

ASX RELEASE

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PROPOSED CARBON TAX - STEEL TRANSFORMATION PLAN ASSISTANCE PACKAGE

(ASX:OST) Commenting on today's announcement by the Prime Minister of details of the proposed carbon tax, including the Government's intention to introduce a Steel Transformation Plan (STP), OneSteel's Managing Director and Chief Executive Officer, Mr Geoff Plummer said:

"OneSteel had concerns with the proposed carbon tax as originally announced, due to the likely adverse implications the tax would have had on the industry's competitive position. Steelmaking technology constraints mean there is little the industry can do to materially reduce emissions from its key manufacturing processes. This means that rather than act as a price signal to reduce emissions, the tax as originally announced would merely have been an additional cost burden not faced by our international competition.

"We have been advocating that the Government take a sectoral approach for the steel industry that takes in the unique aspects of steel making technology and its markets to avoid damaging the competitiveness of the industry.

"We believe that on balance, the sectoral approach announced today by the Prime Minister for the steel industry, including the introduction of the STP is both appropriate and sensible. We are pleased that the Government has responded by adopting this approach.

"Through this sectoral approach, and in particular the announcement of the STP, our concerns about the adverse impacts of the proposed carbon tax on our competitive position have been recognised and substantially addressed, at least over the four year life of the STP. We also support the Government's recognition of the need for appropriate review mechanisms to be available to address the merits of continued support at the conclusion of the four years, and also in the event we believe the impact of the carbon tax related to scope 3 emissions from coal are being passed through," Mr Plummer said.

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Further information about OneSteel can be accessed via the website www.onesteel.com

ATTACHMENT

ONESTEEL'S CARBON EMISSIONS AND THE JOBS AND COMPETITIVENESS PROGRAM

- OneSteel generated approximately 4Mt of Co2-e in FY10
- OneSteel emissions are driven predominantly by the iron and steelmaking processes at Whyalla and EAF steelmaking at Laverton, Sydney and Waratah
- Based on FY10 production and emission levels and our current understanding of the Carbon Tax, the level of assistance OneSteel would receive in the first year in respect of the Government's proposed Carbon Tax via its Jobs and Competitiveness Program is:

	Total Emissions	Free Permits	Unassisted (i.e. No Free Permits)
Scope 1 & 2 emissions	4Mt	3.2Mt	0.8Mt

Analysis is based on scope 1 and 2 emissions and excludes scope 3 emissions. Actual level of assistance received in any year will be dependent on various factors, in particular, actual production and emissions levels in the relevant period and the rates of assistance applicable to that period in accordance with the Carbon Tax scheme.

STEEL TRANSFORMATION PLAN

Whilst details of the Steel Transformation Plan (STP) are to be finalised with Government, it is OneSteel's understanding that under the STP a fund worth \$300 million in aggregate will be available to eligible entities over 4 years. The STP is expected to commence 1 July 2012. The Government has advised OneSteel that its estimate of OneSteel's share of support under the STP will be capped at 39% of \$300 million (i.e. \$117 million) over 4 years. Total annual allocations from the fund will be capped at \$75 million, with OneSteel's share expected to be approximately \$29 million subject to it having sufficient eligible activity in the form of innovation expenditure, capital investment and production. If support in any year is less than the cap, any funding not expended can be rolled over to a later year within the four year period. OneSteel understands from the Government that a mechanism will be available during the 4 year term of the STP to allow recipients to request a review of support levels.

SCOPE 3 IMPACT REVIEW

The Government has indicated to OneSteel that it will be able to request an independent review if OneSteel believes that scope 3 coal costs have been passed through.

The analysis of the impact of the carbon tax and related STP and Jobs and Competitiveness Program is based on OneSteel's initial assessment of the proposed arrangements announced by the Government today and detailed discussions with the Government regarding the operation of these arrangements. It remains subject to laws and regulations being passed to give effect to the proposed arrangements and to the potential impact of scope 3 costs arising other than from coal (which are too uncertain at this time to be determined).