

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED
ABN 67 060 319 119

HALF-YEAR FINANCIAL REPORT– 31 DECEMBER 2009

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by South American Iron & Steel Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The directors submit the financial report of South American Iron & Steel Corporation Limited ('the company') and its subsidiaries for the half year ended 31 December 2009.

1 Directors

The directors of the company at any time during or since the end of the period are:

| | Period as Director |
|----------------|---|
| F. Belli | 14 th December 2005 to present |
| T. Cuthbertson | 18 th May 2009 to present |
| R. Haren | 13 th May 2009 to present |
| K. Lee | 24 th March 2009 to present |

2 Review and Results of Operations

The principal activity of the company during the course of the financial period was mineral exploration in South America.

The net loss for the period was \$6,101,975 (2008 half year: loss \$6,529,547).

During the period, the company undertook:

- Bulk sampling and assaying of an area at Trinchera a part of the Putu Project area. The sample collected provided assay data that included:
 - Mass yield to final concentrate of **7.6%**, which assayed %Fe 58.3, %TiO₂ 11.21, %V₂O₅ 0.53 and %SiO₂ 2.46.
- Geophysical data acquisition for the Putu Project area was contracted with Geodatos one of the largest geophysical contracting companies in Chile. Ground magnetic data was acquired over the southern part of Putu including Trinchera, with some lines of radiometric spectral data. As well airborne data was to be acquired over the southern portion of Putu during the period. The ground based traverses were completed but the airborne data was abandoned due to equipment malfunction. Finally during February 2010 a helicopter was deployed to acquire magnetic and radiometric data over the southern part of the Putu Project area.
- The situation in Ecuador was clarified and the Company won back two concessions via appeal. New Mining Law was proclaimed in Ecuador and the Company is awaiting the opportunity to either enter a joint venture with the Government of Ecuador to continue exploration and exploitation or make new applications for Mining Concessions.
- A total of 555 drilling samples from Putu that had not been previously analysed were processed through the Company's laboratory in Ecuador and sent to Australia for further analysis and assaying, results are awaited.

DIRECTORS' REPORT
(continued)

2 Review and Results of Operations (continued)

- The 10t per hour Pilot Plant in Ecuador has been assessed by Peter Hinner the company's Project Manager - South America and is ready to be brought into production when required.

3 Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half-year ended 31 December 2009.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read "Richard Haren", with a horizontal line drawn underneath the signature.

Dr. Richard Haren
Managing Director

Sydney

Dated: 16 March 2010

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of South American Iron & Steel Corporation Limited

I declare that in relation to our review of the financial report of South American Iron & Steel Corporation Limited for the six months ended 31 December 2009, to the best of my knowledge and belief 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.

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Nexia Court & Co

Andrew Hoffmann

Nexia Court & Co
Chartered Accountants

Andrew Hoffmann
Partner

Sydney
Dated: 16 March 2010

Partners

Stephen J Rogers
Ian D Stone
Paul W Lenton
Neil R Hillman
Stephen W Davis
David M Gallery
Robert A McGuinness
Kirsten Taylor-Martin
Andrew S Hoffmann
Graeme J Watman
David R Cust
Craig J Wilford
Sean P Urquhart
Robert Mayberry
Russell Reid

NEXIA COURT & CO. IS A MEMBER OF
NEXIA INTERNATIONAL - A WORLDWIDE
NETWORK OF INDEPENDENT ACCOUNTING
AND CONSULTING FIRMS.

**INDEPENDENT AUDITORS' REVIEW REPORT
TO THE MEMBERS OF SOUTH AMERICAN IRON & STEEL CORPORATION
LIMITED**

Report on the Financial Report

We have reviewed the accompanying interim financial report of South American Iron & Steel Corporation Limited which comprises the condensed consolidated statement of financial position as at 31 December 2009, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, accompanying notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim 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.

Auditors' Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of South American Iron & Steel Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Partners

Stephen J Rogers
Ian D Stone
Paul W Lenton
Neil R Hillman
Stephen W Davis
David M Gallery
Robert A McGuinness
Kirsten Taylor-Martin
Andrew S Hoffmann
Graeme J Watman
David R Cust
Craig J Wilford
Sean P Urquhart
Robert Mayberry
Russell Reid

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED
ABN 67 060 319 119

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF
SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED
(Continued)**

Statement of Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of South American Iron & Steel Corporation Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Significant uncertainty regarding continuation as a going concern

Without qualification to our conclusion, attention is drawn to the following matter:

The financial report had been prepared on a going concern basis as discussed in note 4 which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary courses of business. In note 4, the directors state why they consider the going concern basis used in the preparation of the financial report is appropriate. As discussed in that note, without equity raisings or the sale of non-core assets held, there are significant uncertainties as to whether the company and the consolidated entity will be able to continue as a going concern.

Additionally, we draw attention to the item discussed at note 5. The valuation of the exploration and evaluation asset currently recognised at \$8,379,449 is based on management judgement, estimates and assumptions on activities that have not yet occurred. If these activities do not eventuate, the actual value of this asset may differ from its recognised value.

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Sydney
Dated: 16 March 2010



Andrew Hoffmann
Partner

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED
ABN 67 060 319 119

DIRECTORS' DECLARATION

In the opinion of the directors of South American Iron & Steel Corporation Limited:

- a** the financial statements and notes, set out on pages 7 to 15, are in accordance with the Corporations Act 2001, including:
 - i** giving a true and fair view of the financial position of the consolidated entity as at 31 December 2009 and of its performance for the six month period ended on that date; and
 - ii** complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b** there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Dr. Richard Haren
Managing Director

Sydney
Dated: *16 March 2010*

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

| | Notes | Consolidated | |
|---|-------|--------------|-------------|
| | | 31 Dec 2009 | 31 Dec 2008 |
| | | \$ | \$ |
| Continuing Operations | | | |
| Revenue | 8(i) | 7,752 | 165,485 |
| Depreciation and amortisation expense | 8(ii) | 41,432 | 31,364 |
| Impairment loss on Employees' Shares – Loan | | 148,833 | 1,584,460 |
| Impairment loss on concessions | 11 | 4,932,659 | 3,846,515 |
| Other expenses | | 986,803 | 1,232,693 |
| Loss before income tax | | (6,101,975) | (6,529,547) |
| Income tax expense | | - | - |
| Loss for the period | | (6,101,975) | (6,529,547) |
| Other Comprehensive Income | | | |
| Exchange differences arising on translation of foreign operations | | (281,511) | 925,994 |
| Income tax relating to components of other comprehensive income | | - | - |
| Total Comprehensive Income for the Period | | (6,383,486) | (5,603,553) |
| Earnings per Share | | | |
| Loss per share | | | |
| - Basic and Diluted | | (0.037) | (0.051) |

All potential ordinary shares, being options to acquire ordinary shares are not considered dilutive, as the exercise of the options would decrease the basic loss per share.

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

| | Notes | Consolidated | |
|--|-------|-------------------|-------------------|
| | | 31 Dec 2009 | 30 Jun 2009 |
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 497,621 | 327,227 |
| Trade and other receivables | 9 | 289,957 | 685,784 |
| Other financial assets | | 96,352 | 126,800 |
| TOTAL CURRENT ASSETS | | 883,930 | 1,139,811 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 1,306,790 | 1,477,890 |
| Exploration and evaluation expenditure | 11 | 8,379,449 | 12,829,859 |
| TOTAL NON-CURRENT ASSETS | | 9,686,239 | 14,307,749 |
| TOTAL ASSETS | | 10,570,169 | 15,447,560 |
| CURRENT LIABILITIES | | | |
| Payables | | 414,352 | 389,111 |
| Employee entitlements | | 41,734 | 38,632 |
| TOTAL CURRENT LIABILITIES | | 456,086 | 427,743 |
| NON-CURRENT LIABILITIES | | | |
| Employee entitlements | | 13,791 | 14,544 |
| TOTAL NON-CURRENT LIABILITIES | | 13,791 | 14,544 |
| TOTAL LIABILITIES | | 469,877 | 442,287 |
| NET ASSETS | | 10,100,292 | 15,005,273 |
| EQUITY | | | |
| Share capital | 12 | 34,004,745 | 32,526,240 |
| Reserves | | 1,605,312 | 1,886,823 |
| Accumulated losses | | (25,509,765) | (19,407,790) |
| TOTAL EQUITY | | 10,100,292 | 15,005,273 |

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

| Consolidated | Share Capital \$ | Reserves \$ | Accumulated Losses \$ | Total Equity \$ |
|---|---------------------------------|------------------------|--------------------------------------|--------------------------------|
| At 1 July 2009 | 32,526,240 | 1,886,823 | (19,407,790) | 15,005,273 |
| Loss for the period | - | - | (6,101,975) | (6,101,975) |
| Foreign currency translation differences | - | (281,511) | - | (281,511) |
| Share issue (net) | 1,478,505 | - | - | 1,478,505 |
| At 31 December 2009 | 34,004,745 | 1,605,312 | (25,509,765) | 10,100,292 |
| At 1 July 2008 | 30,242,657 | 1,004,287 | (10,960,031) | 20,286,913 |
| Loss for the period | - | - | (6,529,547) | (6,529,547) |
| Foreign currency translation differences | - | 925,994 | - | 925,994 |
| Share issue (net) | 417,000 | - | - | 417,000 |
| At 31 December 2008 | 30,659,657 | 1,930,281 | (17,489,578) | 15,100,360 |

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

| | Consolidated | |
|---|--------------------|--------------------|
| | 31 Dec 2009 | 31 Dec 2008 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts in the course of operations | 274 | 40,284 |
| Cash payments in the course of operations | (1,159,718) | (871,928) |
| Interest received | 7,478 | 111,941 |
| Net Cash Flow from Operating Activities | (1,151,966) | (719,703) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payment for investments | - | (42,600) |
| Payment for plant and equipment | - | (419,880) |
| Mining exploration payments | (186,590) | (1,388,834) |
| Net Cash Flow from Investing Activities | (186,590) | (1,851,314) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Transfer of held - to - maturity assets to cash | 30,448 | - |
| Net proceeds from issue of share capital | 1,478,505 | - |
| Net Cash Flow from Financing Activities | 1,508,953 | - |
| NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS HELD | 170,397 | (2,571,017) |
| Cash and Cash Equivalents at the Beginning of the Financial Period | 327,227 | 2,969,617 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD | 497,621 | 398,600 |

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

1 REPORTING ENTITY

South American Iron & Steel Corporation Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the company as at, and for the six months ended 31 December 2009 comprises the company and its subsidiaries (together referred to as the “Group”).

The Annual Report of the Group, as at, and for the year ended 30 June 2009 is available upon request from the company’s registered office at Suite 2 Level 10, 8-10 Loftus Street, Sydney NSW 2000 or at www.saironsteel.com.

2 STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 - *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual report of the Group, as at, and for the year ended 30 June 2009, and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial report was approved by the Board of Directors on 16 March 2010.

3 BASIS OF PREPARATION

The basis of preparation and accounting policies applied by the group in this consolidated interim financial report are the same as those applied by the Group in its annual report, as at, and for the year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements
- AASB 127 Consolidated and Separate Financial Statements

The adoption of these new and revised Standards and Interpretations has resulted in no major changes to the Group’s accounting policies for amounts reported for the current or prior periods except as described in Note 13 ‘Operating Segments’.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

4 GOING CONCERN

The financial report of the Group has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group recorded a loss of \$6,101,975, which includes non-cash, impairment losses on the Ecuador mining concessions of \$362,807, \$4,569,852 in relation to its Aguas Claras concessions and \$148,833 on employees' shares purchase loans for the six months ended 31 December 2009.

The Group had cash of \$497,621 as at 31 December 2009. On 1st March 2010, the Group entered into an agreement to issue up to \$500,000 of convertible notes. Land owned by a subsidiary company in Ecuador is also in the process of being divested.

The Group plans to increase its capital base through a rights issue and the Directors have no reason to believe that the proposed underwritten issue will not be successful.

In addition to the planned rights issue, the company secured a \$10 million Equity Line of Credit funding facility with US-Based Investment Fund YA Global Investments, L.P ("YA Global"). Under the terms of the facility, the company may, at its discretion, issue shares to YA Global at any time over the next 48 months, up to a total of \$10 million. The company may draw down up to \$100,000 in any ten day period.

The directors have also taken action to reduce operating costs particularly in Ecuador.

Due to the above, the Directors are of the opinion the use of the going concern basis of accounting is appropriate.

5 USE OF ESTIMATES AND SIGNIFICANT JUDGEMENTS

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 statement is described below.

Exploration and Evaluation Expenditure (Note 11)

The Company is currently negotiating to sell its wholly owned subsidiary Clearwater Resources Pty Limited ("Clearwater"). Clearwater is the holding company of Inversiones Arenas Claras Ltda (a Chilean company) that owns the Aguas Claras concessions.

On 18th September 2009, Aguas Claras concessions were independently valued at \$11 million on the basis of the asset being retained for exploitation.

The Directors have performed sensitivity analysis of the sale value of Clearwater based on current terms and conditions under negotiations and the most likely value from the sale is approximately \$7 million, which results in an impairment loss provision of \$4,659,874 on previous investments and concessions held in Clearwater.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

5 USE OF ESTIMATES AND SIGNIFICANT JUDGEMENTS (continued)

The Directors believe that the sale of this asset would have a positive cash flow effect to the Group and also enables the Group to focus on exploring and exploiting its other existing concessions.

In the event that the sale does not occur, the asset would continue to be reported as asset retained for exploitation and the Directors would consider the initial value of the asset at \$11 million and review the estimates and assumptions in relation to its fair value.

6 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual report, as at, and for the year ended 30 June 2009.

7 SUBSEQUENT EVENTS

On 19th February 2010, the Company acquired a purchase option agreement to acquire a number of concessions known as Quince which is located in the Chanarel region of Chile. This is a related party transaction which requires shareholders approval at a general meeting. Mr. Franco Belli, a director of the company, is one of the beneficial owners of those concessions.

On 10th March 2010, the Company issued 800,000 shares as part of its consideration for the issue of two 12% p.a. convertible notes at \$100,000 each. These notes are unsecured and mature on 30th September 2010.

After the reporting date, as noted in Note 5 above, the Company is negotiating to sell Clearwater. The sale is not finalised at the date of this report.

After the reporting date, the Group has been approached by a third party to purchase land owned by a subsidiary in Ecuador. It is the intention of the Group to sell that land, which was part of its operations in Ecuador prior to the change in Mining Law in Ecuador that resulted in the Group losing its concessions in Ecuador. As at the date of this report, discussions with the third party are only preliminary.

8 REVENUE AND EXPENSES

| | Consolidated | |
|-------------------------------|--------------|-------------|
| | 31 Dec 2009 | 31 Dec 2008 |
| | \$ | \$ |
| (i) Other Income | | |
| Interest received | 7,478 | 111,941 |
| Other income | 274 | 53,544 |
| | <hr/> | <hr/> |
| | 7,752 | 165,485 |
| (ii) Expenses | | |
| Depreciation and amortisation | 41,432 | 31,364 |
| | <hr/> | <hr/> |

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

9 OTHER RECEIVABLES

Included in other receivables is an amount of \$163,932 in relation to loans under the company's Share Purchase Plan. During the period, the value of these shares was impaired to the extent of \$148,833.

10 PROPERTY, PLANT AND EQUIPMENT

During the period, there were no significant changes to its property, plant and equipment. Decreases included the rise in value of the Australian Dollar as the overseas assets are reported in foreign currencies.

11 EXPLORATION AND EVALUATION EXPENDITURE

During the period, the company's subsidiaries have acquired mining licences and mining concessions and incurred exploration costs of \$186,590 (excluding costs in Ecuador which have been impaired). An amount of \$362,807 is provided for impairment loss on previous investments and concessions in Ecuador. An amount of \$4,569,852 is provided for impairment loss on previous investments and concessions held in Clearwater Resources Pty Limited, a wholly owned subsidiary (refer to Note 5). Total impairment for the period was \$4,932,659.

12 SHARE CAPITAL

| | Consolidated | | Consolidated | |
|------------------------------------|--------------|------------|--------------|-------------|
| | Dec 2009 | June 2009 | Dec 2009 | June 2009 |
| | \$ | \$ | Shares | Shares |
| Ordinary shares | | | | |
| Issued | 34,004,745 | 32,526,240 | 167,732,027 | 147,219,206 |
| <i>Movements during the period</i> | | | | |
| Balance at beginning of the period | 32,526,240 | 30,242,657 | 147,219,206 | 128,754,963 |
| Share issues during the period | 1,600,000 | 2,407,756 | 20,512,821 | 18,464,243 |
| Cost of capital raising | (121,495) | (124,173) | - | - |
| Balance at the end of the period | 34,004,745 | 32,526,240 | 167,732,027 | 147,219,206 |

13 OPERATING SEGMENTS

The Group has adopted AASB 8 - *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (AASB 114 - *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

13 OPERATING SEGMENTS (continued)

In prior years, segment information reported externally was analysed on the basis of geographical areas supplied by the Group's divisions (i.e. Australia and South America). However, information reported to the Group's Managing Director for the purpose of resource allocation and assessment of performance is more specifically focused on Australia, Chile and Ecuador. These are the reportable segments under AASB 8.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

For the six months ended 31 December

| | Australia | | Chile | | Ecuador | | Total | |
|---|-------------|-------------|-----------|------------|-----------|-------------|-------------|-------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| External revenues | 7,752 | 165,485 | - | - | - | - | 7,752 | 165,485 |
| Reportable segment loss before income tax | (5,717,798) | (2,535,861) | (23,019) | (46,114) | (361,158) | (3,947,572) | (6,101,975) | (6,529,547) |
| Consolidated loss before income tax | | | | | | | (6,101,975) | (6,529,547) |
| Reportable segment assets | 938,235 | 1,005,172 | 8,503,104 | 12,932,926 | 1,128,830 | 1,458,462 | 10,570,169 | 15,447,560 |

Reconciliation of reportable segment profit or loss

| | 2009 | 2008 |
|--------------------------------------|-------------|-------------|
| Total loss for reportable segments | (6,101,975) | (6,529,547) |
| Other loss | - | - |
| | (6,101,975) | (6,529,547) |
| Elimination of inter-segment profits | - | - |
| Consolidated loss before income tax | (6,101,975) | (6,529,547) |

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2009.

14 RELATED PARTIES

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the Annual Report, as at, and for the year ended 30 June 2009.