



China Steel Australia (ASX:CNH)

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China Steel Australia To Start Production In July

China Steel Australia Limited (ASX:CNH) today announced it expects to start production next month after converting its China-based nickel pig iron plant to produce merchant pig iron (MPI).

The company said the plant near the city of Linyi in China's Shandong Province was expected to commence full production from mid-July.

China Steel CEO Chen Lidong said there had been a slight delay in confirming the supply of ores to the plant from Australia.

"We had been negotiating with Australia over iron ore pricing but the issue has now been resolved and we expect to start producing iron by July 15," he said.

"Sales have also been confirmed and we expect our production to be fully sold once we start."

Mr Chen said China Steel's results for the 2008-09 financial year would be affected by operational issues such as the time needed to convert the plant, the current global economic conditions and the delay in the supply of ores and accounting issues such as asset impairment.

"Management expects the group will record a loss for the full financial year due to these factors," he said. The size of the loss however cannot be quantified at this stage as asset impairment calculations have not yet been undertaken.

But Mr Chen said that the underlying operations with the new MPI product were expected to be profitable in future periods.

MPI is made into steel using an electric arc furnace or into cast articles in foundries such as stoves, radiators, lamp-posts and rails.

Mr Chen said China Steel could potentially become one of the larger and more efficient producers of MPI in China.

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