

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

HALF-YEAR FINANCIAL REPORT– 31 DECEMBER 2012

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 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 2012.

1 Directors

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

	Period as Director
T. Cuthbertson	18 th May 2009 to present
R. Haren	13 th May 2009 to present
K. Lee	24 th March 2009 to present
S. Ning	4 th April 2011 to present
W. Ji	27 th September 2012 to present
D. Weintraub	6 th March 2012 to 27 th September 2012

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 \$1,890,861 (2011 half year: loss \$1,926,796).

During the period, the company:

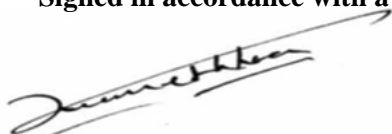
- Entered into an agreement with a subscriber of a non-interest bearing \$500,000 convertible note convertible into shares at 4 cents each. This note was approved by the shareholders at the company's annual general meeting. On 27th November 2012, the note was convertible into 12.5 million ordinary fully paid shares.
- Appointed Mr William Ji as a non-executive director on 27th September 2012. Mr Ji 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). On the same date, Mr Weintraub resigned as a director.
- Issued \$300,000 worth of shares at 4 cent each to a sophisticated investor on 27th November 2012.
- Received a site survey report from Sinotech, in which Sinotech opined the significant amount of iron sands available and the enormous commercial potential of Putú. Thus Sinotech has now informed us that they will continue to work with SAIS to develop Putú.
- Commenced discussions with parties in relation to the development of Putú. These parties includes potential off-takers of iron sands, designers of and manufacturers of equipment (beneficiation of iron sands), and logistics specialists.

- Has signed an agreement with Prideful Asset Management Limited (“PAM”) to further progress the development of our Putú concessions. Under the agreement, PAM will:
 - a) Provide all necessary mining equipment including sand dredging equipment, dry ore magnetic separator, sand crusher and sand washing equipment.
 - b) Directly, or through a nominee, operate and mine iron sands for SAIS in the Putú concessions including production management, equipment maintenance, and technical support.
 - c) Provide finance for all the costs and expenses in relation to the production of iron sands concentrates.
 - d) Solely bear the cost of all plant, machinery and mining equipment.
 - e) Share equally with SAIS the profits from the sale and production of iron sands concentrates.

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 2012.

Signed in accordance with a resolution of the directors:



Kenneth Lee
Managing Director

Sydney
Dated: 14 March 2013

14 March 2013

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

Dear Board Members,

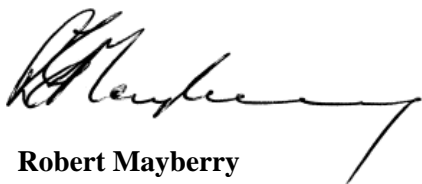
Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

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

As lead audit partner for the review of the financial statements of South American Iron & Steel Corporation Limited for the half year ended 31 December 2012, 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

Nexia Court & Co

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**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'), which comprises the condensed consolidated statement of financial position as at 31 December 2012, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration 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 company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of South American Iron & Steel Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

Independence

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

Conclusion

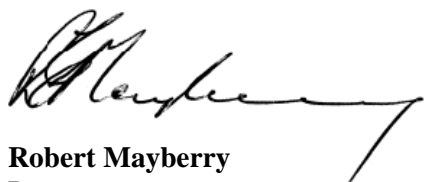
Based on our review, which is not an audit, we have not become aware of any matters that makes us believe that the half-year financial report of South American Iron & Steel Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2012 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.



Robert Mayberry
Partner



Nexia Court & Co
Chartered Accountants

14 March 2013

Sydney

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

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 15, are in accordance with the Corporations Act 2001 and:
 - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. Give a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the six month period ended on that date;
2. 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, 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 2013

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

Condensed Consolidated Statement of Comprehensive Income For the Six Months Ended 31 December 2012

	Notes	Consolidated 31 Dec 2012 \$	31 Dec 2011 \$
Continuing Operations			
Revenue	8(i)	44,237	12,792
Depreciation and amortisation expense	8(ii)	1,056	68,604
Impairment loss on employees' shares – loan		-	16,500
Impairment loss on investment & concessions	10	1,140,251	1,180,840
Share based payments	15	59,128	220,560
Administrative expenses (Beijing office)	8(ii)	294,118	-
Other expenses		440,545	453,084
Loss before income tax		(1,890,861)	(1,926,796)
Income tax expense		-	-
Loss for the period		(1,890,861)	(1,926,796)
Other Comprehensive Income			
Exchange differences arising on translation of foreign operations		83,122	18,078
Total Comprehensive Income for the Period		(1,807,739)	(1,908,718)
Earnings per Share			
Loss per share			
- Basic and Diluted (cents per share)		(0.61)	(0.78)

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

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

Condensed Consolidated Statement of Financial Position as at 31 December 2012

	Notes	Consolidated 31 Dec 2012 \$	30 Jun 2012 \$
CURRENT ASSETS			
Cash and cash equivalents		1,034,331	325,751
Trade and other receivables	9	191,009	160,807
Other financial assets		53,240	53,240
TOTAL CURRENT ASSETS		1,278,580	539,798
NON-CURRENT ASSETS			
Other financial assets	10	42,700	1,177,327
Property, plant and equipment		219,682	214,775
Exploration and evaluation expenditure	11	8,534,563	8,438,665
TOTAL NON-CURRENT ASSETS		8,796,945	9,830,767
TOTAL ASSETS		10,075,525	10,370,565
CURRENT LIABILITIES			
Payables		338,732	391,012
Other liabilities		400,000	400,000
Employee entitlements		53,047	47,549
TOTAL CURRENT LIABILITIES		791,779	838,561
NON-CURRENT LIABILITIES			
Employee entitlements		22,540	20,187
TOTAL NON-CURRENT LIABILITIES		22,540	20,187
TOTAL LIABILITIES		814,319	858,748
NET ASSETS		9,261,206	9,511,817
EQUITY			
Contributed equity	12	40,711,956	39,213,956
Reserves		1,392,096	1,249,846
Accumulated losses		(32,842,846)	(30,951,985)
TOTAL EQUITY		9,261,206	9,511,817

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

Condensed Consolidated Statement of Changes in Equity for the Six Months Ended 31 December 2012

Consolidated	Share Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
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
At 1 July 2011	37,479,740	1,105,434	(28,644,888)	9,940,286
Loss for the period	-	-	(1,926,796)	(1,926,796)
Foreign currency translation differences		18,078	-	18,078
Share based payments	-	220,560		220,560
Share issue (net)	1,134,216	-	-	1,134,216
At 31 December 2011	38,613,956	1,344,072	(30,571,684)	9,386,344

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED*ABN 67 060 319 119***Condensed Consolidated Statement of Cash Flows
for the Six Months Ended 31 December 2012**

	Consolidated	
	31 Dec 2012	31 Dec 2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	36,145	4,245
Cash payments in the course of operations	(806,798)	(401,946)
Interest received	5,077	4,299
	<hr/>	<hr/>
Net Cash Flow from Operating Activities	(765,576)	(393,402)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Mining exploration payments	(23,844)	(149,131)
	<hr/>	<hr/>
Net Cash Flow from Investing Activities	(23,844)	(149,131)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	300,000
Net proceeds from issue of share capital	1,498,000	-
	<hr/>	<hr/>
Net Cash Flow from Financing Activities	1,498,000	300,000
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD	708,580	(242,533)
	<hr/>	<hr/>
Cash and Cash Equivalents at the Beginning of the Financial Period	325,751	267,368
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	1,034,331	24,835
	<hr/>	<hr/>

The accompanying notes form part of these financial statements.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

Condensed Notes to the Half Year Consolidated Financial Statements for the six months ended 31 December 2012

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 2012 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 2012 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 2012, 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 2013.

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 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

Condensed Notes to the Half Year Consolidated Financial Statements for the six months ended 31 December 2012

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 \$1,890,861 and share based payments of \$59,128 for the six months ended 31 December 2012.

The Group had cash of \$1,034,331 as at 31 December 2012. In addition to a \$700,000 share placement with domestic and international institutional and sophisticated investors during the half year ended 31 December 2012, the Group raised a further \$92,491 through share placements with sophisticated investors on 17 January 2013.

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

The Directors have also taken actions to reduce operating costs. In addition, the Directors are planning to divest non-core assets of the group.

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 the following notes.

- Note 11 – measurement of the recoverable amounts of exploration and evaluation expenditure;
- Note 15 – share based payments.

Additionally, we draw attention to the item discussed at note 11. The valuation of the exploration and evaluation asset currently recognised is \$8,534,563. 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.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

Condensed Notes to the Half Year Consolidated Financial Statements for the six months ended 31 December 2012

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 2012.

7 SUBSEQUENT EVENTS

On 17 January 2013, the Group issued 2,312,282 shares at 4 cents each through a share placement with sophisticated investors.

8 REVENUE AND EXPENSES

	Consolidated	
	31 Dec 2012	31 Dec 2011
	\$	\$
(i) Other Income		
Interest received	5,077	4,299
Other income	39,160	8,493
	<hr/>	<hr/>
	44,237	12,792
	<hr/>	<hr/>
(ii) Expenses		
Depreciation and amortisation	1,056	68,604
Administrative expenses (Beijing office) ¹	294,118	-
	<hr/>	<hr/>

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 2012	31 Dec 2011
	\$	\$
Investments at cost - Quince concessions	42,600	42,600
Investments at cost – Shoreline	-	512
Investments at cost – Ample Success	1,134,215	1,134,215
Less: Accumulated Impairment – Ample Success	(1,134,115)	-
	<hr/>	<hr/>
	42,700	1,177,327
	<hr/>	<hr/>

During the period, management reviewed the recoverable amount of the Investment in Ample 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 period of \$1,134,115, which forms part of the total impairment expense \$1,140,251.

11 EXPLORATION CONCESSIONS

During the period, the company's subsidiaries have acquired mining licences and mining concessions and incurred net exploration costs of \$23,844.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

Condensed Notes to the Half Year Consolidated Financial Statements for the six months ended 31 December 2012

12 SHARE CAPITAL

	Consolidated		Consolidated	
	Dec 2012	June 2012	Dec 2012	June 2012
	\$	\$	Shares	Shares
Ordinary shares				
Issued	40,711,956	39,213,956	311,285,604	272,785,604
<i>Movements during the period</i>				
Balance at beginning of the period	39,213,956	37,479,740	272,785,604	245,846,493
Share issues during the period	1,540,000	1,734,216	38,500,000	26,939,111
Cost of capital raising	(42,000)	-	-	-
Balance at the end of the period	40,711,956	39,213,956	311,285,604	272,785,604

13 RELATED PARTIES

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the Annual Report, as at, and for the year ended 30 June 2012.

14 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	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
External revenues	44,237	12,792	-	-	-	-	44,237	12,792
Reportable segment loss before income tax	(1,869,150)	(662,505)	(21,711)	(1,261,313)	-	(2,978)	(1,890,861)	(1,926,796)
Consolidated loss before income tax							(1,890,861)	(1,926,796)
Reportable segment assets	1,179,311	1,290,763	8,871,214	8,665,256	25,000	70,000	10,075,525	10,026,019
Reconciliation of reportable segment profit or loss								
Total loss for reportable segments							(1,890,861)	(1,926,796)
Other loss							-	-
Elimination of inter-segment profits							(1,890,861)	(1,926,796)
Consolidated loss before income tax							(1,890,861)	(1,926,796)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2012.

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

Condensed Notes to the Half Year Consolidated Financial Statements for the six months ended 31 December 2012

15 SHARE BASED PAYMENTS

On 28 November 2012, the company issued 6,000,000 options to a director, which was approved by the shareholders at an Annual General Meeting. The options, which expire on 5 July 2015, are fully vested and are exercisable at an average price of \$0.15.

Non-vested number	Granted number	Grant date	Value per option at grant date	Exercise Price \$	Expiry Date	First Exercise Date
2,000,000	2,000,000	28/11/12	\$0.01264	\$0.10	5/07/15	28/11/13
2,000,000	2,000,000	28/11/12	\$0.00868	\$0.15	5/07/15	28/11/13
2,000,000	2,000,000	28/11/12	\$0.00637	\$0.20	5/07/15	28/11/13

Inputs into the model:

Grant date share price	\$0.045
Average exercise price	\$0.15
Volatility	75%
Option life	949 days
Dividend yield	-
Risk-free interest rate	2.99%

On 31 December 2012, the company issued 700,000 options pursuant to Employee Share Option approved by shareholders on 30 June 2010. The options, which expire on 5 July 2015, are fully vested and are exercisable at a price of \$0.15.

Vested number	Granted number	Grant date	Value per option at grant date	Exercise Price \$	Expiry Date	First Exercise Date
700,000	700,000	31/12/12	\$0.00535	\$0.15	5/07/15	31/12/13

Inputs into the model:

Grant date share price	\$0.05
Exercise price	\$0.15
Volatility	60%
Option life	916 days
Dividend yield	-
Risk-free interest rate	3.27%

The options issued above have been valued at the issue date as detailed above using the Black-Scholes model resulting in a total cost of \$59,127.87.