



14 February 2011

ASX Announcement

ASX Code: SFZ

### ASX ANNOUNCEMENT

#### Ponto Verde Plant Commissioning Reaches Advanced Stage

- **Plant refurbishment completed; commissioning began on 5<sup>th</sup> February 2011**
- **Sales negotiations underway with samples being analysed**
- **LGA contract produced iron ore with 60%+ iron content**

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.

Following the end of the short-term mining and supply contract with LGA Mineração e Siderurgia ("LGA") on 31 December 2010, SAFM commenced its own mining operations at Ponto Verde in January 2011. Run of Mine ("ROM") ore has been stockpiled to provide plant feed to the beneficiation plant. Current ROM material stockpiled is approximately 23,000 tonnes.

The Ponto Verde plant will produce upgraded saleable small lumpy and sinter feed products. Sales negotiations with Vale and local steel producers are currently underway and production samples are currently being analysed, which will assist with the completion of sales contracts.

So far the product produced has been of excellent quality, with good physical grain size, and the iron ore sold under the LGA contract indicated Iron Ore content of 60%+ Fe, which is readily saleable. Chemical analysis of the product is due to take place next week.

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### **About South American Ferro Metals**

South American Ferro Metals Limited owns 100% of the mineral rights and the property 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, Southern Brazil. 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.

### **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.