



21 August 2006

PROPOSED MERGER BETWEEN ONESTEEL AND SMORGON STEEL

OneSteel Limited (ASX: OST) and Smorgon Steel Group Ltd (ASX: SSX) remain committed to the agreed merger proposal announced to the market on 26 June 2006, notwithstanding the recent purchases of Smorgon Steel shares by BlueScope Steel Limited.

BlueScope Steel has purchased a 19.9% holding in Smorgon Steel without defining their specific intentions. Both companies would welcome seeing any specific proposals BlueScope may wish to put on the table, but no such proposals have been forthcoming. In the absence of any specific proposals, OneSteel and Smorgon Steel will continue to work towards implementation of the agreed transaction.

OneSteel and Smorgon Steel are working together to address the issues raised by the Australian Competition and Consumer Commission (ACCC) in its Statement of Issues of 14 August 2006 and believe they will be able to satisfactorily address the concerns outlined by the ACCC. The companies will make their submission to the ACCC no later than 23 August 2006.

In the announcement of 26 June 2006, it was noted that the proposed merger between OneSteel and Smorgon Steel was, in the absence of a superior offer, unanimously recommended by the Directors of Smorgon Steel, each of whom intends to vote all shares they personally hold in favour of the transaction.

This continues to be the case, and Smorgon Steel is confident that its shareholders will support the proposed Scheme of Arrangement.

For further information, please contact:

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