

Major Operational Milestones Achieved

Stage 1 Concentrator Commissioned; Cone Crusher Installed and Record Daily Output Reached

- **Concentrator commissioned on schedule at Ponto Verde on 28 May 2012**
- **Targeted concentrate production of 20,000-24,000 tonnes per month at a grade of approximately 65% Fe**
- **Strong interest received from potential customers**
- **More than three quarters of targeted production to be sold under contract, with the remainder to be sold on the spot market**
- **Cone Crusher successfully installed on 1 May 2012**
- **Record daily ROM production of 5,720 tonnes achieved on 17 May 2012 with the associated record weekly production achieved**

South American Ferro Metals Limited (ASX: SFZ) ("SAFM"), the only ASX-listed pure play iron ore producer in Brazil, announces that it has completed construction of the Concentrator at its Ponto Verde mine and successfully installed a Cone Crusher within the processing plant.

Completion of Concentrator Project

SAFM successfully completed and commissioned its first stage Concentrator on 28 May 2012. The new plant is expected to reach steady state production of 20,000-24,000 tonnes of concentrate per month, at a planned grade of 65-66% Fe by mid-June 2012. SAFM has received strong demand for the product from potential customers, and it is anticipated that more than three quarters of the concentrate will be sold under contract.

The Concentrator will process the fines material that is discharged from the existing beneficiation plant. To date, this material has been stockpiled on site, and this inventory has built to approximately 450,000 tonnes. Going forward, this fines stockpile will be fed into the new Concentrator, along with the direct feed from the processing plant.

The project has been funded by operating cash flow and completed at a cost of approximately \$2.8 million.



The proceeds from the sale of Concentrate will have a material positive impact on SAFM's monthly cash flow. Additional benefits include a reduction in the project's environmental footprint (due to the reduction in the land area required for tailings storage) and lower annual waste management costs. The Stage 1 Concentrator also eliminates the need for the current settling pond arrangement required for full water management and ore recovery. A second stage Concentrator is under final study with Board approval anticipated in the third quarter of calendar 2012.

Installation of Cone Crusher

SAFM has continued to improve the performance of its existing operations at Ponto Verde, through the successful installation of a Cone Crusher in the secondary crushing circuit of the processing plant. The cone crusher was commissioned on 1 May. The change of secondary crushing from a Jaw Crusher to a Cone Crusher resulted in the achievement of record daily production of 5,720 tonnes on 17 May 2012 and also record weekly production during the same seven-day period.

SAFM Chief Executive Officer, Philip Hopkins said:

"The team on the ground in Brazil continues to make impressive progress, despite the heavy rains in late 2011 and earlier this year. While construction has been underway, the Ponto Verde Team has also continued to optimise existing operations, with the installation of the Cone Crusher and the achievement of our highest daily and weekly production. We are delighted with this performance, particularly as we progress our plans to expand Ponto Verde to 8Mtpa ROM throughput based on the Definitive Feasibility Study which is now well underway."





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For more information:

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About South American Ferro Metals:

South American Ferro Metals Limited owns 100% of the mineral rights and property of the Ponto Verde Iron Ore Project, 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. The Iron Ore Quadrilateral is a prolific iron ore mining area, and the Ponto Verde Project is located proximate to established mining operations, iron and steel plants and existing infrastructure.

Website: www.safml.com