

Manager of Company Announcements
ASX Limited
Level 5, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

31st January 2009

Dear Sirs,

Quarterly Report for the period 1st October to 31st December 2008

Attached are the Company's Quarterly Activities Report and Quarterly Cash Flow Report for the period 1st October to 31st December 2008.

Yours faithfully,
South American Iron & Steel Corporation



Franco Belli
Managing Director

QUARTERLY ACTIVITIES REPORT

For the period 1st October to 31st December, 2008

Highlights

- In Chile, an auger drilling program at Plano Prospect, Putu, totaled 41 holes to depths of between 9 and 15m and was completed in mid-December 2008, generating 433 samples. Analyses of 76 samples by year-end provided a weighted average of 6.12% iron and 0.82% titanium content.
- Geophysical traverses over Plano and Trinchera Prospects were also completed in December. The contact of the prospective iron sands on underlying basement rocks shows up clearly in the survey results, and suggests significantly thicker sand volumes than hitherto suspected at Plano.
- The new Ecuadorian mining law was still currently under review by the Congress at the end of the period. When ratified, this will enable the Company to complete its drilling program at La Tola/Manuela. Meanwhile other initiatives relating to mine planning, dredging, beneficiation and smelting have continued during the period.

Chile

Aguas Claras

In relation to the staged sale of Aguas Claras to Shoreline Minerals Limited ("Shoreline"), it was announced by Shoreline on 28 November, 2008 that 115 auger holes had been drilled to an average depth of 10.8m and a further 6 holes to an average depth of 27.3m. Drilling totalled 1,401m and was conducted over an area comprising approximately 65% of the concessions. The Shoreline presentation released on www.shorelineminerals.com cites an estimated 1.407 billion tonnes of iron sand within the concession boundary. Laboratory studies by Titanatek Pty Ltd on Aguas Claras samples yielded valuable heavy metal (VHM) concentrate grades averaging 4.96%. Grades achieved by Titanatek were 53.94% Fe, 18.17% TiO₂, 0.42% V₂O₅ and 1.64% SiO₂.

An electrical resistivity survey was conducted by Geodatos Chile S.A. during December 2008, with the purpose of providing a better indication of sand thicknesses, and especially the location of any deep paleochannels in the basement.

Shoreline advises that the drilling results, mineralogical analyses and electrical resistivity survey data has been incorporated by Geovectra S.A. in a geostatistical model and a final report on estimated resources is expected in February 2009.

Putu

Applications were filed in 2008 to convert all of the Putu concessions from exploration to exploitation status, a process that requires an environmental impact statement, currently in preparation. The four major prospect areas shown in Figure 1 below are:

1. **Plano Prospect**, which was targeted as a shallow prospect suited to auger drilling and sampling to depths of around 12m. The topography is flat with a predominance of subsistence agriculture, resulting in multiple small holdings, complicating access over some parts,
2. **Trincherá Prospect**, which is a low plateau with cliffs along the seaward margin. The prospective iron sands are thick, locally in excess of 100m. Agricultural landholdings are large, with 3-4 families controlling much of the area. Physical access is excellent.
3. **Katy Prospect**, with thick and locally very high quality iron sands, but in geologically and logistically complex situations. The area is mainly under timber and is controlled by one company. Physical access is difficult because of steep gradients and very few roads or logging tracks.
4. **Modern Dunes**, with apparently large quantities of iron and titanium. But these deposits are mineralogically complex and potentially more difficult to beneficiate. There are also environmental constraints here.

Work so far has focused on Plano and Trincherá because of their geological and logistical advantages. Once all of the concessions have been converted to exploitation status there will be a greater focus on the richer sections of Katy Prospect. The modern dunes may be exploited in due course in selected, non-sensitive areas with high mineral values based on initial sampling.

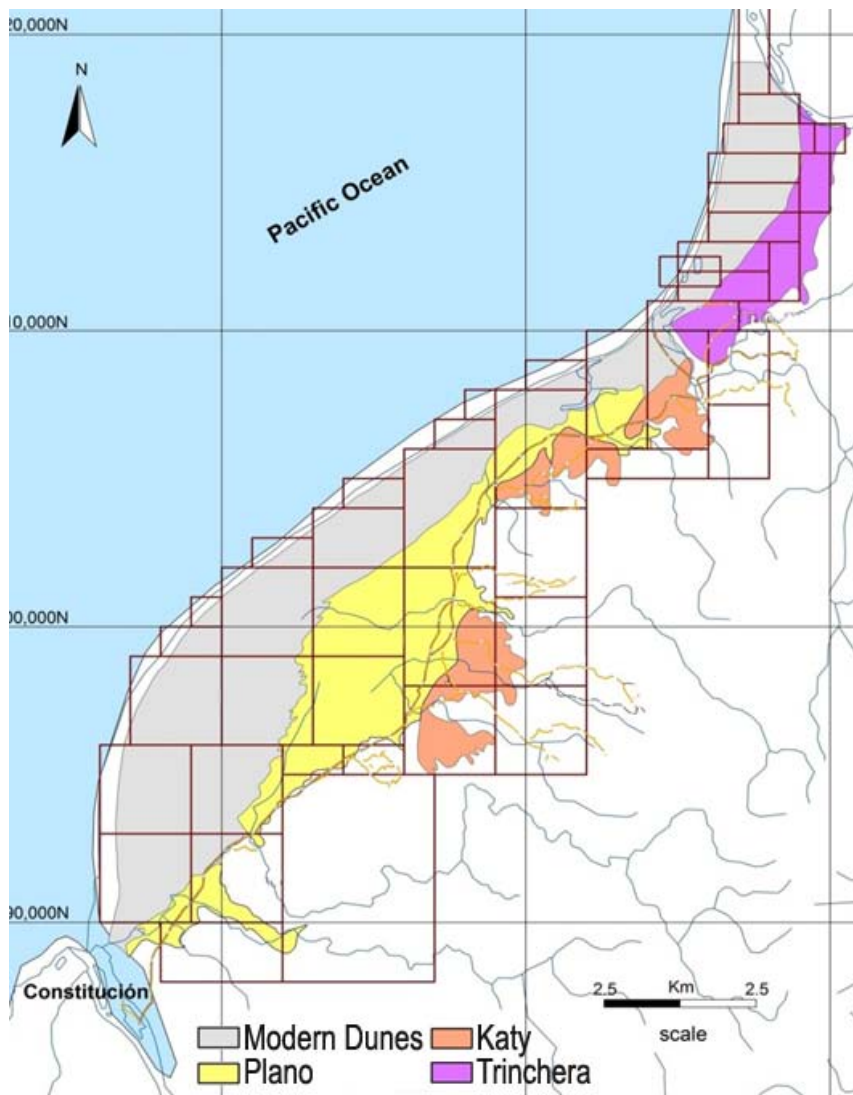


Fig. 1. Putú prospect areas

Plano. Apart from 2-4m high arcuate sand ridges, the terrain is flat and widely cultivated, except over wetland depressions (Figures 2-4). Sand surfaces are bare or locally fixed by vegetation. The wetlands have been partially drained and planted, but remain off limits for drilling where water is still present at surface or where wetland vegetation persists, particularly in the north. The water table is generally 1.5 to 3m below the surface, but near the eastern margin can be as deep as 7m.

Drilling locations are shown on the map below (Figure 2). Lines were arranged approximately 1,000m apart, access permitting, and the holes were spaced as near as possible to 400m. The holes were cased below the water table, and continuous samples were taken of each metre.

Samples comprise predominantly fine to medium-grained sand with a secondary clay matrix and very few pebble bands. Megascopic examination showed an abundance of lithic grains, both reddish andesite

fragments and dark grey basalt, as well as metamorphic rock fragments identical to the exposures in old sea cliffs to the east, plus quartz, chert, and abundant black magnetic opaques.

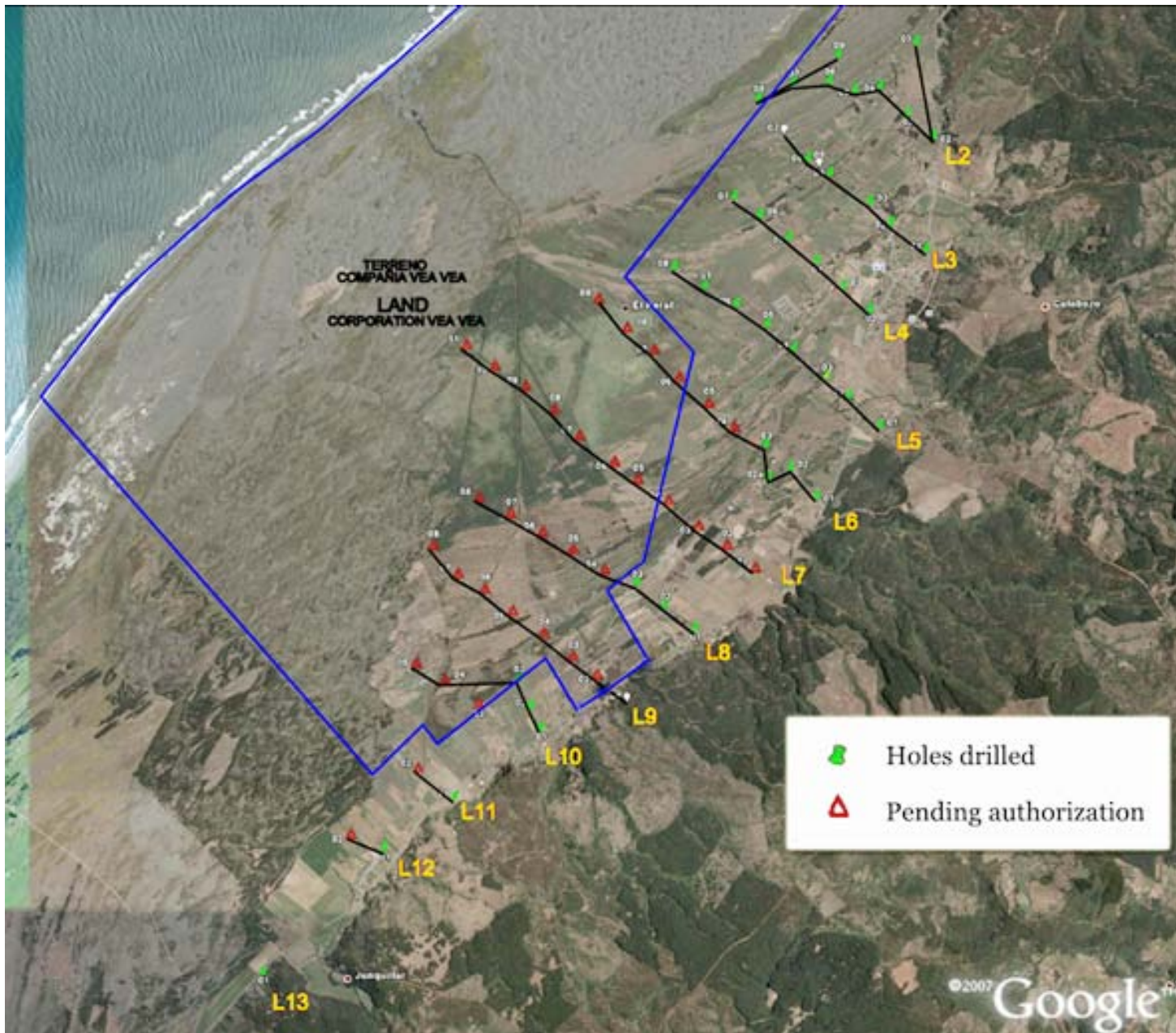


Fig. 2. Locations in green of the 41 drillholes completed at Plano. The red triangles are proposed drilling locations on large agricultural estates where access will be negotiated once the concessions are converted to exploitation. Note the clear demarcation of the dark green hilly area to the east, where the Katy Prospect is located. The grey modern dunes are seen to the west of Plano. A major paved highway follows the eastern margin of the Plano Prospect.

Green, yellow and white grains, yet to be identified, are present along with rare *Globigerina* foraminifera and mollusc remains, both of marine origin.

Laboratory analysis commenced in mid-December 2008 and the results of 76 hand-held XRF analyses obtained by year-end are shown below in Table 1.

Plano is interpreted as a post-glacial shoreline deposit that started to form during the early Holocene (perhaps 8-9,000 years ago) when sea level had risen to a position a few metres higher than present. As the sea retreated to its present level, sand ridges (Figures 2 and 3) recorded the positions of successively younger shorelines. Sand was supplied by Rio Maule and carried north by littoral drift, as it is today. This depositional environment provided tabular, relatively uniform iron sands, with only occasional variations related to gravels or surficial clays.

An attraction of Plano is that it would probably be quick and efficient to extract the sand using jet pumps and, following beneficiation, could readily be restored to its original condition. The environmental footprint would therefore be minimal. Water, electric power and labour are all available locally.



Fig. 3 Plano sand ridge in the foreground. The sand contains concentrations of iron-rich magnetic grains and stands a few metres above the flat vegetated plain in the background. Steep foothills which include parts of the Katy Prospect are visible in the distance.



Fig. 4. Power augering at Plano.

Line Number	Hole Number	Number of Samples	Fe Percent	Ti Percent
2	1, 2, 3, 4	41	6.54	0.89
5	4, 5	23	5.90	0.70
5	6	12	5.60	0.83

Table 1. Plano sample analyses.

As a follow up to the drilling, an electrical resistivity traverse at Putu was conducted along line L4E shown on the satellite map below (Figure 5). The purpose of this survey was to ascertain the thickness of sand overlying metamorphic basement rocks.



Fig. 5. Electrical resistivity survey line L4E at Plano, shown in yellow.

The preliminary results shown in the cross-section interpretation in Figure 6 below indicate that several deeper holes need to be drilled to sample the underlying section at Plano below the depths augered.

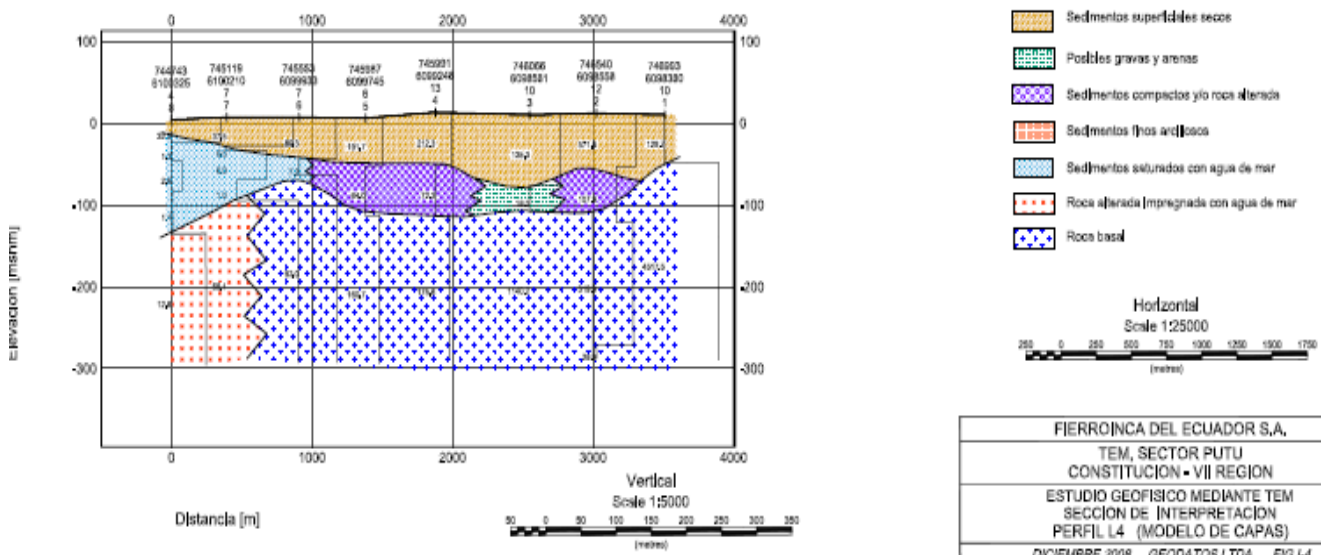


Fig. 6. Plano resistivity survey cross section showing surface sands (orange) resting on sands and gravels (purple and green), with a subsurface plume of seawater on the left (blue). Interpreted metamorphic rocks comprise the thick lower stippled interval.

Trincherá. Trincherá Prospect shown in the satellite map below (Figure 7) comprises thick sands which attain 70m or more in exposures along the cliffed western margin, where the sands are seen to rest on an undulating surface of metamorphic rocks. An auger drilling program conducted in 2007 confirmed the presence of iron-rich sands in the uppermost 10m, but provided no information concerning the deeper section. An electrical resistivity survey (Figure 8) was designed as the first stage in assessing the thickness and potential volumes of the iron sands at Trincherá.



Fig. 7. Trincherá Prospect shown above in light green east of a dark line (arrowed) marking a cliff, and extending to the irregular dark green tones of older Paleozoic rocks. Yellow lines in the northern and southern sections of Trincherá are electrical resistivity survey lines.



Fig. 8. Geodatos survey crew at Trinchera.

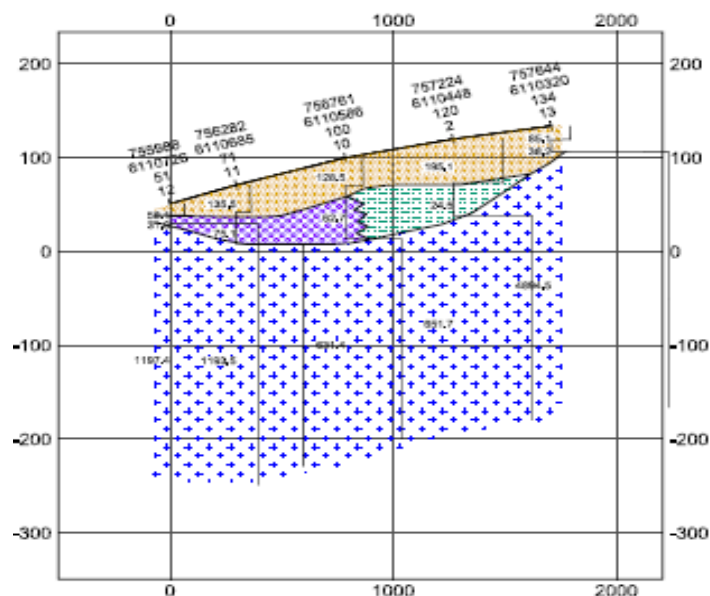


Fig. 9. Trinchera electrical resistivity interpretation for E-W line at southern Trinchera showing sands (in orange at) the top, above mixed sands and gravels (in purple/green), which overlie the basement rocks (dark blue stipple).

The above results (Figure 9), together with the additional four survey lines, indicate maximum thicknesses of the prospective sand section of over 100m. The final report from Geodatos expected during January 2009, when combined with information from outcrops, will provide a sound basis for selection of deep drilling locations to provide continuous sampling to basement rocks or basal gravels.

Katy. With landowner negotiations yet to be finalized, field work at Katy continued along public roads and tracks. As a result, the geological relationships of the different sand units are better understood. Being a particularly large and complex prospect, future drilling and development are

likely to target the richest and most accessible sections of the younger paleodune (YPD) sands. These deposits are close to Plano and associated infrastructure, and could conceivably be developed in parallel with Plano.

Ecuador

- Heavy mineral (HM) analysis on the 480 samples (some of which had been composited from the original 512 samples announced previously) from Manuela and La Tola continued through the period. XRF analysis of the sinks was put on hold due to the handheld Alpha 600 machine being used in Chile.
- Negotiations with the Port of Posorja authorities continued through the period with good progress being made. The battery limits have now been clearly defined with respect to the 4 ha of land required at the port and the 80 ha of land required inland for the smelter site.
- In conjunction with SAIS personnel, Australian consultants Cardno conducted a full dredging study of the Gulf of Guayaquil and the three ports under the control of the Port Authority of Guayaquil. They also visited the Port of Esmeraldas. The consensus was that jet pumping technology would work very well. Cardno's final report, with recommendations is still awaited.
- The new Minister of Mines in Ecuador, Derlis Palacios, was appointed during the period.

Forthcoming Activities

Chile

- i. Complete the analysis of auger samples already collected from Plano
- ii. Calculate the iron, titanium and vanadium resource within the uppermost 10-15m at Plano
- iii. Receive the final geophysical report from Geodatos and integrate the results with drilling and outcrop data from Plano and Trinchera
- iv. Drill and sample approximately 12 deep holes (>50m) at Trinchera and perhaps 4-5 deeper holes at Plano
- v. Investigate development options at Putu, including the initial location, mining method, beneficiation plant, loading and transport of concentrate.
- vi. Continue geological appraisal of Katy
- vii. Monitor progress of the conversion of Putu concessions to exploitation
- viii. Review the potential of Maullín concessions near Puerto Montt and devise an evaluation strategy.

Ecuador

- i. On receipt of the technical report from Cardno, commence discussions with the relevant Port Authorities with a view to executing a Heads of Agreement, to assist with the dredging using jet pumping technology.

- ii. Finalise the Heads of Agreement with Alinport (Posorja) for a Bulk Handling Facility at the port and to secure the land for the smelters.
- iii. Complete HM and XRF analysis of Manuela and La Tola samples.
- iv. Pending the signing of the New Mining Law, recommence drilling in Manuela and La Tola to bring the concession up to measured status.
- v. Engage with the Ministry of Industry in order to brief them on the industrial requirements of the project in Ecuador (smelters), inclusive of power requirements.