

Resource Definition Programme - Update

- **Drilling component completed, including more than 3,300 metres of drilling**
- **JORC-compliant resource report on schedule for delivery before end of calendar 2011**
- **Programme coordinated by Coffey Mining**

South American Ferro Metals Limited (ASX: SFZ) ("SAFM" or the "Company"), the only ASX-listed pure play iron ore producer in Brazil, announces that it has completed the drilling component of the Resource Definition Programme at its Ponto Verde Iron Ore Project in Brazil's Iron Ore Quadrilateral.

SAFM initiated the Ponte Verde Operation Resource Definition Programme (inclusive of diamond drilling, geological modelling and JORC resource reporting) in July this year. This program is designed to confirm the Brazilian mineral resource at Ponto Verde to a JORC-compliant standard. The report is expected to underpin the robust economics of the Ponto Verde project, which moved to full production capacity from the beginning of September 2011.

As part of the programme, more than 3,300 metres of drilling has been completed, including 10% of additional drilling (300 metres) to confirm an additional breccia zone and further geological structures. The programme was carried out in phases, the first of which has an exploration target of between 50 million and 75 million tonnes, at an Fe range of between 33% - 41%. The full phased resource definition program when completed will cover the entire southern area of the mining lease and the current mineral inventory of between 127 million and 157 million tonnes at an Fe range of between 33% and 41%.¹ Additional in-fill drilling was also a component of this initial program. At its peak, there were 8 drill rigs on site at Ponto Verde.

All of the drill core has now been logged and the core samples sent to the laboratory for assay work. The geological model is currently being upgraded and updated, and the final JORC-compliant resource report remains on schedule to be delivered by the end of calendar 2011. Core recovery at Ponto Verde was 92%. The programme was coordinated by Coffey Mining which will also complete the geological model and final JORC-compliant resource report.

There were no injuries or incidents during the drilling programme, which was conducted while the mine moved to full production.

¹ The potential quantity and grade related to Exploration Targets in this announcement is based on the existing mineral resource as compliant with Brazil qualifying and reporting standards. The basis for this Brazilian mineral resource is the Independent Geologist report prepared by SRK Consulting (Australasia) Pty Ltd dated 29 September 2010 as included in the SAFM prospectus.



For more information:

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About South American Ferro Metals:

South American Ferro Metals Limited owns 100% of the producing Ponto Verde Iron Ore Project 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 Project is located proximate to established mining operations, iron and steel plants and existing infrastructure.



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.

Competent Persons Statement:

Information in this announcement that relates to mineral resources is based on information provided by Mr Philip Hopkins, Chief Executive Officer of South American Ferro Metals Limited, who is a fellow of the Australasian Institute of Mining and Metallurgy. Mr Hopkins 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 Exploration Results, Mineral Resources and Ore Reserves'. Mr Hopkins consents to the inclusion in the report of the statements based on his information in the form and context in which it appears.