



DIRECTORS

Mark Foster
Chairman

Philip Re
Managing Director
Company Secretary

Paul Lloyd
Non-Executive Director

Nick Revell
Non-Executive Director

SHARE INFORMATION

ASX Code: SFZ

CAPITAL STRUCTURE

Issued capital:

31.5 m Fully Paid Ordinary Shares (SFZ)
22.4 m Options (SFZO)

CONTACT INFORMATION

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29 October 2010

ASX ANNOUNCEMENT

PROSPECTUS TO RAISE \$15M CLOSED OVERSUBSCRIBED

HIGHLIGHTS:

- Prospectus to raise \$15m has been closed oversubscribed
- Strong demand from sophisticated and institutional investors in Australia and overseas
- Indicated date of admission to ASX is 4th November 2010
- Exploration target of 140 – 150 million tonnes¹ of Haematite rich Itabirite at a range of 33% to 41% Fe in situ, upgradeable to +60% Fe
- Existing and refurbished operating plant in place with capacity to produce 1 million tonnes per annum
- Exploration will now recommence along with engineering studies to increase production to 3 million tonnes per year at +60%Fe
- Production expected to commence late 2010
- SAFM will be one of the few ASX listed companies offering Australian exposure to the growing Iron Ore Industry in Brazil

Prospectus to raise \$15m closed oversubscribed

The Company is pleased to announce that the Prospectus dated 14th October 2010 to raise \$15,000,000 by the issue of 41,666,667 shares at \$0.36 has been closed oversubscribed.

The Company plans to use the funds raised primarily for the development of the Ponto Verde Iron Ore Project, located in the heart of the Iron Ore Quadrilateral in Southern Brazil, 55 kilometres from Belo Horizonte in Minas Gerais State.

The Company is expecting production from Ponto Verde to begin late 2010.

The Company is expected to be admitted to the ASX by 4th November 2010 under the ASX code SFZ.

Ponte Verde - Brazil Iron Ore Project

SAFM has the potential to create significant shareholder value given the well established Brazilian iron ore industry.

The Ponto Verde Iron Ore Project has an exploration target of between 140 million and 150 million tonnes¹ tons of Haematite-rich Itabirite in a range of 33% to 41% Fe in situ, upgradeable to 60%+ Fe, and shares a common boundary to ground held by Brazilian mining giant Vale.

The initial production is expected to be sold to domestic steel mills or large producers such as Vale.

The transaction includes the existing plant which is capable of producing 1 million tonnes per annum. Therefore no significant capital expenditure is required. SAFM intends to commence production in late 2010.

The project will be managed by the existing local, experienced and proven management team in Brazil.

A further drilling programme is planned in order to define a resource. This drilling programme is expected to recommence, along with engineering studies to increase production to 3 million tonnes per year at +60% Fe.

The project is close to existing infrastructure, and is located in the heart of a prolific iron ore mining area, neighbouring established mining operations.

For further information in respect to South American Ferro Metals Limited, please contact:

Philip Re
Director
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Competent Persons: The information within this report relating to exploration activities on the Company's projects is based on information compiled by Nicholas Revell who is a member of the Australasian Institute of Mining and Metallurgy. Mr Revell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Revell has consented to the inclusion in the report of the information on the Three Sisters Project and Ponte Verde Project in the form and context represented above.

1- The potential quality and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.