



MEDIA RELEASE

OneSteel Announces Major Iron Ore Project

17 August 2004

OneSteel Limited Managing Director and Chief Executive Officer, Bob Every, announced today that OneSteel had successfully completed the feasibility study into its magnetite ore resource in the South Middleback Ranges in South Australia, and the Board had approved the commencement of "Project Magnet".

Project Magnet is the conversion of the Whyalla Steelworks to produce steel from magnetite rather than hematite iron ore. The project has three main advantages:

- 1) Extends the life of Whyalla Steelworks from the current hematite reserve constraint of 2020 to at least 2027;
- 2) Provides OneSteel the opportunity to sell an incremental
 - a. 30 million tonnes of hematite ore (this is on top of the one million tonnes per annum that OneSteel currently sells),
 - b. 3.2 million tonnes of iron pellets over the next ten years, and
 - c. approximately one million tonnes of slab steelgenerating revenues in excess of \$1 billion over ten years;
- 3) Lowers the cost of producing steel at the Whyalla Steelworks that produces 65% of the company's steel.

In announcing the project Bob Every stated, " We are very excited about this project as it cements the foundation of our steel business in Whyalla and the community can look towards the future with confidence.

" The project will generate in excess of \$1 billion in revenue over the next 10 years, and provide South Australia with further export income. It will provide OneSteel with an additional income and earnings stream, further building on the company's success over the last four years.

" It is particularly pleasing that this opportunity will help to grow the company organically and generate cash and other benefits which have the potential to provide further opportunities in the future," Bob Every said.

The cost of Project Magnet including mine stripping will be approximately \$250 million and is expected to be fully operational in the 2006/07 financial year. This expenditure will cover the mine cut back, beneficiation facilities, a slurry pipeline, conversion of the Whyalla pellet plant, construction of a desulphurisation plant, the upgrade of port storage and handling facilities.

The iron ore sales have been accelerated over what was initially anticipated, with a total of three million tonnes per annum of incremental hematite iron ore sales, rather than the original two million tonnes. The main driver behind up-scaling the project is the current strong demand driven by China to fuel its industrial growth.

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In approving the project the Board have committed \$30 million to the start-up phase, which includes initiation of detailed design work, mobilising key engineering resources, securing long-lead time items, some further drilling and test work, preparation and initiation of mine cutback and contract selection for construction and marketing agents.

During this phase there will be a number of matters, which will require Board approval including the construction and marketing contracts. There will also be a number regulatory approvals required. Further announcements will be made over the coming year on project progress.

Project Magnet is expected to be fully operational in the 2006/07 financial year, however ore sales will be progressively implemented in the intervening period. This will help to establish markets and to generate revenue to assist in funding the project. The project will be funded totally from internal sources.

Bob Every further stated that “ OneSteel has been in very close contact with the South Australian Government concerning the project and they have been very positive in terms of their assistance with approval processes and guidance in getting the project to commencement phase.

“ I would like to take this opportunity to thank the Premier, Mike Rann and the Minister for Infrastructure, Patrick Conlon, for their assistance and providing aspects of the project with private sector sponsored Crown Development status.

“ There are still a number of approval processes currently underway and the company has confidence it will meet the necessary time horizons which guide the project.

“ The project will also have a beneficial impact on fugitive dust in the Whyalla township as converting the pelletising process from a dry to a wet operation will significantly reduce dust sourced from the Pellet Plant. The crushing and screening elements of the plant are currently being relocated to the mine site,” Bob Every said.

Project Facts

- Whyalla Steelworks manufactures 1.2 million tonnes of steel per annum
- It employs in excess of 2,000 people directly and as contractors
- The mine is 80 kilometres from the Whyalla township and port
- Hematite ore is railed from the mine to the port
- The magnetite will be sent to Whyalla through a slurry pipe
- In total, current mining operations will increase from three to approximately nine million tonnes per annum
- Hematite's composition is Fe_2O_3
- Magnetite's composition is Fe_3O_4

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