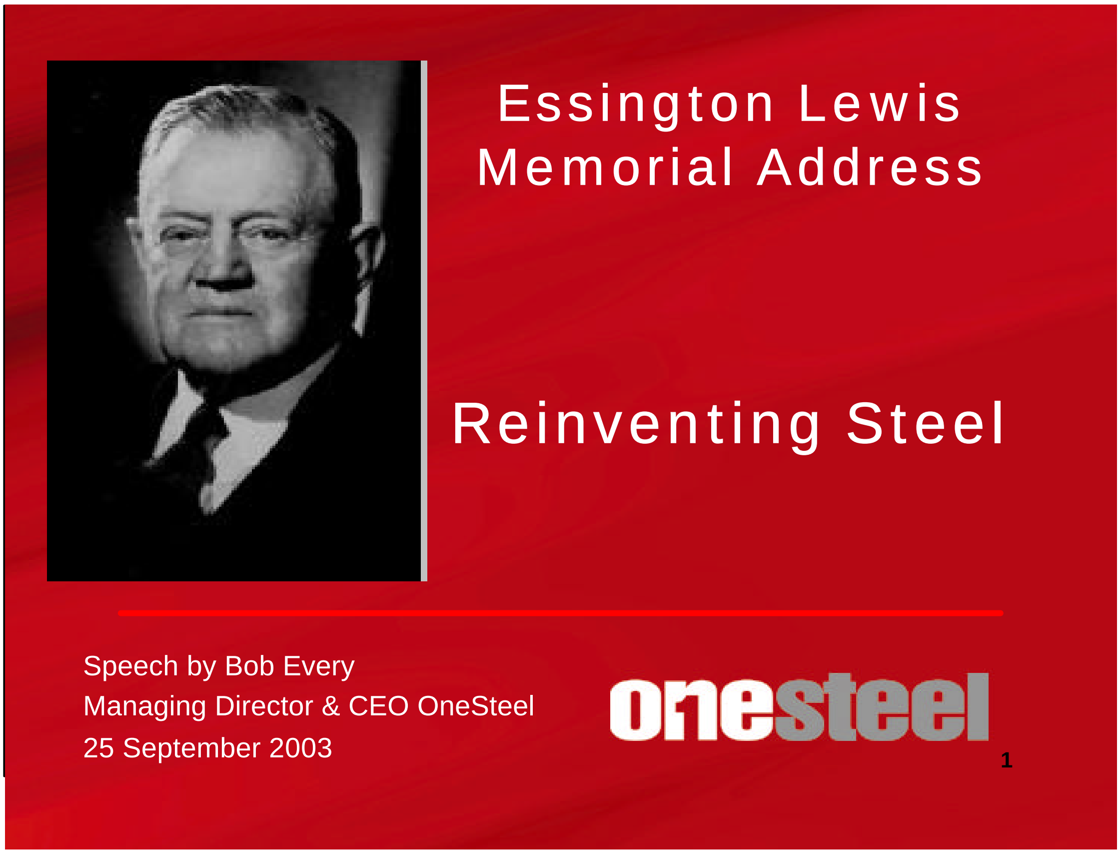

Good evening Ladies & Gentlemen,

My name is Bob Every and I am honoured to present at this year's Essington Lewis Memorial Address.

I would like to talk to you this evening about the changes in the steel industry since OneSteel was created in October 2000 and about the changes that I see on the horizon for the industry. I have titled my presentation Reinventing Steel because I think you will see that the steel industry as a whole has, and still is, undergoing significant change.

Contents

- Reinventing Whyalla
- Steel Industry Landscape
- Positioning of OneSteel
- Achievements to Date
- The Future for Steel

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In terms of the structure of my address, I will firstly give an overview of the steel industry. In doing so, I will explain the rationale for OneSteel's business model. After discussing our achievements to date, I will talk about where I see the steel industry is headed as steel is reinvented.

Before I begin however, I would like to comment on the significance of South Australia to OneSteel.

Whyalla's History

- 1899: BHP acquired iron ore leases at Iron Knob and commenced mining
- 1915: "Emerald Wings" takes first load of iron ore to BHP Newcastle Steelworks
- 1941: First blast furnace commissioned at Whyalla
- 1958: Decision to establish an integrated steelworks
- 1964: Rolling Mill commissioned
- 1990: Iron Duke mine opened
- 1992: Commissioning of the $150 million Continuous Caster
- 1999: Commissioning of $80 million Billet Caster LMF
- 2000: OneSteel listed on Australian Stock Exchange

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This is a brief history of Whyalla which shows its history dates back over 100 year to the first mines at the Middleback Ranges in 1899.

The Steelmaking capability at Whyalla came some 40 years later in the 1940's, around the time that Whyalla was famous for its shipbuilding prowess.

In more recent history, in 1999 Whyalla went through its latest transformation as a long products producer from purely a flat products manufacturer, with the commissioning of the $80 million dollar Billet Caster.

In the year 2000, Whyalla became a major part of the OneSteel operations as its "engine room" of production.

Whyalla the "Engine Room"

- Produces 70% of OneSteel's steel
- Produces all of OneSteel's Special Bar Quality Steel
- Over 80 different types of steel
- Only major domestic producer of medium section structural steel and only Australian producer of rails
- Employs over 2,000 people including contractors
- Significant investment in modern steel-making
- Development of iron ore mines to supply low-cost iron ore
- Furnace reline in June/July 2004 at a cost of $80 million
- Magnetite iron ore feasibility study

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Whyalla produces around 70% of OneSteel's steel and employs in excess of 2,000 people including contractors.

Whyalla produces all of OneSteel's Special Bar Quality steel that is used in sophisticated applications in areas such as automotive, engineering steels, mining steels, and pre-stressed concrete wire. Whyalla is also the only major domestic producer of medium-section structural steel for the Australian construction industry and it is the only domestic producer of rails. In all, Whyalla produces over 80 different types of steels to service these markets.

To build this competitive advantage, OneSteel has invested significantly so that Whyalla has sophisticated and modern steel-making and metallurgical facilities. At the same time, the nearby iron ore mines have been developed to provide sufficient hematite reserves to run Whyalla until around 2020. A further 300 million tonnes of magnetite resources are in the vicinity.

We continue to invest in Whyalla. We are relining the blast furnace in June/July 2004 at a cost of $80 million. We are also undertaking a $6 million feasibility study into accessing and commercialising the magnetite iron ore resource. If the project is viable OneSteel will be spending upwards of $100 million to convert the steelworks to a magnetite feed and to upgrade the infrastructure so that we may export an extra 2 million tonnes of hematite iron ore annually. It has the potential to significantly prolong the life of Whyalla steelworks.

So you can see South Australia holds a special place for OneSteel.

I would now like to comment on some of the issues impacting the steel industry landscape.

Global Steel Industry Landscape

- **Global Over-capacity**
  - **800 million tonnes demand**
  - **950 million tonnes capacity**
- **Fragmented Industry**
  - **95 players produce more than 2 million tonnes p.a**
  - **Top player only produce 5% of total production**
- **Some consolidation is occurring**
- **China has grown dramatically – 22% of world demand**
- **Mega or niche to succeed**

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For the last three decades, the world steel market has been characterised by over-capacity.

There is only demand for approximately 800 million tonnes of steel per annum compared with annual capacity of 950 million tonnes.

China accounts for over 22% of world steel demand. It currently consumes approximately 200 million tonnes annually.

This helps put the Australasian industry into perspective. Australia and New Zealand consume just under 6 million tonnes, representing 0.9% of world demand. The region produces about 1.1% of world production.

The world steel industry is also fragmented, although as I will discuss later, there are some signs that this is changing. There are 95 players which each produce more than 2 million tonnes per annum. The biggest producer accounts for just 5% of total production and the 10 largest players produce around a quarter of global supply.

My view is that to succeed and prosper in this framework you need to be either mega or a niche player with a competitive advantage.

Australian Steel Industry Landscape

- **Australian steel industry production - 7.6 million tonnes.**
  - **Long products – 2.6 million tonnes, predominantly aligned with Australasian market.**
  - **Flat products – 5.0 million tonnes, more than 40% of which is exported.**
- **OneSteel is nationally focussed and is best placed to service the local market, with a strong distribution capacity providing significant benefits.**

This is the niche in which OneSteel operates.

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The Australian market is quite different. There are two types of steel production – long products, the market in which OneSteel and Smorgon Steel operate, and flat products of which BHP Steel is the only producer. So with three main producers, the Australian market is far less fragmented than the steel market offshore.

Long products and flat products are fundamentally different and there is limited overlap.

Furthermore, whereas more than 40% of the flat steel products are exported, Australian long products production is predominantly aligned with the Australasian market. In the last financial year just 3.8% of the 2.2 million tonnes that OneSteel dispatched went to markets outside of Australasia.

Therefore unlike the global steel market, the Australian long products sector is well balanced in terms of the market and production capacity. Limited transport and geographical distance provide some protection from imports. This is reinforced by OneSteel's network of over 200 distribution outlets.

Positioning of OneSteel

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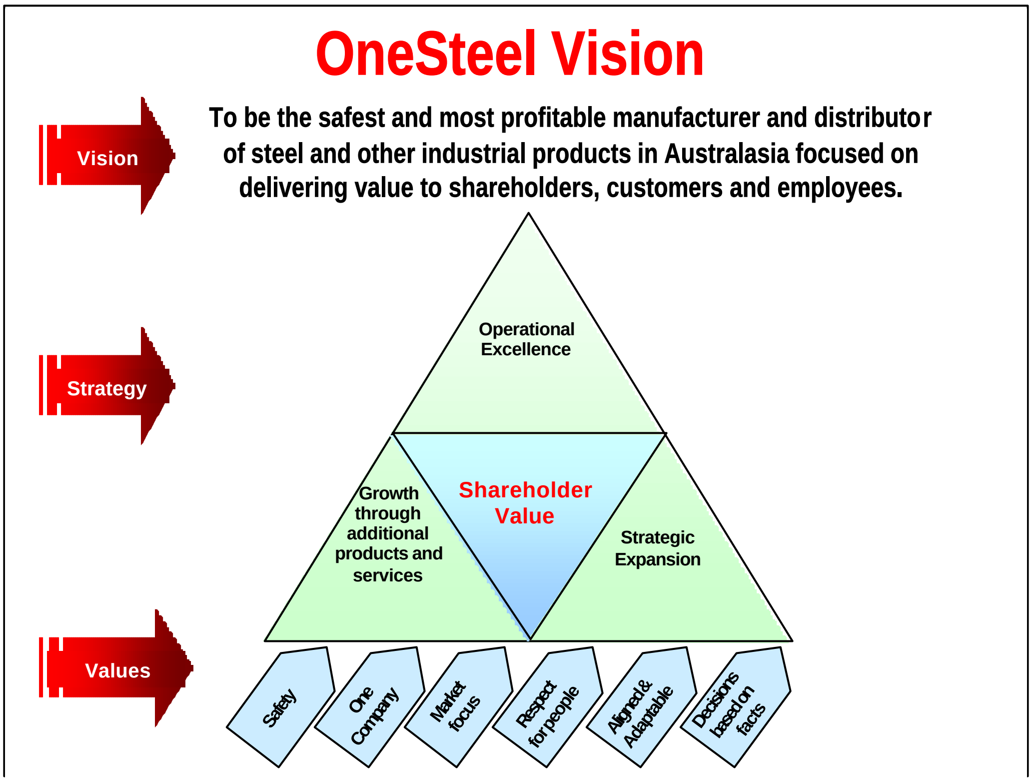
I will now expand on OneSteel's business model and describe how we have turned ourselves into a niche player with a number of competitive advantages.



This slide represents OneSteel's strategic framework.

The name OneSteel was conceived by Kevin Schneemilch, who at the time was Operations Planning Manager at Whyalla. In his email suggesting the name, he supported his choice by saying we want to be:-

- No. 1 in the market
- No. 1 in manufacturing excellence
- No. 1 in safety
- All operating for the benefit of one company

and that we wanted to be 'at one' with the customers, shareholders, employees and communities where we operate.

All these have been incorporated into our vision to be the safest and most profitable manufacturer and distributor of steel and other industrial products in Australasia focused on delivering value to shareholders, customers and employees. Underpinning our vision are three key strategic thrusts of operational excellence, growth through additional products and services and strategic expansion. Our values represent the way we do things and encompass being adaptable and aligned with the market and acting as one company.

OneSteel Strengths: Competitive Advantages

- **Vertically Integrated Business**
- **Low-Cost, High-Quality Iron Ore**
- **Leading Metals Distributor**
- **Strong Cash Flows**

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We established OneSteel as a vertically integrated steel business with its own raw materials, heavy and light manufacturing facilities and a distribution channel. This is in stark contrast to traditional steel companies. The traditional model of stand-alone producer is vulnerable to being squeezed by suppliers and to being squeezed at the distribution end.

A key component of OneSteel's business model is our low-cost, high-quality iron ore mines in the South Middleback Ranges. These are located just 80km from the Whyalla steelworks. Around two-thirds of the steel that OneSteel produces is made from this iron ore.

At the other end of the chain, OneSteel is Australia's leading distributor of steel and other metals products, with an estimated market share of 30%.

- –We have over 200 sites, centres, and franchises, and
- –We have more than 30,000 customers.
- –The distribution business sources half of its products from OneSteel. The balance is sourced externally.

OneSteel is a strong cash flow business. Over the last three years, we have generated over $400 million in free cashflow. This, together with sales of non-core assets, has enabled us to eliminate around $530 million of debt since we listed.

OneSteel Strengths: Industry Market Positioning

- **Long Products Market Leader**
- **Strong Brand Names**
- **Restructured Business**
- **Rational Domestic Industry Structure**

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OneSteel is a market leader in Long Products and has leading market shares in all of its products

- We produce 1.7 million tonnes of steel per annum and dispatch over 2 million tonnes of steel a year.
- We are the market leader in 7 of our 8 product lines and the largest steel long products producer in the country.
- OneSteel has strong brand names including Waratah and Duragal.

OneSteel is a Restructured Business

- We have restructured the company to align production with domestic demand and to cut costs from the business.
- By merging eight business units into four divisions, we have removed duplication.

I will go into the restructuring initiatives in more detail in a moment.

Our joint acquisition of Email with Smorgon Steel in 2001 has also enhanced our distribution capability.

OneSteel's Achievements to Date

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When we listed almost three years ago, OneSteel consisted of eight production-oriented units. Given our values of being market-focused and adaptable to the market, we have transformed ourselves into a vertically-integrated company with four divisions aligned with market demand.

We have reduced product complexity by 31%. As a result we are now more profitable but we continue to maintain a superior range to our competitors. Inventory levels have also been cut by some 30%, bringing them below 10 weeks from over 14 weeks.

Since listing we have introduced revenue enhancements, mainly through price increases, in the order of $86 million. And thanks to the significant restructuring we have undertaken, OneSteel's cost base is lower. We have taken $165 million of costs out of the business, which more than compensates for a $158 million rise in costs over this period.

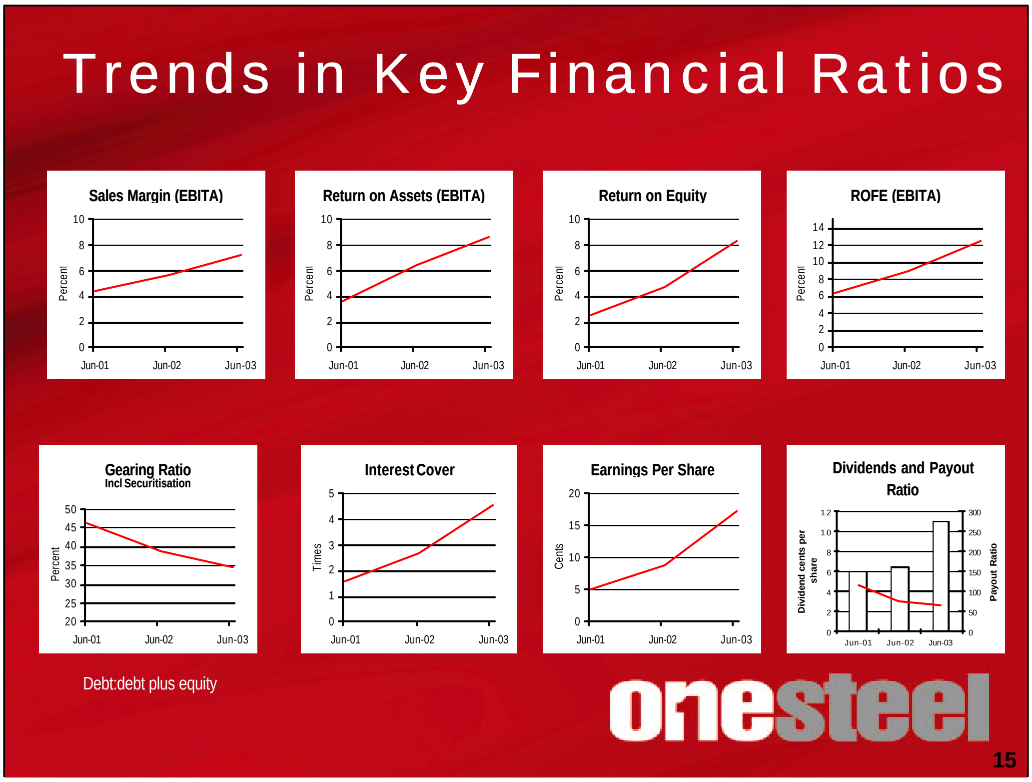
We have also sold a number of businesses that weren't key to being an integrated steel producer and metals distributor. Now that we have sold our Canadian distribution business we are solely focused on the Australian and New Zealand markets.

Steps such as a the closure of the Brisbane Bar Mill, the restructuring of the Newcastle Maintenance and Engineering section and the removal of a shift from the Newcastle Rod Mill are generating better sales margins.

We have realigned the incentive structure and put in place one that is based on the performance of the group, not of any one particular division.

As I mentioned earlier, we have improved OneSteel's capital structure since listing. When OneSteel was listed we had a market capitalisation of $350 million and debt that peaked at $1.2 billion in March 2001. Today our market capitalisation is $1.1 billion and debt has been reduced to below $500 million – making for much easier sleep at nights.

Other improvements to our capital structure include a $66 million equity raising in December 2001 and a private debt placement in the US in April this year which extended the average maturity of our debt profile to 4.7 years from 1.8 years.



The slide highlights the benefits to date of all of the hard work that has been done to improve the company's performance. Each of the ratios in the slide represents twelve monthly periods from June 2001 to June 2003.

As you can see each of the main ratios is heading in the right direction. However even though last month we announced a doubling of profits for the second consecutive year, we still have more to do.

As our vision statement illustrated earlier, at OneSteel we don't just look at profitability. Safety is also a key objective across the company.

So I am equally proud of the gains we have been able to make in this area. This graph shows how safety in both the Australian steel distribution industry as a whole, and at OneSteel in particular, has improved over the last five years.

Another example of OneSteel looking beyond the bottom line is the OneSteel Community Giving Program that we are launching this month.

The OneSteel Community Giving Program

This initiative recognises the strong community support that OneSteel receives in the areas where we operate and the high significance placed on steel in terms of everyday lives and the Australian economy.

The program has been developed by OneSteel staff selecting those causes and associated charities which they believe are significant contributors to their local community. Staff will have the opportunity to contribute to the causes through their pre-tax pay while the company will match their contributions.

Steel and the Community

- **Environment and Climate Change**
  - **Greenhouse gas emissions cut by 15%**
  - **OneSteel has invested $100 million in environment-related projects over 10 years**
- **Steel is the most Recycled Material**
  - **In 2001 over 435 million tonnes of steel - more than 40% of steel production – was recycled around the world**

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In fact the Australian steel industry as a whole takes its responsibilities to the community seriously. It has reduced the greenhouse gas emissions associated with steel-making by the order of 15% since the early 1990s, driven predominantly by the closure of iron and steel-making in Newcastle in 1999.
The industry has therefore contributed towards achieving the Kyoto target of 108% of 1990 emissions by 2008 to 2012 period.

In addition, OneSteel has invested around $100 million in environment-related projects over the last decade and we will continue to invest significant amounts going forward.

Another little-known fact about steel is that it is the most recycled material on the planet. In 2001 over 435 million tonnes of steel, more than 40% of world steel production, were recycled around the world. The Australian steel industry plays its part with over 2 million tonnes per annum of cold ferrous feed used in steel production.
But I would hypothesise that if you asked the average person in the street, they wouldn't realise that the car they drive or the bus they ride on to work has a lot of recycled steel in it.

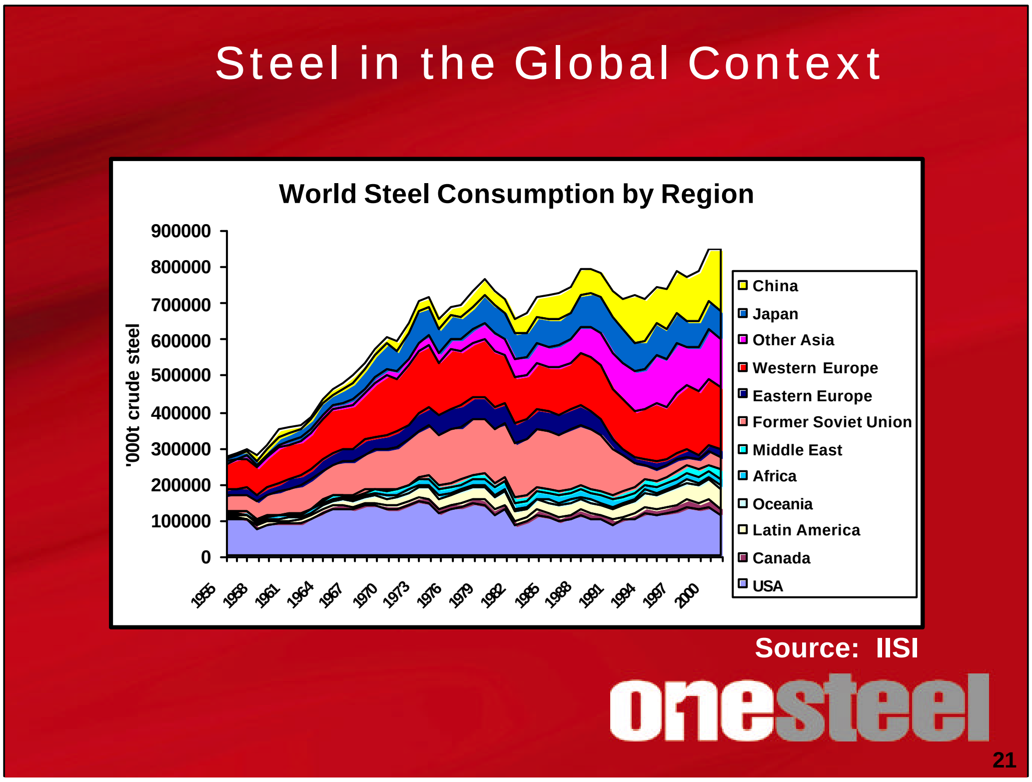
I would now like to turn my attention to the future for steel.

I would like to focus first on international steel as there are some interesting undercurrents that may lead to a shift in market dynamics that hasn’t been seen for three decades.

Consumption is rising, consolidation is occurring among producers and there is the potential to trade steel on international exchanges.

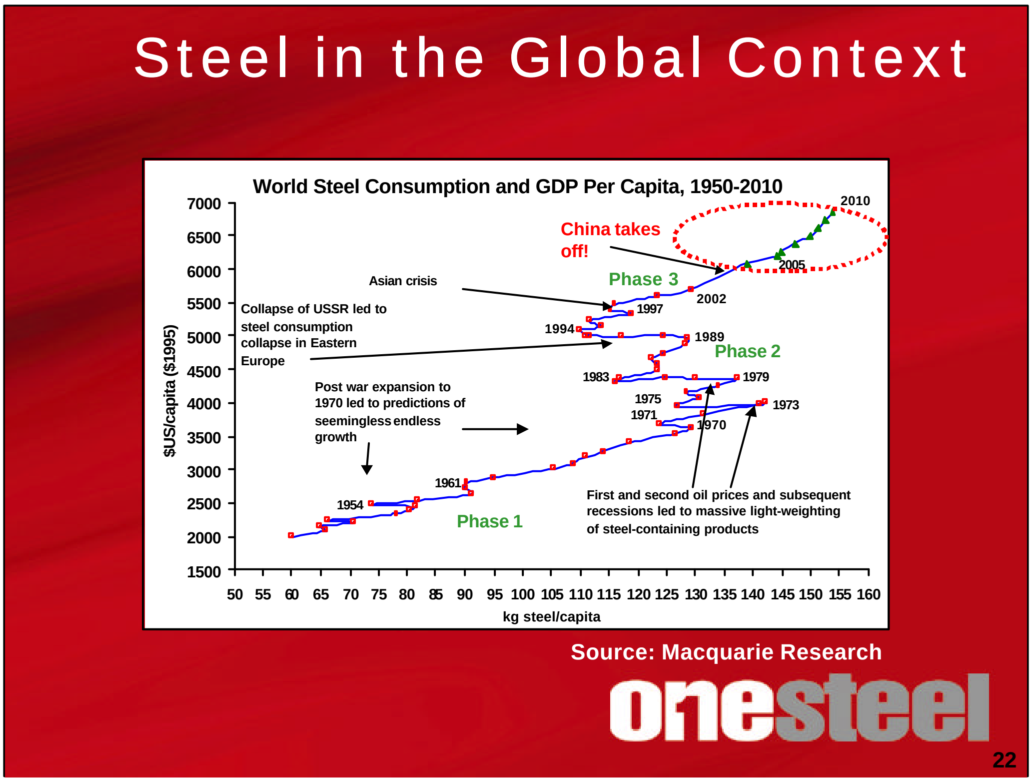
Firstly to deal with consumption, many of you will be aware of the dramatic growth that is occurring in China and the affect that is having on demand and prices of many commodities. OneSteel recently undertook an international roadshow of the investment community. At every port of call we were asked the same question: “What do you think is happening in China?” This is because China is the most significant factor in the world steel market today.

This graph, taken from a presentation by Macquarie Bank at an international conference in March this year, shows China's industrial production over the last decade. It has grown by an average of 15% per annum compared with the rest of Asia at 6%, the US at 4%, Europe at 2%, Japan at zero and Eastern Europe at negative 12%.



This graph demonstrates consumption of steel since the 1950s. China is represented by the yellow colour on top of the chart.

By 2002, China's steel consumption was 200 million tonnes of steel, almost a quarter of the world's consumption.



What is the impact of these trends on world steel?

This graph demonstrates world per capita consumption of steel since the 1950s.

There are three distinct phases. First 1950s to 1973 – Unbridled Optimism with the rebuilding of Asia/Europe after WW2.

New applications in home appliances that became widely adopted.

1973-1994 – "Death" of the Steel Industry with collapse of Former Soviet Union - Oil price rise induced recessions and downsizing a period of declining intensity of steel use.

1990-1993: collapse in East European demand with massive fall in steel use in former Soviet Union.

In 1994 we are back to growth with China now dominating.

Steel in the Global Context

- **So what does this all mean?**
  - **We may be entering a new period of growth in international steel – the first time in three decades**
  - **It has the potential to change the balance in the industry from over to under supply**

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So what does this mean for international steel?

We may be entering a new period of sustained growth for the first time in three decades.

It has the potential to change the balance in the industry from one of oversupply to one of undersupply. This has huge implications for international steel if we get it right.

The risks are that too much capacity is built to meet the demand or that China’s demand suddenly slows down and tapers off.

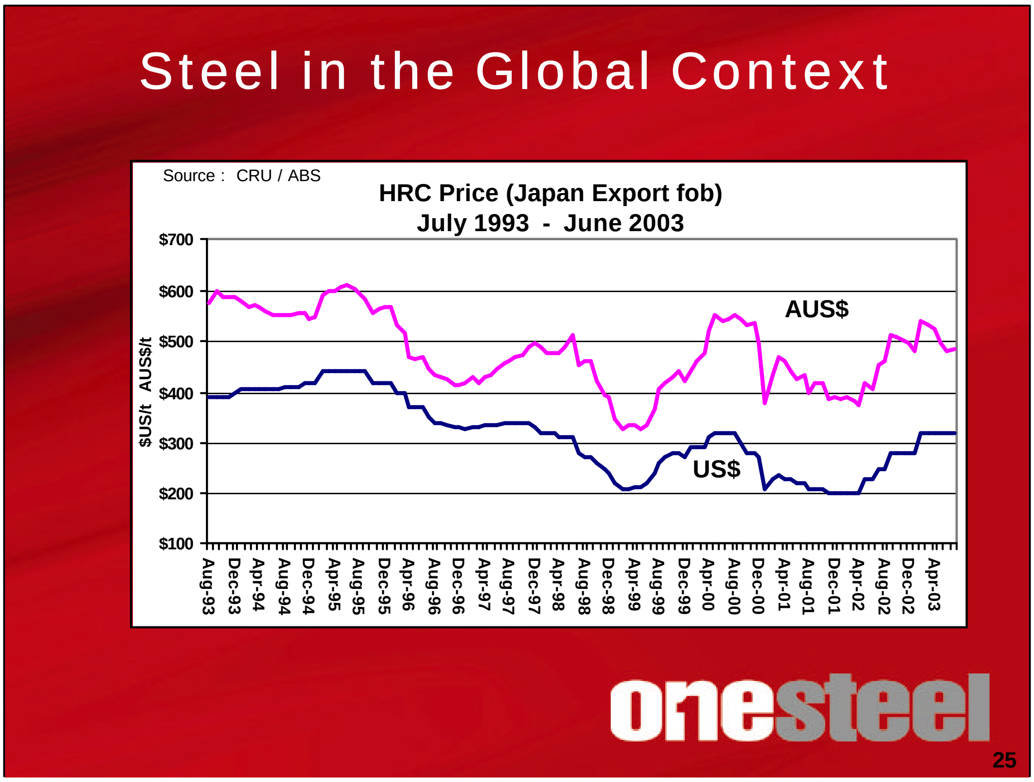
In addition to this potential “sea change” in world demand for steel, there are early signs of an complementary change on the production side.

During the past few years a growing theme in the steel market has been consolidation.

In Europe, Arbed Group, Aceralia and Usinor merged to form Arcelor, and Japanese steel company JFE Steel was born from the merger of NKK and Kawasaki. There have been similar transactions – large and small – in the US.

Consolidation in the steel industry is long overdue and much needed. This was highlighted by the low steel prices of 2000 and 2001 which were perpetuated by a lack of producer restraint due to relatively poor balance sheet positions and the need to generate cash and drive down unit costs. During this period, over 30 US steel companies filed for bankruptcy protection.

It is only early days for consolidation. The next five to 10 years will determine whether or not there will be a "new look" steel industry ahead of us.



One consequence of having a market which is over supplied is it increases the volatility of prices. As this graph demonstrates, international prices for hot rolled coil have been extremely variable over the last 10 years.

Potentially, the development of a steel futures contract could help to alter this. Earlier this month, Rob Beddows, Executive Director of Hatch Associates, an international metals consulting business, aired the idea at the annual Australian Steel Institute convention that steel could join the other metals that are traded on the London Metals Exchange.

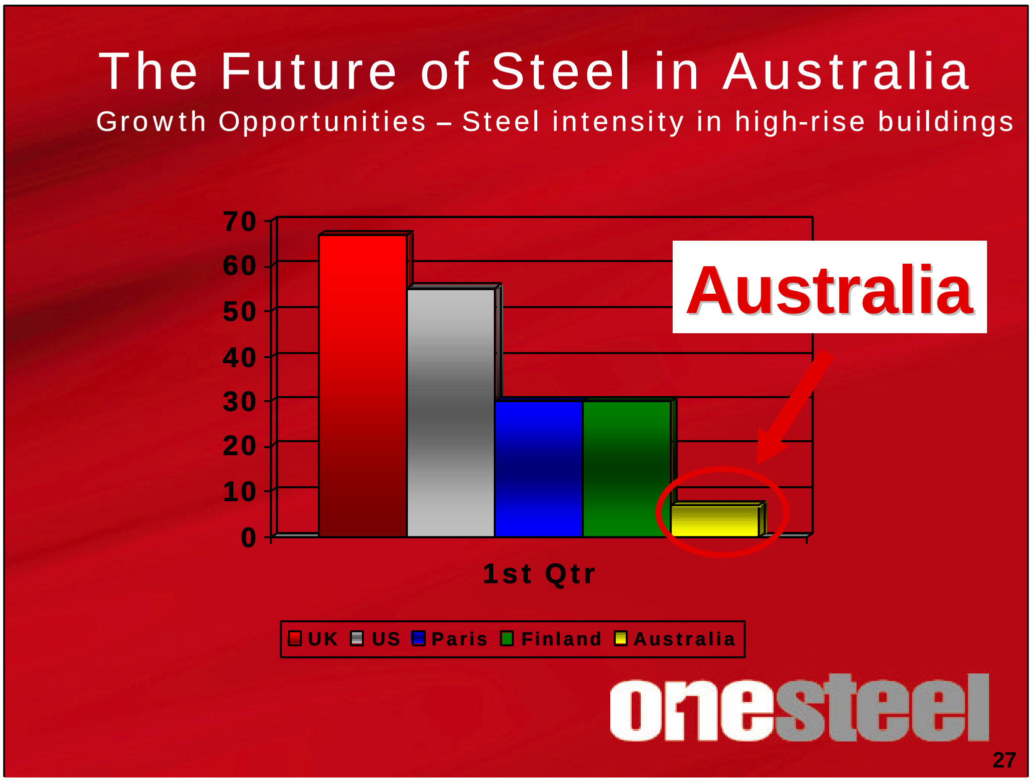
The London Metals Exchange has three functions:

- to provide a market for hedging against risks arising from price fluctuations in metals
- to bring price transparency by providing reference prices for the worldwide pricing of metals
- to provide a physical market for metals – that is to provide for storage facilities to enable market participants to make or take physical delivery of approved brands of metals.

Trading in financial instruments on the LME amounts to approximately $10 billion per day.

Aluminium companies say that the introduction of an aluminium ingot futures contract to the LME in 1978 has created indisputable price transparency and forecasts because prices are the summation of all participants' expectations. They say the existence of a futures contract has also facilitated arbitraging of risk and that downstream activities now cut back production rather than margin. Another benefit is that upstream activities have a more predictable market environment, meaning they can manage capacity growth effectively.

If a steel futures contract is introduced, again this could radically change the look and dynamics of the world steel industry.

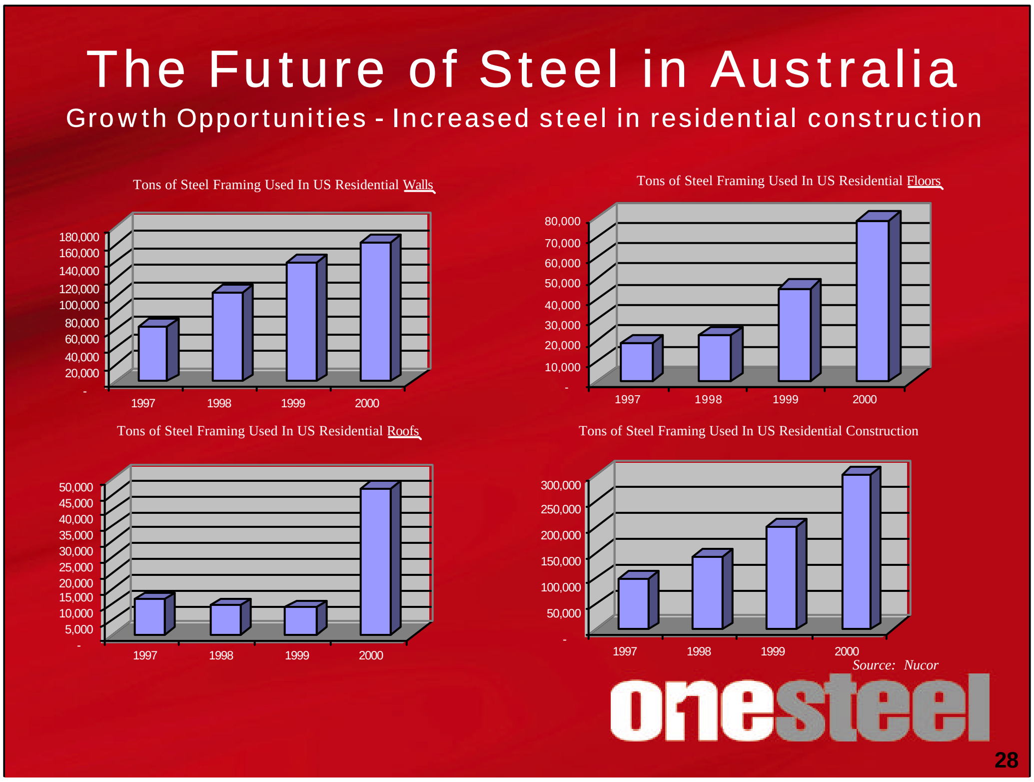


I would now like to look at the future of steel in Australia.

One area where I believe there are opportunities for growth is looking at new ways of applying steel to existing applications, whether they be buildings, roads, bridges, etc.

One area of strategic focus for OneSteel is increasing steel intensity for multi-storey buildings in Australia. In the UK, steel intensity in multi-storey buildings accounts for over 60% and for over 50% in the US. Yet in Australia steel intensity accounts for less than 5%. If we can increase this number to 25% it would create demand for another 55,000 tonnes of steel.

I believe we are starting to make some minor progress in this area. Recently high steel intensity multi-level building activity has increased with the likes of the Queen Victoria Building in Melbourne, the Latitude 2 Building in World Square in Sydney and the Rhodes Shopping Centre. Prior to this, the last major steel building in Australia – Grosvenor Place in Sydney – was constructed over a decade ago.



The second opportunity I would like to highlight is the potential for increased steel use in the residential sector.

At an international steel conference last year, Donald Moody, General Manager of NuconSteel Corporation, a Nucor company, gave an overview of an industry initiative to increase the use of steel in residential construction in the US. In 1998, the US steel institute formed an alliance. The objective was to encourage the widespread, practical and economic use of, and preference for, light gauge steel framing in residential construction. The aim was to achieve penetration of light gauge steel framing products equivalent to 25% of the total residential market in tons.

The graphs show the results of the campaign up to the end of 2000. In 1997 just 97.4 thousand tons of steel were used in site-built residential construction. By the end of 2000, usage had almost tripled to around 275,000 tons.

The experience of the US gives us reason to be optimistic about the future.

The Australian steel industry has undergone massive restructuring with the closure of the Newcastle Steelworks and the public listing of ourselves and BHP Steel in the last three years. As a result, the Australian steel market is relatively rational and less fragmented market than offshore. Australian steel companies are low on the industry cost curve and they are creating shareholder value. In the last financial year the three listed companies generated over $1.3 billion in share price gains and dividends.

OneSteel has undergone its own process of reinvention. We have kicked some goals but we still have some distance to travel.

The company is now in much better financial shape than three years ago. We have the balance sheet flexibility and strength to be able to explore growth opportunities should they arise.

For example, as I mentioned earlier, we are currently examining the potential for commercialising our magnetite iron ore resources to generate an additional source of revenue and profit. We can look at opportunities like this and fund them from internal cash generation, whereas three years ago we would not have considered it possible.

As a closing remark, I believe that we are seeing the steel industry reinventing itself and that the next 10 years will be exciting for the industry.

Thank you very much for allowing me to present my view of the steel industry this evening.