

## ASX RELEASE

22 August 2011

### EXPANSION OF IRON ORE SALES TO APPROXIMATELY 9-10MTPA

(ASX:OST) OneSteel's growth strategy has for some time included a focus on opportunities to build on the success of Project Magnet and Project Magnet Phase 2 to further grow the company's iron ore business. The company is pleased to announce today two key iron ore initiatives:

1. The expansion of OneSteel's export port facilities at Whyalla, South Australia from its current capacity of approximately 6.5 – 7.0 million tonnes per annum, to approximately 12 million tonnes per annum by around the fourth quarter of calendar year 2012. The cost of this expansion is expected to be approximately \$200 million, subject to finalisation of design and scope; and
2. An agreement with WPG Resources Limited (WPG) to acquire the subsidiaries owning its iron ore assets situated in northern South Australia. These assets include the Peculiar Knob high grade DSO haematite project and the Buzzard and Tui DSO hematite and magnetite deposits at Hawks Nest, in addition to selected iron ore exploration assets. The total consideration payable to WPG is estimated at \$346 million and OneSteel expects to invest an additional \$50 million for capital expenditure to complete the infrastructure at Peculiar Knob (see attachment for further details).

OneSteel Managing Director and CEO, Mr Geoff Plummer said: "Today's announcement reflects significant work carried out by the company over an extended period to ensure we maximise the opportunities from our port facilities at Whyalla, and is consistent with our stated strategy of investing to grow our resources focused mining and mining consumables businesses.

"The acquisition leverages OneSteel's proven track record in iron ore, including the successful commercialisation of our hematite iron ore reserves under Project Magnet and subsequent ramp up of sales under Project Magnet Phase 2 to around 6 million<sup>1</sup> tonnes per annum. It also leverages our existing export infrastructure.

"Progressing these two initiatives simultaneously delivers a significant step up in our port capacity and iron ore sales, including enabling us to leverage our existing infrastructure to deliver high grade ore to the market quickly to take advantage of current iron ore prices.

"The port expansion opens a number of opportunities for increased sales from OneSteel's existing iron ore operations, as identified through the ongoing review of OneSteel's mining operations in the Middleback Ranges, and through the acquisition of the WPG iron ore assets.

"These WPG assets are quality high grade iron ore and we expect to be in a position to commence sales of this ore in the fourth quarter of the 2012 calendar year.

---

<sup>1</sup> Sales are approximately 6.5 to 7.0 million tonnes including iron ore, ore by products and pellets

“WPG is to be congratulated for its good work in developing the Peculiar Knob project to its current status, and there are also attractive opportunities for OneSteel to increase available tonnes through development at the Hawks Nest deposits.

“We expect the combination of the high quality iron ore and our ‘speed to market’ through our proven capability to quickly expand the port and related infrastructure will deliver attractive returns for OneSteel and its shareholders,” Mr Plummer said.

The acquisition is subject to limited conditions, including approval by ordinary resolution of WPG shareholders. The sale of assets has been unanimously recommended by all WPG directors and all WPG directors have undertaken to vote all shares that they control in favour of the proposed asset sale, in the absence of a superior proposal.

Completion of the acquisition is expected to occur in October 2011. The acquisition is expected to be EPS accretive from commencement of the iron ore sales in the fourth quarter of the 2012 calendar year.

The acquisition of WPG’s iron ore assets will be funded from existing OneSteel facilities. OneSteel anticipates its gearing post acquisition at the end of December 2011 will be just over 30% (net debt/net debt + equity). If due to business performance over the remainder of this year OneSteel decides additional equity funding is appropriate, it will consider underwriting of the next DRP.

*ENDS*

CONTACTS: Investor & Media

Steve Ashe

General Manager

Investor Relations & External Affairs

Tel: +612 9239 6616

Mob: 0408 164 011

Further information about OneSteel Limited can be accessed via the website [www.onesteel.com](http://www.onesteel.com)

## ATTACHMENT

Further information:

### WPG assets

Peculiar Knob is a high grade haematite DSO project located approximately 90 km from Coober Pedy, and 600 km from OneSteel's Whyalla bulk export facility. The project is expected to produce at a rate of at least 3 million tonnes per annum for approximately 5 years. The project is fully permitted and OneSteel intends to maintain WPG's current site development timetable, which will see contractors on site to begin overburden removal from September 2011.

OneSteel will pay total consideration of approximately \$346 million in cash (on a cash and debt free basis) to WPG in consideration for the iron ore assets. OneSteel expects to invest an additional \$50 million for capital expenditure to complete the infrastructure at Peculiar Knob.

In order to facilitate the ongoing development of the Peculiar Knob project, OneSteel has undertaken to provide a loan to WPG on a secured basis of up to \$140 million for the duration of up to 18 months. WPG will repay the drawn amount of the loan (if any) from the sale proceeds. This loan would remain available to WPG to fund the development of the iron ore assets in the event OneSteel's acquisition of the iron ore assets did not proceed.

WPG has reported DSO haematite resources of approximately 19 million tonnes at Peculiar Knob and 18 million tonnes at Hawks Nest.

For further details see [www.westernplainresources.com.au](http://www.westernplainresources.com.au)

### Expansion of Whyalla export facilities

The expansion adopts similar processes and operating principles to OneSteel's existing operations. It will involve the development of bulk export operations at the Whyalla North Harbour that requires:

- Construction of additional receival and storage facilities, including rail infrastructure, tip pocket and storage sheds;
- Construction of ship loading facilities including conveyors and loader and berthing infrastructure; and
- Expansion of transshipping operations, adopting processes similar with OneSteel's existing operations.

It is expected that the new export facilities will be used for export of iron ore from WPG's Peculiar Knob project, as well as to support existing operations and provide scope for potential increases in exports from OneSteel's existing mines. There are not anticipated to be any major disruptions to OneSteel's existing iron ore export operations through the development period.

Investment and cost summary

	\$m
Acquisition of WPG assets	346
Estimated capital expenditure to complete infrastructure at Peculiar Knob	50 (approx.)
Estimated capital cost of OneSteel port expansion	200 (approx.)
Mining	Contracted out
Logistics	Contracted out
Rail	Contracted out
Transshipping	Contracted out

WPG assets location map

