Annual Report

for the year ended

30 June 2013

Contents

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 92594300
Fax: +612 92525638

Directors
Terry Cuthbertson, Chairman
Kenneth Lee, CEO
Dr Richard Haren, Non-Executive Director
Dr Simon Ning, Non-Executive Director
Mr William Ji, 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 16, 1 Market Street
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 2013 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
William Ji (Director)	27 September 2012 to present
Don Weintraub (Director)	6 March 2012 to 27 September 2012

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, 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 the International Wine Fund (formerly Australian Wine & Investment Fund), a listed fund with more than $200 million under 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.

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. 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, electronics 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.

Mr William Ji, Independent Non-Executive Director

Mr Ji has wide ranging experience in management, finance, mining and project management. He has been in senior positions with CITIC Group since November 2006, to begin with, as a Director (of which he presently remains in that position) of CITIC International Tendering Co., Ltd. Mr Ji is also the Chairman of Jiangxi CITIC Mining Investment Co., Ltd. (since August 2008) and Chairman of CITIC Project Management (Beijing) Co., Ltd. (since February 2012).

The above companies are subsidiaries of CITIC Limited, a large state-owned multinational conglomerate (total assets of RMB 2,539 billion, approximately AUD $391 billion, at the end of 2010) with both financial and non-financial businesses. Its financial business covers a full range of services including commercial banking, investment banking, trust, insurance, fund management and asset management and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and IT industry.

Mr Ji holds an MBA degree from Singapore International Management Academy & James Cook University, Singapore. In addition, Mr Ji is a member of the Professional Golf Teacher Academy, USA.

Don Weintraub, Independent Non-Executive Director

Mr Weintraub holds an MBA in Marketing and International Business from the Ross School of Business at the University of Michigan. He has over 20 years of international business development experience.

He has taken companies public on exchanges in America, Europe and the Middle East.

Mr Weintraub resigned on 27 September 2012.

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 2013 after income tax was $2,347,838 (2012: $2,307,097).

During the financial year, entities in the Group pursued investments and activities in mining exploration in South America as well as in China. 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

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.

During the year, most of Putú concessions were either converted from exploration to exploitation concessions or in the process of being converted into exploitation concessions. Fuller details are included on pages 61 and 62.

During the year:

- The Company together with Sinotech Minerals Exploration Co., Limited ("Sinotech"), a major geological service company, conducted site surveys in Putú.

- Sinotech issued a site survey report, in which Sinotech opined the significant amount of iron sands available and the commercial potential of Putú and Sinotech has advised us that Sinotech will continue to work with the Company to develop Putú.

- The Company has earmarked Trinchera as the ideal area for production of iron sands concentrates.

- Assay results of samples collected (of which Qingzhou Yongsheng Sand-digging Machinery Co., Ltd ("Qingzhou Yongsheng") tests showed a yield greater than 17% and more than 60% Fe concentrate can be extracted from the yield). Qingzhou Yongsheng is the largest and leading mineral sands mining equipment manufacturers and mining contractors in China.

- To commence production as soon as possible, the Company has signed an agreement for the supply of equipment to progress the development of concessions in Chile.

- The Company, through its wholly owned subsidiary Inversiones Aconcagua Ltda ("IAL"), has signed its first mining easement agreement with a landowner owning part of the land in our Putú concessions ("the Mining Easement Agreement").The Mining Easement Agreement with the landowner covers an area of 81.66 hectares ("Servant Estate of the Property") within our Putú concessions and will enable SAIS to commence trial production of iron sands concentrates. Our Putú concessions consist of 21,271 hectares of exploitation concessions and 6,100 hectares of exploration concessions.

- On 19 March 2013, the equipment to beneficiate iron sands concentrates arrived on site and was fully assembled and commenced trial production of iron sands concentrates. Beneficiated iron sands concentrates were stored on site and shipped via container to China for further testing and smelting. Smaller quantities of such samples were sent for laboratory assaying.

Maullín Project (Iron sands, Chile)

The Maullín 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 Maullín, but the Company plans 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 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.

Quince Project

The Company currently owns a 10% interest in the Quince concessions. During the year, the Company received its share of 10% from a potential buyer who paid an option fee to acquire 100% of the Quince concessions.

Under the Purchase Option Agreement, if the buyer has a continuing interest to acquire the Quince concessions, the buyer has to pay a further US $1,250,000 to the vendors (of which the Company will receive US $125,000, being 10% interest in the concessions) on or before 31 January 2014. In the event that the buyer wishes to buy the Quince concessions, an amount of US $8,750,000 is payable by the buyer on or before 31 January 2015 (of which the Company will receive US $875,000.

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 continued to enter 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.

China

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

The Company has a 15 per cent interest in Ample Success Investment Limited ("Ample Success"). Ample Success owns 75 per cent of the Yunnan Mineral Concession. The Company has, at the Company's option and subject to all necessary approvals (including the Company's shareholders' approval), up to 28th June 2014 to acquire a further 39% of Ample Success.

The area of the Concession is 48.15km^2, and it is known to host gold, copper, lead-zinc, iron and antimony mineralisation. The copper, gold and antimony mineralisation areas have been exploited historically by local artisan miners.

The 2012 Exploration Plan for the Yunnan Honghuayuan Polymetallic Concession has been lodged and accepted by the local Chinese Government authorities, resulting in an extension of the Yunnan Concession.

Geophysical and geochemical exploration work was conducted in the Honghuayuan Concession, large-scale geophysical and geochemical anomalies were delineated and drilling was performed to confirm the anomalies. To date, fragmented zones of gold mineralisation have been encountered.

Corporate

On 27th September 2012, Mr Don Weintraub resigned as Non-Executive Director of the Company.

On the same date, Mr William Ji was appointed as Non-Executive Director of the Company. Mr Ji has wide ranging experience in management, finance, mining and project management. He has been in senior positions with CITIC Group since November 2006. His current directorships include:

- Chairman of Jiangxi CITIC Mining Investment Co., Ltd. (since August 2008);
- Chairman of CITIC Project Management (Beijing) Co., Ltd. (since February 2012); and
- Director of CITIC International Tendering Co., Ltd. (since November 2006).

Fuller details of Mr Ji's experience is set out in Section 2.1 Directors.

On 27th September 2012, the Company has entered into an agreement with a subscriber of a $500,000 Convertible Note to provide working capital for the Company. The Convertible Note is non-interest bearing with an expiry date of 12 months from the date of the issue of the Note, convertible into shares at 4.0 cents per share.

In addition, the Company has successfully negotiated the amendments to the terms and conditions of existing Loan Notes amounting to $400,000. The amended Loan Notes are summarised below:

Loan Notes	Terms and Conditions	
	Pre-amendment	Post Amendment

$100,000.00 & $200,000.00	Non-interest bearing and is not repayable until on demand by the Note holder after 31 March 2013 unless SAY raises at least $1.6 million prior to 31 March 2013; in which case it is repayable within seven days on demand by the Note holder.	Non-interest bearing and is not repayable until on demand by the Note holder after 15 December 2013.
$100,000.00	Non-interest bearing and is not repayable until on demand by the Note holder after 31 March 2013 unless SAY raises at least $0.9 million prior to 31 March 2013; in which case it is repayable within seven days on demand by the Note holder.	Non-interest bearing and is not repayable until on demand by the Note holder after 15 December 2013.

On 27th November 2012, the $500,000 Convertible Note subscriber, under the terms and conditions of the Convertible Note (of which was ratified by the shareholders at the Annual General Meeting), has elected to convert the note into 12,500,000 shares at 4 cents per share. On the same date, the Company has also placed 7,500,000 ordinary shares at 4 cents per share ($300,000) to a sophisticated investor.

The following additional funds were raised during the year for working capital and to further develop our Putú concessions:

- On 19th December 2012, the Company raised a further $700,000 in a share placement, at 4 cents each, to domestic and international institutional and sophisticated investors.

- On 21st January 2013, the Company raised a further $92,491 in a share placement, at 4 cents each, to international sophisticated investors.

- On 13th June 2013, the Company raised a further $250,000 in a share placement, at 5 cents each, to sophisticated investors.

Pursuant to the approval of shareholders at the Annual General Meeting held on 23 November 2012, the Company issued 6,000,000 options to a director. Details of these options are provided in section 10.27 of this annual report.

On 31 December 2012, 700,000 unlisted options (which expire on 5 July 2015) with an exercise price of $0.15 were granted to employees/consultants as part of the Company’s incentive scheme.

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.

2.8 Events Subsequent to Balance Date

In the interval between the end of the financial year and the date of this report there has been no 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		Audit Committee Meetings	
	A	B	A	B
Terry Cuthbertson	10	10	2	2
Kenneth Lee	10	10	2	2
Richard Haren	10	10	2	2
Simon Ning	10	10	-	-
William Ji	8	8	-	-
Don Weintraub	-	2	-	-

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

2.12 Remuneration Report– Audited

(i) Remuneration Philosophy

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The 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
28 Nov 2012	2,000,000	28 Nov 2012	5 Jul 2015	$0.10	1.26 cents	100
28 Nov 2012	2,000,000	28 Nov 2012	5 Jul 2015	$0.15	0.86 cents	100
28 Nov 2012	2,000,000	28 Nov 2012	5 Jul 2015	$0.20	0.63 cents	100

Options granted carry no dividend or voting rights.

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
W Ji	6,000,000	$55,382	6,000,000

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.

2.12 Remuneration Report – Audited (cont)

For the year ended 30 June 2013

	Short-term employee benefits	Post employment benefits	Share-based payment	Other long-term benefits	Total compensation	Value of options as proportion of remuneration
	Cash					
	Salary and fees	Super	Options			
	$	$	$	$	$	%
Director						
TCuthbertson	60,000	-	-	-	60,000	0.00
K Lee	192,831	16,200	-	3,268	212,299	0.00
R Haren	60,000	-	-	-	60,000	0.00
D Weintraub (resigned 27 September 2012)	-	-	-	-	-	0.00
S Ning	-	-	-	-	-	0.00
W Ji (appointed 27 September 2012)	-	-	55,382	-	55,382	100.00
	312,831	16,200	55,382	3,268	387,681	14.28

For the year ended 30 June 2012

	Short-term employee benefits	Post employment benefits	Share-based payment	Other long-term benefits	Total compensation	Value of options as proportion of remuneration
	Cash					
	Salary and fees	Super	Options			
	$	$	$	$	$	%
Director						
T Cuthbertson	60,000	-	-	-	60,000	0.00
K Lee	193,903	16,200	-	3,276	213,379	0.00
R Haren	60,000	-	-	-	60,000	0.00
D Weintraub (appointed 6 March 2012)	22,500	-	-	-	22,500	0.00
S Ning	-	-	27,788	-	27,788	100.00
	336,403	16,200	27,788	3,276	383,667	7.24

End of audited remuneration report

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	183,703	6,000,000
K Lee[1]	2,276,698	6,000,000
S Ning	-	6,000,000
W Ji (appointed 27 September 2012)	-	6,000,000
D Weintraub (resigned 27 September 2012)	-	-

[1]These 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 requirements 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 2013:

	$
Taxation	3,499
Other	-
	3,499

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 2013.

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 2013 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 2014. 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.

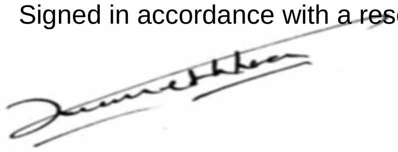
The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contracts.

2.17 Unissued shares under Options

The Company has on issue 44,700,000 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
6,666,666	$0.10	5 July 2015
6,666,667	$0.15	5 July 2015
6,666,667	$0.20	5 July 2015 (exercisable from 6 July 2013)
6,000,000	$0.12	19 October 2014
6,000,000	$0.18	19 October 2014
2,000,000	$0.20	14 December 2016
2,000,000	$0.25	14 December 2016 (exercisable from 15 December 2013)
2,000,000	$0.30	14 December 2016 (exercisable from 15 December 2014)
2,000,000	$0.10	5 July 2015
2,000,000	$0.15	5 July 2015
2,000,000	$0.20	5 July 2015
700,000	$0.15	5 July 2015
44,700,000		

Signed in accordance with a resolution of the Directors



Kenneth Lee
Managing Director

Sydney
Dated: 30 September 2013

nexia australia

the next solution

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

30 September 2013

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 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Robert Mayberry
Partner

Sydney
Dated: *30 September 2013*

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Independent member of Nexia International

NEXIA INTERNATIONAL

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the next solution

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 2013, and the statement of profit or loss and other 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 10.2(i), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements of the Group and the Company 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.

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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nexia australia

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 2013 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001.*

Material uncertainty regarding continuation as a going concern

Without qualifying 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 (v) 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 (v), 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 and the realisation of the economic, operating and trading assumptions about future events and actions, which may not necessarily occur, there is significant uncertainty as to whether the Company and the consolidated entity will be able to continue as a going concern.

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Robert Mayberry
Partner

Sydney
Dated: *30 September 2013*

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 19 to 62 are in accordance with the *Corporations Act 2001* and:

   (a) comply with Australian 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 2013 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 2013, 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 2013

6. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

		Group	
	Note	**2013**	**2012**
		$	**$**
Other income	10.5	252,553	31,468
Total revenue		252,553	31,468
Consulting fees		-	(700)
Depreciation	10.6	(1,852)	(3,259)
Impairment loss	10.6	(1,134,627)	(1,242,700)
Representative office (Beijing) expenses - administration		(228,594)	-
Representative office (Beijing) expenses - operations		(285,698)	-
Other operating expenses		(890,492)	(871,346)
Share based payments	10.6	(59,128)	(220,560)
Loss from ordinary activities before income tax expense		(2,347,838)	(2,307,097)
Income tax expense	10.8	-	-
Loss for the year		**(2,347,838)**	**(2,307,097)**
Other Comprehensive Income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		276,945	(76,148)
Total Comprehensive Income for the period		**(2,070,893)**	**(2,383,245)**
Basic and Diluted earnings per share in cents	10.23	(0.008)	(0.009)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

7. STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	Group 2013 $	Group 2012 $
Current assets			
Cash and cash equivalents	10.9	536,682	325,751
Trade and other receivables	10.10	228,735	160,807
Other financial assets	10.12	53,240	53,240
Total current assets		**818,657**	**539,798**
Non-current assets			
Other financial assets	10.12	42,700	1,177,327
Property, Plant and equipment	10.13	253,217	214,775
Exploration and evaluation expenditure	10.14	9,059,707	8,438,665
Total non-current assets		**9,355,624**	**9,830,767**
Total assets		**10,174,281**	**10,370,565**
Current liabilities			
Trade and other payables	10.15	346,104	391,012
Other liabilities	10.16	400,000	400,000
Employee entitlements	10.17	62,782	47,549
Total current liabilities		**808,886**	**838,561**
Non-current liabilities			
Employee entitlements	10.17	24,852	20,187
Total non-current liabilities		**24,852**	**20,187**
Total liabilities		**833,738**	**858,748**
Net assets		**9,340,543**	**9,511,817**
Equity			
Contributed equity	10.18	41,054,447	39,213,956
Reserves	10.19	1,585,919	1,249,846
Accumulated losses		(33,299,823)	(30,951,985)
Total equity		**9,340,543**	**9,511,817**

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

8. STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Share Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	**$**	**$**	**$**	**$**
At 1 July 2012	39,213,956	1,592,522	(342,676)	(30,951,985)	9,511,817
Comprehensive Income for the year					
Loss for the period	-	-	-	(2,347,838)	(2,347,838)
Foreign currency translation differences	-	-	276,945	-	276,945
Total Comprehensive Income for the year	-	-	276,945	(2, 347,838)	(2,070,893)
Transactions with Owners					
Share issue (net)	1,840,491	-	-	-	1,840,491
Share based payments	-	59,128	-	-	59,128
Total Transactions with Owners	1,840,491	59,128	-	-	1,899,619
At 30 June 2013	41,054,447	1,651,650	(65,731)	(33,299,823)	9,340,543

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

8. STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 June 2012

	Share Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
At 1 July 2011	37,479,740	1,371,962	(266,528)	(28,644,888)	9,940,286
Comprehensive Income for the year					
Loss for the period	-	-	-	(2,307,097)	(2,307,097)
Foreign currency translation differences	-	-	(76,148)	-	(76,148)
Total Comprehensive Income for the year	-	-	(76,148)	(2,307,097)	(2,383,245)
Transactions with Owners					
Share issue (net)	1,734,216	-	-	-	1,734,216
Share based payments	-	220,560	-	-	220,560
Total Transactions with Owners	1,734,216	220,560	-	-	1,954,776
At 30 June 2012	39,213,956	1,592,522	(342,676)	(30,951,985)	9,511,817

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

9. STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2013

	Note	Group 2013 $	2012 $
Cash flows from operating activities			
Cash receipts in the course of operations		104,160	24,292
Cash payments in the course of operations		(1,495,135)	(704,975)
Interest received		14,428	7,176
Net cash from operating activities	10.24(ii)	**(1,376,547)**	**(673,507)**
Cash flows from investing activities			
Payment for mining rights and exploration costs		(368,835)	(268,110)
Proceeds from purchase option agreement		133,965	-
Payment for plant and machinery		(18,143)	-
Net cash from investing activities		**(253,013)**	**(268,110)**
Cash flows from financing activities			
Proceeds from share issue (net)		1,840,491	600,000
Repayment of convertible note		-	(200,000)
Issue of loan instrument		-	600,000
Net cash from financing activities		**1,840,491**	**1,000,000**
Net increase in cash and cash equivalents		**210,931**	**58,383**
Cash and cash equivalents at the beginning of the financial year		325,751	267,368
Cash and cash equivalents at the end of the financial year	10.24(i)	**536,682**	**325,751**

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 2013

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 2013 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and its 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 2013.

This report was authorised for issue by the Directors on 30 September 2013. 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 were 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) New and Amended Standards Adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2012:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income.

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(v) 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.

The Group recorded a loss of $2,347,838 which includes non-cash items of impairment losses on investments and concessions of $1,134,627 and share based payments of $59,128 for the financial year ended 30 June 2013.

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 other 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 and Directors have no reason to believe that the proposed fund raising will not be successful.

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.

The assumptions about future sales, capital raisings, expenditures and resulting cash flows by the Group are based upon the achievement of certain economic, operating and trading assumptions about future events and actions that have not yet occurred, and may not necessarily occur. Whilst the Directors believe the assumptions are best estimates based on information presently available and the actions currently being undertaken by management, the occurrence and timing of future events are not certain.

With consideration given to the above, the Directors are of the opinion that the use of the going concern basis of accounting is appropriate.

(vi) 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 10.14– measurement of the recoverable amounts of exploration and evaluation expenditure;
- Note 10.17 – employee entitlements;
- Note 10.26 – 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 10.14– 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 2013 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the 'Group'.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost.

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(ii) Segment reporting

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

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

(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 Profit or Loss and Other 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.

Rental Income
Rental income 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 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 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the 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 profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes 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 profit or loss and other 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.

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 2013	2012	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.

Initial recognition of exploration and evaluation expenditure is at cost. Where a concession is acquired at fair-value it is recognised at that value representing the cost to the Company. Subsequent recognition of expenses remains at cost.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss 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

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 for 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.

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 the 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 date, 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 profit or loss and other 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
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 Statement of Financial Position.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

i. ***AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)***

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity instruments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit and loss. In the current reporting period, the Group did not recognise any such activity therefore there were no gains recorded in other comprehensive income.

There will be no impact on the Group's Accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group will apply the amended standards from 1 July 2013.

ii. ***AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)***

This standard removes the requirement to report compensation, equity holdings and loans relating to individual key management personnel for disclosing entities, or a group of which a disclosing entity is the parent. These revisions also remove some other minor Australian specific paragraphs and requirements. This standard cannot be early adopted. The amendments, which become mandatory for the Company's 30 June 2014 financial statements, will reduce the disclosure requirement in the financial statements. The Company will apply the amended standard from 1 July 2013.

iii. ***AASB 13 'Fair Value Measurement' and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)***

These amendments consolidate all guidance for fair value measurement into AASB 13, providing a clear definition and framework for measuring fair value. Disclosures requirements are also extended, required disclosures about valuation techniques, the inputs used, and any additional information considered necessary for users to evaluate the quantitative information disclosed. The amendments, which become mandatory for the Company's 30 June 2014 financial statements, are not expected to have a significant impact on the financial statements. The Company will apply the amended standard from 1 July 2013.

iv. ***AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements'. AASB 12 'Disclosure of Interests in Other Entities', AASB 127 Separate Financial Statements, AASB 128 'Investments in Associates and Joints Ventures and AASB***

2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

These amendments restructure the existing requirements by relocating disclosure requirements into a single Standard (AASB 12) and locating requirements for group accounting (AASB 10) in a Standard that is separate from the Standard addressing parent-only accounting (AASB 127). The Standards make changes that will affect amounts and other information reported in financial statements with respect to consolidated financial statements, joint arrangement and off balance sheet vehicles. The most significant changes under the standards include:

- Redefining and clarifying the notion of control in AASB 10. This may alter which entities should be incorporated on a line-by-line basis into the consolidated financial statements of a group and which entities that are consolidated into a group's financial statements;
- Requiring the financial statements of a party to a joint arrangement to reflect its rights and obligations arising from the arrangement under AASB 11, allowing the economic form, rather than the legal form, of an arrangement to determine its accounting requirements; and
- Enhancing disclosures about consolidated entities and unconsolidated (off balance sheet) structured entities, including the introduction of new disclosures to increase the ability of users to assess the risks to which an entity is exposed from involvement with structured entities under AASB 12.

The amendments, which become mandatory for the Group's 30 June 2014 financial statements, are not expected to have a significant impact on the financial statements. The Group will apply the amended standard from 1 July 2013.

(xix) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is confirmed.

(xx) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

10.4 Financial Risk Management

The Group's 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.

The Group does not have any significant credit risk exposure to a single counterparty of any group of counterparties having similar characteristics.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has no significant exposure to liquidity risk as there is effectively no debt. The Group manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days.

Interest rate risk
At balance date the Group's exposure to market risk for changes in interest rates relates primarily to the Company's short-term cash deposits. The Group constantly reviews and analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed.

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Group 2013	2012
Financial Assets		
Cash & cash equivalents	536,682	325,751
Other financial assets	53,240	53,240
Net exposure	589,922	378,991

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2013, if interest rates had moved, with all other variables held constant, post-tax losses and equity would have been affected as follows:

Judgements of reasonable possible movements:		Group 2013	2012
Post tax loss			
+1.0% (2012:1.0% (100 basis points)	1%	5,899	3,790
-1.0%(100 basis points)	-1%	(5,899)	(3,790)
Equity			
+1.0% (2012:1.0% (100 basis points)	1%	5,899	3,790
-1.0% (100 basis points)	-1%	(5,899)	(3,790)

The movements in losses are due to possible higher or lower interest income from cash balances. The sensitivity is higher than 2012 because of the increase in financial assets.

Foreign currency risk
As a result of minerals exploration operations in South America being dominated by the United States Dollar (USD), the Group's statement of financial position can be affected by movements in the USD/AUD exchange rates. The Company does not hedge this exposure.

The Group manages its foreign currency risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained in USD, to meet operational commitments.

At 30 June 2013, the Group had the following exposures to USD foreign currency risk that is not designated in cash flow hedges:

	Group 2013	Group 2012
Net Assets:		
Current assets	195,062	128,681
Non-current assets	2,882,771	2,222,488
Current liabilities	(6,974)	(787)
Non-current liabilities	-	-
Net exposure	3,070,859	2,350,382

Judgements of reasonable possible movements:		Group 2013	Group 2012
Reserves and equity			
15.0% $A currency gain	15%	460,629	352,557
15.0% $A currency loss	-15%	(460,629)	(352,557)

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

	2013 Carrying Amount $	2013 Net Fair Value $
Financial Assets:		
Cash and cash equivalents	536,682	536,682
Trade and other receivables	228,735	228,735
Other financial assets	95,940	95,940
	861,357	861,357

Fair value sensitivity analysis or fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

10.5 Other Income

	Group 2013 $	Group 2012 $
Interest Received	14,428	7,176
Rent Received	104,160	20,491
Other Income	-	3,801
Purchase Option Income	133,965	-
	252,553	**31,468**

10.6 Expenses

	Group 2013 $	Group 2012 $
Depreciation - plant and equipment	1,852	3,259
Staff and directors salaries	377,000	405,977
Staff superannuation	23,130	23,327
Rental expenses	155,225	147,170
Impairment loss on concessions	-	1,181,200
Impairment loss on assets	1,134,627	45,000
Impairment loss on Employees Shares - Loan	-	16,500
Share based payments	59,128	220,560

During the year, management reviewed the recoverable amount of the Investment in Ample Success Investment Limited and determined that at this early stage in the exploration there is not enough evidence to support the existing carrying value. An impairment was recognised during the year of $1,134,115, which forms part of the total impairment expense of $1,134,627.

10.7 Auditors' remuneration

	Group 2013 $	Group 2012 $
Nexia Court & Co		
- Audit services	55,465	53,419
- Other services	3,499	3,366
Humphreys y Cia (auditor of Inversiones Aconcagua Ltda; Inversiones Arenas Claras Ltda; and Inversiones Arenas Maullin Ltda)		
- Audit services	13,340	12,950

Prior year includes actual audit fees paid/payable.

10.8 Income tax

	Group 2013 $	Group 2012 $
Numerical reconciliation between tax expense and pre-tax loss		
Loss for the year	2,347,838	2,307,097
Total income tax expense	-	-
Loss excluding income tax expense	2,347,838	2,307,097
Income tax benefit using the company's domestic tax rate of 30% (2012 – 30%)	(704,351)	(692,129)
Amounts not deductible	358,126	450,461
Timing differences not brought to account	(19,688)	(24,112)
Tax effect of losses – not recognised	365,913	265,780
	-	-

Available tax and capital losses to date amount to $15,004,409. 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 $4,501,323.

10.9 Cash and cash equivalents

	Group 2013 $	Group 2012 $
Current		
Cash at bank	536,682	325,751

10.10 Trade and Other Receivables

	Group 2013 $	Group 2012 $
Current		
Employees' loans receivables	323,450	323,450
Less: Impairment loss	(315,950)	(315,950)
	7,500	7,500
GST – Refundable	9,816	8,930
Other Receivables	211,419	144,377
	228,735	**160,807**

10.11 Investments in Controlled Entities

	Class of Share	Group Interest 2013 %	Group Interest 2012 %
Controlled entities			
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	100.00

10.12 Other financial instruments

		Group 2013 $	Group 2012 $
Current			
Deposit - rent guarantee		53,240	53,240
Non-Current			
Investments at cost - Shoreline	**1**	-	512
Investments at cost - Quince concession	**2**	42,600	42,600
Investments at cost –Ample Success Investment Limited	**3**	100	1,134,215
		42,700	**1,177,327**

[1]The investment relates to 5,120,000 shares in Shoreline which was 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.
[3]The investment relates to a 15% interest in Ample Success Investment Limited which has a 75% interest in a mining concession in Weishan County, China. During the year, management reviewed the recoverable amount of the investment in Apple Success and determined that at this early stage in the exploration there is not enough evidence to support the existing carrying value. An impairment was recognised during the year of $1,134,115. Refer to note 10.6.

10.13 Property, plant and equipment

	Group 2013	2012
Non-Current	**$**	**$**
Land	203,692	183,675
IT software – at cost	57,521	57,521
Less: Accumulated Depreciation	(57,521)	(57,521)
	-	-
Furniture and fittings – at cost	3,723	3,723
Less: Accumulated Depreciation	(3,723)	(3,723)
	-	-
Motor vehicles – at cost	26,054	7,208
Less: Accumulated Depreciation	(4,636)	(3,636)
	21,418	3,572
Other assets – at cost	41,136	41,136
Less: Accumulated Depreciation	(41,131)	(40,333)
	5	803
Plant and equipment – at cost	45,070	43,640
Less: Accumulated depreciation	(16,968)	(16,915)
	28,102	26,725
	253,217	**214,775**

Reconciliations

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

30 June 2013

	Land	IT Software	Motor Vehicles	Other assets	Plant and equipment	Total
Carrying amount at beginning of year	183,675	-	3,572	803	26,725	214,775
Additions	-	-	18,142	-	-	18,142
Disposals	-	-	-	-	-	-
Impairment of assets	-	-	-	-	-	-
Effect on currency movements	20,017	-	704	-	1,430	22,151
Depreciation	-	-	(1,000)	(798)	(53)	(1,851)
	203,692	**-**	**21,418**	**5**	**28,102**	**253,217**

30 June 2012

	Land	IT Software	Motor Vehicles	Other assets	Plant and equipment	Total
Carrying amount at beginning of year	188,098	318	4,283	2,332	61,801	256,832
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment of assets	-	-	-	-	(33,856)	(33,856)
Effect on currency movements	(4,423)	-	(173)	-	(346)	(4,942)
Depreciation	-	(318)	(538)	(1,529)	(874)	(3,259)
	183,675	**-**	**3,572**	**803**	**26,725**	**214,775**

10.14 Exploration and evaluation expenditure

	Group	
	2013	**2012**
	$	**$**
Carrying amount at the beginning of the year	8,438,665	9,440,151
Expenditure during the year	368,837	268,110
Effect of currency movements	252,205	(91,374)
Impairment loss on concessions	-	(1,178,222)
	9,059,707	**8,438,665**
Mining Concessions	7,451,468	7,378,091
Exploration costs	1,608,239	1,060,574
	9,059,707	**8,438,665**

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.

10.15 Trade and other payables

	Group	
	2013	**2012**
	$	**$**
Current		
Trade creditors	305,436	343,206
Other creditors and accruals	40,668	47,806
	346,104	**391,012**

10.16 Other liabilities

	Group	
	2013	**2012**
	$	**$**
Current		
Loan Instrument – non-interest bearing	400,000	400,000

During the year, the Company amended the terms and conditions of the loan instrument. Post amendment, the terms and conditions were non-interest bearing and is not repayable until on demand by the Note holder after 15 December 2013.

10.17 Employees entitlements

	Group	
	2013	**2012**
	$	**$**
Current	62,782	47,549
Non-current	24,852	20,187
	87,634	**67,736**

10.18 Contributed equity

	The Company and Group		The Company and Group	
	2013	**2012**	**2013**	**2012**
	Shares	**Shares**	**$**	**$**
Share capital				
318,597,886 Ordinary Shares	318,597,886	272,785,604	41,054,447	39,213,956
Capital issued during the year				
Balance at beginning of year	272,785,604	245,846,493	39,213,956	37,479,740
Ordinary shares issued during the year	45,812,282	26,939,111	1,882,491	1,734,216
Cost of raising capital	-	-	(42,000)	-
Balance at end of year	**318,597,886**	**272,785,604**	**41,054,447**	**39,213,956**

The Company does not have authorised share capital or par value in respect of its issued shares. All issued shares are fully paid.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote at meetings of the Company.

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 a debt to equity ratio of 0.04.

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.

There are no externally imposed capital requirements.

10.19 Reserves

	Group	
	2013	**2012**
	$	**$**
Foreign currency reserve		
Balance at 1 July	(342,676)	(266,528)
Foreign exchange movement effect	276,945	(76,148)
Balance at 30 June	(65,731)	(342,676)
Share based payments reserve		
Balance at 1 July	1,592,522	1,371,962
Share based payments	59,128	220,560
Balance at 30 June	1,651,650	1,592,522
Total Reserves	1,585,919	1,249,846

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.

10.20 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
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.

10.20 Operating Segments (continued)

For the year ended 30 June 2013

	Australia		Chile		Ecuador		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
External revenues	104,160	20,491	133,965	3,802	-	-	238,125	24,293
Interest revenue	14,428	7,176	-	-	-	-	14,428	7,176
Depreciation	799	1,847	1,053	1,412	-	-	1,852	3,259
Impairment	1,134,627	19,478	-	1,178,222	-	45,000	1,134,627	1,242,700
Reportable segment loss/(profit) before income tax	2,408,137	1,055,375	(60,299)	1,206,722	-	45,000	2,347,838	2,307,097
Consolidated loss before income tax							(2,347,838)	(2,307,097)
Additions to non-current assets	-	-	386,979	268,110	-	-	386,979	268,110
Reportable segment assets	656,484	1,589,249	9,492,797	8,756,316	25,000	25,000	10,161,621	10,370,565
Reportable segment liabilities	826,765	857,961	6,973	788	-	-	838,738	858,749

Reconciliation of reportable segment profit or loss	**2013**	**2012**
Total loss for reportable segments	(2,347,838)	(2,307,097)
Other loss	-	-
	(2,347,838)	(2,307,097)
Elimination of inter-segment profits	-	-
Consolidated loss before income tax	(2,347,838)	(2,307,097)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2012.

10.21 Key management personnel disclosures

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

(i) Directors

- TCuthbertson
- R Haren
- K Lee
- S Ning
- D Weintraub (resigned 27 September 2012)
- W Ji (appointed 27 September 2012)

(ii) Key management personnel compensation

	Group	
	2013	**2012**
	$	**$**
Short term employee benefits	312,831	336,403
Post-employment benefits	16,200	16,200
Other long-term benefits	3,268	3,276
Share-based payments	55,382	27,788
	387,681	383,667

(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	
	2013	**2012**
	$	**$**
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 (2012: $16,500).

(v) Shares

Ordinary Shares	Held at 1 July 2012	Movements	Held at 30 June 2013
Directors			
R Haren	183,653	50	183,703
K Lee[1]	666,807	1,560,891	2,227,698
T Cuthbertson	198,307	-	198,307
S Ning	-	-	-
W Ji	-	-	-

Ordinary Shares	Held at 1 July 2011	Movements	Held at 30 June 2012
Directors			
R Haren	183,653	-	183,653
K Lee[1]	666,807	-	666,807
T Cuthbertson	198,307	-	198,307
D Weintraub	-	-	-
S Ning	-	-	-

[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 is 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 2013	Vested during the year	Vested and exercisable at 30 June 2013
R Haren	6,000,000	-	6,000,000	-	-
K Lee	6,000,000	-	6,000,000	-	-
T Cuthbertson	6,000,000	-	6,000,000	-	-
W Ji	-	6,000,000	6,000,000	6,000,000	-
S Ning	6,000,000	-	6,000,000	-	-

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 2013 as permitted by *Corporations Regulation 2M.3.03.*

10.22 Superannuation commitments

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

10.23 Earnings per share

	Group	
	2013	**2012**
	$	**$**
Basic and Diluted earnings per share	(0.008)	(0.009)
Loss for the year	2,347,838	2,307,097
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	294,813,981	255,936,262

10.24 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:

	Group	
	2013	**2012**
	$	**$**
Cash at bank	536,682	325,751

(ii) Reconciliation of net cash

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

	Group	
	2013	**2012**
	$	**$**
Loss for the year	**(2,347,838)**	**(2,307,097)**
Depreciation – plant and equipment	1,852	3,259
Foreign exchange differences	(131,377)	6,046
Impairment loss - Employees Share Plan	-	16,500
Impairment loss - Concessions	-	1,181,200
Impairment loss – Other assets	1,134,627	45,000
Share based payments	59,128	220,560
Changes in Assets and Liabilities:		
Change in other debtors and prepayments	(67,928)	3,209
Change in other creditors	(13,722)	17,073
Change in other payables and accruals	6,584	(1,740)
Change in trade creditors	(37,770)	127,308
Change in provisions	19,897	15,175
Net cash from operating activities	**(1,376,547)**	**(673,507)**

10.25 Events subsequent to balance date

In the interval between the end of the financial year and the date of this report there have been no 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.

10.26 Share based payments

The following share based payment arrangements, all of which would be settled for shares, existed at 30 June 2013:

- On 6 July 2010, pursuant to shareholders approval at a general meeting, 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, pursuant to shareholders approval at a general meeting, 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, pursuant to shareholders approval at a general meeting, 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.

- On 20 October 2011, 12,000,000 options were granted to employees/consultants as part of the Company's incentive scheme at an exercise price of $0.12 for 6,000,000 options and $0.18 for 6,000,000 options. All options vested upon granting and can be exercised from 20 October 2011 until 19 October 2014. The options hold no voting or dividend rights and are non-transferable. At reporting date no options have been exercised.

- On 14 December 2011, pursuant to shareholders approval at a general meeting, 2,000,000 options were granted to a Director 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 15 December 2012 until 14 December 2016. The options hold no voting or dividend rights and are non-transferable. At reporting date no options have been exercised.

- On 14 December 2011, pursuant to shareholders approval at a general meeting, 2,000,000 options were granted to a Director as part of the Company's incentive scheme at an exercise price of $0.25. All options vested upon granting and can be exercised from 15 December 2013 until 14 December 2016. The options hold no voting or dividend rights and are non-transferable. At reporting date no options have been exercised.

- On 14 December 2011, pursuant to shareholders approval at a general meeting, 2,000,000 options were granted to a Director as part of the Company's incentive scheme at an exercise price of $0.30. All options vested upon granting and can be exercised from 15 December 2014 until 14 December 2016. The options hold no voting or dividend rights and are non-transferable. At reporting date no options have been exercised.

- On 28 November 2012, pursuant to shareholders approval at a general meeting, 2,000,000 options were granted to a Director 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 the date of issue 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 28 November 2012, pursuant to shareholders approval at a general meeting, 2,000,000 options were granted to a Director 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 the date of issue 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 28 November 2012, pursuant to shareholders approval at a general meeting, 2,000,000 options were granted to a Director 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 the date of issue 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 31 December 2012, 700,000 options were granted to employees/consultants 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 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.

	2013		**2012**	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Parent Entity				
Outstanding at the beginning of the year	38,650,000	0.17	23,950,000	0.25
Granted	6,700,000	0.15	18,000,000	0.18
Exercised	-		-	0.00
Expired	-		3,300,000	0.89
Outstanding at year end	45,350,000	0.16	38,650,000	0.17
Exercisable at year end	45,350,000	0.16	38,650,000	0.17

There were nil options exercised during the year ended 30 June 2013. These options had a weighted average share price of $nil at exercise date.

The options outstanding at 30 June 2013 had a weighted average exercise price of $0.16 and a weighted average remaining contractual life of 2.00 years. Exercise prices range from $0.10 to $0.30 in respect of options outstanding at 30 June 2013.

The weighted average fair value of the 6,000,000 options granted on 28 November 2012 was $0.009. This value was calculated by using a binomial option pricing model applying the inputs detailed above and expected share price volatility of 75%, a risk free rate of 2.99% and the underlying share price at the grant date.

The weighted average fair value of the 700,000 options granted on 31 December 2012 was $0.005. This value was calculated by using a binomial option pricing model applying the inputs detailed above and expected share price volatility of 60%, a risk free rate of 3.27% and the underlying share price at the grant date.

Historical 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 Profit or Loss and Other Comprehensive Income is $59,128 (2012: $220,560) and relates in full to equity settled share based payment transactions.

10.27 Parent Entity Disclosure

	Parent Entity	
	2013	**2012**
	$	**$**
Financial Position:		
Assets		
Current assets	623,595	411,118
Non-current assets	11,056,239	11,808,431
Total assets	**11,679,834**	**12,219,549**
Liabilities		
Current liabilities	801,912	837,773
Non-current liabilities	24,853	20,188
Total liabilities	**826,765**	**857,961**
Equity		
Issued capital	41,054,446	39,213,956
Accumulated losses	(31,853,029)	(29,444,892)
Reserves	1,651,652	1,592,524
Total equity	**10,853,069**	**11,361,588**
Financial Performance:		
Loss for the year	2,408,137	1,584,276
Other comprehensive income	-	-
Total comprehensive loss	**2,408,137**	**1,584,276**

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:

	2013 $	2012 $
Within one year	166,620	161,418
Later than one year and no later than five years	86,226	252,846
	252,846	414,264

The group leases an office building under an operating lease due to expire in 31 December 2014.

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	Given the present size of the Company, the Board takes an active role in overseeing management functions and responsibilities. The Board is responsible for: ▪ 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;

		▪ 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 Board consists of four independent and Non-Executive Directors; and one Executive Director (Chief Executive Officer).
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 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 does not have a formal policy concerning diversity. Given the small size of the Company's workforce, the Board has determined that it is not currently practicable to implement a policy concerning diversity. The Board will further consider the establishment of a diversity policy as the Company grows.
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.
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	At present, the Audit Committee does not have a formal charter and this will be reviewed in the future.
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 participation at general meetings and disclose their policy or a summary of that policy	In so far as the Company is required to comply with ASX continuous disclosure requirements, the Managing Director (and, in the alternative, the Chairman) has been nominated as the responsible person. The Board reviews and approves all announcements to the ASX.

6.2	Reporting on recommendation 6	Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board has not established and at this stage, does not intend to establish a Risk Management Committee, due to the Company's size and its operations. At present, the Board regularly reviews the Company's risk management systems and control frameworks, and the effectiveness of their implementation and is in the process of formally establishing a policy for adoption. The Company's reports in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The CFO is also required to report that this statement so made is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Company's CEO and the CFO report in writing to the Board that the statement given is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
7.3	The Board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating	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.

	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: ▪ 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 and 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.

12. SHAREHOLDER INFORMATION

As at 20 September 2013

12.1 Substantial Shareholders

Name	Number of Shares	Percentage of issued shares
SUPERIOR GRADE INVESTMENTS LIMITED	51,300,000	16.10%
MR FRANCO BELLI	46,056,655	14.46%
CITICORP NOMINEES PTY LIMITED	23,260,068	7.30%
MR ZI MU WANG	20,000,000	6.28%

12.2 Distribution of Fully Paid Ordinary Shares

(i)	Distribution schedule of holdings		
	1 – 1,000	854	
	1,001 – 5,000	168	
	5,001 – 10,000	111	
	10,001 – 100,000	262	
	100,001 and over	157	
	Total number of holders	1,552	
		No. of holders	**No. of Shares**
(ii)	Less than marketable parcel of 12,500 shares at $0.04 per share on 20 September 2013.	1,149	1,734,596

12.3 Twenty Largest Shareholders

Rank	Name	Number of Shares	Percentage of Issued Shares
1	SUPERIOR GRADE INVESTMENTS LIMITED	51,300,000	16.10%
2	MR FRANCO STEPHEN BELLI	46,056,655	14.46%
3	CITICORP NOMINEES PTY LIMITED	23,260,068	7.30%
4	MR ZI MU WANG	20,000,000	6.28%
5	MS FENGHUA ZHANG	15,000,000	4.71%
6	SHAOBO LIN	12,195,122	3.83%
7	JIAN HU LIN	11,939,111	3.75%
8	PRIDE ANGEL INVESTMENTS LIMITED	11,200,000	3.52%
9	A & F SUPERANNUATION FUND PTY LTD	10,000,000	3.14%
10	ECOMETRIX PTY LTD	7,225,234	2.27%
11	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	6,405,150	2.01%
12	GLADDEN TRADE LTD	5,881,097	1.85%
13	ALCARDO INVESTMENTS LIMITED	5,584,803	1.75%
14	ASTRON LIMITED	3,872,500	1.22%
15	TWYNAM AGRICULTURAL GROUP PTY LTD	3,403,598	1.07%
16	MR PHILIP NATHAN ONEILE	3,025,000	0.95%
17	INTERSUISSE NOMINEES PTY LTD	2,981,843	0.94%
18	AGCENTRAL PTY LTD	2,675,711	0.84%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,562,779	0.80%
20	MONEX BOOM SECURITIES (HK) LTD	2,383,310	0.75%
		246,951,981	**77.54%**

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

Chilean concessions

(a) 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 1/90	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%	
Aus 20 51/100	500	100%	
Total	**17,908**		

Name	Area (ha)	Percentage interest held	Title status
Aus 25 1/65	56	100%	These exploration concessions were transformed to exploitation concessions on August 13, 2012. Their expiration date is indefinite.
Aus 21 1/50	50	100%	
Aus 22 1/56	56	100%	
Aus 23 1/45	45	100%	
Aus 24 1/50	30	100%	
Total	**237**		

Name	Area (ha)	Percentage interest held	Title status
Aus 33	900	100%	These Exploration concessions shall be converted to Exploitation concessions on 23 March 2014.
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 were transformed to exploitation concessions on August 7, 2009. Their expiration date is indefinite.
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**		

Name	Area (ha)	Percentage interest held	Title status
AUS I, 1-10	10	100%	These applications for exploitation requested survey last September 5 and shall file the Survey Minute on April 30, 2014.
AUS II, 1-10	10	100%	
AUS III, 1-42	42	100%	
AUS IV, 1-175	175	100%	
AUS V, 1-224	224	100%	
AUS VI, 1-45	45	100%	
AUS VII, 1-156	156	100%	
AUS VIII, 1-62	62	100%	
AUS IX, 1-54	54	100%	
AUS X, 1-272	272	100%	
AUS XI, 168	168	100%	
AUS XII, 1-74	72	100%	
Total	1,290		

(b) Aguas Claras concessions

Name	Area (ha)	Percentage interest held	Title status
Clara 1 1/10	100	100%	These concessions are granted exploitation concessions since 2011 and 2012. 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 18 1/20	200	100%	
Clara 19 1/15	150	100%	
Clara 20 1/20	200	100%	
Clara 22 1/30	300	100%	
Clara 23 1/30	300	100%	
Clara 25 1/30	300	100%	
Clara 26 1/30	300	100%	
Clara 33 1/30	50	100%	
Total	**5,500**		

(c) Quince concessions

The Group owns a 10% interest in the Quince project.