

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

HALF-YEAR FINANCIAL REPORT– 31 DECEMBER 2017

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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 2017 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 2017.

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 28 th November 2017 |
| P. Chen | 8 th October 2015 to 28 th November 2017 |

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 \$148,609 (2016 half year: loss \$293,388).

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.
- Undertook to complete the acquisition of 100% of the shares held in Mulwarra Export Pty Limited in pursuant of a Share Purchase Agreement ("the Agreement") with all of the shareholders of Mulwarra ("Mulwarra Shareholders") pursuant to which SAY will acquire 100% of Mulwarra from Mulwarra Shareholders ("the Acquisition"). On 25th October 2017, SAY and Mulwarra Shareholders have mutually agreed to terminate the Agreement.
- Has, subsequent to the termination of the Agreement, 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.

Directors' Report

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 2017.

Signed in accordance with a resolution of the directors:

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

Kenneth Lee
Managing Director

Sydney
Dated: 16 March, 2018

The Board of Directors
South American Iron & Steel Corporation Limited

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 2017, 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, 2018

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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 its subsidiaries (the Group)), which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and the 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.

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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 half-year 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 2017 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.

Independence

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

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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 Group's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
- ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 4 of the financial statements which indicates that the Group has incurred a net loss of \$148,609 during the period ended 31 December 2017 and has net current liabilities and net liabilities of \$1,436,434. As stated in Note 4, these events or conditions, along with other matters as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.



Nexia Sydney Partnership



Andrew Hoffmann

Partner
Sydney, NSW

16 March 2018

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 14, 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 2017 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.

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 2018

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 2017**

| | Notes | Consolidated 31 Dec 2017 \$ | 31 Dec 2016 \$ |
|--|-------|-----------------------------------|-------------------|
| Continuing Operations | | | |
| Other income | 8 | <u>72,027</u> | <u>39,761</u> |
| Legal fees – Chile | | - | 3,579 |
| Interest expense | | 11,222 | 390 |
| Due Diligence Costs | | 70,714 | - |
| Rent expenses | | 74,316 | 88,600 |
| Salaries and wages | | - | 32,456 |
| Directors fees | | - | 128,550 |
| Other expenses | | <u>64,384</u> | <u>79,574</u> |
| Loss before income tax | | (148,609) | (293,388) |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Loss for the period | | (148,609) | (293,388) |
| Other Comprehensive Income | | | |
| Movement in foreign exchange | | <u>13,279</u> | <u>-</u> |
| Total Comprehensive Income for the Period | | (135,330) | (293,388) |
| Earnings per Share | | | |
| Loss per share | | | |
| - Basic and Diluted (cents per share) | | (0.03) | (0.07) |

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 2017**

| | Notes | Consolidated 31 Dec 2017 \$ | 30 Jun 2017 \$ |
|--------------------------------------|-------|-----------------------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 295,006 | 255,694 |
| Trade and other receivables | | 19,333 | 34,799 |
| Other financial assets | | - | 62,117 |
| TOTAL CURRENT ASSETS | | 314,339 | 352,610 |
| TOTAL ASSETS | | 314,339 | 352,610 |
| CURRENT LIABILITIES | | | |
| Payables | | 898,731 | 812,884 |
| Other liabilities | | 571,170 | 559,947 |
| Employee entitlements | | 62,801 | 46,438 |
| Deferred Income | | 218,071 | 218,071 |
| TOTAL CURRENT LIABILITIES | | 1,750,773 | 1,637,340 |
| NON-CURRENT LIABILITIES | | | |
| Employee entitlements | | - | 16,374 |
| TOTAL NON-CURRENT LIABILITIES | | - | 16,374 |
| TOTAL LIABILITIES | | 1,750,773 | 1,653,714 |
| NET DEFICIENCY IN ASSETS | | (1,436,434) | (1,301,104) |
| EQUITY | | | |
| Contributed equity | 10 | 41,474,447 | 41,474,447 |
| Reserves | | 1,181,006 | 1,167,727 |
| Accumulated losses | | (44,091,887) | (43,943,278) |
| TOTAL DEFICIENCY IN EQUITY | | (1,436,434) | (1,301,104) |

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 2017

| Consolidated | Share Capital | Reserves Share based /(FCTR) | Accumulated Losses | Total Equity |
|--|-------------------|------------------------------------|---------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| At 1 July 2017 | 41,474,447 | 1,167,727 | (43,943,278) | (1,301,104) |
| Loss for the period | - | - | (148,609) | (148,609) |
| Foreign currency translation differences | - | 13,279 | - | 13,279 |
| Total Comprehensive Income for the period | 41,474,447 | 1,181,006 | (44,091,887) | (1,436,434) |
| At 31 December 2017 | 41,474,447 | 1,181,006 | (44,091,887) | (1,436,434) |
| 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) |

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 2017

| | Consolidated 31 Dec 2017 | 31 Dec 2016 |
|---|-------------------------------------|--------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts in the course of operations | 82,443 | 39,019 |
| Cash payments in the course of operations | (44,711) | (218,594) |
| Interest received | 1,580 | 756 |
| | <hr/> | <hr/> |
| Net Cash Flow from Operating Activities | 39,312 | (178,819) |
| | <hr/> | <hr/> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for mining rehabilitation/exploration | - | (28,845) |
| | <hr/> | <hr/> |
| Net Cash Flow from Investing Activities | - | (28,845) |
| | <hr/> | <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | - | 61,717 |
| | <hr/> | <hr/> |
| Net Cash Flow from Financing Activities | - | 61,717 |
| | <hr/> | <hr/> |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD | 39,312 | (145,947) |
| | <hr/> | <hr/> |
| Cash and Cash Equivalents at the Beginning of the Financial Period | 255,694 | 215,381 |
| | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD | 295,006 | 69,434 |
| | <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 2017

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 2017 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 2017 is available upon request from the company’s registered office at Level 4, 283 George 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 15 March 2018.

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 2017, 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 2017

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 \$ 148,609 for the six months ended 31 December 2017.

The Group recorded net cash inflows from operating activities of \$ 39,312 for the six months ended 31 December 2017.

The Group had a net deficiency in assets of \$1,436,434 as at 31 December 2017.

The Group had cash of \$ 295,006 as at 31 December 2017.

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 2018 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 2017

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 2017.

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 2017 | 31 Dec 2016 |
| | \$ | \$ |
| Other Income | | |
| Interest received | 1,580 | 687 |
| Rental income | 19,500 | 25,000 |
| Doubtful debts recovered | 50,948 | 14,074 |
| | 72,028 | 39,761 |

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 2017

10 SHARE CAPITAL

| | Consolidated | | Consolidated | |
|------------------------------------|-------------------|------------|--------------------|-------------|
| | Dec 2017 | June 2017 | Dec 2017 | June 2017 |
| | \$ | \$ | 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 | 41,474,447 | 458,246,886 | 458,246,886 |
| Share issues during the period | - | - | - | - |
| 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 | |
|--|------------------|-----------|----------------|----------|------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| External revenues | 72,027 | 39,761 | - | - | 72,028 | 39,761 |
| Impairment | - | - | - | - | - | - |
| Reportable segment loss before income tax | (148,609) | (252,405) | - | (40,983) | (148,609) | (293,388) |
| Consolidated loss before income tax | | | | | (148,609) | (293,388) |
| Reportable segment assets | 82,843 | 114,153 | 231,496 | 56,584 | 314,339 | 170,737 |
| Reconciliation of reportable segment profit or loss | | | | | | |
| Total loss for reportable segments | | | | | (148,609) | (293,388) |
| Other loss | | | | | - | - |
| | | | | | (148,609) | (293,388) |
| Elimination of inter-segment profits | | | | | - | - |
| Consolidated loss before income tax | | | | | (148,609) | (293,388) |

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2017.