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Annual Report

for the year ended

30 June 2010

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

A.B.N.: 67 060 319 119

and Controlled Entities

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SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

A.B.N.: 67 060 319 119

and Controlled Entities

1. DIRECTORY

South American Iron & Steel Corporation Limited

ABN 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

Terry Cuthbertson, Chairman

Kenneth Lee, CEO

Dr Richard Haren, Non-Executive Director

Mark Bethwaite, Non-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

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Auditor

Nexia Court & Co

Chartered Accountants

Level 29, Australia Square

Sydney NSW 2000

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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 Group, being the Company and its controlled entities, for the year ended 30 June 2010 and the auditors' report thereon.

This report was authorised for issue by the Directors on 30 September 2010. 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
Terry Cuthbertson (Chairman)	18 May 2009 to present
Kenneth Lee (CEO, Co. Sec)	24 March 2009 to present
Dr Richard Haren (Director)	13 May 2009 to present
Mark Bethwaite (Director)	23 April 2010 to present
Franco Belli (Director)	14 December 2005 to 22 March 2010

Details of the above Directors follow:

Terry Cuthbertson, Chairman

Mr. Cuthbertson holds a Bachelor of Business Degree and is a member of the Australian Institute of Chartered Accountants.

He is a former Partner of the Audit and Corporate Finance Divisions of KPMG Chartered Accountants and former NSW Partner in Charge of Mergers and Acquisitions, where he coordinated government privatisations, mergers, acquisitions, divestitures and public offerings on the Australian Stock Exchange for the New South Wales practice.

Mr. Cuthbertson is the former Group Finance Director of Tech Pacific Holdings Pty Limited, which in 1999 had a turnover of \$AU2 billion and was a Director for Tech Pacific Holdings Pty Limited's businesses in China, Hong Kong, Singapore, India, Philippines, Indonesia and Thailand. Mr. Cuthbertson is Chairman of Montec International Limited, Chairman of Austpac Resources NL, Chairman of MyNetFone Limited, Chairman of Mint Wireless Limited, Chairman of Sun Biomedical Limited and Chairman-Elect of O.M.I. Limited.

Kenneth Lee, Director, CEO, Company Secretary

Mr Kenneth Lee was appointed to the position of Company Secretary on 20 February 2008 and a Director on 24 March 2009. 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.

Dr Richard Haren, Director

Dr Haren has over twenty five years project management experience involving numerous industries including all facets of minerals/hydrocarbon exploration and mining/production. Dr Haren has consulted to a variety of public and private companies in Australia, Asia, Africa, the C.I.S, North and South America involving exploration and mining. Dr Haren was awarded a First Class Honours Degree and University Medal in Physics and a PhD in Exploration

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Geophysics from the University of New South Wales, his PhD focussed on the electromagnetic response of the Woodlawn & Elura base metals deposits in NSW.

Dr Haren was a Project Manager for over two years in the mid 1990s with Exploration Geoscience (BMR) in Canberra in charge of the Broken Hill Exploration Initiative a National Geoscience Mapping Accord project with a budget in excess of \$2.5 million per annum. He has been invited onto the Boards of several publicly listed Companies including Mount Grace NL, Hillcrest Resources NL, Molopo Australia NL (CBM producer), China Yunnan Copper Australia Limited and Triton Corporation Limited.

From the mid nineties to 2002 he consulted to a national broking firm Tolhurst Noall Ltd working on capital raising and analysis of high tech, biotech and IT companies. At present Dr Haren is the Business Development Manager for Planet Gas Limited a Coal Bed Methane explorer with prospects in the USA (ASX:PGS). Dr Haren recently resigned as the CEO of Aussie Q Resources Limited (ASX:AQR) a company with a major molybdenum/copper resource in SE Queensland, he stayed on as a non executive Director. He is also the Director of a number of unlisted public companies and private companies that are involved in gold and base metal exploration in Australia and Africa.

Dr Haren is a corporate member of the Australasian Institute of Mining and Metallurgy, the Society of Exploration Geophysicists and the Australian Society of Exploration Geophysicists.

Mark Bethwaite, Director

Mr Bethwaite, now a professional Director, is an engineer with wide mining and commercial skills. He was Managing Director of two of Australia's then largest mining companies – North Limited in Melbourne and Renison Goldfields Consolidated Limited in Sydney - for a total of eleven years. He was also Managing Director of one of Australia's leading industry associations for five years before retiring in 2006.

Mark Bethwaite is also the Chairman of Austral Gold Limited (ASX code: AGD) which, like SAY, has mining interests in Chile.

2.2 Company Secretary

Mr Kenneth Lee was appointed to the position of Company Secretary on 20 February 2008.

2.3 Principal Activities

The principal activity of the Group during the course of the financial year was mineral exploration for iron sands in South America, with an emphasis on Chile.

2.4 Operating and Financial Review

The net loss of the Group for the year ended 30 June 2010 after income tax was \$7,982,468 (2009: \$8,447,760).

During the financial year, entities in the Group pursued investments and activities in mining exploration in South America. An overview of the operations of the Group is set out in Review of Operations, page 6.

Earnings per share	2010 \$	2009 \$
Basic and diluted earnings per share	(0.048)	(0.064)

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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 Review of Operations

Exploration

Quince Project (Conventional iron ore)

On June 30 2010 SAY shareholders at a General Meeting in Sydney voted in favour of the acquisition of 90% of Quince not already owned by the Company. Quince is a conventional iron ore project 800km north of Santiago, Chile. Quince is situated within the Atacama Fault which hosts numerous world class iron and copper mines. Quince was initially defined by aeromagnetic geophysical data in the 1990s and was drilled by Asarco at that time. Six RC drill holes were drilled into the large scale magnetic anomaly in the search for copper mineralisation but produced good assays of Fe from a near surface magnetite body. The overall magnetic anomaly at Quince is extensive with a strike length of 13km and a maximum width of 2km. Magnetite iron ore is being produced in the region.

SAY gave notice to Hanwell on 30 June 2010 to exercise its option to acquire Hanwell's 90% interest in the Quince concessions in Chile.

The Company advises that to implement this exercise, it has on 30 September 2010, on the advice of its solicitors in Chile, entered into a Chilean Mining Concessions Purchase Agreement in relation to the Quince concessions in accordance with the Chilean Mining Law. The Agreement has the following features:

- (a) The Company now has a mortgage over the Quince concessions registered in the Mines Department in Chile, which means no party can deal in this concession except SAY or its nominee during the period of this Agreement which ends 1 December 2011.
- (b) SAY or its nominee can carry out activities in relation to the concessions as if it owned them.
- (c) Hanwell keeps SAY indemnified against legal actions or past claims in relation to the concessions up until the date SAY becomes the legal owner of the concessions.
- (d) No debt is owed by SAY until SAY elects to effect formal completion under the Chilean Mining Concessions Purchase Agreement.
- (e) In consequence of (d) above, no interest will be payable or owed by SAY under this Agreement even though the original completion process contemplated interest to be payable by SAY at 12% pa. on the purchase price of AUD 8,292,683.
- (f) The purchase price of the Quince concessions remains unchanged at AUD 8,292,683.
- (g) SAY can at any time before 1 December 2011 effect final completion by payment of the purchase price in (f) above.

The substantive provisions of the purchase arrangement with Hanwell are otherwise unchanged.

The Company is drilling RC and diamond drill holes into the main lobe of the Quince anomaly (5km long by 1.8km wide) during the December 2010 half year, and will announce results as soon as they become available.

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Putú Project (Iron sands)

Geological fieldwork including bulk sampling of paleodune exposures within the Putu concessions, which occupy a region some 40 km long averaging 5km wide just north of the town of Constitución, was completed. The sands at Putú are thought to be of Quaternary age.

During the year, total magnetic field measurements were acquired across the Putu Project area. In addition, radiometric data was acquired. The results of the survey work suggests that there are at least three areas that host enhanced magnetic intensity readings and each is thought to contain in excess of 200 million tonnes of mineralisation. The zones of increased magnetic intensity will be assessed in the coming six months by drilling and augering to assess the Fe content and depth extent. The Putú Project has potential and further work will be done to adequately define the higher grade sections that can be brought into production in the short to medium term.

Mauilín Project (Iron sands)

The Mauilín concessions are south of Putú near the deep water port of Puerto Mont. The Company intends to acquire magnetic and radiometric data in the near future. This work will be followed-up by detailed interpretation and field mapping.

Aguas Claras Project (Iron sands)

During the period the Aguas Claras project reverted to SAY when a Deed of Settlement arranged with Shoreline Minerals Limited was not able to be completed.

Ecuador

On 4 March 2009 the Company announced that all of its concessions in Ecuador had been terminated by the Government. The Company's situation was not unique as most mining and exploration concessions were terminated. In addition, the Company's exploration applications were revoked. During the year, the Company sold the land at Ana Julia.

Corporate

On 22 March 2010 Mr Franco Belli resigned as a Director of the Company and Dr Richard Haren stood down as CEO and MD, handing over to Mr Kenneth Lee who became acting CEO.

On 23 April 2010 Mr Mark Bethwaite joined the SAY Board as a non-executive Director and now chairs the Audit Committee.

The new management team has a track record running listed exploration and mining companies and is working together with a well defined strategy to move the South American assets forward to create shareholder value.

During the year, the Company issued four 12% pa convertible notes at \$100,000 each. These notes, which expire on 30th September 2010, may be converted into ordinary shares of the Company at the lower of:

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- If the Company completes a capital raising prior to 30 June 2010, the issue price for shares (or convertible securities) so issued; or
- If the Company does not undertake a capital raising prior to 30 June 2010, a 20% discount to the 30-day volume-weighted average price for the shares calculated at the date of the conversion.

In consideration for the issue of each \$100,000 note, the Company issued 400,000 fully paid ordinary shares to the note holder. One of these notes was repaid during the year.

Pursuant to a shareholder purchase plan in September 2009, the Company issued 22,512,821 shares at \$0.078 each.

In June 2010, 23,559,804 shares were issued at \$0.04 per share to sophisticated investors through share placements. In addition, a non-interest bearing loan instrument of \$557,608 was issued to sophisticated investors where shares would be issued to the bearers at \$0.04 each upon approval of the shareholders at a shareholder general meeting. On 30 June 2010, the shareholders approved the resolution and 13,940,196 shares were issued on 6 July 2010.

2.7 Changes in the State of Affairs

During the year a number of the Chilean concessions at Putu were converted to exploitation status in readiness for bulk sampling and mining. Concessions at Aguas Claras have also been converted to exploitation.

2.8 Events Subsequent to Balance Date

On 6 July 2010, the Company announced that Mr David Cadwell had been appointed as Country Manager for Chile running the drilling campaign and exploration at Quince.

Pursuant to a loan instrument agreement, the Company issued 13,940,196 shares at \$0.04 per share to sophisticated investors on 6 July 2010, and another 25,000,000 shares for \$1 million (at \$0.04 per share) were issued to sophisticated investors through shares placements. This money will be used to progress drilling at Quince and working capital.

On 30 September 2010, the Company entered into a Chilean Mining Concessions Purchase Agreement in relation to the Quince concessions in accordance with the Chilean Mining Law. The Agreement has the following features:

- (a) The Company now has a mortgage over the Quince concessions registered in the Mines Department in Chile, which means no party can deal in this concession except SAY or its nominee during the period of this Agreement which ends 1 December 2011.
- (b) SAY or its nominee can carry out activities in relation to the concessions as if it owned them.
- (c) Hanwell keeps SAY indemnified against legal actions or past claims in relation to the concessions up until the date SAY becomes the legal owner of the concessions.
- (d) No debt is owed by SAY until SAY elects to effect formal completion under the Chilean Mining Concessions Purchase Agreement.
- (e) In consequence of (d) above, no interest will be payable or owed by SAY under this Agreement even though the original completion process contemplated interest to be payable by SAY at 12% pa. on the purchase price of AUD 8,292,683.
- (f) The purchase price of the Quince concessions remains unchanged at AUD 8,292,683.

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- (g) SAY can at any time before 1 December 2011 effect final completion by payment of the purchase price in (f) above

The substantive provisions of the purchase arrangement with Hanwell are otherwise unchanged.

Other than the matters mentioned above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

2.9 Likely Developments

The Group intends to pursue mining exploration activities with the objective of optimising shareholder wealth.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

2.10 Environmental Regulations

The Group'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 to which it is fully compliant and the Group plans to perform activities so that adverse effects on the environment are avoided or kept to a minimum.

2.11 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
Terry Cuthbertson	11	12
Kenneth Lee	12	12
Richard Haren	12	12
Mark Bethwaite	6	6
Franco Belli	4	6

A – Number of meetings attended

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

2.12 Remuneration Report - Audited

(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 group's net profit attributable to members of the Company.

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(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 group ("specified executives") and the nature and amount of the elements of their remuneration.

The remuneration is not related to performance.

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2.12 Remuneration Report – Audited (cont)

For the year ended 30 June 2010

	Short-term employee benefits	Post employment benefits	Share-based payment	Termination benefits	Total compensation	Value of options as proportion of remuneration
	Cash					
	Salary and fees	Super	Options			
	\$	\$	\$	\$	\$	%
Director						
T Cuthbertson	60,000	-	-	-	60,000	-
K Lee	180,000	16,200	-	-	196,200	-
R Haren	146,529	12,288	-	-	158,817	-
M Bethwaite	11,333	-	-	-	11,333	-
F Belli	90,000	8,100	-	-	98,100	-
	487,862	36,588	-	-	524,450	-

For the year ended 30 June 2009

	Short-term employee benefits	Post employment benefits	Share-based payment	Termination benefits	Total compensation	Value of options as proportion of remuneration
	Cash					
	Salary and fees	Super	Options			
	\$	\$	\$	\$	\$	%
Director						
T Cuthbertson	5,000	-	-	-	5,000	-
R Haren	15,000	1,350	-	-	16,350	-
F Belli	145,000	13,050	-	-	158,050	-
K Lee	38,173	3,435	-	-	41,608	-
D Hobday	20,000	76,125	-	-	96,125	-
B Klückow	149,071	-	-	69,887	218,958	-
J Allaway	-	-	-	-	-	-
Executives						
K Lee	126,277	11,365	-	-	137,642	-
	498,521	105,325	-	69,887	673,733	-

End of audited remuneration report

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2.13 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	52,063,009	-
T Cuthbertson	198,307	6,000,000
R Haren	163,653	6,000,000
K Lee ¹	666,807	6,000,000
M Bethwaite	-	2,000,000

¹These shares includes 300,000 shares acquired under the Company's employee share purchase plan, prior to K Lee's appointment as a Director, and held by Aconcagua SPP Nominees Pty Limited, a nominee company as security for a non recourse loan.

2.14 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; and
- 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, as they did not involve reviewing or auditing the auditors own work, acting in a management or decision making capacity, acting as an advocate for the Company or jointly sharing risks and rewards.

The following fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2010:

	\$
Taxation	6,040
Other	2,022
	<u>8,062</u>

2.15 Auditor's Independence Declaration

The lead auditor's independence declaration required by Section 307C of the Corporations Act is set out on page 13 and forms part of the Directors' report for the year ended 30 June 2010.

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2.16 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 2010 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 2011. 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.

2.17 Unissued shares under Options

The Company has on issue 28,223,750 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
1,350,000	\$1.25	1 November 2010
1,000,000	\$3.00	26 November 2010
2,573,750	\$0.50	12 February 2011
2,000,000	\$0.50	30 July 2011
1,300,000	\$1.50	1 November 2011
6,666,666	\$0.10	5 July 2015 (exercisable from 6 July 2011)
6,666,667	\$0.15	5 July 2015 (exercisable from 6 July 2012)
6,666,667	\$0.20	5 July 2015 (exercisable from 6 July 2013)
28,223,750		



Kenneth Lee
Managing Director

Sydney

Dated: 30 September 2010

The Board of Directors
South American Iron & Steel Corporation Limited
Suite 2, Level 10
8-10 Loftus Street
SYDNEY NSW 2000

30 September 2010

Dear Board Members

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of South American Iron & Steel Corporation Limited.

As lead audit partner for the audit of the financial statements of South American Iron & Steel Corporation Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Sydney

Dated: 30 September 2010



Andrew Hoffmann
Partner

Level 29, 264 George Street
Sydney, NSW 2000
P O Box H195
Australia Square NSW 1215
Telephone: 61 2 9251 4600
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INDEPENDENT AUDITOR'S 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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

Directors' Responsibility for the Financial 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 controls 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 the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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 the entity's preparation and fair presentation of the financial report in order 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

Report on the Financial Report (Continued)

Auditor's Opinion

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 financial position as at 30 June 2010 and of its 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).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of South American Iron & Steel Corporation Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Significant uncertainty regarding continuation as a going concern

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

The financial report had been prepared on a going concern basis as discussed in note 10.2 (iv) which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary courses of business. In note 10.2 (iv), 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, there are significant uncertainties as to whether the Company and the consolidated entity will be able to continue as a going concern.

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Sydney

Dated: 30 September 2010



Andrew Hoffmann
Partner

5. DIRECTORS' DECLARATION

The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 18 to 60 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date;
2. note 10.2(i) confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
3. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
4. the remuneration disclosures included in pages 9 to 11 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001*; and
5. the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Kenneth Lee
Managing Director

Sydney
Dated: 30 September 2010

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A.B.N.: 67 060 319 119

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For the year ended 30 June 2010

	Note	Group 2010 \$	2009 \$
Other income	10.5	140,781	447,219
Total revenue		140,781	447,219
Consulting fees		(420,357)	(248,000)
Depreciation	10.6	(41,257)	(69,035)
Impairment loss	10.6	(5,807,435)	(6,673,828)
Administration expenses		(1,652,497)	(1,904,116)
Loss on sale of assets	10.6	(201,703)	-
Other expenses		-	-
Loss from ordinary activities before income tax expense		(7,982,468)	(8,447,760)
Income tax expense	10.8	-	-
Loss for the year		(7,982,468)	(8,447,760)
Other Comprehensive Income			
Exchange differences arising on translation of foreign operations		(558,626)	846,788
Income tax relating to components of other comprehensive income		-	-
Total Comprehensive Income for the period		(8,541,094)	(7,600,972)
Basic and Diluted earnings per share	10.24	\$(0.048)	\$(0.064)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

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As at 30 June 2010

	Note	Group 2010 \$	2009 \$
Current assets			
Cash and cash equivalents	10.9	1,031,282	327,227
Trade and other receivables	10.10	368,561	685,784
Other financial assets	10.12	196,352	126,800
Intangible assets	10.13	243,054	-
Total current assets		1,839,249	1,139,811
Non-current assets			
Property, plant and equipment	10.14	289,768	1,477,890
Exploration and evaluation expenditure	10.15	8,339,729	12,829,859
Total non-current assets		8,629,497	14,307,749
Total assets		10,468,746	15,447,560
Current liabilities			
Payables	10.16	728,805	389,111
Other	10.17	857,608	-
Employee entitlements	10.18	32,333	38,632
Total current liabilities		1,618,746	427,743
Non-current liabilities			
Employee entitlements	10.18	12,049	14,544
Total non-current liabilities		12,049	14,544
Total liabilities		1,630,795	442,287
Net assets		8,837,951	15,005,273
Equity			
Contributed equity	10.19	34,900,012	32,526,240
Reserves	10.20	1,328,197	1,886,823
Accumulated losses		(27,390,258)	(19,407,790)
Total equity		8,837,951	15,005,273

The above statement of financial position should be read in conjunction with the accompanying notes.

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For the year ended 30 June 2010

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	-	-	(7,982,468)	(7,982,468)
Foreign currency translation differences	-	(558,626)	-	(558,626)
Share issue (net)	2,373,772	-	-	2,373,772
At 30 June 2010	34,900,012	1,328,197	(27,390,258)	8,837,951
At 1 July 2008	30,242,657	1,004,287	(10,960,030)	20,286,914
Loss for the period	-	-	(8,447,760)	(8,447,760)
Foreign currency translation differences	-	846,788	-	846,788
Share based payments	-	35,748	-	35,748
Share issue (net)	2,283,583	-	-	2,283,583
At 30 June 2009	32,526,240	1,886,823	(19,407,790)	15,005,273

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

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9. STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2010

	Note	Group 2010 \$	2009 \$
Cash flows from operating activities			
Cash receipts in the course of operations		123,999	27,064
Cash payments in the course of operations		(2,344,467)	(1,986,904)
Interest received		16,782	46,612
Net cash from operating activities	10.24(ii)	(2,203,686)	(1,913,228)
Cash flows from investing activities			
Payment for plant and equipment		(2,660)	(555,051)
Payment for options on concessions		(343,055)	-
Proceeds from sale of assets		443,563	-
Payment for mining rights and exploration costs		(451,931)	(2,044,255)
Net cash from investing activities		(354,083)	(2,599,306)
Cash flows from financing activities			
Proceeds from share issue		2,373,772	2,319,332
Issue of convertible notes		400,000	-
Repayment of convertible note		(100,000)	-
Issue of loan instrument		557,608	-
Transfer of cash to held to maturity assets		30,448	-
Loans Advance – Employees Share Plan (other employees)		-	(365,500)
Net cash from financing activities		3,261,828	1,953,832
Net increase/(decrease) in cash and cash equivalents		704,055	(2,558,702)
Cash and cash equivalents at the beginning of the financial year		327,227	2,885,929
Cash and cash equivalents at the end of the financial year	10.25(i)	1,031,282	327,227

The above statement of cash flows should be read in conjunction with the accompanying notes.

10. NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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 2010 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 2010.

(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) Going Concern

The Directors have performed a review of the cash flow forecasts and have considered the cash flow needs of the Company and Consolidated Group, including the ability to reduce the level of cash expenditure if required to do so.

Directors have initiated discussions with a number of parties that have expressed interest in supporting the Company with its capital requirements. At this time, no financial commitment is contracted but discussions are continuing. The Directors have also initiated discussions with a potential arranger and underwriter of an equity issue to raise capital to fund future exploration and other activities. The Company also has the ability to raise extra funds through a share placement.

The Company has prepared cash flow forecasts and the Directors are satisfied that the Company would be able to continue to operate as a going concern on this basis.

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(v) 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 10.27 - share based payments.

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 2010 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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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10.3 Significant Accounting Policies (continued)

(i) 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.

(ii) 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.

(iii) 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.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is South American Iron & Steel Corporation Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

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Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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

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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.

(ix) Receivables (continued)

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 Receivables 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.

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.

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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:

	Depreciation rate		Depreciation method
	2010	2009	
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

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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 representing the cost of the Company. Subsequent recognition of expenses remain at cost.

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 values 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

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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.

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 2010, but have not been applied in preparing this financial report:

Australian Accounting Standard	Title	Mandatory Application Date	Possible Impact
AASB 9	Financial Instruments	1 January 2013	AASB 9 and AASB 2009-11 address the classification and measurement of financial assets and are likely to affect the group's accounting for its financial assets. The group is yet to assess its full impact. However, initial indications are that it may affect the group's accounting for available-for sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investment that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	
AASB 124	Related Party Disclosures	1 January 2011	The amendments remove the requirement for government related entities to disclose details of all transactions with the government and other government-related entities, as well as clarify and simplify the definition of a related party. When the amendments are applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. The amendments are not expected to have a significant impact on the financial statements.
AASB 2009-12	Amendments to Australian Accounting Standards	1 January 2011	

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Australian Accounting Standard	Title	Mandatory Application Date	Possible Impact
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011	<p>The principle amendments contained in AASB 2010-4 are as follows:</p> <ul style="list-style-type: none"> • accounting policy changes in the year of adoption (AASB 1); • revaluation basis as deemed cost (AASB 1); • use of deemed cost for operations subject to rate regulation (AASB 1); • clarification of disclosures (AASB 7); • clarification of statement of changes in equity (AASB 101); • significant events and transactions (AASB 134); and • fair value of award credits (AASB Interpretation 13). <p>The amendments are not expected to have a significant impact on the financial statements.</p>
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010	<p>The principle amendments contained in AASB 2010-3 are as follows:</p> <ul style="list-style-type: none"> • measurement of non-controlling interests (AASB 3); • unreplaced and voluntarily replaced share-based payment awards (AASB 3); • transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 <i>Business Combinations</i> (2008); and • transition requirements for amendments arising as a result of AASB 127 <i>Consolidated and Separate Financial Statements</i>. <p>The amendments are not expected to have a significant impact on the financial statements.</p>
AASB Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	<p>AASB Interpretation 119 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The amendments are not expected to have a significant impact on the financial statements.</p>
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19	1 July 2010	<p>The amendments are not expected to have a significant impact on the financial statements.</p>

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Australian Accounting Standard	Title	Mandatory Application Date	Possible Impact
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	1 February 2010	This amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously these issues had to be accounted for derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments are not expected to have a significant impact on the financial statements.
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	1 January 2010	<p>The principle amendments contained in AASB 2009-5 are as follows:</p> <ul style="list-style-type: none"> • disclosure of non-current assets (or disposal groups) classified as held for sale or discontinued operations (AASB 5); • disclosure of information about segment assets (AASB 8); • current/non-current classification of convertible instruments (AASB 101); • classification of expenditures on unrecognised assets (AASB 107); • classification of leases of land and buildings (AASB 117); • determining whether an entity is acting as a principle or as an agent (AASB 118); • unit of accounting for goodwill impairment test (AASB 136); and • treating loan prepayment penalties as closely related embedded derivatives, scope of exemption for business combination contracts and cash flow hedge accounting (AASB 139). <p>The amendments are not expected to have a significant impact on the financial statements.</p>
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payments Transactions	1 January 2010	These amendments confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group-share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The amendments are not expected to have a significant impact on the financial statements.

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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;
- commodity risk; and
- market 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

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management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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:

	Group	
	2010	2009
	\$	\$
<i>Financial Assets:</i>		
Cash and cash equivalents	1,031,282	327,227
Other financial assets	439,406	83,688
	<hr/>	<hr/>
Net exposure	1,470,688	410,915
	<hr/>	<hr/>

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2010, if interest rates had moved, with all other variables held constant, post tax losses and equity would have been affected as follows:

	Group	
	2010	2009
	\$	\$
<i>Judgements of reasonable possible movements:</i>		
Post tax loss		
+1.0% (2009: 1.0%) (100 basis points)	14,707	4,109
- 1.0% (100 basis points)	(14,707)	(4,109)
Equity		

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+1.0% (2009: 1.0%) (100 basis points)	14,707	4,109
- 1.0% (100 basis points)	(14,707)	(4,109)

The movements in losses are due to possible higher or lower interest income from cash balances. The sensitivity is higher than 2009 because of the increase 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/AUD 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 2010, the Group had the following exposures to USD foreign currency risk that is not designated in cash flow hedges:

	Group	2009
	2010	AUD
	AUD	AUD
<i>Net Assets:</i>		
Current assets	279,822	403,883
Non-current assets	2,526,071	3,266,699
Current liabilities	(213,401)	(166,791)
Non-current liabilities	-	-
	<hr/>	<hr/>
Net exposure	<u>2,592,492</u>	<u>3,503,791</u>

	Group	2009
	2010	AUD
	AUD	AUD
<i>Judgements of reasonable possible movements:</i>		
Reserves and equity		
15.0% AUD currency gain	(388,874)	(525,569)
15.0% AUD currency loss	388,874	525,569

Commodity risk

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

Market risk

Market risk is the risk that changes in market prices will affect the Group's income. The Group's exposure to market 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 10.2(x).

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and Controlled Entities**Fair Values**

	2010	2010
	Carrying	Net Fair
	Amount	Value
	\$	\$
<i>Financial Assets:</i>		
Cash and cash equivalents	1,031,282	1,031,282
Trade and other receivables	368,561	368,561
Other financial assets	439,406	439,406
	<u>1,839,249</u>	<u>1,839,249</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.

10.5 Other Income

	Group	
	2010	2009
	\$	\$
Interest received	16,782	46,612
Rent received	-	100,607
Other income	123,989	300,000
	<u>140,781</u>	<u>447,219</u>

10.6 Expenses

	Consolidated	
	2010	2009
	\$	\$
Depreciation - plant and equipment	41,257	69,035
Staff and director salaries	589,702	673,813
Loss on sale of assets	201,703	-
Staff superannuation	45,753	125,854
Impairment loss on concessions	4,569,852	4,862,883
Impairment loss on assets	1,014,166	-
Impairment loss on Employees Shares loan	223,417	1,810,945
	<u>6,627,847</u>	<u>7,482,530</u>

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and Controlled Entities**10.7 Auditors' remuneration**

	Group	
	2010	2009
	\$	\$
Nexia Court & Co		
- Audit services	63,246	49,500
- Other services	8,062	11,396
Humphreys y Cia (auditor of Inversiones Aconcagua Ltda; Inversiones Arenas Claras Ltda; and Inversiones Arenas Maullin Ltda)		
- Audit services	12,500	9,444
Willi Bamberger & Asociados C. Ltda (auditor of Fierroinca Ecuador S.A and Agroindustrial Ana Julia S.A.)		
- Audit services	8,200	7,952
	<u>8,200</u>	<u>7,952</u>

Prior year includes actual audit fees paid/payable.

10.8 Income tax

	Group	
	2010	2009
	\$	\$
Numerical reconciliation between tax expense and pre-tax loss		
Loss for the year	7,982,468	8,447,760
Total income tax expense	-	-
Loss excluding income tax expense	<u>7,982,468</u>	<u>8,447,760</u>
Income tax using the Company's domestic tax rate of 30% (2009 – 30%)	(2,394,740)	(2,534,328)
Tax losses – not recognised	<u>2,394,740</u>	<u>2,534,328</u>
	<u>-</u>	<u>-</u>

Available tax losses to date amount to \$9,051,041. As at the date of this report, no deferred tax asset have been recognised as it is not yet considered sufficiently probable that future taxable profits will be generated in the appropriate jurisdictions to enable these to be utilised. The total deferred tax asset not recognised in relation to tax losses is \$2,715,312.

10.9 Cash and cash equivalents

	Group	
	2010	2009
	\$	\$
Current		
Cash at bank	<u>1,031,282</u>	<u>327,227</u>

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and Controlled Entities**10.10 Trade and Other Receivables**

	Group	
	2010	2009
	\$	\$
Current		
Employees loans receivable	2,599,207	2,615,355
Less: Impairment loss	(2,526,007)	(2,302,590)
	73,200	312,765
Trade debtors	-	73,543
Less: Provision for bad debt	-	(73,543)
GST – Refundable	34,148	37,218
Other receivables	261,213	335,801
	368,561	685,784

10.11 Investments in Controlled Entities

	Note	Class of Share	Group Interest	
			2010	2009
			%	%
<u>Controlled entities</u>				
Clearwater Resources Pty Ltd		Ordinary	100.00	100.00
Aconcagua Iron Sands Pty Ltd		Ordinary	100.00	100.00
South American Iron Sands Pty Ltd		Ordinary	100.00	100.00
Inversiones Aconcagua Ltda	1	Ordinary	100.00	100.00
Inversiones Arenas Claras Ltda	1	Ordinary	99.95	99.95
Inversiones Arenas Maullin Ltda	1	Ordinary	99.95	99.95
Minera Fierro Inca Ecuador S.A.	2	Ordinary	99.95	99.95
Agroindustrial Ana Julia S.A.	2	Ordinary	99.95	99.95

- 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.
- 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.

10.12 Other financial instruments

	Group	
	2010	2009
	\$	\$
Current		
Investments at cost - Shoreline ¹	512	512
Investments at cost - concession ²	142,600	42,600
Cash held to maturity assets	53,240	83,688
	196,352	126,800

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and Controlled Entities**10.12 Other financial instruments (continued)**

¹The investment relates to 5,120,000 shares in Shoreline which were acquired as part of the Aguas Claras sale agreement.

²The investment relates to a 10% interest in the mining concessions of Quince. Costs incurred were for a geophysics study and report and cost of the option to acquire the concessions. The carrying value is a reasonable approximate as there is no quoted market and the fair value is not disclosed because it cannot be measured.

10.13 Intangible Assets

	Group	
Current	2010	2009
	\$	\$
Option to acquire Quince	243,054	-

This amount represents amounts paid to acquire a Chilean Mining Concessions Purchase Agreement. Refer to Quince Project (Conventional iron ore) under Section 2.6 - Review of Operations for details.

10.14 Property, plant and equipment

	Group	
Non-Current	2010	2009
	\$	\$
Land	192,838	595,491
IT software – at cost	57,521	57,521
Less: Accumulated Depreciation	(48,658)	(38,101)
Furniture and fittings – at cost	4,273	4,273
Less: Accumulated Depreciation	(4,273)	(4,273)
Motor vehicles – at cost	8,470	8,470
Less: Accumulated Depreciation	(3,102)	(2,068)
Other assets – at cost	41,136	470,443
Less: Accumulated Depreciation	(31,134)	(29,462)

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and Controlled Entities**10.14 Property, plant and equipment (Continued)**

Non-Current	Group	
	2010	2009
	\$	\$
Plant and equipment – at realisable value	70,000	-
Plant and equipment – at cost	19,278	465,750
Less: Accumulated depreciation	(16,581)	(50,154)
	289,768	1,477,890

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	595,491	19,420	6,402	440,981	415,596	1,477,890
additions	2,662	-	-	-	-	2,662
Disposals	(387,177)	-	-	(258,088)	-	(645,265)
Impairment of assets	-	-	-	(130,231)	(309,704)	(439,935)
Effect on currency movements	(18,138)	-	-	(24,621)	(21,568)	(64,327)
depreciation	-	(10,557)	(1,034)	(18,039)	(11,627)	(41,257)
	192,838	8,863	5,368	10,002	72,697	289,768

10.15 Exploration and evaluation expenditure

	Group	
	2010	2009
	\$	\$
Carrying amount at the beginning of the year	12,829,859	3,727,699
Expenditure during the year	451,931	2,044,255
Effect of currency movements	(372,209)	920,788
Impairment loss on concessions	(4,569,852)	(4,862,883)
Transfer from assets classified as available for sale	-	11,000,000
	8,339,729	12,829,859
Mining Concessions	7,097,203	11,796,644
Exploration costs	1,242,526	1,033,215
	8,339,729	12,829,859

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

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and Controlled Entities**10.16 Payables**

	Group	
	2010	2009
	\$	\$
Current		
Trade creditors	350,883	130,180
Other creditors and accruals	377,922	258,931
	728,805	389,111

10.17 Other

	Group	
	2010	2009
	\$	\$
Current		
Loan instruments (non-interest bearing)	557,608	-
Convertible notes (interest bearing)	300,000	-
	857,608	-

Pursuant to a conditional funding agreement between the Company and sophisticated investors, the Company issued loan instruments to sophisticated investors to the total value of \$557,608. These loan instruments are non-interest bearing and they are convertible to shares upon shareholders approval. Shareholders approved the conversion of these loan instruments at a general meeting held on 30 June 2010 and they were converted into shares on 6th July 2010.

Four 12% pa convertible notes at \$100,000 each were issued during the year.

During the year, one note was repaid. Refer to Subsequent Events section of repayments since the 30 June 2010.

10.18 Employees entitlements

	Group	
	2010	2009
	\$	\$
Current	32,333	38,632
Non-current	12,049	14,544
	44,382	53,176

10.19 Contributed equity

	Company & Group		Company & Group	
	2010	2009	2010	2009
	Shares	Shares	\$	\$
Share capital				
192,891,831 ordinary shares	192,891,831	147,219,206	34,900,01	32,561,988

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and Controlled Entities**10.19 Contributed equity (Continued)**

	The Company & Group		Company & Group	
	2010	2009	2010	2009
	Shares	Shares	\$	\$
Capital issued during the year				
Balance at beginning of year	147,219,206	128,754,963	32,526,240	30,242,657
Ordinary shares issued during the year	45,672,625	18,464,243	2,623,592	2,407,756
Cost of raising capital	-	-	(249,820)	(124,173)
Balance at end of year	192,891,831	147,219,206	34,900,012	32,526,240

10.20 Reserves

	Group	Group
	2010	2009
	\$	\$
Foreign currency reserve		
Balance at 1 July	594,198	(252,590)
Foreign exchange movement effect	(558,626)	846,788
Balance at 30 June	35,572	594,198
Share based payments reserve		
Balance at 1 July	1,292,625	1,256,877
Share based payments	-	35,748
Balance at 30 June	1,292,625	1,292,625
Total reserves	1,328,197	1,886,823

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.

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.

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10.21 Operating Segments

The Group has three reportable segments, as described below, which are the Group's strategic business units.

The following summary describes the operations in each of the Group's reportable segments:

Australia

The Group's headquarters are located 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.

Information regarding each reportable segment is presented below. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

Comparative segment information has been represented in conformity with the requirement of AASB 8 Operating Segments.

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10.21 Operating Segments (continued)

For the year ended 30 June 2010

	Australia		Chile		Ecuador		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
External revenues	-	400,607	123,550	-	175	-	123,725	400,607
Interest revenue	17,056	46,612	-	-	-	-	17,056	46,612
Depreciation	22,184	28,793	4,618	30,648	14,455	9,594	41,257	69,035
Impairment	223,417	1,810,945	4,569,852	-	1,014,166	4,862,883	5,807,435	6,673,828
Reportable segment loss/(profit) before income tax	2,107,711	3,475,110	4,498,295	63,525	1,376,462	4,909,125	7,982,468	8,447,760
Consolidated loss before income tax							(7,982,468)	(8,447,760)
Reportable segment assets	1,578,294	776,980	8,510,351	12,899,793	380,101	1,770,787	10,468,764	15,447,560
Reconciliation of reportable segment profit or loss								
Total loss for reportable segments				(7,982,468)				(8,447,760)
Other loss				-				-
				(7,982,468)				(8,447,760)
Elimination of inter-segment profits				-				-
Consolidated loss before income tax				(7,982,468)				(8,447,760)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2009.

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10.22 Key management personnel disclosures

The key management personnel of the consolidated entity are the Directors and executives of the Company.

(i) Directors

- T Cuthbertson
- R Haren
- K Lee
- M Bethwaite (appointed 23 April 2010)
- F Belli (resigned 22 March 2010)

(iii) Loans to/from key management personnel

	Group 2010	2009
	\$	\$
Loans to:		
• Mr K Lee under the Employees Share Plan ¹	323,450	323,450

¹ Kenneth Lee was issued 300,000 shares at \$1.078 per share under the Employees Share Plan on 21 May 2008, prior to his appointment as a Director of the Company. He was appointed Director of the Company on 24 March 2009.

(iv) Shares

Ordinary Shares	Opening	Movements	Closing
F Belli	54,000,000	(1,936,991)	52,063,009
R Haren	163,653	20,000	183,653
K Lee ¹	666,807	-	666,807
T Cuthbertson	198,307	-	198,307
M Bethwaite	-	-	-

¹ These shares includes 300,000 shares acquired under the Company's employee share purchase plan, prior to K Lee's appointment as a Director, and held by Aconcagua SPP Nominees Pty Limited, a nominee company as security for a non recourse loan.

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 2010 as permitted by *Corporations Regulation 2M.3.03*.

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and Controlled Entities**10.23 Superannuation commitments**

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

10.24 Earnings per share

	2010	Group 2009
	\$	\$
Basic and Diluted earnings per share	(0.048)	(0.064)
Loss for the year	7,982,468	8,447,760
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	165,979,198	132,384,436

10.25 Notes to the cash flow statement**(i) Cash**

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

	2010	Group 2009
	\$	\$
Cash at bank	1,031,282	327,227

(ii) Reconciliation of net cash

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

	2010	Group 2009
	\$	\$
Loss for the year	(7,982,468)	(8,447,760)
Depreciation	41,257	69,035
Foreign exchange differences	(680,171)	(37,299)
Impairment loss - Employees Share Plan	223,417	1,810,945
Impairment loss - Concessions	4,569,852	4,862,883
Impairment loss – Other assets	1,014,166	-
Loss on sale of assets	201,703	-
Doubtful debts expense	-	73,543
Changes in Assets and Liabilities:		
Change in trade debtors	-	(30,354)
Change in other debtors and prepayments	77,659	(121,061)
Change in other creditors	(81,253)	44,367
Change in other payables and accruals	200,244	134,669
Change in trade creditors	220,702	3,483
Change in provisions	(8,794)	24,321
Change in other liabilities	-	(300,000)
Net cash from operating activities	(2,203,686)	(1,913,228)

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10.26 Events subsequent to balance date

Share and Option issue

The Company issued 13,940,196 ordinary fully paid shares at 4.0 cents per share on 6 July 2010 and 25,000,000 ordinary fully paid shares at 4.0 cents per share on 19 August 2010.

Twenty million options were issued to Directors on 6 July 2010, exercisable on various dates and at various prices.

Convertible Notes (refer to note 10.18)

On 31 July 2010, the Company repaid a 12% pa convertible note. Another note was repaid on 31 August 2010.

Quince Project

On 30 September 2010, the Company entered into a Chilean Mining Concessions Purchase Agreement in relation to the Quince concessions in accordance with the Chilean Mining Law. The Agreement has the following features:

- (a) The Company now has a mortgage over the Quince concessions registered in the Mines Department in Chile, which means no party can deal in this concession except SAY or its nominee during the period of this Agreement which ends 1 December 2011.
- (b) SAY or its nominee can carry out activities in relation to the concessions as if it owned them.
- (c) Hanwell keeps SAY indemnified against legal actions or past claims in relation to the concessions up until the date SAY becomes the legal owner of the concessions.
- (d) No debt is owed by SAY until SAY elects to effect formal completion under the Chilean Mining Concessions Purchase Agreement.
- (e) In consequence of (d) above, no interest will be payable or owed by SAY under this Agreement even though the original completion process contemplated interest to be payable by SAY at 12% pa. on the purchase price of AUD 8,292,683.
- (f) The purchase price of the Quince concessions remains unchanged at AUD 8,292,683.
- (g) SAY can at any time before 1 December 2011 effect final completion by payment of the purchase price in (f) above.

The substantive provisions of the purchase arrangement with Hanwell are otherwise unchanged.

Other than the matters mentioned above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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10.27 Share based payments

The following share based payment arrangements, all of which would be settled for shares, existed at 30 June 2010:

- 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 2011. 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.
- On 13 February 2009, 2,573,500 options were granted to a number of subscribers to a share placement, of which 5,147,000 shares were issued at \$0.20 each, at an exercise price of \$0.50. All options vested upon granting and can be exercised until 12 February 2011. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised

	2010		2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Parent Entity				
Outstanding at the beginning of the year	10,573,750	1.18	8,000,000	1.40
Granted	0	0.00	2,573,750	0.50
Exercised	0	0.00	0	0.00
Expired	2,350,000	1.53	0	0.00
Outstanding at year end	8,223,750	1.09	10,573,750	1.18
Exercisable at year end	8,223,750	1.09	10,573,750	1.18

There were nil options exercised during the year ended 30 June 2010. These options had a weighted average share price of \$nil at exercise date.

The options outstanding at 30 June 2010 had a weighted average exercise price of \$1.09 and a weighted average remaining contractual life of 0.8 year. Exercise prices range from \$0.50 to \$3.00 in respect of options outstanding at 30 June 2010.

No options were granted during the year.

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This price was calculated by using a binomial option pricing model applying the inputs detailed above and expected share price volatility of 70%, 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 trend, 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 \$NIL (2009: \$NIL) and relates in full to equity settled share based payment transactions.

10.28 Parent Entity Disclosure

	Parent Entity	
	2010	2009
	\$	\$
Financial Position:		
Assets		
Current assets	1,216,371	735,929
Non-current assets	9,706,459	14,988,435
Total assets	10,922,830	15,724,364
Liabilities		
Current liabilities	1,405,346	260,954
Non-current liabilities	12,049	14,544
Total liabilities	1,417,395	275,498
Equity		
Issued capital	34,900,012	32,526,240
Accumulated losses	(26,687,202)	(18,369,999)
Reserves	1,292,625	1,292,625
Total equity	9,505,435	15,448,866
Financial Performance:		
Loss for the year	8,317,203	8,447,760
Other comprehensive income	-	-
Total comprehensive loss	8,317,203	8,447,760

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10.28 Parent Entity Disclosure (continued)

Capital and Leasing Commitments:

The Parent Entity did not have any capital or leasing commitments at balance date.

Commitments from minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2010	2009
	\$	\$
Within one year	177,606	-
Later than one year and no later than five years	91,911	-
	<u>269,517</u>	<u>-</u>

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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	<p>Given the present size of the Company, the Board takes an active role in overseeing management functions and responsibilities. The Board is responsible for:</p> <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	The Chairman is independent with the Board consisting of four members. 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	The Company's chairperson, Mr Terry Cuthbertson, is an independent Director.
2.3	The roles of the chair and chief executive officer should not be exercised by the same individual	The Company's chief executive officer is Mr Kenneth Lee who is not the chairperson.
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.	The Board has not established and at this stage, does not intend to establish a Nomination and Remuneration Committee, due to the Company's current size and its operations.
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

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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 Chairperson 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 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 & 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

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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 & 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.

- | | | |
|-----|---|---|
| 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 established an Audit Committee. |
| 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 | The Audit Committee has three members; two of whom are Non-Executive Directors. The Chairman of the Committee is a Non-Executive Director. Due to the size of the Board an Executive Director currently forms part of this Committee and this will be reviewed in the future. |
| 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 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>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 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 | Please refer to the Corporate Governance Statements, Policies and |

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- recommendation 5 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
- 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.
- 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.
- 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.
- 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.
- 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.

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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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As at 22 September 2010

12.1 Substantial Shareholders

Name	Number of Shares	Percentage of issued shares
MR FRANCO BELLI	52,063,009	22.46%
DIGITAL FORCE INVESTMENT LIMITED	31,970,098	13.79%
CENTURY SUNNY INVESTMENT LTD	18,750,000	8.09%
MR LI YANGYANG	11,779,902	5.08%

12.2 Distribution of Fully Paid Ordinary Shares

(i) Distribution schedule of holdings		
1 – 1,000	991	
1,001 – 5,000	200	
5,001 – 10,000	165	
10,001 – 100,000	341	
100,001 and over	178	
Total number of holders	<u>1,875</u>	
	No. of holders	No. of Shares
(ii) Less than marketable parcel of 6,410 shares at \$0.077 per share on 22 September 2010.	1,250	1,141,981

12.3 Twenty Largest Shareholders

Rank	Name	Number of Shares	% of Issued Shares
1	MR FRANCO BELLI	52,063,009	22.46%
2	DIGITAL FORCE INVESTMENT LIMITED	31,970,098	13.79%
3	CENTURY SUNNY INVESTMENT LTD	18,750,000	8.09%
4	MR LI YANGYANG	11,779,902	5.08%
5	GLADDEN TRADE S.A.	8,881,097	3.83%
6	TWYNAM AGRICULTURAL GROUP PTY LTD	7,337,622	3.18%
7	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	6,421,550	2.77%
8	ASTRON LIMITED	3,872,500	1.67%
9	CITICORP NOMINEES PTY LIMITED	3,379,394	1.46%
10	AGCENTRAL PTY LTD	2,675,711	1.15%
11	NATIONAL NOMINEES LIMITED	2,148,210	0.93%
12	SANTELE PTY LTD	2,050,000	0.88%
13	ALCARDO INVESTMENTS LIMITED	1,900,975	0.82%
14	SUN BIOMEDICAL LIMITED	1,600,000	0.69%
15	FIREFISH MINING PTY LIMITED	1,600,000	0.69%
16	TERRY PORT S.A.	1,581,097	0.68%
17	HICKMOUNT S.A.	1,346,850	0.58%
18	AUSTOCK NOMINEES PTY LTD	1,311,634	0.57%
19	MR WAI KIN YU	1,271,873	0.55%
20	LIPPO SECURITIES LTD	1,226,743	0.53%
		<u>163,208,265</u>	<u>70.40%</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 Summary of mining concessions

Chilean concessions

(a) Maullín concessions

Name	Area (ha)	Percentage interest held	Title status
ANA 1	100	100%	The judgements granting all these mining petitions to mining exploration concessions were renewed and have been registered in the Register of Discoveries of the Register of Mines of Maullín on 24 November 2009. Expiration date 24 November 2011.
ANA 2	200	100%	
ANA 3	100	100%	
ANA 4	100	100%	
ANA 5	100	100%	
ANA 6	100	100%	
ANA 7	100	100%	
Total	800		

Name	Area (ha)	Percentage interest held	Title status
YURY 1	100	100%	The Mining Service issued a favourable report on the technical aspects on these mining petitions. These exploration concessions were renewed on 25 May 2010. Expiration date 25 May 2012.
YURY 2	200	100%	
YURY 3	300	100%	
YURY 4	100	100%	
Total	700		

Name	Area (ha)	Percentage interest held	Title status
LISA 1	200	100%	These exploration concessions were renewed on 6 May 2010. Expiration date 6 May 2012.
LISA 2	300	100%	
LISA 3	300	100%	
LISA 4	200	100%	
LISA 5	300	100%	
LISA 7	300	100%	
LISA 8	300	100%	
LISA 9	300	100%	
LISA 10	300	100%	
Total	2,500		

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Name	Area (ha)	Percentage interest held	Title status
Coni 1	100	100%	These exploration concessions were granted on 12 April 2010. Expiration date 12 April 2012.
Coni 2	100	100%	
Coni 3	100	100%	
Coni 5	300	100%	
Coni 6	300	100%	
Coni 7	300	100%	
Coni 8	300	100%	
Coni 9	200	100%	
Coni 10	300	100%	
Coni 11	200	100%	
Total	2,200		

Name	Area (ha)	Percentage interest held	Title status
Pia 1	200	100%	These exploration concessions were renewed on 7 May 2010. Expiration date 7 May 2012.
Pia 2	300	100%	
Pia 3	300	100%	
Total	800		

(b) Putú concessions

Name	Area (ha)	Percentage interest held	Title status
Aus 1	3,600	100%	These exploration concessions were transformed to exploitation concessions on January and February 2010. Their expiration date is indefinite.
Aus 2	900	100%	
Aus 3	1,800	100%	
Aus 4	1,872	100%	
Aus 5	600	100%	
Aus 6	200	100%	
Aus 8	200	100%	
Aus 9	200	100%	
Aus 10	200	100%	
Aus 11	936	100%	
Aus 12	1,600	100%	
Aus 13	200	100%	
Aus 14	200	100%	
Aus 15	100	100%	
Total	12,608		

Name	Area (ha)	Percentage interest held	Title status
Aus 7	100	100%	New petitions to exploit granted on January and February 2010. Their expiration date is indefinite.
Aus 16	200	100%	
Aus 17	900	100%	
Aus 18	2,700	100%	
Aus 19	400	100%	
Aus 20	1,000	100%	
Total	5,300		

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Name	Area (ha)	Percentage interest held	Title status
Fran 1	1,200	100%	Concessions to explore granted on May 2009. Expiration date May 2011.
Fran 2	1,200	100%	
Fran 3	1,200	100%	
Total	3,600		

Name	Area (ha)	Percentage interest held	Title status
Aus 33	900	100%	Concessions to explore granted on 23 October 2009. Expiration date October 2011.
Aus 34	900	100%	
Aus 38	800	100%	
Aus 39	1,000	100%	
Aus 40	1,000	100%	
Aus 41	1,000	100%	
Aus 42	500	100%	
Total	6,100		

Name	Area (ha)	Percentage interest held	Title status
Curepto 1	300	100%	These exploration concessions were transformed to exploitation concessions on August 2009.
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		

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Name	Area (ha)	Percentage interest held	Title status	
Clara 1	100	100%	These exploration concessions were granted on 10 April 2007 and are currently being transformed to exploitation concessions.	
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	150	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	8,050			

(d) Quince concessions

The Group owns a 10% interest in the Quince project. On 30 September 2010, a Chilean Mining Concessions Purchase Agreement was executed in relation to the remaining 90% not already owned by the Company.

Quince is a conventional iron ore project 800km north of Santiago, Chile. Quince is situated within the Atacama Fault which hosts numerous world class iron and copper mines. Quince was initially defined by aeromagnetic geophysical data in the 1990s and was drilled by Asarco at that time. Six RC drill holes were drilled into the large scale magnetic anomaly in the search for copper mineralisation but produced good assays of Fe from a near surface magnetite body. The overall magnetic anomaly at Quince is extensive with a strike length of 13km and a maximum width of 2km. Magnetite iron ore is being produced in the region.