



12 November 2010

DIRECTORS

Terrence Willstead
Non-Executive Chairman

Stephen Fabian
Managing Director

Stephen Turner
Non-Executive Director

Philip Re
Non-Executive Director

Paul Lloyd
Non-Executive Director

SECRETARY

Philip Re

SHARE INFORMATION

ASX Code: SFZ

CAPITAL STRUCTURE

Issued capital:

157.2 m Fully Paid Ordinary Shares (SFZ)

22.4 m Options (SFZO)

251.9m Performance Shares (unlisted)

CONTACT INFORMATION

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ASX ANNOUNCEMENT

**TERMS OF SOUTH AMERICAN FERRO METALS LIMITED
VENDOR PERFORMANCE SHARES AND OPTIONS ON ISSUE**

**PLEASE REFER BELOW FOR THE TERMS AND
CONDITIONS OF ALL VENDOR PERFORMANCE SHARES
AND OPTIONS ON ISSUE**

Terms of Performance Shares

Pursuant to the Rivera Resources Limited and South American Ferro Metals Limited Share Sale Agreement, the Company will issue Class A, B and C Performance Shares to the Vendors on the following terms:

- (a) (Performance Shares): A “Performance Share” is a share in the capital of SAFM.
 - (b) (General Meetings): A Performance Share shall confer on the holder (Holder) the right to receive notices of general meetings and financial reports and accounts of SAFM that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of SAFM.
 - (c) (No Voting Rights): A Performance Share does not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of SAFM.
 - (d) (No Dividend Rights): A Performance Share does not entitle the Holder to any dividends.
 - (e) (Rights on Winding Up): The Holder is not entitled to participate in the surplus assets or profits of SAFM in a winding up.
 - (f) (Not Transferable): A Performance Share is not transferable except where:
 - (i) the Holder is a company; and
 - (ii) the members of the Holder:
 - (A) pass a special resolution to wind up the Holder in accordance with Section 491 of the Corporations Act; or
 - (B) unanimously consent to the voluntary deregistration of the Holder for the purpose of Section 601AA of the Corporations Act,
- and provided that:
- (iii) upon the special resolution or unanimous consent being obtained, the Holder may only transfer the Performance Shares to the persons that are registered as members of the Holder on the date of issue of the Performance Shares (Record Date) in proportion to their interests in the Holder on the Record Date; and
 - (iv) this exception only permits the distribution of the Performance Shares by the initial Holder of those shares.
- (g) (Reorganisation of Capital): If at any time the issued capital of SAFM is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
 - (h) (Application to ASX): A Performance Share will not be quoted on ASX. However, upon conversion of a Performance Share into fully paid ordinary shares (Shares) in accordance with clause (j), SAFM must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
 - (i) (No Other Rights): A Performance Share gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Performance Shares:

- (j) (Conversion): Subject to clause (k) and (l) below, a Performance Share will convert into one Share upon the satisfaction of the relevant milestone as set out in the following table (Milestone):

Class of Performance Share	Milestone
Class A	The production run rate from the Project over a continuous three (3) month period reaching an equivalent of 800,000 tonnes per annum.
Class B	The Company identifying a JORC compliant resource of iron ore on the Project reaching or exceeding 50,000,000 tonnes.
Class C	(i) The Company identifying a JORC compliant resource of iron ore on the Project reaching or exceeding 140,000,000 tonnes; or (ii) the production run rate over a continuous twelve (12) month period reaching 800,000 tonnes per annum, Whichever may occur first.

- (k) (Compliance with law): The conversion of the Performance Shares is subject to compliance at all times with the Corporations Act and the Listing Rules of ASX.
- (l) (Conversion if Milestone not achieved) If the Milestone is not achieved within three (3) years of issue of the Performance Shares, all Performance Shares held by a Holder will convert into one (1) Share.
- (m) (Conversion Procedure) The Purchaser will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of a Performance Share into Shares in accordance with clause (j) or (l).
- (n) (Ranking of Shares) The Shares into which the Performance Shares will convert will rank pari passu in all respects with existing Shares.

Terms of Issued Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Option Holder the right to subscribe for one Share. To obtain the right given by each Option, the Option Holder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options will expire at 5.00 pm (WST) on 31 December 2014 (Expiry Date). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.20 (Exercise Price).
- (d) The Options held by each Option Holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion. Where less than 1,000 Options are held, all Options must be exercised together.
- (e) An Option Holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

Exercise Notice

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will apply for quotation of the Options on ASX.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Option Holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Option Holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining

entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- (m) Other than pursuant to term (n), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Option Holder would have received if the Option had been exercised before the record date for the bonus issue.

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

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