

BANKABLE FEASIBILITY STUDY TIMING EXTENDED

On 18 June 2014, SAFM entered into a Memorandum of Understanding ("MOU") with the owners of the property adjacent to its Ponto Verde iron ore project. As part of this agreement, the company has received the drill hole survey data from this property and is currently working on a new and enlarged block model for the expansion of the SAFM Ponto Verde mine. Based on geological work conducted to date and preliminary reserve calculations, the Board has decided to extend the scope of the Bankable Feasibility Study ("BFS") to incorporate these changes.

Furthermore, in a State wide ruling the Environmental and Sustainable Development Agency (the Agency) suspended licencing approvals for all new or expansion developments in areas that host Cerrado vegetation until such time as a classification study of the plants are completed. Cerrado, is a Savanna plant growing throughout the state of Minas Gerais. This suspension of licencing affects all projects in Brazil's iron ore quadrilateral. The Agency has not provided guidance as to when the study will be completed.

Based on the above, SAFM has extended its Bankable Feasibility Study (BFS) timeline to assess the enlarged resource block model and provide an additional period for the receipt of the Expansion licence and ancillary Logistics permits from the Minas Gerais State Government.

SAFM continues to work with its technical advisers Logicon and Ausenco in advancing its BFS. Recent milestones achieved are:

- Approval of the process flow-sheet and plant layout concept.
- The finalisation, on an order of magnitude, of the capital and operation expenditure for development of its Ponto Verde expansion.
- Finalisation of the variability test work with Gaustec, which validates the process design factors used in the feasibility study.
- Completion of the geo-technical study for the waste and tailings areas to the north and south of SAFM's tenement.
- Agreement with the State of Minas Gerais to deliver significant benefits including fiscal concessions, assistance in securing licenses and low cost financing.

SAFM's Managing Director, Stephen Turner commented:

"SAFM continues to make progress on its BFS and is encouraged by the potential of expanding its Mineral Resource in the region of Sapeca do Sul, the property adjacent to its Ponto Verde iron ore project.

The delay in receiving the Expansion licence application from SUPRAM, the regulatory mining body in Minas Gerais, to increase annual ROM production licence from 1,500,000 tonnes to 8,000,000 tonnes is disappointing. Not being confident of when the licencing process will resume is frustrating.

SAFM is utilising the extended time to reassess the resource data, including the overall scope and timing of the enlarged project feasibility study.



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About South American Ferro Metals Limited:

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

SAFM currently sells three iron ore products from its Ponto Verde mine to local steel producers and iron ore exporters in Brazil. The Company is currently completing its Bankable Feasibility Study (BFS) to expand Ponto Verde to a capacity of 8 Mtpa ROM throughput, from its current 1.5 Mtpa licenced capacity.

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.

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