



**China Steel Australia (ASX:CNH)**

September 9, 2008

**China Steel Australia on target with quadrupling of production capacity**

China Steel Australia (ASX:CNH) announced today it was on target to complete the expansion of its China-based plant by January 2009 with the \$92 million construction successfully passing the half-way point.

Production capacity of the expanded plant, which will provide the company with the opportunity to produce crude steel, has been revised to 180,000 metric tonnes of nickel pig iron per year, up from the original estimate of 135,000 tonnes.

This will be a quadrupling of the current production capacity of 45,000 metric tonnes and significantly increase China Steel Australia's revenue and earnings for the 2009/2010 financial year.

China Steel Australia, which listed on the ASX in February this year and last month delivered a full year result in excess of prospectus forecasts, is a wholly foreign owned enterprise with a licence to manufacture steel in China.

China Steel Australia Chairman Xue Yongwen said the company's potential to develop as an integrated steel producer will be significantly boosted by the expansion of the Linyi plant in China's Shandong province.

"Construction of this strategically located plant has now passed the half-way point with our scheduled completion date of January 2009 well on target," said Mr Xue, who is Shandong's delegate to China peak legislative body, the National People's Congress.

Shandong is China's second largest province with the second highest GDP.

"Having the expanded Linyi plant underway in January 2009 will ensure we can take full advantage of the opportunities available in China," Mr Xue said.

"That will not just be as the foremost supplier in China of high quality nickel pig iron - where it is used in the manufacture of stainless steel for the domestic Chinese market - but also as an integrated steel producer.

"The Linyi plant is very well positioned, being close to suppliers and transport infrastructure. This allows us to provide a high quality product at a more competitive price giving China Steel a distinct advantage over its competitors."

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