

31 January, 2011

Company Announcements Office  
Australian Securities Exchange  
Level 5, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

Dear Sirs

## Report on Activities and Appendix 5B - December Quarter 2010

The Company is pleased to provide the following report on activities for the three month period ending 31 December 2010.

### Exploration Activities

Drilling at Quince, Chile commenced on September 1<sup>st</sup> under the watchful eyes of the Company's Country Manager Mr David Cadwell, the geologist who originally delineated and drilled Quince during the late 1990s when Manager South America for Asarco. Quince is a large scale anomalous magnetic zone with a coincident gravity anomaly. The central zone is approximately 5km long and 1.8km at its widest point and this is the region where the Stage 1 drilling was concentrated.

During the Quarter a total of five drill holes were completed at Quince and the Company announced the results of the drilling in mid November 2010. The Stage 1 drilling was completed on 30 September and comprised five completed holes totalling 2,292.8 metres utilizing a reverse circulation (RC) and a diamond drilling (DDH) rig. Initial assay results provided %Fe in a magnetic concentrate recovered from the Davis Tube System. Later assays included the percent of deleterious minerals in the concentrate, these were found to be well within acceptable limits.

SQ1 a diamond drill hole provided exceptional results which are shown below.

### SQ1 – Impressive broad mineralised intercept of 288m

Intercept(m)	From(m)	To(m)	% Recovd.**	%Fe in Mag Fraction	%Magnetite in Head*
27.9	85.35	113.25	53.5	63.0	46.48
<b>288.0</b>	<b>221.25</b>	<b>509.25</b>	<b>51.0</b>	<b>58.1</b>	<b>40.86</b>
Incl. 51.0	458.25	509.25	62.5	64.9	56.01
And 24.9	484.35	509.25	68.8	66.5	63.16

\* Inferred Head derived from magnetic recovery & Fe grade (assuming no other Fe in Head sample)

\*\* Davis Tube System recovery (equivalent to magnetic fraction of sample)

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The other four holes also produced good intercepts of magnetite mineralisation.

The Company is also assessing previous work performed at Aguas Claras and Maullin in Chile, the object of interest amongst others is the high percentage of Zircon ZrO<sub>2</sub> in the non magnetic concentrates at both places.

### **Corporate**

On October 11, the Company signed a Farm-in Agreement relating to Quince with Henan Mining, providing Henan with the opportunity to refund drilling and assay costs from the recently completed Stage 1 drilling. Henan can fund further Stage 2 drilling up to 7,500m to earn a total of 15% equity in Quince. Henan can elect to fund further Stage 3 drilling up to 50,000m and fund a bankable feasibility study to earn a further 15% equity in Quince. The Agreement is still in place, but Henan have not yet committed to the funding package.

Subsequent to the period of this Quarterly Activities Report, the Company has secured a \$1 million loan through a convertible note. The convertible note is non-interest bearing, matures on 24<sup>th</sup> January 2012, and it is convertible at 8.2 cents per share.

### **Appendix 5B**

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

Yours faithfully,



Kenneth Lee

CEO

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

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Rule 5.3

# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

South American Iron & Steel Corporation Limited

ABN

67 060 319 119

Quarter ended ("current quarter")

December 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(596)	(887)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	18
1.5 Interest and other costs of finance paid	-	(4)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(858)</b>	<b>(1,609)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(18)	(144)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	(2)	184
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (Purchase of Option)		
<b>Net investing cash flows</b>	<b>(20)</b>	<b>40</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(878)</b>	<b>(1,569)</b>

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

1.13	Total operating and investing cash flows (brought forward)	(878)	(1,569)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	875
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	-	(200)
1.18	Dividends paid		
1.19	Other (provide details if material)		
<b>Net financing cash flows</b>		-	675
<b>Net (decrease)/increase in cash held</b>		(878)	(894)
1.20	Cash at beginning of quarter/year to date	1,098	1,114
1.21	Exchange rate adjustments to item 1.20	(5)	(5)
1.22	<b>Cash at end of quarter</b>	215	215

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	32
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23	Includes aggregate amounts paid to directors, including salaries, directors' fees and superannuation owing in the previous quarter.
7.4 & 7.6	One convertible note of \$100,000 was converted into 1,819,344 shares under the terms of the convertible note.

**Non-cash financing and investing activities**

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

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

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### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	
4.3 Production	
4.4 Administration	300
<b>Total</b>	500

### Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	72	130
5.2 Deposits at call	90	915
5.3 Bank overdraft		
5.4 Other – Fixed deposit held for bank guarantees	53	53
<b>Total: cash at end of quarter</b> (item 1.22)	215	1,098

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**Changes in interests in mining tenements**

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

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

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	233,651,371	233,651,371		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,819,344	1,819,344	\$0.055	\$0.055
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	1 Convertible Note		\$100,000	\$100,000
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Unquoted options		Exercise price	Expiry date
	2,000,000	-	\$0.50	30 July 2011
	1,350,000	-	\$1.25	1 November 2010
	1,300,000	-	\$1.50	1 November 2011
	1,000,000	-	\$3.00	26 November 2010
	2,573,750	-	\$0.50	12 February 2011
	6,666,666		\$0.10	5 July 2015
	6,666,667		\$0.15	5 July 2015
	6,666,667		\$0.20	5 July 2015
	650,000		\$0.15	23 September 2013
7.8 Issued during quarter				
7.9 Exercised during quarter				

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

7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

**Compliance statement**

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



Sign here: ..... Date: 31<sup>st</sup> January 2011  
 (Company secretary)

Print name: Kenneth Lee

**Notes**

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

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