ASA SNAPSHOT – INDICATIVE AUSTRALIAN STEEL MAKE

THE "HEAVY HITTERS" OF AUSTRALIAN STEEL

INTEGRATED STEELMAKE – BLAST FURNACE OP.

COMPANY TYPE	BLUESCOPE STEEL – FLAT STEEL	ONESTEEL - LONG STEEL
	PUBLICLY LISTED	PUBLICLY LISTED
MARKET CAP BILL $	3,657 (25/3/11)	3,350 (25/3/11)
ASX RANKING	67 (25/3/11)	72 (25/3/11)
BLAST FURNACES & LOCATION	2, PORT KEMBLA, NSW	1, WHYALLA, STH AUSTRALIA
STEELMAKE CAPACITY	**5,200,000 TONNES P.A.**	**1,200,000 TONNES P.A.**
RAW MATERIALS	Iron Ore –ex BHP. Current spot price $171 m/t Coking coal –ex ILLAWARRA Current spot price $330 m/t Scrap-generates most but needs to buy around 400kt –current price around $420 m/t. Understanding is that Bluescope has long term supply arrangements on ore and coking coal from BHP spin out and prices are subject to periodic review rather than paying spot prices.	Haematite Ore – 400k – own reserves - Sells to China via BHP - Sells around 6 Mill Tonnes p.a. Coking Coal – has to buy – high cost Scrap – has own supplies **Notes** • Cost of carbon factor • Emissions from steel making • Caused by use of coal as a reductant – no alternative Onesteel has own ore supplies and scrap but needs to buy in coking coal (from BHP); can sell slabs to Bluescope, export

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SEMI FINALISED STEEL PRODUCTS, ASA estimates:. Intermediate Goods	Slabs 4,400 kt To Plate Mill 270kt To HSM's -Kembla 2,400 kt -Westernport –Vic 1,400 kt HRC 1,200 kt CRC 260 kt Coated /painted 1,500 kt Bluescope exports Slab,HRC, & Other product .Been in Asia for 40 years. Domestically, Bluescope sells Onesteel around 600 kt of HRC for Pipe making, and other for Distribution. Bluescope's Pre-Painted steel has such a strong brand that imports are not really a threat-rainwater, building products.	Blooms, Slabs 1.100 kt Billets 0.650 kt To Newcastle Rod Mill (Rod & Bar) Rolling Mills 0.350 kt Structurals - to Onesteel Distribution Rails - to end users **Notes** • Structurals include channels and columns being 'finished' goods for use by steel fabricators • ASA est. is Whyalla produces 280 Whyalla has a 120 kt contract for supply of rail to Australian rail track over a 20 month period. This is around 72kt over 12 months which leaves 280 kt capacity for Structurals.
EMPLOYEES	Port Kembla steel works – being the steel making operation-would employ less than 2000 (ASA est)	Whyalla Steel Operations employs around 1,700 people which would not include contractors but would include employees for Rolling Mills, etc. Whyalla Blast Furnace will be inoperative from May to July 2011 for a scheduled reline.

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		Blast Furnace was first “blown” in 1965. Last reline was in 2004.
	EAF STEELMAKE (USING SCRAP ‘ONLY’)	
SEMI FINISHED OPERATIONS AND PRODUCTION	Bluescope has no EAF facilities	**BILLET PRODUCTION** Laverton , Vic 700kt Sydney, NSW 1,030 kt Waratah, NSW <u>300 kt</u> Total: **1,630 kt**
‘FINISHED’ STEEL GOODS	Bluescope supplies Onesteel :- -around 200kt Plate for Distribution -around 40kt HRC for Litebeam Manuf. -around 200kt HRC for Distribution -around 600kt HRC for pipe making.	**WIRE PRODUCTS 300kt** Wire Fence Posts Wire Rope **GRINDING MEDIA 200kt** **RAIL – FORGINGS 50kt** **ROD MILLS* 1,000kt** D-Bar Mesh *-inc. est 670 kt ex Whyalla **BAR MILLS* 700kt** Angles, etc.
DISTRIBUTION NETWORKS	Has around 150 facilities nationally.	Has over 240 facilities nationally for distribution and processing of steel products to steel users.
EMPLOYEES	Est-4200 employees	Est – 3650 Employees
SALES	Est-$3,200 Million	Est - $3,300 Million

Attachment ‘A’

GLOBAL STEEL MARKET

- Australia and New Zealand are currently producing around 8.3 Million Tonnes p.a.
- China is currently producing at an annual rate of 630 Million tonnes p.a. (9 months to Feb 2011) but Jan and Feb 2011 outputs suggest an annual output of around 700 Million Tonnes, an increase of around 11 per cent.
- World steel production for the 9 months to Feb 2011 averaged over 1.4 Billion tonnes and it would indicate that China can account for around half of global steel production.

Attachment ‘B’

AUSTRALIA’S NATIONAL INTEREST

- Australia now has a $17 Billion surplus with China and its increased steel production will result in Australia exporting even more Iron Ore and Coking Coal.

- Not that long ago Iron Ore was sold for US$20 per tonne – it is currently around US$175 CFR per Tonne China and has reached US$187 per Tonne.

- Coking Coal prices are currently US$255 per tonne, up from US$120 per Tonne one year.

Attachment 'C'

COMPARATIVE ADVANTAGE

- Chinese Steel Mills need to import Iron Ore from Australia, Brazil or India and Coking Coal from Australia, USA, etc.

- Australian Steel Mills have a natural advantage over Chinese Steel Mills that buy on spot or quarterly pricing:

    - Onesteel has its own "Ore" and sells "Ore" to China

    - Bluescope has a 10 year supply deal on local Iron Ore and a 30 year supply deal on Hunter Valley Coking Coal