

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

October 30, 2009

(ASX:SAY)

Dear Sirs,

**Quarterly Report for the period July 1<sup>st</sup> to September 30<sup>th</sup> 2009**

Attached are the Company's Quarterly Activities Report and Quarterly Cash Flow Report for the period July 1 to September 30, 2009.

Yours faithfully,  
**South American Iron & Steel Corporation**



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**Dr Richard Haren**  
**CEO**

## **QUARTERLY ACTIVITIES REPORT**

**For the period July 1 to September 30, 2009**

### **Highlights**

- The Company completed a successful Share Purchase Plan (SPP) underwritten by Patersons Securities Limited, which raised \$1.6 million prior to costs.
- Quotations have been received to acquire airborne geophysical data over the Putú project area in Chile, the survey will start during the week beginning Nov 2<sup>nd</sup>.
- The aeromagnetic and radiometric data will assist the Company in fast-tracking a JORC resource at Putú in an effective and efficient manner.
- Management are also re-assessing the potential of the Putú Plano project where an inferred resource of 823 million tonnes was announced in August 2008.
- Discussions with local drilling contractors for the Putú project are at an advanced stage.
- Discussions with Shoreline Minerals Limited (SML) regarding Aguas Claras where SML have announced resources of close to 11 billion tonnes are continuing (see below).
- The new management team has continued to negotiate with Ecuadorian Government officials to facilitate a positive outcome with respect to the Ecuadorian based projects.
- The Ecuadorian Government has determined that it will provide details of the new mining regulations in early November, even though there is scepticism from the Ecuadorian Mining Chamber.
- The Esmeraldas Laboratory is now actively processing samples from Chile and Ecuador.
- The 10 tonne per hour Pilot Processing Plant has been assessed and will be ready to process bulk iron sands samples during the December quarter.
- The management team are also in communication with well respected geologists in South America assessing further opportunities to assist in growing shareholder value.

### **Corporate**

Directors were pleased that the Company was able to raise \$1.6 million prior to costs during the quarter, with underwriting supplied by Patersons Securities Limited. This money will be used for working capital and to assist in data acquisition at the Putú project in Chile as well as provide the funds to begin a detailed drilling program to provide measured and indicated resource figures for the high grade parts. Interpretation of the magnetic and radiometric data should facilitate a correlation that will define the higher grade zones within the extensive Putú concessions. Two companies are in negotiation with the management team, both are interested in signing an agreement that would provide an off-take for the Company's iron concentrates.

Negotiations with Ecuadorian Government Mining officials have continued throughout the quarter without any concrete results, other than to say, they now understand we have a real

commitment to Ecuador and want them to assess our proposal as quickly as possible. One hurdle is the fact that the mining regulations have not yet been finalised by the Government.

## Chile

The aeromagnetic and radiometric data acquisition contract over the Putú project in Chile has been finalised and flying will commence during the week beginning November 2<sup>nd</sup>. Data will be acquired at 200m line spacing at a height of 100m above the ground. Preliminary images of the data are expected within three or four weeks. These data after interpretation and correlation will provide valuable information on the accumulation of iron rich sands. What is intended is to define the higher grade regions so that measured and indicated resources can be developed by drilling in an effective and efficient manner.

The data will enable a detailed analysis of the Plano project which is a part of the broader Putú project where an inferred resource of 823 million tonnes of iron sands (to 12 metres depth) grading 5.79% Valuable Heavy Mineral was announced in August 2008. The development of a measured resource will enable the Company to initiate a scoping study and a pre-feasibility study which will determine mining costs, recovery and potential sales cash flow.

To define a measured and indicated resource the Company will need to drill more holes at Putú, so in-depth negotiations with local drilling contractors are continuing. The directors are committed to getting the best possible driller at the best possible price so that we can move forward in an orderly and sustainable manner.

Shoreline Minerals Limited also announced that; "Aguas Claras has a Measured, Indicated & Inferred Resource (JORC) of 1.99 Billion tonnes and a Inferred Resource (Non-JORC) at depth of 9 Billion tonnes of iron sands with a forecast recovery to heavy metal (Fe/TiO<sub>2</sub>) concentrate of >6%". Discussions with SML regarding the option agreement over Aguas Claras are continuing and it is expected that these negotiations will be concluded during the next quarter.

## Ecuador

Negotiations with the Ecuadorian Government are continuing and the new mining regulations are expected to be published on November 4<sup>th</sup>. The local Mining Chamber is not confident that the Government can keep to this date. The Company remains committed to Ecuador but the inability of the Government to determine outcomes is frustrating. The management team has put several proposals to the new Undersecretary for Mines and is awaiting a decision.

The iron sands processing laboratory at Esmeraldas is processing drill samples from Chile and Ecuador and the Pilot Plant has been made ready so it can be used to test bulk samples from Chile (and possibly Ecuador) during the December Quarter.

## General

Discussions with leading geoscientists in South America have been initiated to allow the management team to assess new opportunities as they arise, with the idea of growing shareholder value.

## Forthcoming Activities

- Aeromagnetic and radiometric data will be interpreted and images reviewed.
- Drilling program will be initiated at Putú.
- Ground geophysics will be acquired at the Maullín project area south of Putú.
- Drill samples and bulk samples will be processed through the Company's laboratory and Pilot Plant.
- Ecuadorian Government will continue to be asked for an outcome to assist the Company in its goal to explore for iron sand resources along the coastline.

*The information in this report that relates to exploration results is based on information compiled by Dr. Richard Haren who is a corporate Member of The Australasian Institute of Mining and Metallurgy and who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Richard Haren is a self employed consultant who is retained by SAY as MD and CEO, he has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

## Appendix 5B

The Company's Appendix 5B cash flow report is attached.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

South American Iron & Steel Corporation Limited

ABN

67 060 319 119

Quarter ended ("current quarter")

September 2009

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(115)	(115)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	3	3
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(725)</b>	<b>(725)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(24)	(24)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	9	9
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (Prepaid receipt expended)		
<b>Net investing cash flows</b>	<b>(15)</b>	<b>(15)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(740)</b>	<b>(740)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(740)	(740)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	1,600	1,600
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Shares issued on cash previously received in relation to pending share issue		
	Cost of Raising Capital	(113)	(113)
	Receipt of Refundable Deposit		
	<b>Net financing cash flows</b>	1,487	1,487
	<b>Net (decrease)/increase in cash held</b>	747	747
1.20	Cash at beginning of quarter/year to date	389	389
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	1,136	1,136

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	124
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 Includes aggregate amounts paid to directors, including salaries, directors' fees and superannuation.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	10,000	NIL

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	
<b>Total</b>	300

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	95	302
5.2 Deposits at call	957	-
5.3 Bank overdraft		
5.4 Other – Fixed deposit held for bank guarantees	84	87
<b>Total: cash at end of quarter</b> (item 1.22)	1,136	389

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

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+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	167,732,027	117,832,027		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	20,512,821	20,512,821	\$0.078	\$0.078
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Unquoted options		Exercise price	Expiry date
	2,000,000	-	\$0.50	30 July 2011
	1,350,000	-	\$1.00	1 November 2009
	1,350,000	-	\$1.25	1 November 2010
	1,300,000	-	\$1.50	1 November 2011
	1,000,000	-	\$2.25	26 November 2009
	1,000,000	-	\$3.00	26 November 2010
	2,573,750	-	\$0.50	12 February 2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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7.11	<b>Debentures</b> <i>(totals only)</i>		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~\* *(delete one)* give a true and fair view of the matters disclosed



Sign here: ..... Date: 30<sup>th</sup> October 2009  
 (Company secretary)

Print name: Kenneth Lee

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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