

China Steel Australia Limited

ABN 97 128 988 732

Notice of General Meeting

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Notice of General Meeting

Notice is given that a general meeting of the members of China Steel Australia Limited ACN 128 988 732 (the **Company**) will be held at 10.00am Brisbane time on 23 February 2010 in the Holdway Room, Tattersalls Club, 215 Queen Street, Brisbane Queensland.

The business to be considered at the meeting is set out below. This notice of meeting should be read in conjunction with the accompanying Explanatory Memorandum. A Proxy Form also accompanies this Notice of Meeting.

Business of the meeting

Resolution 1 - To approve the issue of 89,710,406 shares and 11,213,801 options to Zhang Guangxia

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 and for all other purposes, the issue by the Company of 89,710,406 fully paid ordinary shares at an issue price of 30 cents per share and 11,213,801 options on the terms and conditions in the Explanatory Memorandum to Zhang Guangxia, is approved."

Voting exclusion statement

The Company will disregard any votes cast on resolution 1 by Zhang Guangxia and her associates. However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 - To approve the issue of 83,109,640 shares and 10,388,705 options to Jadefield Group Limited

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 10.11 and for all other purposes, the issue by the Company of 83,109,640 fully paid ordinary shares at an issue price of 30 cents per share and 10,388,705 options on the terms and conditions in the Explanatory Memorandum to Jadefield Group Limited, is approved."

Voting exclusion statement

The Company will disregard any votes cast on resolution 2 by Jadefield Group Limited and its associates. However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 - To approve the proposed issue of up to 150,000,000 shares

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 and for all other purposes, the issue by the Company of up to 150,000,000 fully paid ordinary shares on the terms and conditions in the Explanatory Memorandum to the class of persons named in the Explanatory Memorandum, is approved"

Voting exclusion statement

The Company will disregard any votes cast on resolution 3 by any allottee of the shares and any associate of an allottee. However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Board

Paul Frederiks

Company Secretary

22 January 2010

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Voting Entitlements

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be as it appears in the Share Register at 7.00pm (Sydney time) on 21 February 2010. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the General Meeting.

Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. To be valid, the Proxy Form must be received by the company's share registrar, Computershare Investor Services Pty Limited, by 10.00am (Brisbane time) on 21 February 2010. For further details on completing the Proxy Form, please see the instructions on the reverse of the Proxy Form.

The completed form of proxy may be:

- Mailed to the Company's share register, Computershare Investor Services Pty Limited at GPO Box 242, Melbourne Victoria 3001, or
- Mailed or hand delivered to the Company's registered business office at c/ DLA Phillips Fox, Level 28, 1 Eagle Street Brisbane Queensland 4000, or
- Faxed to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

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Explanatory Memorandum

General

This explanatory memorandum has been prepared for the information of shareholders in connection with the business to be conducted at a meeting of the Company to be held at 10.00am Brisbane time on 23 February 2010 in the Holdway Room, Tattersalls Club, 215 Queen Street, Brisbane Queensland. It forms part of the notice of meeting and must be read together with that notice.

In this explanatory memorandum amounts have been converted from RMB to AUD using an exchange rate of AUD1 to RMB6.2288.

Shareholders should read this document in full and if they have any questions, obtain professional advice, before making any decision in relation to the resolutions to be put to the meeting.

Background

Current funding arrangements

The Company, through its wholly owned subsidiary Linyi Yilida Steel Mill Co. Ltd, has in aggregate RMB322,938,454 (AUD51,846,014) of outstanding unsecured loans:

- RMB152,938,454 (AUD24,553,438) from Shandong Hengtai Jiaohua Co. Limited;
- RMB155,302,000 (AUD24,932,892) from Jadedfield Group Limited; and
- RMB14,698,000 (AUD2,359,684) from Zhang Guangxia (Each a **Lender**).

Further information on the terms of the loans is below.

(Shandong Hengtai Jiaohua Co. Limited loan) On 30 April 2008 Linyi Yilida Steel Mill Co. Ltd entered into an agreement with Shandong Hengtai Jiaohua Co. Limited to borrow up to RMB300,000,000.

Shandong Hengtai Jiaohua Co. Limited is a private company incorporated in the People's Republic of China.

As at 31 October 2009 a total of RMB152,938,454 (AUD24,553,438) had been drawn to fund the construction of the expanded plant. Interest accrued on the drawdown to 31 October 2009 was RMB17,528,454 (AUD2,814,098).

The essential terms of the unsecured loan are as follows:

- repayment date is 30 April 2011 (extended from 30 April 2010);
- Linyi Yilida Steel is not required to make any repayments until 30 April 2011, and may repay the loan at any time; and
- interest rate is 8% per annum.

(Zhang Guangxia and Jadefield Group Limited loans) On 1 July 2007 Linyi Yilida Steel Mill Co. Ltd entered into an agreement with Zhang Guangxia to borrow the amount of RMB170,000,000 (AUD27,292,576).

Zhang Guangxia is a private investor based in the People's Republic of China.

Under the loan Zhang Guangxia has the right to transfer the loan to a third party in whole or in part in her discretion. On 29 September 2008, Zhang Guangxia transferred RMB155,302,000 (AUD24,932,892) of her loan to Jadefield Group Limited, a 46.25% shareholder of the Company. Jadefield is a special purpose investment company incorporated in the British Virgin Islands. The directors of Jadefield are Mr Henry Wee and Mr Lim Hung. The shares in Jadefield are held equally by Mdm Tan Geok Bee and Mr Lim Hung both of whom are residents of Singapore. Mr Lim Hung is also a director of the Company and of China Steel Singapore.

Notwithstanding the transfer, the terms and conditions of the loan remain unchanged.

The essential terms of the unsecured loan are as follows:

- repayment date is 30 June 2014;
- Linyi Yilida Steel is not required to make any repayments until 1 January 2011, and may repay the loan at any time; and
- interest free from 1 July 2007 to 1 January 2011. From 2 January 2011 until the date of repayment the interest rate will be the bank loan rate of the People's Bank of China or as agreed between Linyi Yilida Steel and the lender;
- at the lender's discretion part or all of the loan may be converted into shares in the Company at a conversion price equal to the volume weighted average price of shares over the 30 day period prior to conversion, provided that the conversion is permitted by the laws of the People's Republic of China, the laws of Australia and the Listing Rules.

Conversion details

As previously advised, the Company has negotiated with each Lender separately to convert their loans (both principal and interest) into a total of 172,820,046 fully paid ordinary shares in the Company at an issue price of AUD0.30 per share (**Conversion Shares**), and 21,602,506 options with an exercise price of AUD0.36 and an expiry date of 22 February 2012 (**Conversion Options**) subject to shareholder approval (the **Conversion**).

For the purposes of the Conversion, Shandong Hengtai Jiaohua Co. Limited has appointed Zhang Guangxia as its nominee to receive its 81,844,793 Conversion Shares and 10,230,599 Conversion Options.

The Lenders have agreed that the conversion price will be 30 cents per Conversion Share, which is a premium of 201% to the VWAP for the 30 days ending 8 January 2010.

Regulatory background

Listing Rule 7.1 provides that, in general, a company must not issue or agree to issue securities without shareholder approval if in doing so it would mean that the number of securities issued in the preceding 12 month period would exceed 15% of the number of fully paid ordinary shares on issue at the beginning of the 12 month period. This 15% limit is referred to in this notice of meeting as the Company's '*placement capacity*'.

If an issue of securities takes place with shareholder approval, those securities are not counted towards the placement capacity. Accordingly, in Resolution 1 the Company is seeking shareholder approval for the grant of the Conversion Shares and Conversion Options so that these securities do not count towards the placement capacity.

Listing Rule 10.11 provides that a listed company must not issue or agree to issue any securities to a related party (which includes an entity that controls the Company and its directors and their associates) without the approval of shareholders.

The Company does not believe that Jadedfield is a related party under the Corporations Act or ASX Listing Rules.

However, in the spirit of good governance, in Resolution 2, the Company is seeking shareholder approval under ASX Listing Rule 10.11 for the conversion of the Jadedfield loan into shares and options. If approval is given for the issue, then further approval is not required under Listing Rule 7.1.

The effect of obtaining these shareholder approvals is that the issue of the Conversion Shares, and grant of the Conversion Options will not be counted towards the Company's placement capacity.

The Board believes that it is in the best interests of the Company that it maintains its full flexibility under the placement capacity to issue securities in the future, so that the Company may raise capital and take advantage of commercial opportunities as and when they arise.

Effect of issue of Conversion Shares and grant of Conversion Options on current share capital

Share capital structure

The table below provides information on the effect of the issue of Conversion Shares and grant of Conversion Options on the share capital of the Company:

Transaction	Shares on issue	Percentage ownership	
		Non lenders	Lenders
Shares currently on issue ¹	308,000,000	53.75%	46.25% ²
Shares to be issued on Conversion	172,820,046	N/A	N/A
Subtotal (undiluted basis)	480,820,046	34.43%	65.57%
Options currently on issue	1,100,000	N/A	N/A
Options to be issued on Conversion	21,602,506	N/A	N/A
Total (fully diluted basis)³	503,522,552	33.1%	66.9%

Notes:

1. The Company has 308,000,000 fully paid ordinary shares on issue and 1.1 million options on issue with an exercise price of 30 cents and expiry date of 28 February 2011. This table has been prepared on the basis that these options are not exercised.
2. Jadefield currently holds 142,450,000 shares.
3. Assumes that all of the Conversion Options are exercised and that all options currently on issue are exercised.

Top 4 shareholders

On issue of the Conversion Shares the top 4 shareholders of the Company will be as follows:

No.	Shareholder	Shareholding percentage
1	Jadefield Group Limited	46.91%
2	China Powerplus Limited	29.63%
3	Zhang Guangxia (including shares held as nominee for Shandong Hengtai Jiaohua Co. Limited)	18.65%
4	Linyi Shandong Metals Trading Corporation Pty Ltd	0.73%

In addition, if all of the Conversion Options were exercised, and shares issued under them, the top 4 shareholders of the Company will be as follows:

No.	Shareholder	Shareholding percentage
1	Jadefield Group Limited	46.86%
2	China Powerplus Limited	28.29%
3	Zhang Guangxia (including shares held as nominee for Shandong Hengtai Jiaohua Co. Limited)	20.04%
4	Linyi Shandong Metals Trading Corporation Pty Ltd	0.70%

Effect of issue of Conversion Shares and grant of Conversion Options on financial position

To illustrate the effect of the Conversion on the Company, the following summary unaudited pro forma historical consolidated balance sheet has been prepared based on the Company's audited accounts as at 30 June 2009, which were prepared in accordance with AIFRS.

The financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act.

However, the accounting policies adopted in the preparation of the summary pro forma historical consolidated balance sheet are consistent with the accounting policies adopted and described in the Company's annual report for the year ended 30 June 2009 and should be read in conjunction with that report.

The summary pro forma historical consolidated balance sheet reflects the following pro forma adjustments:

- the issue of 172,820,046 Conversion Shares and grant of 21,602,506 Conversion Options;
- the repayment of RMB322,938,454 (AUD51,846,014) of debt;
- the exercise of the Conversion Options and all other options currently on issue.

The Company's actual position on completion of the Conversion may differ from the position illustrated in the summary pro forma consolidated historical balance sheet due to the factors set out above.

The table below sets out the pro forma historical consolidated balance sheet prepared on the basis described above.

	30 June 2009	After Conversion (undiluted) ¹	After Conversion (fully diluted) ²
	\$'000	\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	88	88	7,865
Trade and other receivables	31	31	31
Inventories	394	394	394
Other assets	180	180	180
Total Current Assets	693	693	8,470
Non Current Assets			
Investment in subsidiary	-	-	-
Property, plant and equipment	80,115	80,115	80,115
Other assets	697	697	697
Total Non Current Assets	80,812	80,812	80,812
Total Assets	81,505	81,505	89,282
LIABILITIES			
Current Liabilities			
Trade and other payables	2,019	2,019	2,019
Total Current Liabilities	2,019	2,019	2,019
Non Current Liabilities			
Financial liabilities	55,236	-	-
Deferred tax liabilities	346	-	-
Total Non Current Liabilities	55,582	-	-
Total Liabilities	57,601	2,019	2,019
Net Assets	23,904	79,486	87,263
EQUITY			
Issued capital	5,483	57,946	65,723
Retained earnings	13,350	16,469	16,469
Reserves	5,071	5,071	5,071
Total Equity	23,904	79,486	87,263

Notes:

1. Assumes that no Conversion Options or options currently on issue are exercised.

2. Assumes that all options including Conversion Options and options currently on issue are exercised.

Effect on assets per share

The table below provides information about the effect of the Conversion on the Company's gearing and net assets per share based on the audited accounts at 30 June 2009.

	Before conversion of loans	After conversion of loans
Gearing ratio ¹	71%	2%
Net assets per share ² (undiluted basis) ³	7.7 cents per share	16.5 cents per share ⁴
Net assets per share ² (diluted basis) ⁵	7.7 cents per share	17.3 cents per share ⁶

Notes:

- Gearing ratio means net debt (total borrowings less cash and cash equivalents) divided by net debt plus total equity.
- Net assets per share means the Company's total assets minus total liabilities as disclosed in the audited balance sheet of the Company as at 30 June 2009, divided by the number of shares on issue.
- Assumes that no Conversion Options are exercised.
- Assumes the issue of 172,820,046 Conversion Shares.
- Assumes that all of Conversion Options are exercised.
- Assumes the issue of 172,820,046 Conversion Shares, the issue of a further 21,602,506 shares on exercise of the Conversion Options and that approximately A\$7.777 million will be raised from the exercise of the Conversion Options.

Other information

The Lenders have each advised the Company that they are supportive of the Board and the current direction of the Company and that they have no present intention to exercise their voting rights as shareholders to cause the Company to make any material changes.

The Directors recommend that shareholders vote in favour of resolution 1.

The Directors (with Lim Hung abstaining) recommend that shareholders vote in favour of resolution 2.

Resolution 1 - To approve the issue of 89,710,406 shares and 11,213,801 options to Zhang Guangxia

In accordance with Listing Rule 7.3, the Company provides the following information:

Number of Conversion Shares and Conversion Options to be issued:	89,710,406 fully paid ordinary shares 11,213,801 options over fully paid ordinary shares
Issue price of Conversion Shares and Conversion Options:	The issue price for the Conversion Shares is 30 cents per ordinary share. The issue price for the Conversion Options is nil.
Name of the allottee:	Zhang Guangxia
The terms of the Conversion Shares:	All of the shares to be issued will be fully paid ordinary shares in the Company that rank pari passu with all other shares on issue.
The terms of the Conversion Options:	See Annexure A.
The use (or intended use) of the funds raised from the issue of Conversion Shares:	Funds raised will be used to repay in full the debt owing to the allottee and Shandong Hengtai Jiaohua Co. Limited.
The use (or intended use) of the funds raised from the exercise of Conversion Options:	No funds will be raised from the grant of the Conversion Options. Any funds raised from the exercise of the Conversion Options will be used to fund the business of the Company (including working capital requirements).
Date of allotment and issue:	24 February 2010, and in any event no later than 22 May 2010

Resolution 2 - To approve the issue of 83,109,640 shares and 10,388,705 options to Jadefield Group Limited

In accordance with Listing Rule 10.13, the Company provides the following information:

Number of Conversion Shares and Conversion Options to be issued:	83,109,640 fully paid ordinary shares 10,388,705 options over fully paid ordinary shares
Issue price of Conversion Shares and Conversion Options:	The issue price for the Conversion Shares is 30 cents per ordinary share. The issue price for the Conversion Options is nil.
Name of the allottee:	Jadefield Group Limited
Relationship between the allottee and the Company	Jadefield Group Limited holds 46.25% of the Company.
The terms of the Conversion Shares:	All of the shares to be issued will be fully paid ordinary shares in the Company that rank pari passu with all other shares on issue.

The terms of the Conversion Options:	See Annexure A.
The use (or intended use) of the funds raised from the issue of Conversion Shares:	Funds raised will be used to repay in full the debt owing to the allottee.
The use (or intended use) of the funds raised from the exercise of Conversion Options:	No funds will be raised from the grant of the Conversion Options. Any funds raised from the exercise of the Conversion Options will be used to fund the business of the Company (including working capital requirements).
Date of allotment and issue:	24 February 2010, and in any event no later than 22 March 2010

Resolution 3 - To approve the proposed issue of up to 150,000,000 shares

The Company is considering issuing up to 150,000,000 fully paid ordinary shares by way of a share placement (**Placement Shares**). The funds raised from the placement will be used to fund the business of the Company, including contributing to its working capital requirements.

Accordingly, in Resolution 3 the Company is seeking shareholder approval for the grant of the Placement Shares so that these securities do not count towards the placement capacity.

The effect of obtaining shareholder approval is that the issue of the Placement Shares, will not be counted towards the Company's placement capacity.

The Board believes that it is in the best interests of the Company that it maintains its full flexibility under the placement capacity to issue securities in the future, so that the Company may raise capital and take advantage of commercial opportunities as and when they arise.

Share capital structure

The table below provides information on the effect of the issue of the Placement Shares on the share capital of the Company:

Transaction	Shares on issue	Percentage ownership		
		Non lenders	Lenders	New shareholders
Shares currently on issue ¹	480,820,046	34.43%	65.57%	0%
Placement Shares to be issued	150,000,000	N/A	N/A	100%
Subtotal (undiluted basis)	630,820,046	26.24%	49.98%	23.78%
Options currently on issue	1,100,000	N/A	N/A	N/A
Options to be issued under resolutions 1 and 2	21,602,506	N/A	N/A	N/A
Total (fully diluted basis)²	653,522,552	25.50%	51.55%	22.95%

Notes:

- The Company has 308,000,000 fully paid ordinary shares on issue. This table assumes that Resolutions 1 and 2 will be approved and that a further 172,820,046 fully paid ordinary shares will be issued. The Company currently has 1.1 million options on issue with an exercise price of 30 cents and expiry date of 28 February 2011, and if Resolutions 1 and 2 are approved, 21,602,506 options on issue with an exercise price of 36 cents and expiry date of 22 February 2012. This table has been prepared on the basis that these options are not exercised.
- Assumes that all of the Options to be granted under Resolutions 1 and 2 are exercised and that all options currently on issue are exercised.

In accordance with Listing Rule 7.3, the Company provides the following additional information:

Maximum number of Placement Shares to be issued:	150,000,000 fully paid ordinary shares
Issue price of Placement Shares:	The minimum issue price for the Placement Shares is 80% of the volume weighted average price of the Company's shares over the last 5 days on which sales were recorded before the day of issue of the Placement Shares.
Name of the allottee:	The allottees will be sophisticated or professional investors, as defined in sections 708(8) and 708(11) of the <i>Corporations Act 2001 (Cth)</i> .
The terms of the Placement Shares:	The shares will be ordinary fully paid shares having the same rights and obligations as the Company's issued fully paid ordinary shares
The use (or intended use) of the funds raised from the issue of Placement Shares:	All funds received will be used to fund the business of the Company, including working capital requirements.
Date of allotment and issue:	If approved, the Company will allot and issue the shares by no later than 22 May 2010.

The directors recommend that shareholders vote in favour of this resolution.

Annexure A

Terms of Conversion Options

The Options will be granted on the following terms and conditions:

- 1 Subject to adjustment in accordance with these terms and conditions, the holder is entitled to subscribe for the allotment and issue of one fully paid ordinary share in the Company upon payment of the Exercise Price before the Expiry Date (**Option**).
- 2 The Exercise Price of each Option is \$0.36 (**Exercise Price**).
- 3 An Option is exercisable at any time after the date of grant and on or before 5 pm (AEST) on 22 February 2012 (the **Expiry Date**). Options not exercised by the Expiry Date lapse.
- 4 The Company will not more than 30 Business Days before the Expiry Date and at least 20 Business Days before the Expiry Date send notices to the Optionholder stating the name of the Optionholder, the number of Options held and the number of securities to be issued on exercise of the Option, the Exercise Price, the due date for payment and the consequences of non-payment.
- 5 The Company will issue a certificate for the Options.
- 6 Each Option may be exercised by giving notice in writing to the Company at: GPO Box 1142, Brisbane, Queensland 4001 accompanied by payment of the required Exercise Price. All cheques must be payable to the Company and be crossed not negotiable.
- 7 The Optionholder may not exercise less than 1,000 Options at any one time, unless the Optionholder has less than 1,000 Options in which event the Optionholder must exercise all such Options together.
- 8 After an Option is validly exercised, the Company must:
 - 8.1 issue and allot the Shares within 10 Business Days of the exercise of the Option; and
 - 8.2 subject to the securities of the Company being listed on ASX and to any restrictions imposed on the Options or shares issued upon exercise of the Options under the Listing Rules, do all such acts, matters and things to obtain the grant of quotation for the Shares on ASX no later than 3 Business Days after the date of issue and allotment of the Shares.
- 9 Shares issued on the exercise of Options will rank equally with all existing Shares on and from the date of issue in all respects.
- 10 Options may be transferred in the same manner as Shares unless classified as restricted securities under the Listing Rules and may be exercised by any other person or body corporate.

11 An Optionholder may participate in new issues of securities to holders of Shares only if and to the extent that:

11.1 an Option has been exercised; and

11.2 a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.

12 The Company must give the following notice to the Optionholder of any new pro-rata issue:

12.1 not less than 6 Business Days before the record date for determining entitlements to the issue; or

12.2 any such shorter notice period approved by ASX.

13 If the Company makes an issue of shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment or a bonus issue of securities) the Exercise Price will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P-(S+D)]}{N + 1}$$

where

O = the old exercise price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = the average market price per Share (weighted by reference to volume) of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

14 If the Company makes a bonus issue of securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

14.1 the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and

14.2 no change will be made to the Exercise Price.

- 15 If there is any reorganisation of the issued share capital of the Company, the number of Shares to which the Optionholder is entitled, and/or the Exercise Price, must be reorganised in a manner required by the Listing Rules or which will not result in any benefits being conferred on the Optionholder which are not conferred on Shareholders (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of Shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Option will remain unchanged.

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CHINA STEEL
AUSTRALIA
ABN 97 128 988 732

000001 000 CNH
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

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(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 552 270
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 10.00am (Brisbane time) Sunday 21 February 2010

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

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- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I999999999



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MR SAM SAMPLE
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123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of China Steel Australia Limited hereby appoint

the Chairman of the meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of China Steel Australia Limited to be held in the Holdway Room, Tattersalls Club, 215 Queen Street, Brisbane Queensland on Tuesday 23 February 2010 at 10.00am (Brisbane time) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	To approve the issue of 89,710,406 shares and 11,213,801 options to Zhang Guangxia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	To approve the issue of 83,109,640 shares and 10,388,705 options to Jadefield Group Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	To approve the proposed issue of up to 150,000,000 shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director or Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date / /