



March 2010

Investor Update

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Overview

- China Steel produces Nickel pig iron and merchant pig Iron for the domestic Chinese market from a steel and alloy plant located near the city of Linyi in the Shandong Province in China.
- Nickel pig iron is an alternative to prime Nickel in the production of stainless steel.
- China is the worlds largest stainless steel producer primarily to cater for domestic demand.
- The Company commenced production in 2006 and listed on the ASX on 29/02/2008.
- The Company has been profitable and cash flow positive other than through the GFC.
- Currently undertaking a four fold expansion of production capacity.
- Expected to pay dividends in FY2011.
- Only ASX listed Chinese steel mill.



The Linyi Plant is close to coke supplies as well as road, rail and sea infrastructure. It is 100km from Rizhao Port, one of the major ports of China.

Shanghai is approximately 550km away.

Shandong Province has 100 million people and its GDP is second in China.

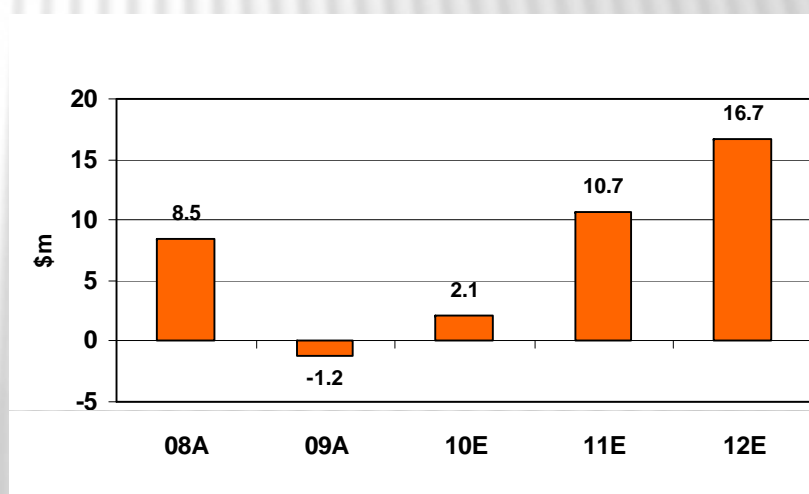
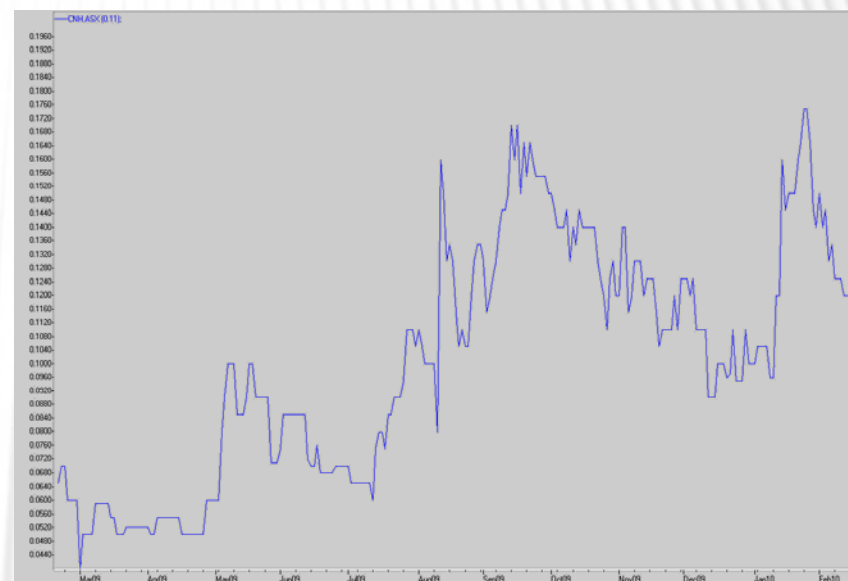
The Linyi Plant currently operates as a throughput plant, relying on its customers to supply laterite nickel ore and other raw materials to produce nickel pig iron.



Corporate Snapshot

ASX Code	CNH
Current Issued Shares *	480,820,046
Share Price (23/02/10)	14 cents
Market Capitalisation	\$67.3 million
Cash (31/01/10)	\$1.3 million
Assets	\$81.5 million
Trade & Other Payable	\$2.0 million
Net Assets	\$79.5 million
Enterprise Value	\$81.5 million
Net Assets / Share	16.5 cps
Top 20 Shareholders	95%
Unlisted Options	22,702,500

* Post debt equity conversion on 23/02/10



Source: DJC

Corporate Snapshot

Unique team of capable management running the operations, highly regarded Chinese directors with local know-how and influence (our chairman is a congressman), internationally trained finance team in Singapore, and experienced directors in Australia to guide the company.

Board of directors:

Mr Xue Yongwen, Chairman, Chinese
Congressman

Mr Chen Lidong, CEO

Mr Sherman Tan, China Powerplus Limited
(SGX)

Mr Damien Seah, Fabchem China Limited (SGX)

Mr Peter Carroll, Bemax Resources Limited
(ASX)

Mr Paul Frederiks, Geodynamics Limited (ASX)

Mr Lanson Lim, China Steel Singapore

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What is MPI & NPI?

Merchant Pig Iron (MPI)

Electric Arc Furnace (“EAF”) steel-making plants represent about 35% of world steel production, which equates to more than 400 million tonnes annually. The feed material for these EAF plants consist of around 75% scrap iron which contains impurities such as copper, plastics and other materials that limit steel makers’ ability to produce high quality steel.

To reduce the percentage of the contaminants in each batch of steel, EAF steel makers will use around 30% of scrap alternatives, such as MPI which is very low in impurities.

The Chinese government has been promoting the use of EAF for environmental reasons. EAF accounted for about 15% of steel production in China in 2007 and has registered double digit growth yearly. (59% of USA’s steel production is EAF).

Another use of MPI is for casting articles in foundries such as automotive parts, stoves, pipes, radiators, lamp-posts and rails. China is the world’s largest metal casting producer and accounts for more than 30% of world production.

Nickel Pig Iron (NPI)

Approximately 70 per cent of the world’s nickel is used to produce stainless steel. Common stainless steel contains between 2 to 14 per cent nickel. China is the worlds largest producer of stainless steel, accounting for 26 per cent of global production in 2007 with further growth projected in the next few years.

NPI is an alloy that contains 3-15 per cent nickel with the remainder primarily being iron. It is produced from low quality laterite nickel ores that contains between 1 to 2 per cent nickel. NPI accounts for two-thirds of the world nickel resources.

Since 2006, China’s domestic stainless steel makers have used NPI as an important alternative to nickel in the production of stainless steel. By adding chromium and other materials to NPI, 200 and 300 series stainless steel is produced; these types of steel constitute more than 70 per cents of China’s total stainless steel production.

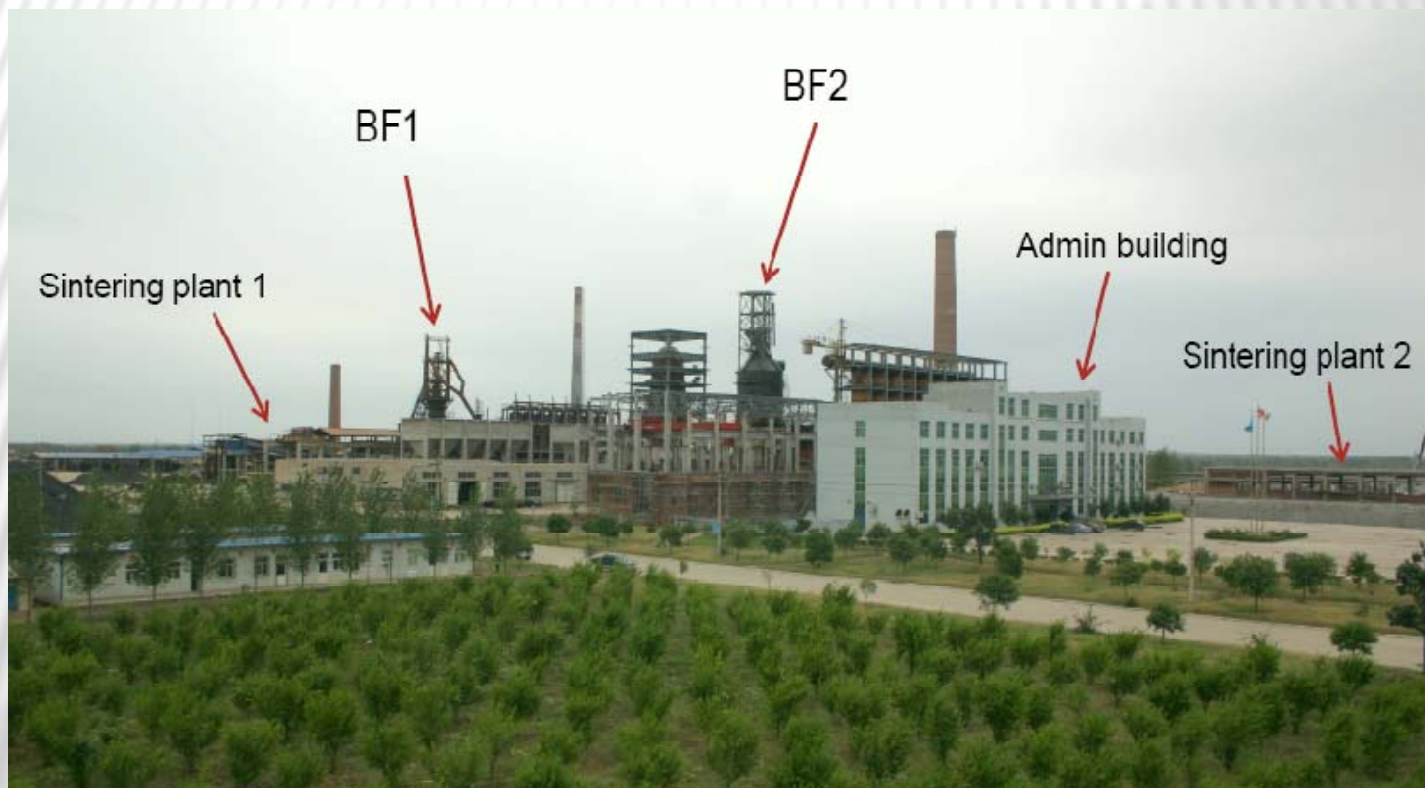
Our Facilities

Blast Furnace 1 (BF1)

- Completed in 2005 at a cost of AUD 30m.
- Capacity of 45,000 tons of NPI per year or 200,000 tons of MPI per year.
- Interchangeable production between the two products.

Blast Furnace 2 (BF2)

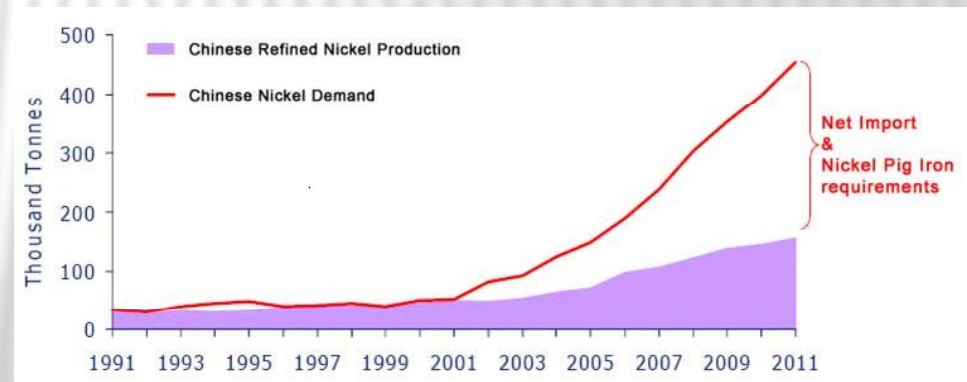
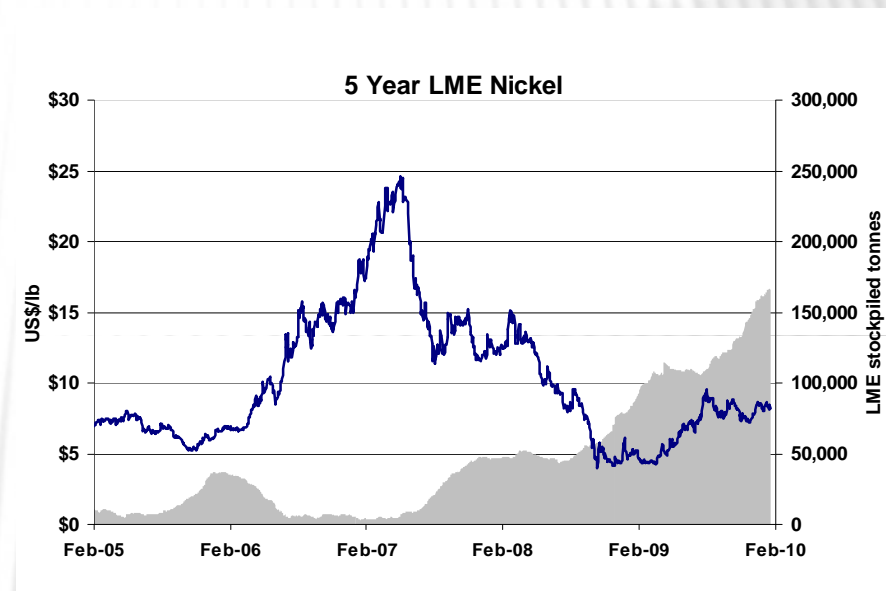
- Currently 55% completed with six months to go.
- Total cost of AUD 100m.
- Capacity of 135,000 tons of NPI per year or 600,000 tons of MPI per year.
- Production can also be interchanged between the two products.



Linyi Plant

The Chinese NPI / MPI Industry

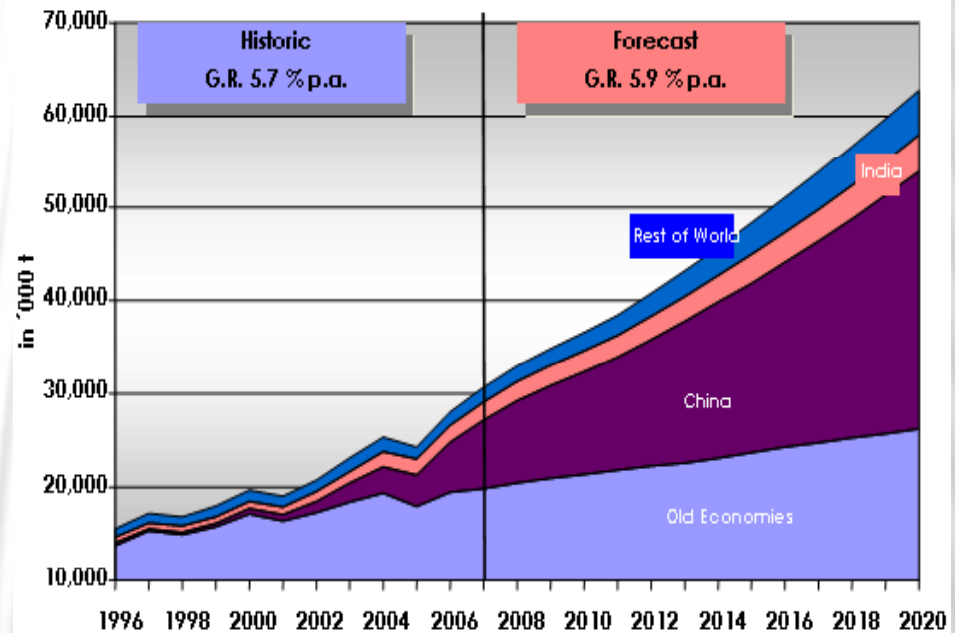
- Since 2007 the Chinese Government has restructured the industry and closed down an estimated 700 of the 800 plus mills.
- Almost all NPI producers closed down.
- The government has stopped issuing new licenses.
- China Steel is one of the few fully approved NPI producers.
- Demand is improving post GFC.
- China Steel is running at full capacity.
- Higher Ni prices favours the use of NPI.
- Stainless Steel and NPI demand expected to outstrip supply.



Expansion Plans

- BF2 has commenced construction at a cost of approximately AUD\$100m.
- Funded 55% through shareholders which have been converted to equity at 30 cents per share.
- China Steel currently considering financing alternatives to complete construction.
- Construction to be complete within six months.
- Expect Significant increase in revenues, profitability and free cash flow over coming 24 months.
- Additional licence capacity of 600,000T available for future expansion

Stainless Steel Production Heinz Pariser Forecasts to 2020



Source: Heinz Pariser

China Steel Investment Case?

Investment Drivers

- Strong financial position with good cash flow generation.
- Immediate expansion and growth opportunity with BF2 and latent licence capacity
- Minimal debt
- Trading at a significant discount to NTA
- Well positioned and leveraged to the expected growth of domestic China.
- Strong business model that minimises commodity and input risk.
- Opportunity for foreign investment in China's growth.
- Management has proven track record of delivering on promises.