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China Steel Australia (ASX:CNH)

26 February 2010

China Steel Announces Loss In Line With Guidance

China Steel Australia Limited (ASX:CNH) today announced a net loss of \$978,000 for the six months until 31 December 2009.

The Company said a major factor in the result was a non-cash interest expense charge of \$925,000, arising from fair value adjustment of an interest free loan and a planned plant shut down to enable modifications to expand the company's product offering.

Australian Accounting Standards requires that the liability relating to the loan be discounted to present value. The difference between the present value of the liability and the actual amount payable is expensed in the income statement over the interest free period.

China Steel Executive Director Chen Lidong said actual operating losses for the period amounted to less than \$100,000.

Mr Chen said much of the loss for the half year was recorded in the September quarter during a period when production at its plant ceased while it was being converted to also produce a new product Merchant Pig Iron.

"Those issues are now behind us and we have been running at full capacity since January and have customer's demand for much more quantities that we cannot fulfill" Mr Chen said.

China Steel has earlier this week also announced completion of a \$52 million debt for equity swap at 30 cents a share.

"This swap shows that lenders have strong support and confidence in the company and its prospects"

"Market conditions during the financial reporting period remained challenging, but the Company's outlook was promising with the Company being profitable since November and production at its plant now running at full capacity"

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

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