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

HALF-YEAR FINANCIAL REPORT– 31 DECEMBER 2013

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by South American Iron & Steel Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The directors submit the financial report of South American Iron & Steel Corporation Limited ('the company') and its subsidiaries for the half year ended 31 December 2013.

1 Directors

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

	Period as Director
T. Cuthbertson	18th May 2009 to present
R. Haren	13th May 2009 to present
K. Lee	24th March 2009 to present
S. Ning	4th April 2011 to present
W. Ji	27th September 2012 to present

2 Review and Results of Operations

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

The net loss for the period was $7,484,280 (2012 half year: loss $1,890,861), which included impairment loss of $7,026,742 (2012 - $1,140,251).

During the period, the Company:

- Has completed installation of equipment in Putú for trial production. Production paused due to Route 5 road maintenance. We initially planned inland trucking of our product using Route 5 and would now have to use alternative countryside route, which makes transportation cost very high. Production paused to avoid product storage costs. Production will restart once route maintenance has finished.

- Is in advanced negotiations with the Ecuadorian Government to regain interests in iron sands projects, previously owned by the Company. Meetings and discussions with the General Manager of ENAMI (State-owned national mining company) is continuing.

- Has also signed a letter of intention with Beijing Shenwu Environment & Energy Technology Co., Ltd ("Shenwu") with a view to jointly develop iron sands projects in Ecuador and in Chile. Shenwu has the technical know-how to process iron sands especially those with high titanium content into saleable products.

- Commenced discussions with the Ecuadorian Government and two large Chinese mining houses. These discussions are focused on specific advanced exploration and mining projects in Ecuador. If successful the results of negotiation will involve the incorporation of a Joint Venture which will include the Ecuadorian Government, one or two major mining companies and the Company. The exploration and mining projects under discussion are large scale and advanced, so the Company is working diligently to evolve a positive outcome to add value to shareholders.

- Has been actively assessing a mining project that will involve the reprocessing of tailings in the northern Atacama Region of Chile. The reprocessing is capable of producing a saleable magnetite product that can be used as iron ore feedstock or as a coal washing agent. Numerous other mines in the region produce similar style of tailings and are being assessed at present with a view to enter into similar transactions. The Company is undertaking a due diligence and having samples tested, but a farm-in structure is being negotiated. Once the due diligence is complete the Company should be able to sign an agreement.

3 Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half-year ended 31 December 2013.

Signed in accordance with a resolution of the directors:

Kenneth Lee
Managing Director

Sydney
Dated: *14 March 2014*

14 March 2014

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

Dear Board Members,

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

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

As lead audit partner for the review of the financial statements of South American Iron & Steel Corporation Limited and Controlled entities for the half year ended 31 December 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 review; and

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

Yours sincerely

Robert Mayberry
Partner

Nexia Court & Co
Chartered Accountants

Sydney

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Independent member of Nexia International

Independent Auditor's Review Report
To the members of South American Iron & Steel Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of South American Iron & Steel Corporation Limited (the 'Company') and Consolidated Entities (the 'Group'), which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of South American Iron & Steel Corporation Limited and Consolidated Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

nexia australia

Independent Review Report
To the Members of
South American Iron & Steel Corporation Limited
(Continued)

Independence

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

Conclusion

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Significant uncertainty regarding continuation as a going concern
Without qualification to our conclusion, attention is drawn to the following matter:
The financial report had been prepared on a going concern basis as discussed in note 4 which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary courses of business. In note 4, the directors state why they consider the going concern basis used in the preparation of the financial report is appropriate. As discussed in that note, if the equity raisings or the sale of non-core assets held does not occur, there are significant uncertainties as to whether the company and the consolidated entity will be able to continue as a going concern.

If the going concern basis of accounting is found to be no longer appropriate, the recoverable amounts of the assets shown in the statement of financial position are likely to be less than the amounts disclosed and the extent of the liabilities may differ significantly from those reflected in the Statement of Financial Position.

Robert Mayberry
Partner

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

14 March 2014

Sydney

Directors' Declaration

In the opinion of the directors of South American Iron & Steel Corporation Limited (“the Company”):

1. The financial statements and notes set out on pages 7 to 14, are in accordance with the Corporations Act 2001 and:

    a. Comply with Accounting Standards and the Corporations Regulations 2001; and

    b. Give a true and fair view of the Group’s financial position as at 31 December 2013 and of its performance for the half year ended on that date;

2. In the directors’ opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, with the continued support of its major shareholders;

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

Kenneth Lee
Managing Director

Sydney
Dated: *14 March 2014*

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Six Months Ended 31 December2013

	Notes	Consolidated 31 Dec 2013 $	31 Dec 2012 $
Continuing Operations			
Revenue	8(i)	69,578	44,237
Depreciation and amortisation expense	8(ii)	5	1,056
Mining licences, exploration and trial production costs		127,647	143,353
Impairment loss on investment & concessions	10 & 11	7,026,742	1,140,251
Share based payments		-	59,128
Beijing office administrative expenses	8(ii)	24,241	158,466
Other expenses		375,223	432,844
Loss before income tax		(7,484,280)	(1,890,861)
Income tax expense		-	-
Loss for the period		(7,484,280)	(1,890,861)
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(50,436)	83,122
Total Comprehensive Income for the Period		**(7,534,716)**	**(1,807,739)**
Earnings per Share			
Loss per share			
- Basic and Diluted (cents per share)		(2.36)	(0.61)

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

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
as at 31 December2013

	Notes	Consolidated 31 Dec 2013 $	30 Jun 2013 $
CURRENT ASSETS			
Cash and cash equivalents		100,918	536,682
Trade and other receivables	9	258,834	228,735
Other financial assets		53,240	53,240
TOTAL CURRENT ASSETS		412,992	818,657
NON-CURRENT ASSETS			
Other financial assets	10	42,700	42,700
Property, plant and equipment		246,269	253,217
Exploration and evaluation expenditure	11	2,076,663	9,059,707
TOTAL NON-CURRENT ASSETS		2,365,632	9,355,624
TOTAL ASSETS		2,778,624	10,174,281
CURRENT LIABILITIES			
Payables		477,085	346,104
Other liabilities		400,000	400,000
Employee entitlements		68,507	62,782
TOTAL CURRENT LIABILITIES		945,592	808,886
NON-CURRENT LIABILITIES			
Employee entitlements		27,205	24,852
TOTAL NON-CURRENT LIABILITIES		27,205	24,852
TOTAL LIABILITIES		972,797	833,738
NET ASSETS		1,805,827	9,340,543
EQUITY			
Contributed equity	12	41,054,447	41,054,447
Reserves		1,535,483	1,585,919
Accumulated losses		(40,784,103)	(33,299,823)
TOTAL EQUITY		1,805,827	9,340,543

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity for the Six Months Ended 31 December 2013

Consolidated	Share Capital $	Reserves $	Accumulated Losses $	Total Equity $
At 1 July 2013	41,054,447	1,585,919	(33,299,823)	9,340,543
Loss for the period	-	-	(7,484,280)	(7,484,280)
Foreign currency translation differences	-	(50,436)	-	(50,436)
Share based payments		-		-
Share issue (net)	-	-	-	-
At 31 December 2013	**41,054,447**	**1,535,483**	**(40,784,103)**	**1,805,827**
At 1 July 2012	39,213,956	1,249,846	(30,951,985)	9,511,817
Loss for the period	-	-	(1,890,861)	(1,890,861)
Foreign currency translation differences	-	83,122	-	83,122
Share based payments	-	59,128	-	59,128
Share issue (net)	1,498,000	-	-	1,498,000
At 31 December 2012	**40,711,956**	**1,392,096**	**(32,842,846)**	**9,261,206**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows for the Six Months Ended 31 December 2013

	Consolidated	
	31 Dec 2013 $	**31 Dec 2012 $**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	50,681	36,145
Cash payments in the course of operations	(451,395)	(806,798)
Interest received	2,170	5,077
Net Cash Flow from Operating Activities	(398,544)	(765,576)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mining exploration payments	(51,976)	(23,844)
Net Cash Flow from Investing Activities	(51,976)	(23,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	14,756	-
Net proceeds from issue of share capital	-	1,498,000
Net Cash Flow from Financing Activities	14,756	1,498,000
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD	(435,764)	708,580
Cash and Cash Equivalents at the Beginning of the Financial Period	589,922	325,751
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	154,158	1,034,331

The accompanying notes form part of these financial statements.

1 REPORTING ENTITY

South American Iron & Steel Corporation Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the company as at, and for the six months ended 31 December 2013 comprises the company and its subsidiaries (together referred to as the "Group").

The Annual Report of the Group, as at, and for the year ended 30 June 2013 is available upon request from the company's registered office at Suite 2 Level 10, 8-10 Loftus Street, Sydney NSW 2000 or at www.saironsteel.com.

2 STATEMENT OF COMPLIANCE

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual report of the Group, as at, and for the year ended 30 June 2013, and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated interim financial report was approved by the Board of Directors on 14 March 2014.

3 BASIS OF PREPARATION

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

The basis of preparation and accounting policies applied by the group in this consolidated half-year financial report are the same as those applied by the Group in its annual report, as at, and for the year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

4 GOING CONCERN

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

The Group recorded a loss of $7,484,280 which included impairment loss on concessions of $7,026,742 for the six months ended 31 December 2013.

The Group had cash of $100,918 and term deposits of $53,200 as at 31 December 2013.

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

The Directors have also taken actions to reduce operating costs. In addition, the Directors are planning to divest non-core assets of the group. Negotiations are underway to dispose of the Group's excess land at Aguas Claras, which has an estimated value in excess of USD $200,000.

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 the future events are not certain.

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

5 USE OF ESTIMATES AND SIGNIFICANT JUDGEMENTS

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and 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 is described in Note 11 – measurement of the recoverable amounts of exploration and evaluation expenditure.

Additionally, we draw attention to the item discussed are note 11. The valuation of the exploration and evaluation asset currently recognised is $2,076,663. This is based on management judgement, estimates and assumptions on activities that have not yet occurred. If these activities do not eventuate, the actual value of this asset may differ from its recognised value.

6 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual report, as at, and for the year ended 30 June 2013.

7 SUBSEQUENT EVENTS

Since the reporting date there have been no transactions or events of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

8 REVENUE AND EXPENSES

	Consolidated	
	31 Dec 2013	**31 Dec 2012**
	$	**$**
(i) Other Income		
Interest received	3,350	5,077
Other income	66,228	39,160
	69,578	44,237
(ii) Expenses		
Depreciation and amortisation	5	1,056
Administrative expenses (Beijing office)[1]	24,241	158,466

[1]These expenses relate to expenditure incurred in relation to the running of the office located in Beijing. Expenditures include office rent, utilities and travel expenses.

9 OTHER RECEIVABLES

Included in other receivables is an amount of $7,500 in relation to loans under the company's Share Purchase Plan.

10 OTHER FINANCIAL ASSETS

	Consolidated	
	31 Dec 2013	**31 Dec 2012**
	$	**$**
Investments at cost - Quince concessions	42,600	42,600
Investments at cost – Ample Success	1,134,215	1,134,215
Less: Accumulated Impairment – Ample Success	(1,134,115)	(1,134,115)
	42,700	42,700

11 EXPLORATION CONCESSIONS

During the period, the company's subsidiaries have acquired mining licences and mining concessions $51,976 and expensed net exploration costs and trial production costs of $127,647.

During the period, management reviewed the recoverable amount of the mining concessions held in Aguas Claras and in Maullin and that given that the location of these concessions and the vast area of concessions available in Putú, management determined not to renew those concessions in Aguas Claras and Maullin. Accordingly, an impairment was recognised during the period of $7,026,742.

12 SHARE CAPITAL

	Consolidated		Consolidated	
	Dec 2013 $	**June 2013 $**	**Dec 2013 Shares**	**June 2013 Shares**
Ordinary shares				
Issued	41,054,447	41,054,447	318,597,886	318,597,886
Movements during the period				
Balance at beginning of the period	41,054,447	39,213,956	318,597,886	272,785,604
Share issues during the period	-	1,882,491	-	45,812,282
Cost of capital raising	-	(42,000)	-	-
Balance at the end of the period	41,054,447	41,054,447	318,597,886	318,597,886

13 OPERATING SEGMENTS

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

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

Information regarding these segments is presented below.

For the six months ended 31 December

	Australia		**Chile**		**Ecuador**		**Total**	
	2013 $	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**
External revenues	66,350	44,237	3,228	-	-	-	69,578	44,237
Impairment	-	(1,134,627)	(7,026,742)	(5,624)	-	-	(7,026,742)	(1,140,251)
Reportable segment loss before income tax	(514,697)	(1,869,150)	(6,969,583)	(21,711)	-	-	(7,484,280)	(1,890,861)
Consolidated loss before income tax							(7,484,280)	(1,890,861)
Reportable segment assets	264,549	1,179,311	2,489,076	8,871,214	25,000	25,000	2,778,625	10,075,525

Reconciliation of reportable segment profit or loss	**2013**	**2012**
Total loss for reportable segments	(7,484,280)	(1,890,861)
Other loss	-	-
	(7,484,280)	(1,890,861)
Elimination of inter-segment profits	-	-
Consolidated loss before income tax	(7,484,280)	(1,890,861)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2013.