

ASX RELEASE

13 August 2008

Guidance on Interest and Depreciation & Amortisation Expenses

(ASX:OST) Earlier this year, OneSteel confirmed that its earnings guidance for the full year ending 30 June 2008, would be at the Earnings Before Interest Tax and Depreciation & Amortisation (EBITDA) line due to uncertainty over the impact on interest, and depreciation & amortisation from two major growth initiatives, the Smorgon Steel merger and Project Magnet¹.

At the time of providing guidance, the company was in the process of determining the fair values of the identifiable assets, liabilities and contingent liabilities acquired as part of the merger with Smorgon Steel Group Limited. This process has now been substantially completed and depreciation and amortisation charges have been made for the period commencing the date of the Smorgon merger (20 August 2007).

In addition, the company was also uncertain of the timing of capitalising Project Magnet. Project Magnet assets were commissioned during the year and associated depreciation of \$9 million has been recorded in the 2008 financial year. For the 2009 financial year, depreciation on Project Magnet assets is estimated to be approximately \$24 million. Total capitalised interest on Project Magnet was \$19.6 million for the 2008 financial year.

In total, OneSteel expects interest expense to be approximately \$160 million, and depreciation & amortisation expense to be approximately \$195 million for the financial year ended 30 June 2008. For the 2009 financial year, amortisation in relation to intangibles acquired with the Smorgon Steel businesses is estimated to be approximately \$8 million and depreciation on plant and equipment acquired with the Smorgon Steel business is estimated to be \$66 million.

OneSteel's results for the full-year ended 30 June 2008 will be announced on 19 August 2008.

¹ Project Magnet is focussed on the commercialisation of OneSteel's magnetite ore reserves and the sale of hematite ore.

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CONTACTS: Investor & Media

Steve Ashe
General Manager
Investor Relations & External Affairs
Tel: +612 9239 6616
Mob: 0408 164 011
Email: ashes@onesteel.com