

ASX Markets Supervision Pty Ltd
Level 5, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

18th May 2009

Dear Rohan,

Response to ASX

Thank you for your letter of 11th May 2009.

In reply to your questions:

1. The Company will have sufficient cash to fund its activities. The Company has completed a placement of shares.
2. The Company will continue to incur negative operating cash flow as the Company is at its exploration phase. The Company has taken steps to reduce its costs. In addition, the Company will continue to raise capital when required.

The Equity Line of Credit, as announced to the ASX on 18th December 2008, is still available as a back-up even though the Company may not at present meet all of the requirements. The Company's ability to obtain advances under the Equity Line is subject to the Company being able to meet the conditions precedent under the Equity Line at the time of each advance, even though these conditions can be waived from time to time. At present the Company would not meet all of the requirements because the Company would not be able to give a S708A(5) notice. Due to the successful Share Placement announced today, the Line of Credit is not required presently.

3. The Company continues to review and implement plans to reduce costs and the Company will continue to raise capital, when required, to enable it to continue to meet its business objectives.
4. The Company confirms that it is in compliance with the Listing Rule and in particular Listing Rule 3.1.

5. The Company is in compliance with Listing Rule 12.2 and maintains a solvent balance sheet and a continuing access to capital as a going concern.

Yours sincerely,



Dr. Richard Haren
Managing Director

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ASX Markets Supervision Pty Ltd
ABN 26 087 780 489
Level 5
Riverside Centre
123 Eagle Street
Brisbane QLD 4000

11 May 2009

Mr Kenneth Lee
Company Secretary
South American Iron & Steel Limited
Suite 2, Level 10
8-10 Loftus Street
SYDNEY NSW 2000

PO Box 7055
Riverside Centre
Brisbane QLD 4001

Telephone +61 7 3835 4000
Facsimile +61 7 3832 4114
Internet <http://www.asx.com.au>

By email: Kenneth.Lee@saironsteel.com

Dear Mr Lee

South American Iron & Steel Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 March 2009, released to ASX Limited ("ASX") on 30 April 2009 (the "Appendix 5B"), and the announcement entitled "Termination of Conditional Funding Agreement with Astron", released to ASX today (the "Announcement").

ASX notes that, in the Appendix 5B, the Company has reported the following.

1. Receipts from product sales and related debtors of nil.
2. Net negative operating cash flows for the quarter of \$867,000.
3. Cash at end of quarter of \$272,000.
4. Estimated exploration and evaluation cash outflows for next quarter of \$300,000.
5. Credit standby arrangements of \$10,000,000 (the "Credit Arrangements").

In light of the information contained in the Appendix 5B and the Announcement, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, taking into account future administration costs, the Company may not have sufficient cash to fund its activities? Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

ASX Settlement and Transfer Corporation
Austraclear

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2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate? In responding to this question, please comment on the Company's ability to draw down on the Credit Arrangements.
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (07) 3832 4114**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **8:30am EST on Thursday, 14 May 2009**.

If you are unable to respond by the time requested, you should consider requesting a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me on (07) 3835 4000.

Yours sincerely



Rohan Abeyewardene
Adviser, Issuers (Brisbane)