

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

HALF-YEAR FINANCIAL REPORT– 31 DECEMBER 2010

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by South American Iron & Steel Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The directors submit the financial report of South American Iron & Steel Corporation Limited ('the company') and its subsidiaries for the half year ended 31 December 2010.

1 Directors

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

	Period as Director
T. Cuthbertson	18 th May 2009 to present
R. Haren	13 th May 2009 to present
K. Lee	24 th March 2009 to present
M. Bethwaite	23 rd April 2010 to 30 th November 2010

2 Review and Results of Operations

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

The net loss for the period was \$745,095 (2009 half year: loss \$6,101,975).

During the period, the company:

- 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 Purchase Agreement"). The company currently owns 10% of the Quince concessions. The Purchase Agreement would enable the company to acquire the remaining 90% of the concessions the company does not currently own and the company or its nominee can carry out activities in relation to the concessions as if it owned them.
- Commenced and completed Stage 1 drilling of the Quince concessions. Stage 1 drilling comprised of five completed holes totalling 2,292.8 metres utilizing a reverse circulation (RC) and a diamond drilling (DDH) rig. Results are summarised below:
 - ❖ Drill hole SQ1 terminated at 509.25m in a 24.9 metre intersection of massive magnetite, the highest grade intercept seen in the data. The results provided are derived from the magnetic concentrate and any non-magnetic iron in the Head sample would add to the overall result.
 - ❖ A bulk sample of drill cuttings has been analysed for contaminants, the results reveal low contaminants in the concentrate.
 - ❖ The vanadium content in the concentrate suggests that a commercially viable vanadium slag could be produced from Quince magnetite ore.
 - ❖ Further analysis of selected crude magnetic concentrates produced using the Davis Tube Recovery method from Hole SQ1 have provided detailed information on the contaminants expected to be found in the iron ore magnetic concentrates. A total of 16 samples were selected for further analysis and the results show that the contaminants in the concentrates are well within acceptable levels for a high quality iron ore feed.

DIRECTORS' REPORT
(continued)

2 Review and Results of Operations (continued)

- 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.

3 Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half-year ended 31 December 2010.

Signed in accordance with a resolution of the directors:



Kenneth Lee
Managing Director

Sydney

Dated: 11 March 2011

11 March 2011

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

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 review of the financial statements of South American Iron & Steel Corporation Limited for the half year ended 31 December 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 review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely



Andrew Hoffmann
Partner



Nexia Court & Co
Chartered Accountants

Sydney

Independent Auditor's Review Report

To the members of South American Iron & Steel Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of South American Iron & Steel Corporation Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of South American Iron & Steel Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

Independence

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

Conclusion

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

- (i) giving a true and fair view of company's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Significant uncertainty regarding continuation as a going concern

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

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



Andrew Hoffmann
Partner



Nexia Court & Co
Chartered Accountants

11 March 2011

Sydney

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

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 15:
 - (a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporation Regulations; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.

2. In the director's 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, with the continued support of its major shareholders.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors



Kenneth Lee
Managing Director

Sydney
Dated: *11 March 2011*

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Notes	Consolidated	
		31 Dec 2010	31 Dec 2009
		\$	\$
Continuing Operations			
Revenue	8(i)	18,343	7,752
Depreciation and amortisation expense	8(ii)	11,095	41,432
Impairment loss on Employees' Shares – Loan		40,415	148,833
Impairment loss on investment & concessions		21,206	4,932,659
Share based payments		79,337	-
Administration expenses		470,306	662,050
Other expenses		141,079	324,753
Loss before income tax		(745,095)	(6,101,975)
Income tax expense		-	-
Loss for the period		(745,095)	(6,101,975)
Other Comprehensive Income			
Exchange differences arising on translation of foreign operations		419	(281,511)
Total Comprehensive Income for the Period		(744,676)	(6,383,486)
Earnings per Share			
Loss per share			
- Basic and Diluted (cents per share)		(0.33)	(3.70)

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

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Notes	Consolidated	
		31 Dec 2010	30 Jun 2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		164,301	1,031,282
Trade and other receivables		190,073	368,561
Other financial assets		96,352	196,352
Intangible Assets	9	-	243,054
TOTAL CURRENT ASSETS		450,726	1,839,249
NON-CURRENT ASSETS			
Property, plant and equipment		277,639	289,768
Exploration and evaluation expenditure	10	9,621,536	8,339,729
TOTAL NON-CURRENT ASSETS		9,899,175	8,629,497
TOTAL ASSETS		10,349,901	10,468,746
CURRENT LIABILITIES			
Payables		556,799	728,805
Other liabilities	11	-	857,608
Employee entitlements		31,081	32,333
TOTAL CURRENT LIABILITIES		587,880	1,618,746
NON-CURRENT LIABILITIES			
Employee entitlements		9,681	12,049
TOTAL NON-CURRENT LIABILITIES		9,681	12,049
TOTAL LIABILITIES		597,561	1,630,795
NET ASSETS		9,752,340	8,837,951
EQUITY			
Contributed equity	12	36,479,740	34,900,012
Reserves		1,407,953	1,328,197
Accumulated losses		(28,135,353)	(27,390,258)
TOTAL EQUITY		9,752,340	8,837,951

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

Consolidated	Share Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
At 1 July 2010	34,900,012	1,328,197	(27,390,258)	8,837,951
Loss for the period	-	-	(745,095)	(745,095)
Foreign currency translation differences	-	419	-	419
Share based payments		79,337		79,337
Share issue (net)	1,579,728	-	-	1,579,728
At 31 December 2010	36,479,740	1,407,953	(28,135,353)	9,752,340
At 1 July 2009	32,526,240	1,886,823	(19,407,790)	15,005,273
Loss for the period	-	-	(6,101,975)	(6,101,975)
Foreign currency translation differences	-	(281,511)	-	(281,511)
Share issue (net)	1,478,505	-	-	1,478,505
At 31 December 2009	34,004,745	1,605,312	(25,509,765)	10,100,292

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

	Consolidated	
	31 Dec 2010	31 Dec 2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	-	274
Cash payments in the course of operations	(1,599,739)	(1,159,721)
Interest received	18,343	7,478
Net Cash Flow from Operating Activities	(1,581,396)	(1,151,969)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mining exploration payments	(143,779)	(186,590)
Proceeds from sale of assets	183,194	
Net Cash Flow from Investing Activities	39,415	(186,590)
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer of held - to - maturity assets to cash	-	30,448
Net proceeds from issue of share capital	875,000	1,478,505
Repayment of borrowings	(200,000)	
Net Cash Flow from Financing Activities	675,000	1,508,953
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS HELD	(866,981)	170,394
Cash and Cash Equivalents at the Beginning of the Financial Period	1,031,282	327,227
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	164,301	497,621

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

1 REPORTING ENTITY

South American Iron & Steel Corporation Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the company as at, and for the six months ended 31 December 2010 comprises the company and its subsidiaries (together referred to as the “Group”).

The Annual Report of the Group, as at, and for the year ended 30 June 2010 is available upon request from the company’s registered office at Suite 2 Level 10, 8-10 Loftus Street, Sydney NSW 2000 or at www.saironsteel.com.

2 STATEMENT OF COMPLIANCE

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual report of the Group, as at, and for the year ended 30 June 2010, and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial report was approved by the Board of Directors on 11 March 2011.

3 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The basis of preparation and accounting policies applied by the group in this consolidated half-year financial report are the same as those applied by the Group in its annual report, as at, and for the year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

4 GOING CONCERN

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

The Group recorded a loss of \$745,095 which includes non-cash, impairment losses on employees' shares purchase loans of \$40,415 for the six months ended 31 December 2010.

The Group had cash of \$164,301 as at 31 December 2010. On 24 January 2011, the Group issued a \$1,000,000 convertible note, convertible at 8.2 cents per share. This note is non-interest bearing and it matures on 24 January 2012.

The Group plans to increase its capital base through further share placements and/or a rights issue and the Directors have no reason to believe that the proposed funds raising will not be successful.

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

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

5 USE OF ESTIMATES AND SIGNIFICANT JUDGEMENTS

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in the following notes.

- Note 10 – measurement of the recoverable amounts of exploration and evaluation expenditure;
- Note 15 – share based payments.

The valuation of the exploration and evaluation asset currently recognised is \$9,621,536. This is based on management judgement, estimates and assumptions on activities that have not yet occurred.

6 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual report, as at, and for the year ended 30 June 2010.

7 SUBSEQUENT EVENTS

On 24 January 2011, the Company issued a \$1,000,000 convertible note, convertible at 8.2 cents per share. The note is non-interest bearing and it matures on 24 January 2012.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

8 REVENUE AND EXPENSES

	Consolidated	
	31 Dec 2010	31 Dec 2009
	\$	\$
(i) Other Income		
Interest received	18,343	7,478
Other income	-	274
	<hr/>	<hr/>
	18,343	7,752
(ii) Expenses		
Depreciation and amortisation	11,095	41,432
	<hr/>	<hr/>

9 INTANGIBLE ASSETS

This amount represented amounts paid to acquire a Chilean Mining Concessions Purchase Agreement and is restated under exploration and evaluation expenditure as at 31 December 2010.

10 EXPLORATION CONCESSIONS

During the period, the company's subsidiaries have acquired mining licences and mining concessions and incurred exploration costs of \$939,438.

11 OTHER LIABILITIES

	Consolidated	
	31 Dec 2010	30 June 2010
	\$	\$
Loan instruments (non-interest bearing) (a)	-	557,608
Convertible notes (interest bearing) (b)	-	300,000
	<hr/>	<hr/>
	-	857,608
	<hr/>	<hr/>

(a) Pursuant to a General Meeting of Shareholders on 30 June 2010, the loan instruments were converted to ordinary shares.

(b) During the period, two convertible notes of \$100,000 each were repaid and one convertible note was converted to ordinary shares.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

12 SHARE CAPITAL

	Consolidated		Consolidated	
	Dec 2010 \$	June 2010 \$	Dec 2010 Shares	June 2010 Shares
Ordinary shares				
Issued	\$36,479,740	\$34,900,012	233,651,371	192,891,831
<i>Movements during the period</i>				
Balance at beginning of the period	\$34,900,012	\$32,526,240	192,891,831	147,219,206
Share issues during the period	\$1,657,608	\$2,623,592	40,759,540	45,672,625
Cost of capital raising	(\$77,880)	(\$249,820)	-	-
Balance at the end of the period	\$36,479,740	\$34,900,012	233,651,371	192,891,831

13 OPERATING SEGMENTS

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Managing Director for the purpose of resource allocation and assessment of performance is more specifically focused on Australia, Chile and Ecuador. These are the reportable segments under AASB 8.

Information regarding these segments is presented below.

OPERATING SEGMENTS

For the six months ended 31 December

	Australia		Chile		Ecuador		Total	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
External revenues	18,343	7,752	-	-	-	-	18,343	7,752
Reportable segment loss before income tax	(720,987)	(5,717,798)	(24,108)	(23,019)	-	(361,158)	(745,095)	(6,101,975)
Consolidated loss before income tax							(745,095)	(6,101,975)
Reportable segment assets	1,125,301	938,235	9,085,585	8,503,104	139,015	1,128,830	10,349,901	10,570,169
Reconciliation of reportable segment profit or loss							2010	2009
Total loss for reportable segments							(745,095)	(6,101,975)
Other loss							-	-
Elimination of inter-segment profits							(745,095)	(6,101,975)
Consolidated loss before income tax							(745,095)	(6,101,975)

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

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There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2010.

14 RELATED PARTIES

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the Annual Report, as at, and for the year ended 30 June 2010.

15 SHARE BASED PAYMENTS

On 6 July 2010, the company issued 20,000,000 options to directors. The options, which expire on 6 July 2015, have not vested and are exercisable at an average price of \$0.15.

Non-vested number	Granted number	Grant date	Value per option at grant date	Exercise Price \$	Expiry Date	First Exercise Date
6,666,666	6,666,666	6/7/10	\$0.00540	\$0.10	6/7/15	6/7/11
6,666,667	6,666,667	6/7/10	\$0.00325	\$0.15	6/7/15	6/7/12
6,666,667	6,666,667	6/7/10	\$0.00214	\$0.20	6/7/15	6/7/13

Inputs into the model:

Grant date share price	\$0.03
Average exercise price	\$0.15
Volatility	50%
Option life	1,826 days
Dividend yield	-
Risk-free interest rate	5.04%

On 24 September 2010, the company issued 650,000 options to employees. The options, which expire on 23 September 2013, are fully vested and are exercisable at a price of \$0.15.

Vested number	Granted number	Grant date	Value per option at grant date	Exercise Price \$	Expiry Date	First Exercise Date
650,000	650,000	24/9/10	\$0.01147	\$0.15	23/9/13	31/12/10

Inputs into the model:

Grant date share price	\$0.084
Exercise price	\$0.15
Volatility	40%
Option life	1,096 days
Dividend yield	-
Risk-free interest rate	5.11%

The options issued above have been valued at the issue date as detailed above using the Black-Scholes model resulting in a total cost of \$79,337.