SAFM

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2010

CONTENTS

THE COMPANY

South American Ferro Metals Limited (registered number 1381038) ("SAFM") is a Company incorporated in the British Virgin Islands on 18 January 2007.

SAFM holds 100% of the issued capital in SAFM Mineracao Limitada ("SAFM Brazil"), which in turn owns the Ponte Verde iron ore project situated approximately 40km south of the city of Belo Horizonte in Brazil ("Project").

The Project is located in the heart of the Iron Ore Quadrilateral in Brazil, 40 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 and existing infrastructure.

SAFM Brazil owns the existing plant on the Project. The Project is managed by local, experienced and proven management team in Brazil.

DIRECTORS' REPORT

South American Ferro Metals Limited (registered number 1381038) ("SAFM Limited)

Your directors submit their report for the year ended 30 June 2010.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Mr Alan Doyle
Mr Stephen Turner
Mr Stephen Fabian

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Mr Eddie Keung was appointed company secretary for SAFM Limited on 18 January 2007.

Principal Activities

The principal activity for the company during the financial year was exploration of iron ore tenements in Ponte Verde, situated approximately 40km south of the city of Belo Horizonte in Brazil.

No significant changes in the nature of the company's activity occurred during the financial year.

Operating Results

The losses of the company amounted to $4,840,062 (2010) and $4,811,594 (2009).

Investment in subsidiary company

An amount of $1,777,205 was invested by SAFM Limited into SAFM Brazil over the financial year. All these funds were classified as direct equity into the subsidiary company.

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Significant Changes in State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

After Balance Date Events

Other than those items detailed in note 12, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Environmental Issues

The Group is subject to significant environmental regulation in respect of exploration, development and production activities in Brazil. SAFM Limited is committed to undertaking all of its exploration, development and production activities in an environmentally responsible manner.

The Directors believe that the Company has adequate systems in place for managing its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company. No circumstances arose during the financial period that resulted in an incident to be reported under environmental legislation.

DIRECTORS' REPORT (continued)

Proceedings on Behalf of the Entity

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the entity for all or any part of those proceedings.

The company was not party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors.

Mr Stephen Turner
8 November 2010

UNAUDITED INCOME STATEMENTS

For the year ended 30 June 2010

	Consolidated	
	2010	2009
	$	$
Income		
Interest income	-	700
Expenditure		
Accounting fees	186,366	313,447
Consulting fees (settled via issue of shares at $0.60 per share)	1,860,000	-
Consulting fees	76,257	152,846
Depreciation	-	13,113
Directors fees & salaries	213,273	248,332
Travel and accommodation	-	312,710
Motor vehicle maintenance	-	37,060
Rent & office expenses	-	31,443
Telecommunications	99,647	12,210
Legal fees	-	91,614
Project expenditure	964,704	1,575,961
Other administrative expenses	127,551	194,630
Share Based payments expense	131,469	-
Foreign exchange movements	-	1,824,659
Insurance	1,911	4,269
Net loss before interest and tax	(3,661,178)	(4,811,594)
Interest paid	(1,178,884)	-
Net loss before tax	(4,840,062)	-
Taxation expense	-	-
Net loss after tax	(4,840,062)	(4,811,594)

The accompanying notes on pages 8 to 17 form part of the financial report.

UNAUDITED STATEMENTS OF FINANCIAL POSITION

For the year ended 30 June 2010

	Note	Consolidated 2010	2009 $
Assets			
Current assets			
Cash and cash equivalents	2	1,326,576	-
Trade and other receivables	3	30,362	168,200
Total current assets		1,356,938	168,200
Non-current assets			
Exploration & Evaluation	4	9,607,307	9,221,692
Property, plant and equipment	5	841,814	457,604
Total non-current assets		10,449,121	9,679,296
Total assets		11,806,059	9,847,498
Liabilities			
Current liabilities			
Bank overdraft	2	-	(6,982)
Trade and other payables	6	(1,598,613)	(912,133)
Provisions		-	(86,328)
Total current liabilities		(1,598,613)	(1,005,443)
Non-current liabilities			
Interest bearing loans and borrowings	7	(1,909,339)	(7,332,008)
Total non-current liabilities		(1,909,339)	(7,332,008)
Total liabilities		(3,507,952)	(8,330,469)
Net Assets		8,298,106	1,348,827
Shareholders' equity			
Contributed equity	8	21,464,735	8,671,916
Foreign currency translation reserve	9	(655,858)	347,620
Accumulated losses	10	(12,510,771)	(7,670,709)
Total shareholders' equity		8,298,106	1,348,827

The accompanying notes on pages 8 to 17 form part of the financial report.

NOTES TO THE FINANCIAL REPORT

1. Summary of significant accounting policies

(a) Basis of Accounting

The financial statements have been prepared on an accruals basis, are based on historical cost and except where stated do not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The preparation of the income statements and balance sheets requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the balance sheets are disclosed where appropriate.

The financial information has been prepared on the basis of a going concern. The Company's ability to continue as a going concern is contingent upon raising additional capital to fund future projects, other principal activities, and for use as working capital. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial information. No allowance for such circumstances has been made in the financial information.

(b) Principles of Consolidation

A controlled entity is any entity over which SAFM has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

As at 30 June 2010, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(c) Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

NOTES TO THE FINANCIAL REPORT (continued)

(c) Business combinations (continued)

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available.

NOTES TO THE FINANCIAL REPORT (continued)

(f) Income Tax (continued)

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(g) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTES TO THE FINANCIAL REPORT (continued)

(h) Exploration, Evaluation and Development Expenditure (continued)

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(i) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit or loss Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) Loan and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL REPORT (continued)

(i) Financial Instruments (continued)

Classification and Subsequent Measurement (continued)

(iii) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(j) Trade Creditors

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(l) Share Based Payments

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(m) Foreign Currency Transaction and Balances

Functional and presentation currency

The functional currency of each of the Consolidated Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

NOTES TO THE FINANCIAL REPORT (continued)

(m) Foreign Currency Transaction and Balances (continued)

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the consolidated group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

2. CASH AND CASH EQUIVALENTS

	Consolidated	
	2010	2008
	$	$
Cash on hand	1,326,576	-
- Parent	1,325,686	-
- SAFM Brazil	890	-
Bank overdraft	-	(6,982)

NOTES TO THE FINANCIAL REPORT (continued)

3. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2010 $	2009 $
Deposits held	30,362	168,200
	30,362	168,200

4. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2010 $	2009 $
Opening balance	9,221,692	1,482,987
Cost of tenement and exploration costs	385,615	7,738,705
Less impairment		
Closing balance net of impairment	9,607,307	9,221,692

Mining tenements are carried forward in accordance with the accounting policy set out in Note 1 (h).

The ultimate recoupment of the book value of deferred costs relating to areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest and the Consolidated Entity's ability to continue to meet its financial obligations to maintain the areas of interest.

(a) Expenditure incurred during the year relates to exploration licences capitalised during the year.

(b) The Directors have reviewed all the exploration projects for indicators of impairment. The directors consider the above expenditure carrying value to equal its fair value.

5. PROPERTY, PLANT AND EQUIPMENT

Consolidated 30 June 2010	Cost $	Accumulated depreciation $	Carrying Value $
Furniture & Fittings	4,139	(132)	4,007
Motor Vehicles	147,450	(4,658)	142,792
Computer Software	15,642	(495)	15,147
Computer Hardware	28,472	(900)	27,572
Workshop	79,734	(2,518)	77,216
Machinery and Equipment	593,842	(18,762)	575,080
	869,279	(27,465)	841,814

NOTES TO THE FINANCIAL REPORT (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Consolidated 30 June 2009	Cost $	Accumulated depreciation $	Carrying Value $
Furniture & Fittings	2,250	(72)	2,178
Motor vehicle	80,153	(2,532)	77,621
Computer Software	8,503	(269)	8,234
Computer Hardware	15,477	(489)	14,988
Workshop	43,343	(1,369)	41,974
Machinery and Equipment	322,808	(10,197)	312,611
	472,534	(14,928)	457,606

6. TRADE AND OTHER PAYABLES

	Consolidated	
	2010 $	2009 $
Sundry creditors and accruals	-	(17,273)
Unsecured loan (a)	-	(647,307)
Trade creditors	(1,598,613)	(247,553)
	(1,598,613)	(912,133)

(a) SAFM Limited received a short-term interest free loan from SAL Limited, a company controlled by S.Fabian for $647,307. This loan was repaid during the current financial year.

7. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated	
	2010 $	2009 $
Non-Current liabilities		
Convertible loan (a)	(1,909,339)	(7,332,008)
	(1,909,339)	(7,332,008)

(a) Convertible loans

The convertible loans were unsecured, attracted interest at 12.75% pa and were denominated in USD. The loan accrued interest up to 30 June 2010, the date by which it was assumed that the remaining balance would be repaid following the transaction with Riviera Limited ("RVE"). The note holders are those persons and or their nominees whose names are entered into the registered from time to time and may include companies associated with the SAFM directors.

On 24 June 2010, convertible notes amounting to $9,301,470 were converted into 23,728,240 shares in SAFM Limited at A$0.39 cents per share.

NOTES TO THE FINANCIAL REPORT (continued)

8. CONTRIBUTED EQUITY

Movement in ordinary shares on issue	2010 Shares	$	2009 Shares	$
Opening balance	80,391,089	8,671,916	70,140,002	3,069,000
Issue of ordinary shares	42,395,153	12,792,819	10,251,087	5,602,916
Closing balance	122,786,242	21,464,735	80,391,089	8,671,916

Capital Management

Management controls the capital of the Group in order to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the Group's financial risks and adjusting its capital structure in responses to include the management of debt levels, distributions to shareholders and share issues.

The Group uses cash flow forecasts to manage and adjust its capital management.

9. FOREIGN CURRENCY TRANSLATION RESERVE

	Consolidated	
	2010 $	2009 $
Opening balance	508,840	(152,056)
Exchange differences on translating foreign controlled entities	(1,164,698)	660,896
Closing balance	(655,858)	508,840

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

10.ACCUMULATED LOSSES

	Consolidated	
	2010 $	2009 $
Opening balance	(7,670,709)	(2,859,115)
After tax loss attributable to the owners	(4,840,062)	(4,811,594)
Closing balance	(12,510,771)	(7,670,709)

11.CAPITAL COMMITTMENTS

There were no capital commitments at year end.

NOTES TO THE FINANCIAL REPORT (continued)

12.EVENTS AFTER THE END OF THE REPORTING PERIOD

On 8 July 2010, Riviera Limited has entered into a share sale and purchase agreement (Share Sale and Purchase Agreement) with the Vendors of SAFM to purchase 100% of the issued capital of South American Ferro Metals Limited (SAFM).

In consideration for the acquisition of SAFM (Acquisition), Riviera will issue to the Vendors (pro rata in accordance with their interest in SAFM) 167,955,934 Shares and 503,867,802 performance shares (Performance Shares) which shall convert into fully paid ordinary shares in the capital of the Company on a one-for-one basis upon achievement of the relevant milestones, as set out in the following table

Class of Performance Share	Number of Performance Shares	Milestone
Class A	167,955,934	The production run rate from the Project over a continuous three (3) month period reaching 800,000 tonnes per annum.
Class B	167,955,934	The Company identifying a JORC compliant resource of iron ore on the Project reaching or exceeding 50,000,000 tonnes.
Class C	167,955,934	a) The Company identifying a JORC compliant resource of iron ore on the Project reaching or exceeding 140,000,000 tonnes; or b) the production run rate over a continuous twelve (12) month period reaching 800,000 tonnes per annum, whichever may occur first.
	503,867,802	

13.CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities outstanding or recorded at 30 June 2010.