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China Steel Australia (ASX:CNH)

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China Steel to Swap Debt for Equity at 30 cents a share

China Steel Australia Limited (ASX:CNH) has today successfully negotiated with its lenders to convert their loans into fully paid ordinary shares and options in a debt for equity swap.

The successful swap will be completed at an issue price of 30 cents a share, representing a 100 per cent premium over the volume weighted average price (VWAP) for the 5 days ending 19 January 2010. The options will have an exercise price of 36 cents, an expiry date of 22 February 2012 and will be issued for nil consideration. A total of 172,820,046 shares will be issued and 21,602,506 options will be granted, subject to shareholder approval.

China Steel, through its wholly owned subsidiary Linyi Yilida Steel Mill Co. Ltd, has a total of \$54 million of debt to four different lenders. Three of these lenders, including the company's majority shareholder (Jadefield Group Limited), will wipe out \$52 million of that debt for shares and options. The transaction is subject to an EGM which will be held next month.

China Steel CEO Mr Chen Lidong said the deal shows that lenders have strong support and confidence in the company.

"This is a major milestone for China Steel," Mr Chen said.

"With our significantly restructured balance sheet and enhanced liquidity, we will move forward from a very solid financial foundation.

"This is a pleasing result following recent announcements about strong demand from Chinese customers, which has resulted in the company achieving 100 per cent production capacity."

China Steel produces both nickel pig iron and merchant pig iron at its plant near the city of Linyi in China's Shandong Province.

“We have recently ramped up our production, we are gaining stronger demand from Chinese domestic construction and consumer appliance industries and we are seeing a gradual recovery in nickel prices,” said Mr Chen.

“Even though the market has been patchy, the increased production levels highlight the growing confidence in the company and our products.”

ENDS

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