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Annual Report

for the year ended

30 June 2011

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
Dr Simon Ning , Non-Executive Director

Company Secretary
Kenneth Lee

South American Iron & Steel Website:
www.saironsteel.com

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

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 2011 and the auditors' report thereon.

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
Dr Haomin Simon Ning (Director)	4 April 2011 to present
Mark Bethwaite (Director)	23 April 2010 to 30 November 2010

Details of the above Directors follow:

Terry Cuthbertson, Chairman, Independent Non-Executive Director

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, Executive Director

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

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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.

Dr Haomin Simon Ning, Independent Non-Executive Director

Dr. Ning is a young entrepreneur with international experience. He gained his management experience in hydro-power engineering (Zublin AG.), civil engineering, electronic and semiconductor (SIEMENS) industries before he moved into management consulting industry (Balanced Scorecard Collaborative).

Whilst gaining his PhD. in Management and Marketing in the UK, he started his own business helping a number of Chinese companies penetrating into EU market. Dr. Ning is currently the Managing Director of an investment company and a construction group company based in China.

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 2011 after income tax was \$1,254,630 (2010: \$7,982,468).

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.

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

During the 12 months to 30 June 2011 your Company Directors have been working to add value to the Company. The Company now has in its portfolio large quantities of iron sands and conventional iron ore in Chile, it has the management of a gold, copper, lead/zinc and antimony Concession in Yunnan Province, China which is at present (September 2011) being drilled.

Quince Project (Conventional iron ore, Chile)

On 30 September 2010, SAY entered into a Chilean Mining Concessions Purchase Agreement in relation to the 90% of the Quince concessions owned by Hanwell, this agreement was 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 is 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 Company completed the Stage 1 drilling at Quince during the December quarter 2010. Five holes in total were completed.

A combination of diamond and RC drill holes were projected into the main lobe of the Quince anomaly (5km long by 1.8km wide) SQ1 was a spectacular hole producing a 288 metre intercept from 221.25 metres to the bottom of the hole at 509.25 metres with 58.1% Fe in the magnetic fraction. The final 24.9 metres from 484.35 metres contained 66.5% Fe in the magnetic fraction with 68.8% recovery. The other four holes produced good intercepts of magnetite mineralisation.

SAY signed a farm-in agreement in October 2010 relating to Quince with the Chinese group Henan Mining, but Henan did not proceed with the opportunity. The Company is now in discussion with other Chinese and Japanese companies who have shown interest in further exploring and developing the Quince project through an off-take or farm-in.

The directors have reviewed the carrying amount of the capitalised costs of \$1,149,889 for the Quince concession included in the statement of financial position and have determined that to be appropriate and recoverable.

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Putú Project (Iron sands, Chile)

The Putú concessions occupy a region some 40 km long averaging 5km wide just north of the town of Constitución, in Chile. These are conventional iron sands with a large "Inferred" resource. Analysis of the airborne magnetic data collected in early 2010 has revealed three zones that contain in excess of 200 million tonnes of high grade sands. Numerous bulk samples have been collected and sent to interested parties in China during the preceding 12 months.

Discussions with interested parties are underway. SAY has initiated an environmental impact assessment for Putu so that bulk sampling leading to exploitation can be fast tracked. The Company is confident that a Chinese steel maker will sign a contract with SAY or sign a Joint Venture in the near future that will facilitate the exploitation of the Putu deposit.

Mauullín Project (Iron sands, Chile)

The Mauullín concessions are south of Putú near the deep water port of Puerto Mont. The concessions host large quantities of good quality iron sands. No work was carried out during the period at Mauullin, but the Company does intend 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, Chile)

The Aguas Claras project reverted to SAY more than 12 months ago when a Deed of Settlement arranged with Shoreline Minerals Limited was not able to be completed. The Company has not performed any exploration at Aguas Claras during the year, but is in discussions to find a suitable JV partner for the project.

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 at that time. In addition, the Company's exploration applications were revoked.

During the year, the Company has entered into dialogue with the Ecuadorian Government with respect to a joint venture with a Government entity to facilitate the exploitation of the high quality iron sands that were assessed by SAY prior to March 2009, these discussions are expected to lead to a positive outcome for SAY in the near future.

China

Yunnan Weishan Mineral Concession (Copper, gold, lead/zinc and antimony)

Directors are please to advise that the initial agreement involving an Option to purchase Ample Success Investment Limited ("Ample Success") which holds 75% of the Yunnan Mineral Concession was revised in late July 2011, so now SAY will purchase a controlling 54% of Ample Success and takeover the management of all aspects including exploration. The first tranche of the purchase (15%) is complete and a further 39% has been transferred and held in trust until SAY shareholders approval is confirmed.

Prior to 30 June 2011 the Yunnan Project geoscientists initiated gradient array Induced Polarisation ("IP") geophysical surveys over the five main mineralised zones within the

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Yunnan Mineral Concession. As well geological mapping and geochemical surveys were initiated over the known mineralisation and more generally across the concession.

Preliminary analysis of the IP geophysical survey and sounding data revealed strong polarisation anomalies over the copper mineralisation and extensions to the Zhacun Gold Mining zone which provided drilling targets. Surveying is now complete and drilling is in progress over the copper mineralisation and the northern extensions to the Zhacun Gold Mining zone. Initial assay results are expected towards the end of September 2011.

Corporate

During the period, Mr Mark Bethwaite did not seek re-election to the SAY Board at the AGM in November 2010. Mr Bethwaite was a non-executive Director.

In April 2011 the Company appointed Dr Haomin Simon Ning as a non-executive Director, Dr Ning is the representative for Digital Force Investments Limited, a major shareholder in SAY. Dr Ning has been most helpful assisting SAY with negotiations in China.

The SAY 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 and Chinese assets forward to create shareholder value.

Pursuant to the approval of shareholders at a General Meeting in June 2010, the Company issued 13,940,196 shares on conversion of a loan.

Pursuant to the approval of shareholders at a General Meeting in June 2010, the Company issued 25,000,000 fully paid ordinary shares at 4.0 cents each on 19 August 2010.

On 7 October 2010, a note holder of a \$100,000 convertible note gave notice to convert the loan to 1,819,344 fully paid ordinary shares at 5.5 cents each.

On 31 January 2011, the Company issued a \$1 million convertible note to a sophisticated investor to be converted at 8.2 cents. This note is non-interest bearing and it matures on 24 January 2012. The note holder gave notice on 31 March 2011 to convert the note to 12,195,122 fully paid ordinary shares at 8.2 cents each.

Pursuant to the approval of shareholders at a General Meeting in June 2010, the Company issued 20,000,000 options to the directors. Details of these options are provided in section 10.27 of this annual report.

A further 650,000 options were issued to employees of the Company during the year. Details of these options are provided in section 10.27 of this annual report.

During the year, the Company repaid two \$100,000 convertible notes.

2.7 Changes in the State of Affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year other than those referred to in this report, the financial statements and the accompanying notes.

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2.8 Events Subsequent to Balance Date

The Company issued a \$300,000 convertible note on 18 August 2011 to be converted at 8.1 cents per share. This note is non-interest bearing and will expire on 28 July 2012.

On 6 September 2011, the Company issued 11,939,111 shares at 9.5 cents each in pursuant to acquiring 15% of Ample Success Investment Limited ("Ample Success"). Ample Success's sole asset is a 75% interest in a highly prospective mineral Concession in Weishan County, Yunnan, China ("the Concession").

In addition to the 15% acquired, the vendor of Ample Success ("the Vendor") has also transferred a further 39% of Ample Success to the Company to be held in trust for the Vendor, giving SAY effective control of the Ample Success (54%).

The Vendor and Ample Success directors have transferred management right of Ample Success to SAY where SAY has the rights and obligations to manage Ample Success operations in the capacity of the major shareholder of Ample Success. Accordingly, SAY has the right to manage exploration on the Concession as Ample has a 75% interest in the Concession and is manager.

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	7	7
Kenneth Lee	7	7
Richard Haren	7	7
Simon Ning	3	3
Mark Bethwaite	2	2

A – Number of meetings attended

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

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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 Directors obtain 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 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.

The remuneration structures are designed to attract suitably qualified candidates, and to affect the broader outcome of increasing the group's net profit attributable to members of the Company.

(ii) 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.

(iii) Employment contracts of Directors and Senior Executives

The employment conditions of the Managing Director, Kenneth Lee, is formalised in a contract of employment. The employment contract stipulates a 12 month resignation notice period. The Group may terminate an employment contract without cause by providing 12 months written notice or making payment in lieu of notice together with any applicable redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Group can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

(iv) Non-executive Directors

The compensation for non-executive directors is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. None of the non-executive directors receive performance-related compensation. Directors' fees cover all main board activities.

(v) Options Granted as part of Compensation

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant and Vesting Date	Number of options granted during the year	Exercise Date	Expiry Date	Exercise Price	Value per option at grant date	% Vested
6 July 2010	6,666,666	6 July 2011	5 July 2015	\$0.10	0.54 cents	100
6 July 2010	6,666,667	6 July 2012	5 July 2015	\$0.15	0.32 cents	100
6 July 2010	6,666,667	6 July 2013	5 July 2015	\$0.20	0.21 cents	100

Options granted carry no dividend or voting rights.

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2.12 Remuneration Report – Audited (cont)

Details of options over ordinary shares in the Group provided as remuneration to each director of South American Iron & Steel Corporation Limited and each of the key management personnel of the Group is set out below. When exercisable, each option is convertible into one ordinary share of South American Iron & Steel Corporation Limited.

Directors	Number of options granted during the year	Value of Options at grant date	Number of options vested during the year
R Haren	6,000,000	\$21.565	6,000,000
K Lee	6,000,000	\$21.565	6,000,000
T Cuthbertson	6,000,000	\$21.565	6,000,000
M Bethwaite	2,000,000	\$7,188	2,000,000
S Ning	-	-	-

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a 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.

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2.12 Remuneration Report – Audited (cont)

For the year ended 30 June 2011

	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	-	21,565	-	81,565	26.44
K Lee	180,000	16,200	21,565	-	217,765	9.90
R Haren	46,438	-	21,565	-	68,003	31.71
M Bethwaite (resigned 30 November 2010)	25,000	-	7,188	-	32,188	22.33
S Ning (appointed 4 April 2011)	-	-	-	-	-	-
	311,438	16,200	71,883	-	399,521	18.00

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 (appointed 23 April 2010)	11,333	-	-	-	11,333	-
F Belli (resigned 22 March 2010)	90,000	8,100	-	-	98,100	-
	487,862	36,588	-	-	524,450	-

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
T Cuthbertson	198,307	6,000,000
R Haren	163,653	6,000,000
K Lee ¹	666,807	6,000,000
S Ning	-	-
M Bethwaite (resigned 30 th November 2010)	-	2,000,000

¹These shares include 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 2011:

	\$
Taxation	2,800
Other	-
	<u>2,800</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 15 and forms part of the Directors' report for the year ended 30 June 2011.

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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 2011 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 2012. 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 23,950,000 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
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)
650,000	\$0.15	23 September 2013
23,950,000		



Kenneth Lee
Managing Director

Sydney

Dated: 30 September 2011

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

30 September 2011

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 2011, 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.

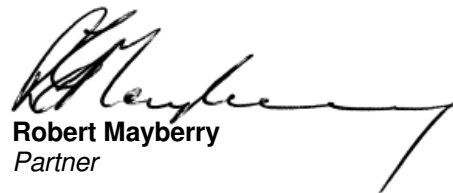
Yours sincerely



Nexia Court & Co
Chartered Accountants

Sydney

Dated: 30 September 2011



Robert Mayberry
Partner

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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 2011, 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 entity's financial position as at 30 June 2011 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 10 to 12 of the directors' report for the year ended 30 June 2011. 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

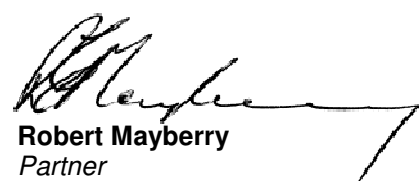
In our opinion, the Remuneration Report of South American Iron & Steel Corporation Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

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
Chartered Accountants


Robert Mayberry
Partner

Sydney

Dated: 30 September 2011

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 61 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 2011 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 10 to 12 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2011, 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 2011

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and Controlled Entities**6. STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2011

	Note	Group 2011 \$	2010 \$
Other income	10.5	49,763	140,781
Total revenue		49,763	140,781
Consulting fees		(122,571)	(420,357)
Depreciation	10.6	(17,556)	(41,257)
Impairment loss	10.6	(88,445)	(5,807,435)
Other operating expenses		(996,484)	(1,652,497)
Loss on sale of assets	10.6	-	(201,703)
Share based payments	10.6	(79,337)	-
Loss from ordinary activities before income tax expense		(1,254,630)	(7,982,468)
Income tax expense	10.8	-	-
Loss for the year		(1,254,630)	(7,982,468)
Other Comprehensive Income			
Exchange differences arising on translation of foreign operations		(302,100)	(558,626)
Total Comprehensive Income for the period		(1,556,730)	(8,541,094)
Basic and Diluted earnings per share in cents	10.24	0.54	4.81

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

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and Controlled Entities**7. STATEMENT OF FINANCIAL POSITION**

As at 30 June 2011

	Note	Group 2011 \$	2010 \$
Current assets			
Cash and cash equivalents	10.9	267,368	1,031,282
Trade and other receivables	10.10	180,516	368,561
Other financial assets	10.12	53,240	53,240
Intangible assets	10.13	-	243,054
Total current assets		501,124	1,696,137
Non-current assets			
Other financial assets	10.12	43,112	143,112
Property, Plant and equipment	10.14	256,832	289,768
Exploration and evaluation expenditure	10.15	9,440,151	8,339,729
Total non-current assets		9,740,095	8,772,609
Total assets		10,241,219	10,468,746
Current liabilities			
Payables	10.16	248,371	728,805
Other	10.17	-	857,608
Employee entitlements	10.18	35,623	32,333
Total current liabilities		283,994	1,618,746
Non-current liabilities			
Employee entitlements	10.18	16,939	12,049
Total non-current liabilities		16,939	12,049
Total liabilities		300,933	1,630,795
Net assets		9,940,286	8,837,951
Equity			
Contributed equity	10.19	37,479,740	34,900,012
Reserves	10.20	1,105,434	1,328,197
Accumulated losses		(28,644,888)	(27,390,258)
Total equity		9,940,286	8,837,951

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

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8. STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Share Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2010	34,900,012	1,292,625	35,572	(27,390,258)	8,837,951
Comprehensive Income for the year					
Loss for the period	-	-	-	(1,254,630)	(1,254,630)
Foreign currency translation differences	-	-	(302,100)	-	(302,100)
Total Comprehensive Income for the year	-	-	(302,100)	(1,254,630)	(1,556,730)
Transactions with Owners					
Share issue (net)	2,579,728	-	-	-	2,579,728
Share based payments	-	79,337	-	-	79,337
Total Transactions with Owners	2,579,728	79,337	-	-	2,659,065
At 30 June 2011	37,479,740	1,371,962	(266,528)	(28,644,888)	9,940,286

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

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8. STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 June 2010

	Share Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2009	32,526,240	1,292,625	594,198	(19,407,790)	15,005,273
Comprehensive Income for the year					
Loss for the period	-	-	-	(7,982,468)	(7,982,468)
Foreign currency translation differences	-	-	(558,626)	-	(558,626)
Total Comprehensive Income for the year	-	-	(558,626)	(7,982,468)	(8,541,094)
Transactions with Owners					
Share issue (net)	2,373,772	-	-	-	2,373,772
Total Transactions with Owners	2,373,772	-	-	-	2,373,772
At 30 June 2010	34,900,012	1,292,625	35,572	(27,390,258)	8,837,951

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 2011

	Note	Group 2011 \$	2010 \$
Cash flows from operating activities			
Cash receipts in the course of operations		16,981	123,999
Cash payments in the course of operations		(1,612,340)	(2,344,467)
Interest received		32,782	16,782
Net cash from operating activities	10.25(ii)	(1,562,577)	(2,203,686)
Cash flows from investing activities			
Payment for plant and equipment		-	(2,660)
Payment for options on concessions		-	(343,055)
Proceeds from sale of assets		-	443,559
Payment for mining rights and exploration costs		(876,337)	(451,931)
Net cash from investing activities		(876,337)	(354,087)
Cash flows from financing activities			
Proceeds from share issue		875,000	2,373,772
Issue of convertible notes		1,000,000	400,000
Repayment of convertible note		(200,000)	(100,000)
Issue of loan instrument		-	557,608
Transfer of cash to held to maturity assets		-	30,448
Net cash from financing activities		1,675,000	3,261,828
Net (decrease)/increase in cash and cash equivalents		(763,914)	704,055
Cash and cash equivalents at the beginning of the financial year		1,031,282	327,227
Cash and cash equivalents at the end of the financial year	10.25(i)	267,368	1,031,282

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 2011

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 2011 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 2011.

This report was authorised for issue by the Directors on 30 September 2011. The Company has the power to amend and re-issue the financial report.

(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 are in 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 10.18 – employee entitlements;
- Note 10.27 – share based payments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 10.15 – measurement of the recoverable amounts of exploration and evaluation expenditure;

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 2011 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

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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.

(iii) 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 Statement of Comprehensive Income in the financial year in which the exchange rates change.

(iv) 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.

(v) 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

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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.

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.

(vi) 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.

(vii) 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.

(viii) Cash and cash equivalents

For statement of cash flows 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.

(ix) 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

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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 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.

The amount of the impairment loss is recognised in the statement of comprehensive income 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 statement of comprehensive income.

(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 2011	Depreciation rate 2010	Depreciation method
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 45 days.

(xiv) Employee benefits

Wages and salaries, annual leave and sick leave

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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 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 statement of comprehensive income 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

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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 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 Statement of Cash Flows 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

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(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.

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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 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.

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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	
	2011	2010
Financial Assets		
Cash & cash equivalent	267,368	1,031,282
Other financial assets	96,352	196,352
Net exposure	<u>363,720</u>	<u>1,227,634</u>

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2011, if interest rates had moved, with all other variables held constant, post tax losses and equity would have been affected as follows:

		Group	
		2011	2010
<i>Judgements of reasonable possible movements:</i>			
Post tax loss			
+1.0% (2010:1.0% (100 basis points))	1%	3,637	12,276
-1.0%(100 basis points)	-1%	(3,637)	(12,276)
Equity			
+1.0% (2010:1.0% (100 basis points))	1%	3,637	12,276
-1.0% (100 basis points)	-1%	(3,637)	(12,276)

The movements in losses are due to possible higher or lower interest income from cash balances. The sensitivity is lower than 2010 because of the decrease 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.

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At 30 June 2011, the Group had the following exposures to USD foreign currency risk that is not designated in cash flow hedges:

	Group	
	2011	2010
<i>Net Assets:</i>		
Current assets	144,037	279,822
Non-current assets	2,735,644	2,526,071
Current liabilities	(15,526)	(213,401)
Non-current liabilities	-	-
	<hr/>	<hr/>
Net exposure	2,864,155	2,592,492

		Group	
		2011	2010
<i>Judgements of reasonable possible movements:</i>			
Reserves and equity			
15.0% \$A currency gain	15%	(429,623)	(388,874)
15.0% \$A currency loss	-15%	429,623	388,874

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).

Fair Values

	2011	2011
	Carrying	Net Fair
	Amount	Value
	\$	\$
<i>Financial Assets:</i>		
Cash and cash equivalents	267,368	267,368
Trade and other receivables	180,516	180,516
Other financial assets	96,352	96,352
	<hr/>	<hr/>
	544,236	544,236

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.

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and Controlled Entities**10.5 Other Income**

	Group	
	2011	2010
	\$	\$
Interest Received	32,782	16,782
Rent Received	16,981	-
Other Income	-	123,999
	49,763	140,781

10.6 Expenses

	Group	
	2011	2010
	\$	\$
Depreciation - plant and equipment	17,556	41,257
Staff and directors salaries	406,499	589,702
Loss on sale of assets	-	201,703
Staff superannuation	24,513	45,753
Impairment loss on concessions	-	4,569,852
Impairment loss on assets	39,245	1,014,166
Impairment loss on Employees Shares - Loan	49,200	223,417
Share based payments	79,337	-

10.7 Auditors' remuneration

	Group	
	2011	2010
	\$	\$
Nexia Court & Co		
- Audit services	66,065	68,507
- Other services	2,800	8,062
Humphreys y Cia (auditor of Inversiones Aconcagua Ltda; Inversiones Arenas Claras Ltda; and Inversiones Arenas Maullin Ltda)		
- Audit services	12,875	12,500
Willi Bamberger & Asociados C. Ltda (auditor of Fierroinca Ecuador S.A and Agroindustrial Ana Julia S.A.)		
- Audit services	-	8,200

Prior year includes actual audit fees paid/payable.

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and Controlled Entities**10.8 Income tax**

	Group	
	2011	2010
	\$	\$
Numerical reconciliation between tax expense and pre-tax loss		
Loss for the year	1,254,630	7,982,468
Total income tax expense	-	-
Loss excluding income tax expense	<u>1,254,630</u>	<u>7,982,468</u>
Income tax using the company's domestic tax rate of 30% (2010 – 30%)	(376,389)	(2,394,740)
Tax losses – not recognised	<u>376,389</u>	<u>2,394,740</u>
	-	-

Available tax losses to date amount to \$10,206,047. 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 \$3,061,814.

10.9 Cash and cash equivalents

	Group	
	2011	2010
	\$	\$
Current		
Cash at bank	<u>267,368</u>	<u>1,031,282</u>

10.10 Trade and Other Receivables

	Group	
	2011	2010
	\$	\$
Current		
Employees' loans receivables	323,450	2,599,207
Less: Impairment loss	<u>(299,450)</u>	<u>(2,526,007)</u>
	24,000	73,200
GST – Refundable	10,986	34,148
Other Receivables	<u>145,530</u>	<u>261,213</u>
	<u>180,516</u>	<u>368,561</u>

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and Controlled Entities**10.11 Investments in Controlled Entities**

	Class of Share	Group Interest	
		2011 %	2010 %
<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	Ordinary	100.00	100.00
Inversiones Arenas Claras Ltda	Ordinary	99.95	99.95
Inversiones Arenas Maullin Ltda	Ordinary	99.95	99.95
Minera Fierro Inca Ecuador S.A.	Ordinary	99.95	99.95
Agroindustrial Ana Julia S.A.	Ordinary	99.95	99.95
SAIS Gold Limited	Ordinary	100.00	-

10.12 Other financial instruments

		Group	
		2011 \$	2010 \$
Current			
Investments at cost - Shoreline	1	512	512
Investments at cost - Quince concession	2	42,600	142,600
Deposit - rent guarantee		53,240	53,240
		96,352	196,352

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

² The investment relates to a 10% interest in the mining concessions of Hanwell Chile S.A. plus cost of options. The cost of the options was reclassified to exploration and evaluation expenditure during the year.

10.13 Intangible Assets

	Group	
	2011 \$	2010 \$
Option to acquire Quince	-	243,054

This amount represents amounts paid to acquire a Chilean Mining Concessions Purchase Agreement. The cost of the option was transferred to exploration and evaluation expenditure during the year as the Group has been actively involved in the region.

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10.14 Property, plant and equipment

	2011	Group 2010
	\$	\$
Non-Current		
Land	188,098	192,838
IT software – at cost	57,521	57,521
Less: Accumulated Depreciation	(57,203)	(48,658)
Furniture and fittings – at cost	3,723	4,273
Less: Accumulated Depreciation	(3,723)	(4,273)
Motor vehicles – at cost	7,381	8,470
Less: Accumulated Depreciation	(3,098)	(3,102)
Other assets – at cost	41,136	41,136
Less: Accumulated Depreciation	(38,804)	(31,134)
Plant and equipment – at realisable value	58,856	70,000
Plant and equipment – at cost	18,984	19,278
Less: Accumulated depreciation	(16,039)	(16,581)
	256,832	289,768

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

30 June 2011

	Land	IT Software	Motor Vehicles	Other assets	Plant and equipment	Total
Carrying amount at beginning of year	192,838	8,863	5,368	10,002	72,697	289,768
additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment of assets	-	-	-	-	-	-
Effect on currency movements	(4,740)	-	(51)	-	(10,589)	(15,380)
depreciation	-	(8,545)	(1,034)	(7,670)	(307)	(17,556)
	188,098	318	4,283	2,332	61,801	256,832

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30 June 2010

	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	2010
	\$	\$
Carrying amount at the beginning of the year	8,339,729	12,829,859
Expenditure during the year	876,337	451,931
Effect of currency movements	(118,969)	(372,209)
Transfers from other financial assets and intangibles	343,054	-
Impairment loss on concessions	-	(4,569,852)
	9,440,151	8,339,729
Mining Concessions	7,812,518	7,097,203
Exploration costs	1,627,633	1,242,526
	9,440,151	8,339,729

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. The Quince concession has capitalised costs of \$1,149,889 and the company is currently party to a purchase agreement that expires on 1 December 2011. The directors believe that the purchase agreement will be extended and are pursuing methods to ensure this happens, however, should the purchase agreement not be extended the capitalised costs will be required to be expensed in the next financial year.

10.16 Payables

	Group	
	2011	2010
	\$	\$
Current		
Trade creditors	215,898	350,883
Other creditors and accruals	32,473	377,922
	248,371	728,805

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and Controlled Entities**10.17 Other**

	Group	
	2011	2010
Current		
Loan Instrument - non interest bearing	-	557,608
Convertible Notes - interest bearing	-	300,000
	<u>-</u>	<u>857,608</u>

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. The company issued 13,940,196 shares at 4 cents each on conversion of the loan instrument.

Two of the interests bearing convertible notes, at \$100,000 per note, were repaid during the year. The third convertible note was converted into 1,819,344 ordinary shares at 5.5 cents per share.

10.18 Employees entitlements

	Group	
	2011	2010
Current	35,623	32,333
Non-current	16,939	12,049
	<u>52,562</u>	<u>44,382</u>

10.19 Contributed equity

	The Company and Group		The Company and Group	
	2011	2010	Group	
	Shares	Shares	2011	2010
			\$	\$
Share capital				
245,846,493 Ordinary Shares	245,846,493	192,891,831	37,479,740	34,900,012
Capital issued during the year				
Balance at beginning of year	192,891,831	147,219,206	34,900,012	32,526,240
Ordinary shares issued during the year	52,954,662	45,672,625	2,657,608	2,623,592
Cost of raising capital			(77,880)	(249,820)
Balance at end of year	<u>245,846,493</u>	<u>192,891,831</u>	<u>37,479,740</u>	<u>34,900,012</u>

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Capital Management

The Group considers its capital to comprise its ordinary share capital and reserves.

In managing its capital, the Group's primary objective as an explorer is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. The Group has no debt hence has a nil ratio.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or consideration of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

10.20 Reserves

	Group	
	2011	2010
	\$	\$
Foreign currency reserve		
Balance at 1 July	35,572	594,198
Foreign exchange movement effect	(302,100)	(558,626)
	<hr/>	<hr/>
Balance at 30 June	(266,528)	35,572
	<hr/> <hr/>	<hr/> <hr/>
Share based payments reserve		
Balance at 1 July	1,292,625	1,292,625
Share based payments	79,337	-
	<hr/>	<hr/>
Balance at 30 June	1,371,962	1,292,625
	<hr/> <hr/>	<hr/> <hr/>
Total Reserves	1,105,434	1,328,197

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 four 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.

Hong Kong

A fully owned Hong Kong company was incorporated during the year. SAIS Gold Limited was formed to enable the Group to hold investment in Ample Success Investment Limited ("Ample Success"). Ample Success owns 75% of the Yunnan Weishan Mineral Concession. The company has not traded during the financial year and holds no assets.

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 2011

	Australia		Chile		Ecuador		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
External revenues	16,982	-	-	123,550	-	175	16,982	123,725
Interest revenue	32,781	17,056	-	-	-	-	32,781	17,056
Depreciation	16,216	22,184	1,340	4,618	-	14,455	17,556	41,257
Impairment	49,200	223,417	-	4,569,852	39,245	1,014,166	88,445	5,807,435
Reportable segment loss/(profit) before income tax	<u>1,173,413</u>	<u>2,107,711</u>	<u>41,972</u>	<u>4,498,295</u>	<u>39,245</u>	<u>1,376,462</u>	<u>1,254,630</u>	<u>7,982,468</u>
Consolidated loss before income tax							<u>(1,254,630)</u>	<u>(7,982,468)</u>
Reportable segment assets	<u>502,850</u>	<u>1,578,294</u>	<u>9,668,369</u>	<u>8,510,351</u>	<u>70,000</u>	<u>380,101</u>	<u>10,241,219</u>	<u>10,468,746</u>
Reportable segment liabilities	<u>285,407</u>	<u>1,417,395</u>	<u>15,526</u>	<u>6,795</u>	<u>-</u>	<u>206,605</u>	<u>300,933</u>	<u>1,630,795</u>
Reconciliation of reportable segment profit or loss				2011		2010		
Total loss for reportable segments				(1,254,630)		(7,982,468)		
Other loss				-		-		
				<u>(1,254,630)</u>		<u>(7,982,468)</u>		
Elimination of inter-segment profits				-		-		
Consolidated loss before income tax				<u>(1,254,630)</u>		<u>(7,982,468)</u>		

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2010.

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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 (resigned 30 November 2010)
- S Ning (appointed 4 April 2011)

(ii) **Key management personnel compensation**

	Group	
	2011	2010
	\$	\$
Short term employee benefits	311,438	487,862
Post employment benefits	16,200	36,588
Share-based payments	71,883	-
	<u>399,521</u>	<u>524,450</u>

(iii) **Individual directors and executives compensation disclosures**

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart for the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

(iv) **Loans to/from key management personnel**

	Group	
	2011	2010
	\$	\$
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. The loan has been impaired to the value of the shares as they are the only recourse to the loan. Impairment expense recognised during the year was \$nil (2010: \$32,100).

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and Controlled Entities**(v) Shares**

Ordinary Shares	Held at 1 July 2010	Movements	Held at 30 June 2011
Directors			
R Haren	183,653	-	183,653
K Lee ¹	666,807	-	666,807
T Cuthbertson	198,307	-	198,307
M Bethwaite	-	-	-
S Ning	-	-	-

Ordinary Shares	Held at 1 July 2009	Movements	Held at 30 June 2010
Directors			
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.

(vi) Options

The movement during the reporting period in the number of options over ordinary shares in South American Iron & Steel Corporation Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Directors	Balance at beginning of year / date of appointment	Granted as compensation	Balance at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
R Haren	-	6,000,000	6,000,000	6,000,000	-
K Lee	-	6,000,000	6,000,000	6,000,000	-
T Cuthbertson	-	6,000,000	6,000,000	6,000,000	-
M Bethwaite	-	2,000,000	2,000,000	2,000,000	-
S Ning	-	-	-	-	-

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 2011 as permitted by *Corporations Regulation 2M.3.03*.

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.

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and Controlled Entities**10.24 Earnings per share**

	2011	Group 2010
	\$	\$
Basic and Diluted earnings per share	(0.005)	(0.048)
Loss for the year	1,254,630	7,982,468
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	232,656,191	165,979,198

10.25 Notes to the Statement of Cash Flows**(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:

	2011	Group 2010
	\$	\$
Cash at bank	267,368	1,031,282

(ii) Reconciliation of net cash

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

	2011	Group 2010
	\$	\$
Loss for the year	(1,254,630)	(7,982,468)
Depreciation	17,556	41,257
Foreign exchange differences	(159,877)	(680,171)
Impairment loss - Employees Share Plan	49,200	223,417
Impairment loss - Concessions	39,245	4,569,852
Impairment loss – Other assets	-	1,014,166
Loss on sale of assets	-	201,703
Share based payments	79,337	-
Changes in Assets and Liabilities:		
Change in other debtors and prepayments	138,845	77,659
Change in other creditors	(13,256)	(81,253)
Change in other payables and accruals	(332,191)	200,244
Change in trade creditors	(134,986)	220,702
Change in provisions	8,180	(8,794)
Net cash from operating activities	(1,562,577)	(2,203,686)

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10.26 Events subsequent to balance date

Share and Convertible Note

The Company issued a \$300,000 convertible note on 18 August 2011 to be converted at 8.1 cents per share. This note is non-interest bearing and will expire on 28 July 2012.

On 6 September 2011, the Company issued 11,939,111 shares at 9.5 cents each in pursuant to acquiring 15% of Ample Success Investment Limited ("Ample Success"). Ample Success's sole asset is a 75% interest in a highly prospective mineral Concession in Weishan County, Yunnan, China ("the Concession").

In addition to the 15% acquired, the vendor of Ample Success ("the Vendor") has also transferred a further 39% of Ample Success to the Company to be held in trust for the Vendor, giving SAY effective control of the Ample Success (54%).

The Vendor and Ample Success directors have transferred management right of Ample Success to SAY where SAY has the rights and obligations to manage Ample Success operations in the capacity of the major shareholder of Ample Success. Accordingly, SAY has the right to manage exploration on the Concession as Ample has a 75% interest in the Concession and is manager.

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 2011:

- On 31 October 2007 1,300,000 options were granted to Directors (now resigned) 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 6 July 2010, 6,666,666 options were granted to Directors as part of the Company's incentive scheme at an exercise price of \$0.10. All options vested upon granting and can be exercised from 6 July 2011 until 5 July 2015. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised.
- On 6 July 2010, 6,666,667 options were granted to Directors as part of the Company's incentive scheme at an exercise price of \$0.15. All options vested upon granting and can be exercised from 6 July 2012 until 5 July 2015. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised.
- On 6 July 2010, 6,666,667 options were granted to Directors as part of the Company's incentive scheme at an exercise price of \$0.20. All options vested upon granting and can be exercised from 6 July 2013 until 5 July 2015. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised.
- On 24 September 2010, 650,000 options were granted to employees as part of the Company's incentive scheme at an exercise price of \$0.15. All options vested upon granting and can be exercised from 31 December 2010 until 23 September 2013. The options hold no voting or dividend rights and are non transferable. At reporting date no options have been exercised.

	2011		2010	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Parent Entity				
Outstanding at the beginning of the year	8,223,750	1.09	10,573,750	1.18
Granted	20,650,000	0.15	0	0.00
Exercised	0	0.00	0	0.00
Expired	4,923,750	1.21	2,350,000	1.53
Outstanding at year end	23,950,000	0.25	8,223,750	1.09
Exercisable at year end	23,950,000	0.25	8,223,750	1.09

There were nil options exercised during the year ended 30 June 2011. These options had a weighted average share price of \$nil at exercise date.

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The options outstanding at 30 June 2011 had a weighted average exercise price of \$0.25 and a weighted average remaining contractual life of 3.4 years. Exercise prices range from \$0.10 to \$1.50 in respect of options outstanding at 30 June 2011.

The weighted average fair value of the 20,000,000 options granted on 6 July 2010 was \$0.0036. This value was calculated by using a binomial option pricing model applying the inputs detailed above and expected share price volatility of 50%, a risk free rate of 5.04% and the underlying share price at the grant date.

The weighted average fair value of the 650,000 options granted on 24 September 2010 was \$0.0114. This value was calculated by using a binomial option pricing model applying the inputs detailed above and expected share price volatility of 40%, a risk free rate of 5.11% 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 Statement of Comprehensive Income is \$79,337 (2010: \$NIL) and relates in full to equity settled share based payment transactions.

10.28 Parent Entity Disclosure

	Parent Entity	
	2011	2010
	\$	\$
Financial Position:		
Assets		
Current assets	357,087	1,216,371
Non-current assets	10,919,408	9,706,459
Total assets	11,276,495	10,922,830
Liabilities		
Current liabilities	268,468	1,405,346
Non-current liabilities	16,939	12,049
Total liabilities	285,407	1,417,395
Equity		
Issued capital	37,479,741	34,900,012
Accumulated losses	(27,860,616)	(26,687,202)
Reserves	1,371,963	1,292,625
Total equity	10,991,088	9,505,435
Financial Performance:		
Loss for the year	1,173,414	8,317,203
Other comprehensive income	-	-
Total comprehensive loss	1,173,414	8,317,203

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10.28 Parent Entity Disclosure (continued)

Capital and Leasing Commitments:

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

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

	2011	2010
	\$	\$
Within one year	88,803	177,606
Later than one year and no later than five years	-	91,911
	<u>88,803</u>	<u>269,517</u>

The group leases an office building under an operating lease due to expire in December 2011. The group will be negotiating the potential renewal of the lease in the near future.

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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; ▪ ratifying the appointment and, where appropriate, the removal of the Company Secretary;

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- 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 found in the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in

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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 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.
- The Company intends to make each staff appointment after consideration of each candidate's qualifications, experience and proven competence, whilst conscientiously avoiding any discrimination on the basis of, but not limited to, race, creed, colour, gender, age, marital status, religion or physical impairment.
- 3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
- The Company will apply its best endeavours to disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.
- 3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
- The Company has one woman employee. There are two employees at the company at year end. There are no women in senior executive positions or on the board.

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- 3.5 Reporting on Recommendations 3 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 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.
- 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.
- 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.
- 5.2 Reporting on recommendation 5 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.
- 6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their 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.

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- participation at general meetings and disclose their policy or a summary of that policy
- 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.
- 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 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.

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	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	The remuneration committee should be structured so that it: <ul style="list-style-type: none">▪ consists of a majority of independent directors▪ is chaired by an independent director▪ has at least three members.	Please refer above comments.
8.3	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.
8.4	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 23 September 2011

12.1 Substantial Shareholders

Name	Number of Shares	Percentage of issued shares
MR FRANCO BELLI	48,242,465	18.71%
DIGITAL FORCE INVESTMENT LIMITED	43,750,000	16.97%
CENTURY SUNNY INVESTMENT LTD	18,750,000	7.27%

12.2 Distribution of Fully Paid Ordinary Shares

(i) Distribution schedule of holdings		
1 – 1,000	916	
1,001 – 5,000	187	
5,001 – 10,000	129	
10,001 – 100,000	307	
100,001 and over	158	
Total number of holders	<u>1,697</u>	
(ii) Less than marketable parcel of 7,463 shares at \$0.067 per share on 23 September 2011.	No. of holders 1,153	No. of Shares 1,030,242

12.3 Twenty Largest Shareholders

Rank	Name	Number of Shares	Percentage of Issued Shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	51,357,122	19.92%
2	DIGITAL FORCE INVESTMENT LIMITED	43,750,000	16.97%
3	PHILLIP SECURITIES (HONG KONG) LTD	21,355,148	8.28%
4	CENTURY SUNNY INVESTMENT LTD	18,750,000	7.27%
5	SHAOBO LIN	12,195,122	4.73%
6	JIAN HU LIN	11,939,111	4.63%
7	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	6,407,150	2.49%
8	GLADDEN TRADE LTD	5,881,097	2.28%
9	ASTRON LIMITED	3,872,500	1.50%
10	TWYNAM AGRICULTURAL GROUP PTY LTD	3,403,598	1.32%
11	AUSTOCK NOMINEES PTY LTD	3,026,560	1.17%
12	AGCENTRAL PTY LTD	2,675,711	1.04%
13	JP MORGAN NOMINEES AUSTRALIA LIMITED	2,458,852	0.95%
14	NATIONAL NOMINEES LIMITED	2,346,980	0.91%
15	ECOMETRIX PTY LTD	2,100,000	0.81%
16	TWYNAM AGRICULTURAL GROUP PTY LTD	1,769,289	0.69%
17	TERRY PORT S.A.	1,581,097	0.61%
18	MR WAI KIN YU	1,428,613	0.55%
19	MR PHILIP NATHAN ONEILE	1,410,000	0.55%
20	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,230,850	0.48%
		<u>198,938,800</u>	<u>77.17%</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. * It is overlapped by preferred mining concession in process, owned by a third party.
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%	The exploration concessions Lisa 1 and Lisa 2 were renewed on May 6 th , 2010 and its expiration date is May 6 th , 2012. The rest exploration concessions were renewed on May 7 th , 2010 and its expiration date is May 7 th , 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 1/90	900	100%	These exploration concessions were transformed to exploitation concessions on January and February 2010. Their expiration date is indefinite.
Aus 1 91/180	900	100%	
Aus 1 181-270	900	100%	
Aus 1 271/360	900	100%	
Aus 2 1/90	900	100%	
Aus 3 1/90	900	100%	
Aus 9 1/20	200	100%	
Aus 3 271/360	900	100%	
Aus 4 1/104	936	100%	
Aus 4 121/224	936	100%	
Aus 5 1/60	600	100%	
Aus 6 1/20	200	100%	
Aus 8 1/20	200	100%	
Aus 15 1/10	100	100%	
Aus 10 1/20	200	100%	
Aus 11 1/104	936	100%	
Aus 12 1/80	800	100%	
Aus 12 81/160	800	100%	
Aus 13 1/20	200	100%	
Aus 14 1/20	200	100%	
Aus 7 1/10	100	100%	
Aus 16 1/20	200	100%	
Aus 17 1/90	900	100%	
Aus 18 1/18	900	100%	
Aus 18 91/180	900	100%	
Aus 18 181/270	900	100%	
Aus 19 1/40	400	100%	
Aus 20 1/50	500	100%	

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Aus 20 51/100	500	100%
Total	17,908	

Name	Area (ha)	Percentage interest held	Title status
Aus 25 1/125	125	100%	New petitions to exploit granted on January and February 2010. Their expiration date is indefinite.
Aus 21 1/125	125	100%	
Aus 22 1/125	125	100%	
Aus 23 1/45	45	100%	
Aus 24 1/125	125	100%	
Total	545		

Name	Area (ha)	Percentage interest held	Title status
Fran 1	1,200	100%	These exploration concessions were transformed in Aus 21 1/125, Aus 22 1/125, Aus 23 1/45, Aus 24 1/125 and Aus 25 1/125, listed above.
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 1/30	300	100%	These exploration concessions are currently being transformed to exploitation concessions
Curepto 2 1/30	300	100%	
Curepto 3 1/20	200	100%	
Curepto 4 1/30	300	100%	
Curepto 5 1/30	300	100%	
Curepto 6 1/30	300	100%	
Curepto 7 1/30	300	100%	
Curepto 8 1/30	300	100%	
Curepto 9 1/20	200	100%	
Curepto 10 1/30	300	100%	
Curepto 11 1/20	200	100%	
Curepto 12 1/10	100	100%	
Total	3,100		

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Name	Area (ha)	Percentage interest held	Title status
Clara 1 1/10	100	100%	The concessions Clara 1, Clara 2, Clara 3, Clara 4, Clara 7, Clara 9, Clara 10, Clara 12, Clara 13, Clara 14, Clara 15, Clara 16, Clara 18, Clara 19, Clara 20, Clara 22, Clara 23, Clara 25, Clara 26 and Clara 30 are already transformed to exploitation concessions. Their expiration date is indefinite.
Clara 2 1/20	200	100%	
Clara 3 1/30	300	100%	
Clara 4 1/30	300	100%	
Clara 7 1/30	300	100%	
Clara 8 1/30	300	100%	
Clara 9 1/30	300	100%	
Clara 10 1/30	300	100%	
Clara 11 1/30	300	100%	
Clara 12 1/20	200	100%	
Clara 13 1/20	200	100%	
Clara 14 1/30	300	100%	
Clara 15 1/30	300	100%	
Clara 16 1/30	300	100%	
Clara 17 1/30	300	100%	
Clara 18 1/20	200	100%	
Clara 19 1/15	150	100%	
Clara 20 1/20	200	100%	
Clara 21 1/30	300	100%	
Clara 22 1/30	300	100%	
Clara 23 1/30	300	100%	
Clara 24 1/30	300	100%	
Clara 25 1/30	300	100%	
Clara 26 1/30	300	100%	
Clara 27 1/20	200	100%	
Clara 28 1/10	100	100%	
Clara 29 1/20	200	100%	
Clara 30 1/30	300	100%	
Clara 31 1/30	300	100%	
Clara 32 1/30	300	100%	
Clara 33 1/30	300	100%	
Total	8,050		The concessions Clara 8, Clara 11, Clara 17, Clara 21, Clara 24, Clara 27, Clara 28, Clara 29, Clara 31, Clara 32 and Clara 33 are exploration concessions and are currently being transformed to exploitation concessions.

(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.