVM") has reached an advanced stage.*

*Refurbishment of the beneficiation plant and facilities has been completed and commissioning of the plant began on 5 February 2011. Production is steadily increasing and is expected to build up to a rate of 60,000 tonnes per month with extra shifts being worked, if required, to meet annual production targets. The feed rate has reached 200 tonnes per hour and following completion of a number of adjustments, SAFM expects to achieve capacity of 300 tonnes per hour."*

(the "Ponto Verde Information")

2. The price query letter from ASX dated 10 February 2011 and the Company's response dated 10 February 2011 and released to the market at 7:08 PM AEDT on 10 February 2011.

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules which states that:

"an entity becomes aware of information if a director or executive officer (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity".

Further we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

**Australian Securities Exchange**

Australian Stock Exchange  
 Sydney Futures Exchange

Australian Clearing House  
 SFE Clearing Corporation

ASX Settlement and Transfer Corporation  
 Austraclear

Paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Please note that for disclosure not to be required under listing rule 3.1, all of the exceptions under listing rule 3.1A must apply:

- 3.1A.1 A reasonable person would not expect the information to be disclosed.
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.
- 3.1A.3 One or more of the following applies.
- It would be a breach of a law to disclose the information.
  - The information concerns an incomplete proposal or negotiation.
  - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.
  - The information is generated for the internal management purposes of the entity.
  - The information is a trade secret."

Finally, we would like to draw your attention to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 34 to 40 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

"'Confidential' in this context has the sense of 'secret...' and loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".

Having regard to the Announcement, the above definitions, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. Does the Company consider the Ponto Verde Information (or any part of it, including completion of the plant refurbishment, and commencement of commissioning of the plant) contained in the Announcement to be material to the Company?
2. When did the Company become aware of the Ponto Verde Information contained in the Announcement? Please include details of the relevant time and circumstances of the Company becoming aware of the Ponto Verde Information including the plant refurbishment, and commencement of commissioning of the plant.
3. If the answer to any part of question 1 is "yes" and the Company became aware of the Ponto Verde Information (or any part of it) referred to in the Announcement, prior to the time the Company released the Announcement, please advise the following:
  - 3.1 Please advise why the Company did not make an announcement at an earlier time or request a trading halt.
  - 3.2 Why was the Ponto Verde Information not released to the market at that earlier time? Please comment specifically on the application of listing rule 3.1?
4. If the answer to question 1 is "no", please advise the basis on which the Company does not consider the Ponto Verde Information (or any part of it) contained in the Announcement to be material.
5. Please confirm that the Company is in compliance with listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5:00pm (WST) on Thursday 17 February 2011**.

Your response should be sent to ASX by facsimile on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

If you have any queries regarding any of the above, please contact me on (08) 9224 0023.

Yours sincerely

[sent electronically without signature]

Wade Baggott  
Senior Adviser, Listings (Perth)