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ONESTEEL WHYALLA OPERATIONS IMPACTED BY FLOODS

OneSteel Limited today announced that there has been a small loss of production after abnormal rains caused flooding to parts of the Whyalla Steelworks operation.

Heavy rains and associated flooding caused damage to rail lines, internal and external to the site, and created potential operational security risks to certain equipment within the steelworks operation.

In terms of iron and steelmaking operations, there was minimal disruption to the blast furnace and it is operating normally. As a result of internal logistics disruptions and to facilitate a return to normal safe operating conditions, steel manufacturing has been disrupted for two to three days and is due to recommence later today.

Whilst mining activities have recommenced with minimal impact, the transport of iron ore from the mine site by rail is currently disrupted and will be restricted by repair work. Supplementary material will be trucked to minimise disruption to steelworks operations. However, there will be deferment of iron ore sales as rail repairs are completed.

In terms of Project Magnet, no damage was caused to plant and equipment, however it is expected that there will be a slight delay of approximately one week to construction activity.

Preliminary assessment of the financial impact to the company's EBITDA for the 2006/07 financial year is in the vicinity of \$15 to \$30 million and includes the cost of clean up, production disruptions, restoring rail operations, the rescheduling of deliveries of steel products and the deferral of iron ore shipments from this financial year.

For further information contact:

Mark Gell , GM Corporate Development
OneSteel Limited, Level 40, 259 George Street, Sydney
Telephone: (02) 9239 6616 Mobile: 0419 440 533
Email: gellm@onesteel.com