

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

A.B.N.: 67 060 319 119

and Controlled Entities



Annual Report

for the year ended

30 June 2008

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

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1. CHAIRMAN'S REVIEW

Fellow Shareholder

It gives me great pleasure to present to you the Annual Report for South American Iron & Steel Corporation Ltd ("SAIS") for the year ended 30 June 2008.

The past year has been a year of change for SAIS. We have developed from planning as an iron sand explorer to moving to what is the logical proposition for SAIS. That is that SAIS is a potential low cost steel producer. The change of name from Aconcagua Resources Ltd to South American Iron & Steel Corporation is a reflection of this change in focus.

The inferred feedstock assessed in our concessions in Ecuador and Chile potentially provides the annual concentrate for a two million tonne per year steel mill for decades.

On 7th May 2008 SAIS announces that Outotec's laboratory test results confirm the suitability of our South American ore for smelting. On 22nd February 2008 we announced that Outotec Germany had completed their reduction test work on SAIS titano-ferrous concentrate from our Ecuadorian concessions. That test work was conducted using Outotec's Circored® technology with hydrogen being the reductant. The later results using Outotec's Circofer® technology with coal as the reductant yielded excellent results with metallisation degrees of between 65-87%. The test programme is continuing, with the pre-reduced samples currently undergoing batch smelting tests in Finland. These tests are designed to separate the products into pig iron and titanium slag.

The use of coal as a reductant facilitates the steel making. The concept is that the smelting facility should be able to "hot metal transfer" to the steel plant, thereby lowering costs of production.

Outotec's Circofer® Process combines excellent heat and mass transfer in the circulating fluidized bed to convert iron ore fines and coal into low cost direct reduced iron. Sticking, accretion and reoxidation problems associated with previous processes are avoided by operation with excess carbon and separation of the gasification and reduction zones.

Outotec's Circofer® Process for the reduction of fine ores with coal in the circulating fluidized bed as the principal reactor, is said to fulfil the demands for a competitive solid phase direct iron making process, of the future. The main features of the process are as follows:

- Ability to process directly low-cost fine ores and coals without pre-treatment.
- Closed energy circuit without production of excess energy with low primary energy requirement.
- Low capital investment due to high specific throughputs.
- Use of service-proven Outotec proprietary and 'off-the-shelf' equipment.
- High product quality with market-specific properties.
- Minimal emission.

The future efforts and focus is to continue to test SAIS concentrate as the base platform for a feasibility study to construct a smelter and attached steelworks in Ecuador.

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Preliminary inferred resource¹

Ecuador

Our preliminary resource estimate in Ecuador was restricted to the uppermost four metres covering an area of 6,250 hectares in the Manuela and La Tola 4 concessions; even though iron-sand enrichment is known to extent more deeply over some sections. That resource is also open along depositional strike (to the SW into the Marlene-1 concession and beyond) and updip into La Tola-1, this amount to an iron sand volume of 250 million cubic metres. Allowing for a density factor of 1.6 this corresponds to an inferred resource of approximately 400 million tonnes of sand at 7% VHM, equivalent to 28 million tonnes of concentrate.

The initial drilling program in the Manuela and La Tola 4 concessions was completed and 512 samples have been prepared for Heavy Mineral assay. While those results are awaited, calibration of field estimates with previous laboratory analyses of valuable heavy mineral ("VHM") content has provided sufficient confidence to calculate an inferred resource. Upgrading to indicated resource status is anticipated once the assays of the 512 samples are complete.

Chile

Fieldwork in the Putu area revealed local extensions of the paleodune sands to the east of the previously existing exploration concessions. Accordingly applications were filed for additional concessions, AUS 16 - 20 and these were awarded.

Applying a VHM percentage of 5.79% to the estimated total amount of sand in the three prospect areas in Putu area, viz Katy, Plano and Trinchera provides an inferred resource of 193 million tonnes.

Operations

Ecuador

The Field Laboratory has been commissioned and is fully operational.

The drilling of Manuela and La Tola 4 will continue after the promulgation of the New Mining Law. To date 80 holes has been drilled with 552 samples having being generated, all of which have been prepared through the field laboratory for Heavy Mineral analysis.

The Terms of Reference for the Environmental Impact Assessment for the Cojimies concessions have been completed and will be submitted once the New Mining Law is promulgated. This is expected to be mid October.

The construction of the site offices in Cojimies is 75 % complete. They are due for occupation by year end.

The Metallurgical Test Facility has been sited in Guayaquil and is due for commissioning by the end of October. It will be fully operational by the end of November.

¹ Estimates released on 7th August 2008

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Chile

Putu

The geological potential of Putu is large but the stratigraphic relationships of the major sand bodies are complex. As reported previously, the mineralogy of the modern dune sands along the seaward flank makes the valuable heavy minerals more difficult to recover than from older deposits of raised shorelines and paleodunes of late Pleistocene (<0.8my) age. Further geological fieldwork has therefore focused on the design of a drilling program covering the following tracts:

- **Katy prospect.** This linear ridge is divided by the valleys of small coastal streams into the north, central and south sectors; all aligned approximately north-south. The thick dune sands, with a maximum of over 100m, are thought to have accumulated during glacially induced low sea-level stands. Soil cover is poorly developed, suggesting a relatively youthful geological age. Drilling locations on the thicker axial portions have been selected along unsealed country roads and timber tracks. Thinner sand sections along the paleodune flanks will be drilled using power augers. The sands are generally friable and would be easy to excavate and beneficiate.
- **Plano prospect.** This is a flat plain covered by a sand sheet which, although not drilled to date, is expected to be in the range 5-15m thick, but possibly thicker. Stream sections and irrigation ditches reveal relatively uniform fine to medium grained sands which are oxidized in the top metre or so. The sand is interpreted as a raised shoreline deposit corresponding to a sea level a few metres higher than at present, probably during the past 10,000 years. The limited thickness, wide extent, and apparent lack of hard bands or boulder beds, coupled with the unconsolidated nature of the sands, make Plano well suited to power angering. These sands will also be easy to process.
- **Trinchera prospect.** Trinchera sands reach a maximum of at least 100m thick and extend for a distance of 15 km along strike. Near the base they include glauconitic marine sands and boulder beds, both corresponding to an interglacial sea level tens of metres higher than the present. The thicker overlying paleodune sands are thought to have accumulated by strong onshore winds during the ensuing drop in sea level. These deposits are older than the Katy sands, as evidenced by more advanced soil development. Apart from the superficial soil cover there are buried soil horizons (paleosols) indicating episodic growth of the dune cordon. This sequence shows some similarities to the well-studied KwaZulu-Natal coast of South Africa near the large Richards Bay titanium/iron sand operations. Hard bands, generally paleosols, may represent waste zones, but these are separated by softer, more easily workable sands.

Estimates relating to these three areas, Katy, Plano and Trinchera provide an inferred resource of 193 million tonnes for Putu.

We have made application and paid the required fees to convert the Putu exploration concessions to exploitation concessions. That process is underway and we are advised that there is no reason that we should not be granted the exploitation concessions.

Chilean legislation provides for two kinds of mining concessions: the exploration concession and the exploitation concession. The main characteristic of the mining concessions are the following:

- (i) The mining concession is defined as an immovable real right that grants the holder exclusive power to explore the concessionable mineral substances within the bounds

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thereof, in the case of the mining exploration concession, or to explore and exploit such substances and become the owner of any substances extracted therefrom, in the case of the mining exploitation concession. The character of real right of the concession mean that the right held on the concession is exercised directly on all concessionable mineral substances existing within its bounds, without reference to any specific person, that it may be upheld vis-à-vis the State or any person and that it can be object of possessory actions to recover possession based on title.

- (ii) The mining concessions are always established by the court with no decision-making action by any other authority, avoiding in this way the discretionary interference of administrative authorities.
- (iii) The concession means a distinct title, irrespective of title to the land, even if owned by the same person.
- (iv) The mining concession is transferable and transmissible right, mortgageable and subject to other real rights, i.e., easements and usufruct and generally any act or contract.
- (v) The mining concession is conditional to the extent that the holder is bound to pay a yearly licence, under penalty of losing such concession.
- (vi) The mining exploitation concession has indefinite duration. The mining exploration concession remains in effect for 2 years and may be extended for another 2 years period, provided at least half the area thereof is surrendered.
- (vii) The mining concession is divisible intellectually and physically, provided each resulting portion does not measure less than the minimum legal area and shape.
- (viii) Any Chilean or foreign person may establish and acquire mining concessions.

As stated above, mining concessions are established before the ordinary law courts. Preference for establishing a concession is given to the first person to submit the necessary application to the court. The procedure begins with presentation of simple writs to the competent judge of the court where the central point of the concession is located. The establishment of a mining exploration concession takes about 4 months. The mining exploitation concession requires surveying and bounding and it takes approximately 14 months until its establishment. Overlapping of concession is expressly forbidden and penalised with nullity and criminal liabilities in case of fraudulent behaviour. A judgement granting a concession is the title thereto and grants possession over the mining concession.

The concession cannot be embargoed nor sold, except when the debtor is a stock corporation or the debtor consents on the embargo and sale.

The registered application for a concession to explore and a concession to exploit are real, immovable, transferable and conveyable rights subject to the same rules applicable to other real estates.

The exploration and exploitation concessionaires have the right to receive compensation in case of expropriation for the patrimonial damage actually suffered. In the case of the expropriation of an exploitation concession, the patrimonial damage will consist in the commercial value of the right to initiate and continue the extraction and appropriation of the substances object of the concession.

Aguas Claras

An agreement for the staged sale of Aguas Claras to Shoreline Minerals Ltd ("Shoreline") was announced on 10th April 2008. As part of the sale agreement, SAIS is managing the technical program and has a right of first refusal over the offtake of mineral product.

SAIS has received \$300,000 from Shoreline together with 5.12 million shares of Shoreline in relation to the Company's sale of the entity that owns the Company that in turn owns Aguas

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Claras Concessions. As announced on 10th April 2008, the Company shall transfer 60% of its interests in Aguas Claras to Shoreline upon further completion of the following:

- \$3,250,000 is payable by Shoreline within 120 days of the completion of the work program or the finalization of Shoreline's capital raising to list on the Australian Stock Exchange ('ASX'), whichever is first in time; and
- Shoreline shall complete a work program to bring the project resources to Measured Reserve JORC. Shoreline shall spend a minimum of \$250,000 for completion of the work program. The Company shall receive a management fee of 8% of the work program expenditure.

Shoreline has the right to acquire the remaining 40% of the interests in the Aguas Claras concessions for a final payment to SAIS of \$10,000,000 upon Shoreline completing a bankable feasibility study within six months of its completion of the work program.

Staff

Since the last annual report we have commenced to reward deserving employees with loans to acquire SAIS shares under our Share Purchase Plan. We have lent a total of \$2,252,263 (including \$1,490,000 to a director) and issued 1,707,000 (1,000,000 to a director) shares.

Any loan under the Share Purchase Plan, who is a director, will be subject to interest payable quarterly in arrears at the benchmark interest rate (being the indicator lending rates – bank variable housing loans interest rate last published by the Reserve Bank of Australia before the start of the financial year plus 1%).

Any loan under the Share Purchase Plan to any eligible employee who is not a director will be interest free unless the Board decides otherwise.

Your Directors believe that the Company's remuneration policy should complement and reinforce our performance culture, and leadership and talent management systems. As such, the Company's remuneration policy seeks to:

- attract and retain high calibre employees including directors;
- align individual and Company goals;
- ensure total remuneration is competitive by market standards;
- align the interests of employees with those of Shareholders; and
- link reward with the strategic goals and sustainable performance of the Company.

Our Share Purchase Plan was designed to be a valuable plank in our remuneration policy.

AGM

Finally, I am pleased to advise that SAIS will hold its next Annual General Meeting at 10.00am (Sydney time) on Thursday, 20th November 2008 at NSW Bowlers Club at 95-99 York Street, Sydney, New South Wales.

The Notice of Meeting, which sets out the business to be considered at this AGM, is enclosed with this Annual Report.

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Please read these documents carefully and to consult your professional adviser if you require advice in respect of these documents.

If you are unable to attend the AGM, I encourage you to complete the enclosed Proxy Form and exercise your voting rights.

Representatives of corporate shareholders attending the meeting and intending to vote at the meeting will need to lodge or bring with them a valid appointment of representative confirming their appointment as authorised representatives or appropriate power of attorney.

Yours sincerely,

A handwritten signature in cursive script that reads "Franco Belli". The signature is written in black ink and is positioned above the printed name and title.

Franco Belli
Chairman and Chief Executive Officer

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2. DIRECTORS' REPORT

The directors present their report together with the financial report of South American Iron & Steel Corporation Limited ("the Company") and the consolidated financial report of the consolidated entity, being the company and its controlled entities, for the year ended 30 June 2008 and the auditors' report thereon.

This report was authorised for issue by the directors on 30th September 2008. The company has the power to amend and re-issue the financial report.

2.1 Directors

The directors of the company at any time during or since the financial year are:

	Period as Director
F. Belli (Chairman & CEO)	14 th December 2005 to present
D. Hobday	14 th December 2005 to present
B. Klückow	20 th February 2008 to present
A. Susaeta	14 th December 2005 to 16 th November 2007
J.H. Banks (Non Executive Chairman)	19th July 2006 to 16th May 2008

Details of the above directors are below:

Franco Belli, Managing Director & Chairman

Mr Belli has over 20 year's hands-on experience in mining and exploration. In Australia, he worked for Black Cat Goldmines (Mt Magnet), Kalgoorlie Mining Associates and Poona Emeralds. In Ecuador, Peru and Chile, Mr Belli set up and managed New Inca Mines Ltd. Mr Belli was instrumental in the acquisition of the Guanaco Gold Mine (a Chilean company) from Kinross, which was subsequently acquired by Austral Gold. Mr Belli was also active in the acquisition of the Punitaqui gold and copper mine, which was subsequently acquired by Tamaya Resources. Mr Belli has experience in sand mining, having previously supplied zircon to the Cioni Family (ceramics) in Italy. Mr Belli has also previously assisted in the acquisition of additional reserves for the Gidgee Gold Mine in Western Australia, then owned by Arimco.

Mr Belli has had seven years experience as a mining analyst and stock broker, working for Gresham Securities, Pring Dean McNall, Hartley Poyntons and Bell Securities. Mr Belli speaks English, Spanish and Italian.

David Hobday, Director

Dr. Hobday has MSc (Natal) and PhD (LSU) degrees in geology, and over 40 years experience in the oil and mining industries as a geologist, financial advisor, investment manager, company director and academic researcher. His international experience has involved field operations and on-site investigations in Australia, the United Kingdom, United States, Russia, Kazakhstan, Turkmenistan, Norway, China, India, Philippines, Argentina and South Africa. In the course of this work he has had extensive dealings with local and international resource companies and government entities, and has negotiated commercial contracts in a number of countries.

Dr Hobday has held positions at Oxford University, University of Natal, University of South Carolina, University of Texas, University of Utah and Sydney University. In 1984 he received the Wallace Pratt Award from the American Association of Petroleum Geologists for "significant contributions to petroleum geology."

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Other positions held include Vice President, Phoenix Energy Inc, USA; Director, Lowell Petroleum NL; Director, Claremont Petroleum; Director, Elmina NL; Director, In-Situ (Australia) Inc.; Director, Lowell Resources Fund; Chairman, Molopo Australia NL; independent oil and gas exploration with Parsons Energy Company Inc., Houston; Senior Manager, Bank of America Corporate and Resource Finance; and Deputy Director, Energy and Geoscience Institute, Salt Lake City.

Bill Klückow, Executive Director

Mr. Klückow has over 27 years experience in mining and minerals; focusing on metallurgy, plant development, operations and project management, with particular emphasis in the mineral sands sector. He has had some 20 years with Richards Bay Minerals.

Mr. Klückow's previous roles include: Managing Director, TM10 Minerals Consulting (Pty) Ltd; Business Development Manager (Mineral Sands), Bateman Minerals & Metals.

John Banks, Non-Executive Chairman (resigned 16th May 2008)

Mr Banks has a Master of Commerce degree majoring in Finance and Information Systems from the University of New South Wales. He is a Chartered Management Consultant and also member of various reputable professional bodies. Those included are Institute of Chartered Accountants, Australian Computer Society and the Institute of Arbitrators and Mediators. He is also a Registered Tax Agent and Registered Company Auditor.

Mr Banks has had over 40 years of service with KPMG, of which 25 of those years were as a partner. He retired as a partner in December 2000. His specialised field of knowledge includes: valuation of business entities; financial and mathematical modelling; forensic accounting; investment evaluation and management.

Mr Banks' extensive qualifications and experience have led him to deal with government projects here and abroad as well as with a number of the top 100 companies in Australia. His overseas experience includes the Pacific Islands, Indonesia, and Pakistan. His projects cover valuations, financial costings, modelling and evaluation, preparing financial feasibility studies and conducting historical and future price trends.

Andrés Susaeta, Executive Director (resigned 16th November 2007)

Mr Susaeta holds a Mining Engineering degree from the University of Chile, 1982. He is an independent environmental and mining consultant with over 25 years experience as a mining project engineer and company director living in Chile, with special expertise in mining design and valuations, environmental impact statements, environmental audits and assessments.

Mr Susaeta has been involved in major mine development projects, appraisals and advisory work in many parts of South America and abroad. Mr Susaeta commenced his professional career in 1980-81 as Project Engineer with Compania Minera Cerro Negro S.A., since which time he has held positions with Codelco Chile, Fluor Chile, NCL Ltda., Exco and IAL Ltda. As Project Manager with NCL, he acted as company President for the period 1990 – 1992 and was involved in the conceptual engineering of more than a dozen projects throughout Chile and Peru. He has conducted environmental assessments and audits for a number of development projects.

He has a strong network of technical associates in Chile, Peru, Ecuador and elsewhere and a comprehensive knowledge of the mineral resources of the region. He has also been, since 1988 a Professor of the University of Chile, Mining Department, where he has conducted a

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range of courses and research projects. He is currently Director and shareholder of the agro industrial company IQF S.A. in Peru and Agrícola Manflas in Chile.

2.2 Company Secretary

Mr Kenneth Lee was appointed to the position of company secretary on 20 February 2008. Kenneth Lee is a member of the Institute of Chartered Accountants in England & Wales and has a Masters degree in Business Administration. He was a director of KPMG Corporate Finance, Sydney. Kenneth was Company Secretary to Berren Limited and manager of International Wine Fund (formerly Australian Wine & Investment Fund), a listed fund with more than \$200 million in management.

Mr Franco Belli was appointed to the position of secretary in December 2005 and resigned as company secretary in February 2008.

2.3 Principal Activities

The principal activity of the controlling entity during the course of the financial year was mineral exploration in South America.

2.4 Operating and Financial Review

The net loss of the consolidated entity for the year ended 30 June 2008 after income tax was \$2,275,147 (2007: loss \$1,714,293).

During the financial year, entities in the consolidated entity pursued investments and activities in mining exploration in South America. An overview of the operations of the consolidated entity is set out in the Chairman's Review.

Earnings per share	2008 \$	2007 \$
Basic and diluted earnings per share	(0.018)	(0.016)

2.5 Dividends

The directors do not recommend the payment of a dividend. No dividends were previously declared or paid since the end of the previous financial year.

2.6 Changes in the State of Affairs

During the year, entities in the consolidated entity acquired various mining exploration concessions in Chile and Ecuador, performed metallurgical analysis of mineral sands in South America and new shares were issued.

At the beginning of the year, a 100% owned entity of SAIS, Clearwater Resources Pty Limited owns 99.95% of a Chilean entity, Inversiones Aconcagua Limited ("IAL"), which in turn owns all of the group's mining concessions in Chile.

In view of the sale agreement of Aguas Claras concessions to Shoreline, the Chilean entity holding all our concessions in Chile was restructured.

Set out below are entities, including those incorporated during the year, together with the mining concessions held in Chile:

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	Entities and Mining Concessions in Chile		
Australian Entities	Clearwater Resources Pty Ltd	*South American Iron and Sand Pty Ltd	*Aconcagua Iron Sands Pty Ltd
Consolidated entity interest	100%	100%	100%
Chilean Entities	*Inversiones Arenas Claras Ltda	Inversiones Aconcagua Ltda	*Inversiones Arenas Maullin Ltda
Consolidated entity interest	99.95%	99.95%	99.95%
Mining Concessions in Chile	**Aguas Claras Area	**Putu Area	**Maullin Area

* These are entities incorporated during the year.

** All Chilean mining concessions were originally held by IAL and they were transferred to different Chilean entities during the year.

2.7 Events Subsequent to Balance Date

There were no significant events after the balance sheet date that would materially alter the operations of the consolidated entity.

2.8 Likely Developments

The controlling and the entities in the consolidated entity intend to pursue their mining exploration activities with the objective of optimising shareholder wealth.

2.9 Environmental Regulations

The consolidated entity's operations are not subject to any significant environmental regulations under Australian Law. The consolidated group is subject to a number of significant environmental regulations in South America of which it is fully compliant and the consolidated entity plans to perform activities so that adverse effects on the environment are avoided or kept as low as possible.

2.10 Directors Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the company during the financial year are:

Director	Board Meetings	
	A	B
F. Belli	12	12
D. Hobday	10	12
B. Klückow (appointed 20 February 2008)	4	4
J. Banks (resigned 16 May 2008)	10	11
A. Susaeta (resigned 16 November 2007)	4	5

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year.

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2.11 Remuneration Report

(i) Remuneration Philosophy

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include a mix of fixed remuneration, performance-based remuneration, and equity-based remuneration.

The remuneration structures are designed to attract suitably qualified candidates, and to effect the broader outcome of increasing the consolidated entity's net profit attributable to members of the Company.

(ii) Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance; and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

(iii) Remuneration of directors and named executives

The following table provides the details of all directors of the Company ("specified directors") and all the executives of the consolidated entity ("specified executives") and the nature and amount of the elements of their remuneration.

For the year ended 30 June 2008

	Short-term employee benefits	Post employment benefits	Share-based payment	Total compensation
Cash				
	Salary and fees	Super	Options	
	\$	\$	\$	\$
Director				
F. Belli	150,000	13,500	-	163,500
D. Hobday	37,500	3,150	93,443	134,093
B. Klückow	114,217	-	-	114,217
J. Banks	65,625	-	279,720	345,345
A. Susaeta	59,000	-	-	59,000
Executives				
K Lee	40,445	3,640	-	44,085
	466,787	20,290	373,163,-	860,240

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For the year ended 30 June 2007

	Short-term employee benefits	Post employment benefits	Share-based payment	Total compensation
Cash				
	Salary and fees	Super	Shares	
	\$	\$	\$	\$
Director				
J. Banks	37,500	-	200,000	237,500
F Belli	120,000	-	-	120,000
A. Susaeta	110,052	-	100,000	210,052
D. Hobday	17,500	1,575	100,000	119,075
A. Mayo	108,540	-	100,000	208,540
	<u>393,592</u>	<u>1,575</u>	<u>500,000</u>	<u>895,167</u>

2.12 Directors Interests

The relevant interest of each director in shares and options issued by the company at the date of this report is as follows:

	South American Iron & Steel Corporation Limited	
	Ordinary Shares	Options
F Belli	54,500,000	-
D Hobday	500,000	1,000,000
B. Klückow ¹	1,000,000	2,000,000

¹These shares have been acquired under the company's employee share purchase plan and held by a nominee company as security for a non recourse loan to the director.

2.13 Non-Audit Services

During the year Nexia Court & Co, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and by resolution, the directors of the Company are satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2008:

	\$
Taxation	3,114
Other	<u>2,600</u>
	<u>5,714</u>

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2.14 Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 16 and forms part of the directors' report for the year ended 30 June 2008.

2.15 Indemnification and Insurance of Officers and Auditors

Indemnification

Since the end of the previous financial year, the company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the company.

Insurance Premiums

During the financial year the group has paid premiums in respect of directors' and officers' liability insurance contracts for the year ended 30 June 2008 and since the financial year, the consolidated entity has paid or agreed to pay on behalf of the companies comprising the group, premiums in respect of such insurance contracts for the year ending 30 June 2009. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the companies comprising the group.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contracts.

2.16 Unissued shares under Options

The Company has on issue 8,000,000 options which are not listed on the ASX Official List and are not quoted. The exercise price of each option is at various prices and they may be exercised at any time up to 5.00pm Sydney time on those dates set out in the table below.

No of Options	Exercise Price	Date of Expiry
2,000,000	\$0.50	30 th July 2009
1,350,000	\$1.00	1st November 2009
1,350,000	\$1.25	1st November 2010
1,300,000	\$1.50	1st November 2011
1,000,000	\$2.25	26th November 2009
1,000,000	\$3.00	26th November 2010
8,000,000		



F Belli
Managing Director

Sydney
Dated: 30 September 2008

3. LEAD AUDITOR'S INDEPENDENCE DECLARATION

**LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the directors of South American Iron & Steel Corporation Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit of the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia Court & Co

Nexia Court & Co
Chartered Accountants



Andrew Hoffmann
Partner

Sydney

Dated: 30 September 2008

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David R Cust
Craig J Wilford
Sean P Urquhart
Robert Mayberry
Russell Reid

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NETWORK OF INDEPENDENT ACCOUNTING
AND CONSULTING FIRMS.

4. INDEPENDENT AUDITORS' REPORT

To the Members of South American Iron & Steel Corporation Limited

Report on the financial report

We have audited the accompanying financial report of South American Iron & Steel Corporation Limited which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 13 to 14 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosure contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 10.2(i), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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4. INDEPENDENT AUDITORS' REPORT

To the Members of South American Iron & Steel Corporation Limited

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of South American Iron & Steel Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 10.2(i).

Auditor's Opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 13 to 14 of the directors' report comply with Accounting Standard AASB 124.



Nexia Court & Co
Chartered Accountants

Sydney

Dated: 30 September 2008



Andrew Hoffmann
Partner

5. DIRECTORS' DECLARATION

1. In the opinion of the directors of South American Iron & Steel Corporation Limited ("the company"):
 - (i) the financial statements and notes and the remuneration disclosures that are contained in the Director's Report are in accordance with the *Corporations Act 2001*, including:
 - (a) give a true and fair view of the Company's and Group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
 - (b) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (ii) the financial report also complies with International Financial Reporting Standards as disclosed in note 10.2(i).
 - (iii) the remuneration disclosures that are contained in the Remuneration report in the Director's report comply with Australian Accounting Standard AASB 124 *Related party Disclosures*, the *Corporations Act 2001*, and the Corporations Regulations 2001; and
 - (iv) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief financial officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:



F Belli
Managing Director

Sydney
Dated: 30 September 2008

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

A.B.N.: 67 060 319 119

and Controlled Entities**6. INCOME STATEMENTS**

For the year ended 30 June 2008

	Note	Consolidated		The Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Other income	10.5	385,902	130,298	385,902	121,332
Total revenue		385,902	130,298	385,902	121,332
Consulting fees		(180,402)	(262,275)	(180,402)	(262,275)
Depreciation	10.6	(31,787)	(12,161)	(15,818)	(8,408)
Impairment loss	10.6	(494,053)	-	(494,053)	-
Administration expenses		(1,560,864)	(1,570,155)	(1,252,735)	(1,431,101)
Share based payments	10.6	(373,162)	-	(373,162)	-
Other expenses		(20,781)	-	-	-
Loss from ordinary activities before income tax expense		(2,275,147)	(1,714,293)	(1,930,268)	(1,580,452)
Income tax expense		-	-	-	-
Loss for the year		(2,275,147)	(1,714,293)	(1,930,268)	(1,580,452)
Basic and Diluted earnings per share		\$(0.018)	\$(0.016)		

The above income statements should be read in conjunction with the accompanying notes.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

A.B.N.: 67 060 319 119

and Controlled Entities**7. BALANCE SHEETS**

As at 30 June 2008

	Note	Consolidated		The Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	10.9	2,969,617	4,494,434	2,832,039	4,465,222
Trade and other receivables	10.10	2,272,363	120,897	1,881,218	55,497
Other financial assets	10.12	512	-	512	-
Assets classified as held for sale	10.13	11,000,000	-	11,000,000	-
Total current assets		16,242,492	4,615,331	15,713,769	4,520,719
Non-current assets					
Trade and other receivables	10.10	-	-	6,179,495	2,110,625
Investments in controlled entities	10.11	-	-	-	11,000,000
Property, plant and equipment	10.14	852,173	224,477	63,342	23,002
Exploration and evaluation expenditure	10.15	3,727,699	12,258,529	-	-
Deferred tax assets	10.16	164,300	115,427	-	-
Total non-current assets		4,744,172	12,598,433	6,242,837	13,133,627
Total assets		20,986,664	17,213,764	21,956,606	17,654,346
Current liabilities					
Payables	10.17	206,595	199,594	154,233	172,070
Non-interest bearing liabilities	10.18	-	4,348,500	-	4,348,500
Interest bearing liabilities	10.19	-	175,000	-	175,000
Other	10.20	300,000	-	300,000	-
Employee entitlements	10.22	28,855	-	28,855	-
Total current liabilities		535,450	4,723,094	483,088	4,695,570
Non-current liabilities					
Deferred tax liabilities	10.21	164,300	115,427	-	-
Total non-current liabilities		164,300	115,427	-	-
Total liabilities		699,750	4,838,521	483,088	4,695,570
Net assets		20,286,914	12,375,243	21,473,518	12,958,776
Equity					
Contributed equity	10.23	30,242,657	21,054,523	30,242,657	21,054,523
Reserves	10.24	1,004,287	5,603	1,256,877	-
Accumulated losses	10.25	(10,960,030)	(8,684,883)	(10,026,016)	(8,095,747)
Total equity		20,286,914	12,375,243	21,473,518	12,958,776

The above balance sheet should be read in conjunction with the accompanying notes.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

A.B.N.: 67 060 319 119

and Controlled Entities**8. STATEMENTS OF CHANGES IN EQUITY**

For the year ended 30 June 2008

	Note	Consolidated		The Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Total equity at the beginning of the financial year		12,375,243	11,064,483	12,958,776	11,519,778
Issue of share capital	10.23	9,902,263	3,330,000	9,902,263	3,330,000
Cost of capital raising	10.23	(714,129)	(310,550)	(714,129)	(310,550)
Loss for the year	10.25	(2,275,147)	(1,714,293)	(1,930,269)	(1,580,452)
Foreign exchange movement effect	10.24	(258,193)	5,603	-	-
Share based payments	10.24	1,256,877	-	1,256,877	-
Total equity at the end of the financial year		20,286,914	12,375,243	21,473,518	12,958,776

The above statement of changes in equity should be read in conjunction with the accompanying notes.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

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and Controlled Entities**9. CASH FLOW STATEMENTS**

For The Year Ended 30 June 2008

	Note	Consolidated		The Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		322,165	37,018	322,165	37,018
Cash payments in the course of operations		(1,723,588)	(1,922,328)	(1,421,911)	(1,760,235)
Interest received		320,547	117,299	320,547	117,299
Net cash from operating activities	10.30(ii)	(1,080,876)	(1,768,011)	(779,199)	(1,605,918)
Cash flows from investing activities					
Acquisition of subsidiary		-	-	-	(236,226)
Payment for plant and equipment		(683,547)	(36,680)	(56,158)	(12,625)
Payment for mining rights and exploration costs		(2,475,722)	(1,111,198)	-	-
Net cash from investing activities		(3,159,269)	(1,147,878)	(56,158)	(248,851)
Cash flows from financing activities					
Proceeds from share issue		9,516,133	2,576,451	9,516,133	2,576,451
Loans received – non-related parties		-	175,000	-	175,000
Share subscriptions received – held on trust		-	4,348,500	-	4,348,500
Loans repaid from non-related parties		(4,523,500)	10,902	(4,523,500)	10,902
Repayment of loans		-	(71,000)	-	(71,000)
Loan repaid/(advance) – consultants		-	22,000	-	22,000
Loans Advance to related parties		-	-	(3,513,154)	(1,077,943)
Loans Advance – Employees Share Plan (director)		(1,490,000)	-	(1,490,000)	-
Loans Advance – Employees Share Plan (other employees)		(762,263)	-	(762,263)	-
Loan repayments – directors		(25,042)	(126,026)	(25,042)	(126,026)
Net cash from financing activities		2,715,328	6,935,827	(797,826)	5,857,884
Net (decrease)/increase in cash and cash equivalents		(1,524,817)	4,019,938	(1,633,183)	4,003,115
Cash and cash equivalents at the beginning of the financial year		4,494,434	474,496	4,465,222	462,107
Cash and cash equivalents at the end of the financial year	10.30(i)	2,969,617	4,494,434	2,832,039	4,465,222

The above cash flow statements should be read in conjunction with the accompanying notes.

10. NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

10.1 Reporting Entity

South American Iron & Steel Corporation Limited (the 'company') is a company incorporated and domiciled in Australia, is a public company limited by shares and is listed on the ASX. The address of the company's registered office is Level 10, 8-10 Loftus Street, Sydney, NSW 2000. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the company and its subsidiaries (together referred to as the 'Group'). The group's principal activity is mineral exploration in South America.

10.2 Basis of Preparation

(i) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the group and the financial report of the company comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board ('IASB').

The financial statements were approved by the Board of Directors on 30 September 2008 .

(ii) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except where indicated otherwise.

(iii) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is company's functional and presentation currency.

(iv) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes.

- Note 10.15 - measurement of the recoverable amounts of exploration and evaluation expenditure
- Note 10.32 - share based payments.

and Controlled Entities

10.3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by group entities.

(i) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the company as at 30 June 2008 and the results of all subsidiaries for the year then ended. The company and its subsidiaries together are referred to in this financial report as the 'group'.

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

In the company's financial statements, investments in subsidiaries are carried at cost.

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(ii) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(iii) Foreign currency transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Income Statement in the financial year in which the exchange rates change.

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(iv) Revenue recognition

Revenues are recognised at fair value of the consideration received or receivable.

Interest Revenue

Interest revenue is recognised as it accrues.

Other Income

Income from other sources is recognised when the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the entity.

(v) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(vi) Acquisitions of assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

Where the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated.

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(vii) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(viii) Cash and cash equivalents

For cash flow statements purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(ix) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(x) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Financial instruments not traded in active markets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine fair value for the financial instruments.

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Trade receivables and payables

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Share based payments

The fair value of employee share options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using the Binomial option pricing model.

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on weighted average historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into accounting in determining fair value.

(xi) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amount.

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

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	Depreciation rate		Depreciation method
	2008	2007	
Plant and equipment	7% - 40%	7% - 40%	Diminishing value

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(xii) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(xiii) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

(xiv) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and accruals in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. These liabilities represent present obligations resulting from employee's service provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the group expects to pay as at reporting date including related on-costs. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Initial recognition at exploration and evaluation expenditure is at cost where a concession is acquired at fair-value it is recognised at that value reprinting the cost of the company. Subsequent recognition of expenses remain at cost.

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Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share based payments

Share-based compensation benefits are provided to employees via the Employee Share Scheme. The fair value of options granted under the scheme are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(xv) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(xvi) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(xvii) Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO) or, in the case of a foreign entity, from the relevant foreign tax authorities. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO or from the relevant foreign tax authorities is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO or from the relevant foreign tax authorities are classified as operating cash flows.

(xviii) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6).
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

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(xix) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is confirmed.

(xx) Provisions

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

10.4 Financial Risk Management

The Group principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade debtors, trade creditors, which arise directly from its operations.

The Group's current policy, and has been throughout the period under review, is that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are:

- credit risk;
- liquidity rate risk;
- interest risk;
- foreign currency risk; and
- commodity risk.

This note presents information about the company's and group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the company and group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's and group's activities. The company and group, through management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers. For the company it arises from receivables due from subsidiaries.

The Group does not have any significant credit risk exposure to a single counterparty of any group of counterparties having similar characteristics.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Group has no significant exposure to liquidity risk as there is effectively no debt. The Group manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days.

Interest rate risk

At balance date the Group's exposure to market risk for changes in interest rates relates primarily to the Company's short-term cash deposits. The Group constantly reviews and analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed.

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Financial Assets:</i>				
Cash and cash equivalents	2,969,617	4,494,434	2,832,039	4,465,222
Trade and other receivables	2,272,875	120,897	7,505,511	2,166,122
Assets held for sale	11,000,000	-	11,000,000	-
	<hr/>		<hr/>	
Net exposure	16,242,492	4,615,331	21,337,550	6,631,344

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2008, if interest rates had moved, with all other variables held constant, post tax losses and equity would have been affected as follows:

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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Judgements of reasonable possible movements:</i>				
Post tax loss				
+ 0.5% (50 basis points)	81,212	23,077	106,688	33,157
- 1.0% (100 basis points)	(162,425)	(46,153)	(213,376)	(66,313)
Equity				
+ 0.5% (50 basis points)	81,212	23,077	106,688	33,157
- 1.0% (100 basis points)	(162,425)	(46,153)	(213,376)	(66,313)

The movements in losses are due to possible higher or lower interest income from cash balances. The sensitivity is lower than 2007 because of the decrease in financial assets.

Foreign currency risk

As a result of minerals exploration operations in South America being dominated by the United States Dollar (USD), the Group's balance sheet can be affected by movements in the USD/A\$ exchange rates. The Company does not hedge this exposure.

The Group manages its foreign currency risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained in USD, to meet operational commitments.

At 30 June 2008, the Group had the following exposures to USD foreign currency risk that is not designated in cash flow hedges:

	Consolidated		Company	
	2008	2008	2008	2007
	\$	\$	\$	\$
<i>Net Assets:</i>				
Current assets	528,723	94,612	-	-
Non-current assets	4,680,830	1,575,431	-	-
Current liabilities	(52,362)	(27,524)	-	-
Non-current liabilities	(164,300)	(115,427)	-	-
Net exposure	4,992,891	1,527,092	-	-

	Consolidated		Company	
	2008	2008	2008	2007
	\$	\$	\$	\$
<i>Judgements of reasonable possible movements:</i>				
Reserves and equity				
15.0% \$A currency gain	(748,934)	(229,064)	-	-
15.0% \$A currency loss	748,934	229,064	-	-

Commodity risk

The Group's exposure to price risk is minimal as the Group is still in an exploration phase.

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 4.

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	2008	2008	2007	2007
	Carrying	Net Fair	Carrying	Net Fair
	Amount	Value	Amount	Value
	\$	\$	\$	\$
<i>Financial Assets:</i>				
Cash and cash equivalents	2,969,617	2,969,617	4,494,434	4,494,434
Trade and other receivables	2,272,875	2,272,875	120,897	120,897
Assets held for sale	11,000,000	11,000,000	-	-
	<u>16,242,492</u>	<u>16,242,492</u>	<u>4,615,331</u>	<u>4,615,331</u>

Fair value sensitivity analysis or fixed rate instruments

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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and Controlled Entities**10.5 Other Income**

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Interest received	320,547	117,299	320,547	117,299
Rent received	65,355	2,987	65,355	2,987
Exchange gain	-	8,966	-	-
Other income	-	1,046	-	1,046
	<u>385,902</u>	<u>130,298</u>	<u>385,902</u>	<u>121,332</u>

10.6 Expenses

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Depreciation - plant and equipment	31,787	12,161	15,818	8,408
Staff superannuation	34,942	4,635	34,942	4,635
Share based payments	373,162	-	373,162	-
Impairment loss	494,053	-	494,053	-

10.7 Auditors' remuneration

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Nexia Court & Co				
- Audit services	33,000	33,459	33,000	33,459
- Other services	5,714	10,091	5,714	10,091
Humphreys y Cia (auditor of Inversiones Aconcagua Ltda; Inversiones Arenas Claras Ltda; and Inversiones Arenas Maullin Ltda)				
- Audit services	9,000	14,000	-	-
Willi Bamberger & Asociados C. Ltda (auditor of Fierroinca Ecuador S.A)				
- Audit services	15,000	11,000	-	-

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	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Numerical reconciliation between tax expense and pre-tax loss				
Loss for the year	865,345	1,714,293	763,053	1,580,452
Total income tax expense	-	-	-	-
Loss excluding income tax expense	865,345	1,714,293	763,053	1,580,452
Income tax using the company's domestic tax rate of 30% (2006 – 30%)	(259,603)	(514,031)	(228,916)	(474,136)
Tax losses – not recognised	259,603	514,031	228,916	474,136
	-	-	-	-

10.9 Cash and cash equivalents

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Cash at bank	2,969,617	145,934	2,832,039	116,722
Share subscriptions received held on trust	-	4,348,500	-	4,348,500
	2,969,617	4,494,434	2,832,039	4,465,222

10.10 Trade and Other Receivables

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Employees loans receivable	2,252,263	-	2,252,263	-
Less: Impairment loss	(494,053)	-	(494,053)	-
	1,758,210	-	1,758,210	-
Trade debtors	43,190	-	43,190	-
GST – Refundable	25,660	45,834	25,660	45,834
Other receivables	445,303	75,063	54,158	9,663
	2,272,363	120,897	1,881,218	55,497
Non-Current				
Clearwater Resources Pty Limited	-	-	996,033	1,295,894
Aconcagua Iron Sands Pty Limited	-	-	115,866	-
South American Iron Sands Pty Limited	-	-	597,998	-
Fierroinca Del Ecuador S.A.	-	-	4,145,521	814,731
Agroindustrial Ana Julia S.A.	-	-	324,077	-
	-	-	6,179,495	2,110,625

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10.11 Investments in Controlled Entities

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Non-Current				
Investments in controlled entities – at cost	-	-	-	15,800,000
Impairment of investment	-	-	-	(4,800,000)
	-	-	-	11,000,000

	Note	Class of Share	Consolidated Entity Interest	
			2008	2007
			%	%
<u>Controlled entities</u>				
Clearwater Resources Pty Ltd		Ordinary	100.00	100.00
Aconcagua Iron Sands Pty Ltd		Ordinary	100.00	-
South American Iron Sands Pty Ltd		Ordinary	100.00	-
Inversiones Aconcagua Ltda	1	Ordinary	99.95	99.95
Inversiones Arenas Claras Ltda	1	Ordinary	99.95	-
Inversiones Arenas Maullin Ltda	1	Ordinary	99.95	-
Minera Fierro Inca Ecuador S.A.	2	Ordinary	99.95	99.95
Agroindustrial Ana Julia S.A.	2	Ordinary	99.95	-

1. Humphreys y Cia, a firm of auditors in Santiago, Chile, is the auditor of Inversiones Aconcagua Ltda; Inversiones Arenas Claras Ltda; and Inversiones Arenas Maullin Ltda.
2. Willi Bamberger & Asociados C. Ltda, a firm of auditors in Ecuador, is the auditor of Minera Fierro Inca Ecuador S.A. and Agroindustrial Ana Julia S.A.

During the year the Group restructured its corporate structures in Chile in light of the Agua Claras sale. Refer to the Directors Report Note 2.6 for further information

10.12 Other financial instruments

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Investments – at cost	512	-	512	-

The investment relates to 5,120,000 shares in Shoreline which were acquired as part of the Agua Claras sale agreement.

10.13 Assets classified as held for sale

The controlled entity that holds the Agua Claras concessions is party to a staged sale agreement announced on 10 April 2008. This entity is prescribed as assets held for sale at the lower of its carrying value and its fair value less costs to sell.

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Mining license – at cost	11,000,000	-	11,000,000	-

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10.14 Property, plant and equipment

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Non-Current				
Land	491,117	173,673	-	-
IT software – at cost	52,596	25,789	52,596	25,789
Less: Accumulated Depreciation	(20,986)	(11,529)	(20,986)	(11,529)
Furniture and fittings – at cost	4,273	4,273	-	-
Less: Accumulated Depreciation	(4,273)	(4,273)	-	-
Motor vehicles – at cost	6,791	7,580	-	-
Less: Accumulated Depreciation	(1,034)	(517)	-	-
Other assets – at cost	312,859	11,567	-	-
Less: Accumulated Depreciation	(20,903)	(4,262)	-	-
Plant and equipment – at cost	39,560	24,500	39,560	10,209
Less: Accumulated depreciation	(7,827)	(2,324)	(7,828)	(1,467)
	852,173	224,477	63,342	23,002

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Land	IT Software	Motor Vehicles	Other assets	Plant and equipment	Total
carrying amount at beginning of year	173,673	14,260	7,063	7,305	22,176	224,477
additions	317,444	26,837	-	301,292	15,060	660,633
Disposals	-	-	(789)	(361)	-	(1,150)
depreciation	-	(9,487)	(517)	(16,280)	(5,503)	(31,787)
	491,117	31,610	5,757	291,956	31,733	852,173

10.15 Exploration and evaluation expenditure

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Carrying amount at the beginning of the year	12,258,529	11,048,279	-	-
Expenditure during the period	2,469,170	1,210,250	-	-
Transfer to assets classified as available for sale	(11,000,000)	-	-	-
	3,727,699	12,258,529	-	-

The ultimate recoupment of costs carried forward for exploration assets is dependant on the successful development and commercial exploration or sale of the respective areas.

Included in the above is the company's 10% free carry in the mining concessions of Hanwell Chile S.A. which was granted as part of a prior year transaction. This free carry has been recognised at nil value in the above balance.

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and Controlled Entities**10.16 Deferred tax assets**

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Deferred tax assets	164,300	115,427	-	-

10.17 Payables

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Trade creditors	118,275	151,893	81,361	132,303
Other creditors and accruals	88,320	47,701	72,872	39,767
	<u>206,595</u>	<u>199,594</u>	<u>154,233</u>	<u>172,070</u>

10.18 Non-interest bearing liabilities

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Share subscriptions received	-	4,348,500	-	4,348,500

Share subscriptions receipt of \$4,348,500 represents amounts received to 30 June 2007 from subscribers applying for shares of the Company pursuant to the Company's prospectus dated 18 May 2007.

The 15 million shares offer was fully subscribed and these shares were allotted and issued on 18 July 2007.

10.19 Interest bearing liabilities

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Other non-related party loans	-	175,000	-	175,000

The interest bearing loan was repaid on 18 July 2007 with interest of \$1,151.00.

10.20 Other

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Deposits received	300,000	-	300,000	-

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and Controlled Entities**10.21 Deferred tax liabilities**

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Non-current Deferred tax liabilities	164,300	115,427	-	-

10.22 Employee entitlements

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current Employee entitlements	28,855	-	28,855	-

10.23 Contributed equity

	The Company & Consolidated		The Company & Consolidated	
	2008	2007	2008	2007
	Shares	Shares	\$	\$
Share capital 128,754,963 ordinary shares	128,754,963	111,747,963	30,570,657	21,054,523
Capital issued during the year				
Balance at beginning of year	111,747,963	98,347,963	21,054,523	18,035,073
Ordinary shares issued during the year	17,007,000	13,400,000	9,902,263	3,330,000
Cost of raising capital	-	-	(714,129)	(310,550)
Balance at end of year	128,754,963	111,747,963	30,242,657	21,054,523

10.24 Reserves

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Foreign currency reserve</i>				
Balance at 1 July	5,603	6,924	-	-
Foreign exchange movement effect	(258,193)	(1,321)	-	-
Balance at 30 June	(252,590)	5,603	-	-
<i>Share based payments reserve</i>				
Balance at 1 July	-	-	-	-
Share based payments	1,256,877	-	1,256,877	-
Balance at 30 June	1,256,877	-	1,256,877	-
Total reserves	1,004,287	5,603	1,256,877	-

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and subsidiaries.

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Share based payments reserve

The share based payments reserve comprises all amounts arising for the grant of options or shares in exchange for services in the consolidated entity.

10.25 Accumulated losses

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accumulated losses at the beginning of the year	(8,684,883)	(6,970,590)	(8,095,747)	(6,515,295)
Loss for the year	(2,275,147)	(1,714,293)	(1,930,269)	(1,580,452)
Accumulated losses at the end of the year	<u>(10,960,030)</u>	<u>(8,684,883)</u>	<u>(10,026,016)</u>	<u>(8,095,747)</u>

10.26 Segment reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

(i) Business Segments

The consolidated entity operates in one business segment, being exploration of minerals in South America.

(ii) Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity's business systems operate geographically as follows:

Australia

The consolidated entity's headquarters is in Australia.

Chile

The Chilean entities, Inversiones Aconcagua Limitada; Inversiones Arenas Claras Limitada; and Inversiones Arenas Maullin Limitada are 99.95% owned by South American Iron & Steel Corporation Limited.

Ecuador

The Ecuadorian exploration operation, Minera Fierro Inca Ecuador S.A., formerly known as Minera Aconcagua Ecuador S.A., is 99.95% owned by South American Iron & Steel Corporation Limited.

The Ecuadorian agriculture operation, Agroindustrial Ana Julia S.A. is 99.95% owned by South American Iron & Steel Corporation Limited. The purpose of this agriculture operation is to satisfy the Ecuadorian environmental requirements.

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Secondary Reporting Geographical Segments	Australia		South America		Consolidated	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Segment revenue from operations by location of operation	385,902	121,332	-	-	385,902	130,298
Segment assets by location of assets	4,777,111	4,543,721	16,209,553	12,670,043	20,986,664	17,213,764
Acquisitions of non-current assets	56,158	12,625	3,103,564	1,135,253	3,159,722	1,147,878

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10.27 Key management personnel disclosures

The key management personnel of the consolidated entity are the directors and executives of the company.

(iv) Directors

- F. Belli
- D. Hobday
- B. Klückow (appointed 20 February 2008)
- A. Susaeta (resigned 16 November 2007)
- J. Banks (resigned 16 May 2008)

(v) Executives

- K.Lee

(vi) Loans to/from key management personnel

	Consolidated 2008	2007	The Company 2008	2007
	\$	\$	\$	\$
Accruals for consulting fees by director and related entity:				
• Mr F Belli	-	15,042	-	15,042
• Mr B Kluckow	1,490,000	-	1,490,000	-

(vii) Options

Share Options	Opening	Movements	Closing
F. Belli	-	-	-
D. Hobday ¹	-	1,000,000	1,000,000
B. Kluckow ²	-	2,000,000	2,000,000
J. Banks ³	-	3,000,000	3,000,000

¹ D. Hobday was issued 1,000,000 options and was approved by a general meeting of shareholders on 1st November 2007.

²B. Klückow was issued 2,000,000 options on 26th November 2007, prior to his appointment as a director of the company. He was appointed director of the company on 20th February 2008.

³ J. Banks was issued 3,000,000 options and was approved by a general meeting of shareholders on 1st November 2007. J. Banks resigned on 16th May 2008.

(v) Shares

Ordinary Shares	Opening	Movements	Closing
F. Belli	54,500,000	-	54,500,000
D. Hobday	500,000	-	500,000
B. Klückow *	-	1,000,000	1,000,000

*B. Klückow was issued 1,000,000 shares for \$1,490,000 under the Company's employees' share plan on 26th November 2007, prior to his appointment as a director of the company. He was appointed director of the company on 20th February 2008.

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The loan Interest was subjected to interest from 20th February 2008, the date of his appointment as a director. Interest is payable quarterly in arrears at the benchmark interest rate (being the indicator lending rates – bank variable housing loans interest rate last published by the Reserve Bank of Australia before the start of the financial year plus 1%).

Remuneration levels are set and determined by the board of directors. Remuneration packages are based on fixed remuneration and equity based remuneration. Where key management personnel provide services to the company other than services related to discharging their director's responsibilities, they are entitled to charge the company for the commercial value of such services provided.

Note 2.12 of the Directors' Report provide the nature and amount of the elements of key management personnel compensation for the year ended 30 June 2008 as permitted by *Corporations Regulation 2M.3.03*.

10.28 Superannuation commitments

All services provided to the entities in the consolidated entity during the financial year were through incorporated and unincorporated contractual arrangements.

10.29 Earnings per share

	Consolidated	
	2008	2007
	\$	\$
Basic and Diluted earnings per share	(0.018)	(0.016)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	126,904,758	106,630,073

10.30 Notes to the cash flow statement

(i) Cash

For the purpose of the Cash Flow Statement, Cash and cash equivalents includes Cash at bank. Cash and cash equivalents at the end of the financial year as shown in the Cash Flows Statements is reconciled to the related items in the Balance Sheets as follows:

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank	2,969,617	4,494,434	2,832,039	4,465,222

(ii) Reconciliation of net cash

Reconciliation of loss for the year to net cash from operating activities.

	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loss for the year	(2,275,147)	(1,714,293)	(1,930,268)	(1,580,452)
Depreciation	31,787	12,161	15,818	8,408
Unrealised foreign exchange losses/(gains)	106,334	(45,690)	-	-
Write off loan to Ordos Energy	-	1,606	-	1,606
Share based payments	373,162	-	373,162	-
Impairment loss	494,053	-	494,053	-

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Changes in Assets and Liabilities:

Change in trade debtors	(43,189)	32,985	(43,189)	32,985
Change in other debtors and prepayments	(112,291)	(43,171)	(24,835)	(42,062)
Change in other creditors	28,979	174	1,034	-
Change in other payables and accruals	28,258	(136,491)	28,258	(140,232)
Change in trade creditors	(41,677)	132,921	(22,087)	113,829
Change in provisions	28,855	(8,213)	28,855	-
Change in other liabilities	300,000	-	300,000	-
Net cash from operating activities	<u>(1,080,876)</u>	<u>(1,768,011)</u>	<u>(779,199)</u>	<u>(1,605,918)</u>

10.31 Events subsequent to balance date

Share issue

On 3 September 2008, the company issued 500,000 shares under the company's Share Purchase Plan for directors and employees. Those shares were issued at \$0.834 per share.

10.32 Share based payments

The following share based payment arrangements existed at 30 June 2008.

On 31 October 2007 1,350,000 options were granted to directors as part of the company's incentive scheme at an exercise price of \$1.00. All options vested upon granting and can be exercised until 1 November 2009. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised.

On 31 October 2007 1,350,000 options were granted to directors as part of the company's incentive scheme at an exercise price of \$1.25. All options vested upon granting and can be exercised until 1 November 2010. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised.

On 31 October 2007 1,300,000 options were granted to directors as part of the company's incentive scheme at an exercise price of \$1.50. All options vested upon granting and can be exercised until 1 November 2011. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised.

In August 2007 2,000,000 options were granted to one of the company's service providers at an exercise price of \$0.50. All options vested upon granting and can be exercised until 30 July 2009. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised.

On 26 November 2007 1,000,000 options were granted to one of the company's service providers at an exercise price of \$2.25. All options vested upon granting and can be exercised until 26 November 2009. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised.

On 26 November 2007 1,000,000 options were granted to one of the company's service providers at an exercise price of \$3.00. All options vested upon granting and can be exercised until 26 November 2010. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised.

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	2008		2007	
	Number of	Weighted Average Exercise Price \$	Number of	Weighted Average Exercise Price \$
	Options		Options	
Parent Entity				
Outstanding at the beginning of the year	0	0.00	0	0.00
Granted	8,000,000	1.40	0	0.00
Exercised	0	0.00	0	0.00
Outstanding at year end	8,000,000	1.40	0	0.00
Exercisable at year end	8,000,000	1.40	0	0.00

There were nil options exercised during the year ended 30 June 2008. These options had a weighted average share price of \$nil at exercise date.

The options outstanding at 30 June 2008 had a weighted average exercise price of \$1.40 and a weighted average remaining contractual life of 2 year. Exercise prices range from \$0.50 to \$3.00 in respect of options outstanding at 30 June 2008.

The weighted average fair value of the options granted during the year was \$0.157.

This price was calculated by using a Binomial option pricing model applying the inputs detailed above and expected share price volatility of 50%, a risk free rate of 6.5% and the underlying share price at the grant date.

Historically volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included in the consolidated Income Statement is \$373,162 (2007: \$nil) and relates in full to equity settled share based payment transactions.

11. CORPORATE GOVERNANCE STATEMENT

11.1 Introduction

The Australian Stock Exchange ("ASX") Listing Rules ("Listing Rules") require a listed entity to include in its annual report a statement on corporate governance practices disclosing the extent to which it has followed the "best practice" corporate governance recommendations set by the ASX Corporate Governance Council. If the entity has not followed any of the recommendations, it must identify them and give reasons why. It must state the period during which the recommendations were followed. For this purpose, Listing Rules Guidance Note 9A sets out the 8 essential corporate governance principles and the applicable "best practice recommendations".

The concept of "*corporate governance*" is the systems, policies and procedures under which an entity is directed and managed. The benefits of good corporate governance are accountability, systems of control and the encouragement to create value.

There is no single model of good corporate governance. Corporate governance will evolve as an entity's circumstances change and must be tailored to its circumstances.

11.2 Compliance with ASX Listing Rule 4.10.3

Listing Rule 4.10.3 and Guidance Note 9A reflect ASX policy that it is "*appropriate to focus on disclosure of corporate governance practices rather than prescribe adoption of a particular practice*". Therefore, an entity's obligation is to highlight areas of departure from the recommendations: the "*if not, why not?*" approach.

11.3 The Company's approach

The Board and senior management of South American Iron & Steel Corporation Limited (the "Company") are committed to acting responsibly, ethically and with high standards of integrity as the Company endeavours to create shareholder value. To achieve this goal, the Board is developing for adoption corporate governance practices and policies that are appropriate to the needs of the Company given its size, complexity and ownership structure and the skills of directors and managers and the geographic locality of the Company's mining exploration concessions.

The table below summarises the "best practice" recommendations and the Company's current practice, including explanations in the instances where the Company does not comply.

Recommendation	South American Iron & Steel's current position
1.1 Establish and disclose the functions reserved to the board and those delegated to management	Given the present size of the Company, the Board takes an active role in overseeing management functions and responsibilities. The Board is responsible for: <ul style="list-style-type: none">▪ overseeing the performance and activities of the Company through agreed goals and strategy;▪ assessing performance against Board approved budgets, targets and strategies;▪ overseeing the management of the Company's business;▪ overseeing appropriate controls, systems and procedures within the Company to manage the risks of its businesses and compliance with all regulatory and prudential requirements including, without limitation, occupational health and environmental issues;▪ reviewing matters of general corporate governance;▪ appointing and removing the Managing Director;

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- ratifying the appointment and, where appropriate, the removal of the company secretary;
- monitoring senior Management's performance and implementation of the Board approved strategies, and ensuring appropriate succession planning is in place;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring material financial and other reporting; and
- setting delegated spending limits.

The day to day management is delegated to the Managing Director and the Company's management team.

1.2	Disclose the process for evaluating performance of senior executives.	The performance of senior executives is reviewed annually by the Managing Director who reports the results of the review to the Board.
1.3	Report on recommendation 1	Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
2.1	A majority of the board should be independent directors	During the year, the other independent director, who was the Chairman, resigned due to his work commitments. In the interim, the Board will consist of one independent director with the Board of three members and the Board is considering appointing an additional independent director to the Board in the near future. The Board considers the make-up of the Board is appropriate given the Company's size and operations. The effectiveness of the Board is achieved through knowledge and experience specific to the business and the industry in which it operates.
2.2	The chair should be an independent director	In the interim, Franco Belli, who is the Chief Executive Officer, is also the Company's chairperson. As stated in 2.1 above, the Board is considering appointing an additional independent director to the Board in the near future.
2.3	The roles of the chair and chief executive officer should not be exercised by the same individual	Please see 2.1 and 2.2 above.
2.4	The board should establish a nomination committee	The Board has not established a nomination committee as, due to the Company's size and its operations, the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole.
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	<p>The Board has not established and at this stage, does not intend to establish a Nomination and Remuneration Committee, due to the Company's size and its operations.</p> <p>The Board will meet at least once each year to review the performance of the Board, the Board Committees, the Company, its senior executives, the relationship between the Board and Management and matters of general corporate governance. At least once every year, the Chairman of the Board will conduct a review of the performance and contribution to the Board of each non-executive Director. The Board as a whole will review the performance of the</p>

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Managing Director at least once every year.

- 2.6 Report on recommendation 2
- The details of the directors, their experience, qualifications, term of office, and independent status are set out in the Company's annual report.
- There is a procedure agreed by the Board for directors to take independent professional advice at the expense of the Company.
- Other reporting requirements pertaining to recommendation 2 can be found in the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
- 3.1 Establish a code of conduct and disclose the code or a summary of the code as to:
- practices necessary to maintain confidence in the company's integrity
 - practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
 - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- The Board recognises there is a need for a "code of conduct" and expects that the actions of its staff reflect the ethical standards of the Company. Accordingly, the Board has established an appropriate policy.
- In summary, staff members are under an obligation to the Company not to place themselves or allow themselves to be placed directly or indirectly in a position where their private interests conflict or could conflict with their responsibilities to the Company. They may not use their positions, the Company's assets or confidential information gained in connection with their employment for personal gain or for the benefit of a family member or any outside party.
- 3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees, or a summary of the policy
- Provided that they do not hold inside information, Directors and senior executives may buy and sell the Company's securities except:
- (a) within the period of 1 month prior to the release of annual or half yearly results;
 - (b) within the period of 1 month prior to the issue of a prospectus; and
 - (c) there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception.
- Directors and senior executives should wait at least 2 days after the relevant release before dealing in securities so that the market has had time to absorb the information.
- In specific circumstances however, such as financial hardship, the Chairman may waive the requirement of a Director or Senior Executive to deal in securities outside the above periods on the condition that the Director or Senior Executive can demonstrate to him that they are not in possession of any price sensitive information

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that is not generally available to the public.

Directors and senior executives must not at any time engage in short-term trading in securities of the Company.

Directors and senior executives must not communicate price sensitive information to a person who may deal in securities of South American Iron and Steel Corporation Limited. In addition, a Director or senior executive should not recommend or otherwise suggest to any person (including a spouse, relative, friend, trustee of a family trust or directors of a family company) the buying or selling of securities in South American Iron and Steel Corporation Limited.

Directors must also notify the Company Secretary of any trade in South American Iron and Steel Corporation Limited's securities within 24 hours of such trade occurring so that the Company Secretary can comply with the ASX Listing Rule 3.19A.2 requirement to notify the ASX of any change in a notifiable interest held by a Director.

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| 3.3 | Report on Recommendations 3.1 and 3.2 | Details of the code of conduct and trading policy are set out in the Company's website. |
| 4.1 | The board should establish an audit committee | The Board has not established and at this stage, does not intend to establish an Audit Committee as, due to the Company's size and its operations, the Board considers an Audit Committee's functions and responsibilities can be adequately and efficiently discharged by the Board as a whole, operating in accordance with the Company's codes of conduct and other mechanisms designed to ensure independent judgment in decision making, as set out in relation to best practice recommendation 2. |
| 4.2 | Structure the audit committee so that it consists of only non-executive directors, a majority of independent directors, an independent chairperson who is not chairperson of the board and at least three members | Please refer above comments. |
| 4.3 | Audit Committee to have a formal Charter | Please refer above comments. |
| 4.4 | Reporting on recommendation 4 | Given the Board as a whole fulfils the functions and responsibilities of an audit committee, the names and qualifications of each of the members of the Board, and details of attendance at Board meetings, are set out in the Company's annual report. |
| 5.1 | Establish written policies and procedures designed to ensure compliance with ASX Listing Rule | The Company is committed to fulfilling all legal, statutory and listing disclosure requirements. Written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and the ASX Corporate Governance Council Principles of Good |

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	disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	<p>Corporate Governance and Best Practice Recommendations, as well as to ensure accountability at a senior management level for that compliance have been established.</p> <p>In respect of its disclosure policy, at each of its meetings, the Board discusses continuous disclosure issues as a standing item and a list of all recent Company announcements is presented.</p> <p>The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.</p>
5.2	Reporting on recommendation 5	Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	<p>The Company has in place a communications policy, which reflects the Company's commitment to dealing fairly, transparently and promptly with shareholders, encouraging and facilitating active participation at shareholder meetings and dealing promptly with their enquiries. The policy focuses on the disclosure of information.</p> <p>In so far as the Company is required to comply with ASX continuous disclosure requirements, the Managing Director (and, in the alternative, the Chairman) has been nominated as the responsible person. The board reviews and approves all announcements to the ASX.</p>
6.2	Reporting on recommendation 6	Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	<p>The Board has not established and at this stage, does not intend to establish a Risk Management Committee, due to the Company's size and its operations.</p> <p>At present, the Board regularly reviews the Company's risk management systems and control frameworks, and the effectiveness of their implementation and is in the process of formally establishing a policy for adoption.</p> <p>The Company's reports in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The CFO is also required to report that this statement so made is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p>

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| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. | The Company's CEO and the CFO report in writing to the Board that the statement given is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. |
| 7.3 | The board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | The board has received written assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. |
| 7.4 | Reporting on recommendation 7 | The Company has provided relevant information in this Statement upon recognising and managing risk. |
| 8.1 | The board should establish a remuneration committee | Given the present size of the Company, the Board as a whole presently meets to consider remuneration issues and will review the need for a remuneration committee as the Company grows. |
| 8.2 | Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives | Non-executive directors will be remunerated by cash benefits alone except where approved by a general meeting of shareholders, will not be provided with retirement benefits (except in exceptional circumstances) and aggregate remuneration will not exceed the amount approved by shareholders (currently \$250,000). Executive directors may be remunerated by both fixed remuneration and equity performance based remuneration. |
| 8.3 | Report on recommendation 8 | Relevant information can be found in the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website. |

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Name	Number of Shares	Percentage of issued shares
Franco Belli	49,500,000	38.30%
Gladden Trade S.A.	8,300,000	6.42%

12.2 Distribution of Fully Paid Ordinary Shares

(i) Distribution schedule of holdings		
1 – 1,000	1,001	
1,001 – 5,000	250	
5,001 – 10,000	188	
10,001 – 100,000	345	
100,001 and over	98	
Total number of holders	<u>1,882</u>	
	No. of holders	No. of Shares
(ii) Less than marketable parcel of 667 shares at \$0.75 per share on 10 th September 2008.	930	160,641

12.3 Twenty Largest Shareholders

Name	Number of Shares	Percentage of issued shares
Franco Belli	49,500,000	38.30%
Gladden Trade S.A.	8,300,000	6.42%
Royal Global Limited (Controlled by Franco Belli)	5,000,000	3.87%
Twynam Agricultural Group Pty Ltd (Twynam A/C)	4,044,289	3.13%
Santelle Pty Ltd	3,525,000	2.73%
HSBC Custody Nominees (Australia) Ltd	3,204,830	2.48%
Tinkler Investments Pty Ltd (Tinkler Family A/C)	2,860,529	2.21%
National Nominees Limited	2,736,043	2.12%
Martin Place Securities Pty Ltd (Nominees A/C)	2,018,354	1.56%
Disbury S.A.	1,588,554	1.23%
ANZ Nominees Ltd (Cash Income A/C)	1,395,711	1.08%
Hickmount S.A.	1,250,000	0.97%
Michael Edgerton, Mrs Marianne Edgerton (The Bodene Super Fund Account A/C)	1,005,000	0.78%
Laker Family Nominees Pty Ltd (Superfund A/C)	1,000,000	0.77%
Aconcagua SPP Nominees Pty Ltd (F.W. Klückow)	1,000,000	0.77%
Terry Pont S.A.	1,000,000	0.77%
Pagodatree Investments Ltd	1,000,000	0.77%
Ben Roth Enterprises Pty Ltd (Ben Roth Family A/C)	852,500	0.66%
Carolaid S.A.	800,000	0.62%
Yu-Hsiang Huang	780,000	0.60%
	<u>92,860,810</u>	<u>71.84%</u>

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12.4 Voting rights – ordinary shares

On a show of hands, every member, present in person or by proxy, shall have one vote and upon a poll every member, present in person or by proxy, shall have one vote for each share.

12.5 Restricted securities

As part of ASX requirements for the re-instatement of the Company's securities to the Official List, various securities were subject to the escrow provisions of the ASX Listing Rules.

The securities that were subject to escrow with the relevant escrow are set out in the table below.

No of Shares	Escrow period
69,055,000	Escrowed to 29 July 2009
69,055,000	

12.6 Summary of mining concessions

(i) Ecuadorian concessions

North concessions	Code n°	Surface area (ha)	Percentage interest held	Title status
<u>La Tola sector</u>		18,657.40		
Manuela	402223	1,165.90	100%	Concession granted
Marlene	402563	4,741.50	100%	Concession granted
La Tola 1	402777	3,171.05	100%	Concession in process of being granted
La Tola 2	402778	1,360.00	100%	Concession granted
La Tola 3	402779	2,340.00	100%	Concession in process of being granted
La Tola 4	402849	4,975.95	100%	Concession in process of being granted
Marlene 1	402667	903.00	100%	Concession in process of being granted
<u>Rio Verde sector</u>		10,935.90		
Antonia	402564	4,802.90	100%	Concession granted
Magdalena	402586	1,400.00	100%	Concession granted
Alegria 1	402744	4,733.00	100%	Concession in process of being granted
South concessions				
<u>Mompiche sector</u>		10,007.00		
Celeste	402385	3,885.00	100%	Concession in process of being granted
Luciana 2	402445	1,408.00	100%	Concession in process of being granted
Maria del Carmen 1	402761	1,820.00	100%	Concession in process of being granted
Mayra 1A	402640	282.00	100%	Concession in process of being granted
Mayra 1B	402641	180.00	100%	Concession in process of being granted
Mayra 1C	402642	56.00	100%	Concession in process of being granted
Mayra 2A	402762	571.00	100%	Concession in process of being granted
Mayra 2B	402799	463.00	100%	Concession in process of being granted
Mayra 3.A	402843	1,258.00	100%	Concession in process of being granted
Javiera	402386	84.00	100%	Concession in process of being granted

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South concessions	Code n°	Surface area (ha)	Percentage interest held	Title status
<u>Cojimies sector</u>		3,188.21		
Amaya 1 *1	701023	698.61	100%	Concession granted
Amaya 2 *1	701025	285.81	100%	Concession granted
Amaya 3 *1	701057	72.79	100%	Concession granted
Melisa	701133	2,131.00	100%	Concession in process of being granted
Total area (ha)		42,788.51		

*1 In respect of the Amaya 1, 2 and 3 concessions, the area granted (as shown in the table above) represents only a small proportion of the concession areas applied for. The granting of the balance of the concession areas applied for were subject to the filing of a specific environmental study as well as the convening of a public discussion with the local communities and farm owners. The Company has successfully complied with these requirements and is not aware of any reason why the balance of the concession areas applied for should not be granted.

(ii) Chilean concessions**(a) Maullín concessions**

Name	Area (ha)	Percentage interest held	Title status
Carel 1	100	100%	The judgements granting all these mining petitions to mining exploration concessions were issued and have been registered in the Register of Discoveries of the Register of Mines of Maullín on 15 May 2007.
Carel 2	200	100%	
Carel 3	100	100%	
Carel 4	100	100%	
Carel 5	100	100%	
Carel 6	100	100%	
Carel 7	100	100%	
Total	800		

Name	Area (ha)	Percentage interest held	Title status
Corona 1	100	100%	The Mining Service issued favourable report on the technical aspects on these mining petitions. These exploration concessions were granted on 23 October 2007.
Corona 2	200	100%	
Corona 3	300	100%	
Corona 4	100	100%	
Total	700		

Name	Area (ha)	Percentage interest held	Title status
Maullín 1	200	100%	These exploration concessions were granted on 10 October 2007.
Maullín 2	300	100%	
Maullín 3	200	100%	
Maullín 4	200	100%	
Maullín 5	300	100%	
Maullín 10	300	100%	
Maullín 7	300	100%	
Maullín 8	300	100%	
Maullín 9	300	100%	
Total	2,400		

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Name	Area (ha)	Percentage interest held	Title status
Huequi 1	100	100%	The exploration concessions were granted on 29 October 2007.
Huequi 2	100	100%	
Huequi 3	200	100%	
Huequi 4	300	100%	
Huequi 7	200	100%	
Huequi 27	300	100%	
Huequi 51	300	100%	
Huequi 52	300	100%	
Huequi 53	300	100%	
Huequi 54	300	100%	
Huequi 55	200	100%	
Total	2,600		

Name	Area (ha)	Percentage interest held	Title status
Rio 4	200	100%	The exploration concessions were granted on 16 October 2007.
Rio 5	300	100%	
Rio 6	300	100%	
Total	800		

(b) Putú concessions

Name	Area (ha)	Percentage interest held	Title status
Aus 1	3,600	100%	Applications are being made to transform these concessions to exploitation concessions.
Aus 2	900	100%	
Aus 3	3,600	100%	
Aus 4	2,400	100%	
Aus 5	600	100%	
Aus 6	200	100%	
Aus 8	200	100%	
Aus 9	200	100%	
Aus 10	200	100%	
Aus 11	1,200	100%	
Aus 12	1,600	100%	
Aus 13	200	100%	
Aus 14	200	100%	
Aus 15	100	100%	
Total	15,200		

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Name	Area (ha)	Percentage interest held	Title status
Curepto 1	300	100%	The judgements granting all these mining petitions to mining exploration concessions were issued on 9 August 2007.
Curepto 2	300	100%	
Curepto 3	200	100%	
Curepto 4	300	100%	
Curepto 5	300	100%	
Curepto 6	300	100%	
Curepto 7	300	100%	
Curepto 8	300	100%	
Curepto 9	200	100%	
Curepto 10	300	100%	
Curepto 11	200	100%	
Curepto 12	100	100%	
Total	3,100		

(c) Aguas Claras concessions

Name	Area (ha)	Percentage interest held	Title status	
Clara 1	100	100%	These exploration concessions were granted on 10 April 2007.	
Clara 2	200	100%		
Clara 3	300	100%		
Clara 4	300	100%		
Clara 7	300	100%		
Clara 8	300	100%		
Clara 9	300	100%		
Clara 10	300	100%		
Clara 11	300	100%		
Clara 12	200	100%		
Clara 13	200	100%		
Clara 14	300	100%		
Clara 15	300	100%		
Clara 16	300	100%		
Clara 17	300	100%		
Clara 18	200	100%		
Clara 19	100	100%		
Clara 20	200	100%		
Clara 21	300	100%		
Clara 22	300	100%		
Clara 23	300	100%		
Clara 24	300	100%		
Clara 25	300	100%		
Clara 26	300	100%		
Clara 27	200	100%		
Clara 28	100	100%		
Clara 29	200	100%		
Clara 30	300	100%		
Clara 31	300	100%		
Clara 32	300	100%		
Clara 33	300	100%		
Total	8,000			

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and Controlled Entities

13. DIRECTORY

South American Iron & Steel Corporation Limited

A.B.N. 67 060 319 119

Registered office
Suite 2,
Level 10,
8 - 10 Loftus Street
Sydney NSW 2000
Tel: +612 9259 4300
Fax: +612 9252 5638

Directors

Franco Belli, Chairman & Managing Director
David Hobday, Director
Bill Klückow, Executive Director

Company Secretary

Kenneth Lee

South American Iron & Steel Website:

www.saironsteel.com.au

Share Registry

Link Market Services Limited

All Registry communications to:

Link Market Services Limited
Locked Bag A14 Sydney
South NSW 1235 Australia
Telephone: 02 8280 7454
Facsimile: +61 2 9287 0303

Tel:

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Auditor

Nexia Court & Co
Chartered Accountants
Level 29, Australia Square
Sydney NSW 2000