



8 August 2012

ASX Announcement

ASX Code: SFZ

Stage II Concentrator to be installed at Ponto Verde Iron Ore Project to increase production

- **Stage II Concentrator expected to produce 378,000 tpa of saleable product, lifting total site mass recovery to an estimated 79% of 1.5Mtpa ROM feed**
- **Product from the Stage II Concentrator to target a grade of 64% Fe**
- **Expected cost of \$3.64m with full commissioning of the plant by the end of June 2013**
- **Reduces tailings storage and therefore the site's environmental footprint**

South American Ferro Metals Limited (ASX: SFZ) ("SAFM"), the only ASX-listed pure play iron ore producer in South America, announces that it has approved the installation of a Stage II Concentrator at its Ponto Verde mine in Minas Gerais state, Brazil.

Approval of the development follows the commissioning of the Stage I Concentrator at Ponto Verde in May 2012, which is expected to be operating at full capacity of 700 tonnes concentrate per day during August 2012.

The Stage II Concentrator will further process the material discharged from the Stage I Concentrator as well as supplemental feed from current Fines stockpiles on site. The Concentrator will convert this material into saleable concentrate, thereby lifting the mass recovery rate to an estimated 79% of SAFM's licenced 1.5Mtpa ROM capacity. It is expected that the grade of this product from the Stage II Concentrator will be approximately +64% Fe.

Stage II will also permit the processing of the stockpile of Fines material currently on site (approximately +500,000 tonnes), thus providing additional saleable product which will avoid rehandling costs.

Construction of the Stage II Concentrator is estimated to cost \$3.64 million and the plant is expected to produce an additional 378,000 tonnes of concentrate per annum. The design of the plant will be modelled on a similar Wet High Intensity Magnetic Separation (WHIMS) plant constructed in Minas Gerais, therefore reducing any technology and project risk.

Full commissioning of the plant is expected by the end of June 2013, based on information provided by Project Engineering and WHIMS manufacturer, Gaustec Limited. The civil works for the Stage II Concentrator to commence this month. A preliminary schedule for construction and start-up of the Stage 2 Concentrator is provided below:



Stage 2 Concentrator Schedule

	2012		2013	
	3Q	4Q	1Q	2Q
Detailed Engineering				
Material Procurement				
Civil Works				
Structure Erection				
Mechanical/Electrical				
Commissioning				

In addition to the positive impact on SAFM's cash flow and profitability, the Stage II Concentrator will further reduce the Ponto Verde project's environmental footprint through reducing the tailings storage on site, thus preserving more of the mining lease for further expansion.

An additional opportunity has been identified through the potential of the Stage I and II Concentrators to treat Fines from other mine sites. This opportunity is currently being assessed by the Company.

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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



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.