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ONESTEEL ANNOUNCES MAJOR MINING INITIATIVES

OneSteel/Henry Walker Eltin Mining Services Contract

OneSteel Limited Managing Director Bob Every today announced the signing of a six-year contract with Henry Walker Eltin. The contract, which is worth in excess of \$170 million, covers mining services at OneSteel's three iron ore mines in the South Middleback Ranges. The iron ore is used at OneSteel's Whyalla steelworks in South Australia.

Henry Walker Eltin previously supplied drilling, blasting and mining services to OneSteel under a five-year contract that expired at the end of calendar year 2002. The new contract includes a new five-year Ore Beneficiation project to process an estimated 9 million tonnes of lower-grade ore accumulations that will produce around 5 million tonnes of usable high-grade ore.

The ore beneficiation project will lower the required mining volume to approximately 2 million tonnes per annum from the current requirement of around 3 million tonnes, as well as reduce waste removal to 7 million tonnes from 11 million tonnes.

Bob Every said: "This further enhances and extends Whyalla's competitive advantage of low-cost, high-grade iron ore resources. The contract also brings \$2 million in savings through synergies with Henry Walker Eltin that will be generated over the six-year period. There is an option to extend the contract by one year if certain performance criteria are met. Work on the beneficiation plant begins immediately, with commissioning expected in approximately 12 months."

Magnetite mine feasibility study

In a separate development, Bob Every announced that OneSteel will conduct a feasibility study to evaluate the commercial viability of processing OneSteel's large magnetite resources in the South Middleback Ranges.

He said: "The study will involve drilling and testing of magnetite resources at Iron Duke mine to determine if the magnetite can be economically recovered and used as feed for the Whyalla Steelworks in place of the hematite currently used. The evaluation, that will cost approximately \$6 million, will also assess the marketability of the hematite that would be available for sale, potentially providing an additional source of revenue for OneSteel.

"Initial indications are that by converting the Whyalla Steelworks to magnetite feed, a reduction in raw steel production costs could be achieved. If the size of the magnetite

resource is as significant as indicated, the life of Whyalla Steelworks could extend well beyond the current forecast of 2020 that is based on the expected life of the existing hematite deposit,” said Bob Every.

He added: “The planned feasibility study, together with other recent developments such as the blast furnace reline demonstrates that we believe Whyalla has a long and prosperous future as part of OneSteel.”

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