

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

HALF-YEAR FINANCIAL REPORT– 31 DECEMBER 2016

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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 2016 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 2016.

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
K. Lee	24 th March 2009 to present
S. Ning	4 th April 2011 to present
D. Yu	25 th June 2015 to present
P. Chen	8 th October 2015 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 \$293,388 (2015 half year: loss \$112,351), which included impairment loss of \$nil (2015 - \$Nil).

Given the current market difficulties the junior mining sector is experiencing, the Company, like many other junior exploration companies, has recently experienced difficulty in maintaining investor support and raising further funds.

The Board believes that it needs to assess a range of new opportunities, which may well include opportunities beyond the Company's traditional resource sector.

During the period, the Company:

- Ceased exploration activities and rehabilitation in Chile was carried out, while operational and administrative overheads have been reviewed and reduced.
- Has been actively identifying a range of new opportunities, which may well include opportunities beyond the Company's traditional resource sector and reviewing and assessing those opportunities.
- Has been approached by a number of parties seeking investments from the Company.
- Has implemented a number of cost cutting measures aimed at minimising cash outflows through this transitional phase including agreement with the Directors to suspend key terms of their existing service contracts during this period, and will not receive remuneration until additional funding has been raised on the back of new opportunities or improved market conditions.

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 2016.

Directors' Report

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'Kenneth Lee', written in a cursive style with a long horizontal stroke extending to the right.

Kenneth Lee
Managing Director

Sydney
Dated: *16 March, 2017*

The Board of Directors
South American Iron & Steel Corporation Limited
Suite 4, 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 2016, 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



Nexia Sydney Partnership



Andrew Hoffmann

Partner

Dated: 16 March, 2017

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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') and Consolidated Entities (the 'Group'), which comprises the condensed consolidated statement of financial position as at 31 December 2016, 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 and the *Corporations Act 2001* and for such internal controls 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 2016 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.

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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 matter 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 Group's financial position as at 31 December 2016 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*.

Material 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 capital raisings 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 with the continued support of its major shareholders and directors.

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.



Nexia Sydney Partnership

A handwritten signature in black ink, appearing to read "AH", followed by a long horizontal line.

Andrew Hoffmann

Partner

Dated: 16 March, 2017

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 Australian Accounting Standard AASB 134 ‘Interim Financial Reporting’, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the Group’s financial position as at 31 December 2016 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 and directors;

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: *16 March 2017*

SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED

ABN 67 060 319 119

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Six Months Ended 31 December 2016**

	Notes	Consolidated	
		31 Dec 2016	31 Dec 2015
		\$	\$
Continuing Operations			
Other income	8	39,761	182,241
Legal fees – Chile		3,579	4,027
Interest expense		390	2,122
Rent expenses		88,600	86,008
Salaries and wages		32,456	42,061
Directors fees		128,550	80,550
Other expenses		79,574	79,824
Loss before income tax		(293,388)	(112,351)
Income tax expense		-	-
Loss for the period		(293,388)	(112,351)
Other Comprehensive Income		-	-
Total Comprehensive Income for the Period		(293,388)	(112,351)
Earnings per Share			
Loss per share			
- Basic and Diluted (cents per share)		(0.07)	(0.03)

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 2016**

		Consolidated	
	Notes	31 Dec 2016	30 Jun 2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		69,434	215,381
Trade and other receivables		31,486	15,343
Other financial assets		63,232	53,240
TOTAL CURRENT ASSETS		164,152	283,964
NON-CURRENT ASSETS			
Other financial assets	9	100	100
TOTAL NON-CURRENT ASSETS		100	100
TOTAL ASSETS		164,252	284,064
CURRENT LIABILITIES			
Payables		737,246	550,130
Other liabilities		400,000	400,000
Employee entitlements		46,837	50,812
TOTAL CURRENT LIABILITIES		1,184,083	1,000,942
NON-CURRENT LIABILITIES			
Employee entitlements		15,514	25,079
TOTAL NON-CURRENT LIABILITIES		15,514	25,079
TOTAL LIABILITIES		1,199,597	1,026,021
NET DEFICIENCY IN ASSETS		(1,035,345)	(741,957)
EQUITY			
Contributed equity	10	41,474,447	41,474,447
Reserves		1,167,727	1,167,727
Accumulated losses		(43,677,519)	(43,384,131)
TOTAL DEFICIENCY IN EQUITY		(1,035,345)	(741,957)

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 2016**

Consolidated	Share Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2016	41,474,447	1,167,727	(43,384,131)	(741,957)
Loss for the period	-	-	(293,388)	(293,388)
Total Comprehensive Income for the period	41,474,447	1,167,727	(43,677,519)	(1,035,345)
At 31 December 2016	41,474,447	1,167,727	(43,677,519)	(1,035,345)
At 1 July 2015	41,274,447	1,167,727	(42,799,246)	(357,072)
Loss for the period	-	-	(112,351)	(112,351)
Total Comprehensive Income for the period	41,274,447	1,167,727	(42,911,597)	(269,423)
Transactions with Owners				
Share issue (net)	200,000	-	-	200,000
At 31 December 2015	41,474,447	1,167,727	(42,911,597)	(269,423)

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 2016**

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	39,019	28,581
Cash payments in the course of operations	(218,594)	(568,395)
Interest received	756	1,403
	<hr/>	<hr/>
Net Cash Flow from Operating Activities	(178,819)	(538,411)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for mining rehabilitation/exploration	(28,845)	(230,487)
Proceeds from sale of prospects	-	463,086
Proceeds from sale of land	-	314,953
	<hr/>	<hr/>
Net Cash Flow from Investing Activities	(28,845)	547,552
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(84,320)
Proceeds from borrowings	61,717	-
Interest paid	-	(2,122)
Net proceeds from issue of share capital	-	200,000
	<hr/>	<hr/>
Net Cash Flow from Financing Activities	61,717	113,558
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD	(145,947)	122,699
Cash and Cash Equivalents at the Beginning of the Financial Period	215,381	96,006
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	69,434	218,705
	<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 2016

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 2016 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 2016 is available upon request from the company’s registered office at Suite 4 Level 10, 8-10 Loftus Street, Sydney NSW 2000.

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 2016, 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 16 March 2017.

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 2016, 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 2016

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 \$ 293,388 for the six months ended 31 December 2016.

The Group recorded net cash outflows from operating activities of \$ 178,819 for the six months ended 31 December 2016.

The Group had a net deficiency in assets of \$1,035,345 as at 31 December 2016.

The Group had cash of \$ 69,434 and term deposits of \$ 63,232 as at 31 December 2016.

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.

Directors have initiated certain actions to ensure that the Company's viability as a going concern. Such actions include:

- The Company has appointed a corporate adviser to assist in the identification of new business opportunities and the sourcing of additional funding for working capital.
- The Company has instigated a number of cost cutting measures aimed at minimising cash outflows through this transitional phase.
- The holder (also a significant shareholder of the Company) of a \$400,000 non-interest bearing loan, which is not repayable until after 15 December 2017 on demand by the Note holder, has indicated that he will continue to support the Company.
- The Company is being supported, on a needs basis, by directors and shareholders.

Consequently, the Directors are of the opinion that the use of the going concern basis of accounting is appropriate.

Should the Company not achieve the planned capital raising detailed above as well as failing to obtain continuing support from its directors and shareholders (including a significant shareholder who holds a \$400,000 loan note) there is significant uncertainty as to whether the Company will continue to trade as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business as stated in the financial report. The financial report does not include any adjustments that may be necessary if the Company is unable to continue as a going concern.

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 2016

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.

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 2016.

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 2016	31 Dec 2015
	\$	\$
Other Income		
Interest received	687	1,403
Forgiveness of past director's fees ¹	-	84,090
Exchange gains	-	16,948
Rental income	25,000	79,800
Provision for bad debt received	14,074	-
	<u>39,761</u>	<u>182,241</u>

¹During the half year ended 31 December 2015, the Company settled the outstanding director's fees to Dr Richard Haren. The settlement resulted in a net benefit to the Company of \$84,090.

9 OTHER FINANCIAL ASSETS

	Consolidated	
	31 Dec 2016	30 June 2016
	\$	\$
Investments at cost – Ample Success	1,134,215	1,134,215
Less: Accumulated Impairment – Ample Success	(1,134,115)	(1,134,115)
	<u>100</u>	<u>100</u>

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 2016

10 SHARE CAPITAL

	Consolidated		Consolidated	
	Dec 2016	June 2016	Dec 2016	June 2016
	\$	\$	Shares	Shares
Ordinary shares				
Issued	41,474,447	41,474,447	458,246,886	458,246,886
<i>Movements during the period</i>				
Balance at beginning of the period	41,474,447	41,274,447	458,246,886	398,246,886
Share issues during the period	-	200,000	-	60,000,000
Balance at the end of the period	41,474,447	41,474,447	458,246,886	458,246,886

11 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 and Chile. These are the reportable segments under AASB 8.

Information regarding these segments is presented below for the six months ended 31 December.

	Australia		Chile		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
External revenues	39,761	182,241	-	-	39,761	182,241
Impairment	-	-	-	-	-	-
Reportable segment loss before income tax	(252,405)	(327,656)	(40,983)	215,305	(293,388)	(112,351)
Consolidated loss before income tax					(293,388)	(112,351)
Reportable segment assets	114,153	458,486	56,584	188,481	170,737	646,967
Reconciliation of reportable segment profit or loss						
Total loss for reportable segments				(293,388)		(112,351)
Other loss			-			-
				(293,388)		(112,351)
Elimination of inter-segment profits			-			-
Consolidated loss before income tax				(293,388)		(112,351)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2016.