

Managing Director's Address

Annual General Meeting
17 November 2003

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Good afternoon Ladies & Gentlemen. It is a pleasure to be with you at OneSteel's 2003 Annual General Meeting to report to you on OneSteel's results in its third year of operations as a separately listed steel company.

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- 2002/03 Financial Year Results
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After discussing last financial year's results, I would like to talk about some interesting developments in the global steel industry. I will close by discussing the financial year ahead and outlining the exciting projects we have underway.

Performance Highlights

- Net profit after tax doubled to \$94.0 million
- Earnings per share grew from 8.7 to 17.2 cents
- Fivefold increase in free cash flow
- Further reduction in debt of \$101.4 million
- 30% improvement in safety performance

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In terms of performance highlights, the 2002/03 year recorded a continuation of improved results in all areas of the business.

We were able to double net profit after tax to \$94 million from \$47.1 million the year before. This is a considerable improvement, particularly when compared with our first year operating net profit after tax of \$23.6 million (before restructuring provisions).

I am particularly pleased by the five-fold increase in free cash flow to \$154.9 million from the \$28.5 million achieved in the previous year. Since listing, OneSteel has generated over \$400 million in free cash flow. This strong cash flow has enabled OneSteel to repay 44%, or \$530 million of its debt since it peaked at almost \$1.2 billion in early 2001. It means that OneSteel is in a much stronger financial position today than it was three years ago.

I am also pleased by our continued progress in making OneSteel a safer place to work. I will provide more detail on this in a moment.

Drivers of Improved Performance

- Continued improvement in market activity
- Restructuring Initiatives
 - Brisbane Bar Mill closure
 - Shift reduction from Newcastle Rod Mill
 - Closure of No. 3 Tube Mill in Newcastle
 - Continued rationalisation of products
 - US private debt placement in April 2003 of US\$128 million

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These improvements stem from the considerable restructuring that has occurred over the last three years, as well as from the recovery in market conditions since the June quarter 2001. Market activity in the segments that impact OneSteel rose 5.2% over the last financial year, building on the 4.6% increase in 2001/02.

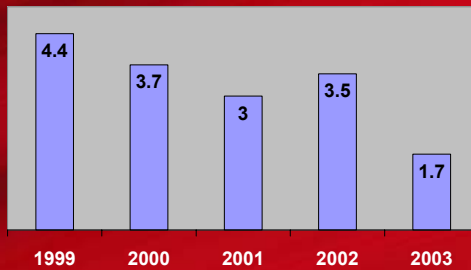
Approximately half of the better performance arises from the numerous restructuring initiatives that we have undertaken. In particular, in 2002/03 we benefited from the full-year impact of the closure of the Brisbane Bar Mill and the shift reduction in the Newcastle Rod Mill.

Restructuring continued in 2002/03, with the:

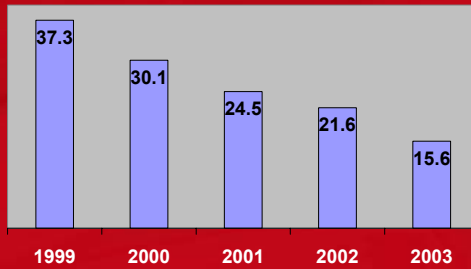
- Closure of the No. 3 Tube Mill at Newcastle in April;
- Continued rationalisation of products from 108 grade sections, down to 95 during the year;
- And a US\$128 million private placement of debt in April 2003 that extends the maturity profile of OneSteel's debt

These initiatives and others provided cost reductions for the year of \$56 million. These, combined with price improvements and other revenue measures of \$51 million, more than offset cost increases of \$68 million during the year.

Good Safety is Good Business



Lost Time Injury Frequency Rate
Per Million Hours Worked



Medical Treatment Injury
Frequency Rate
Per Million Hours Worked

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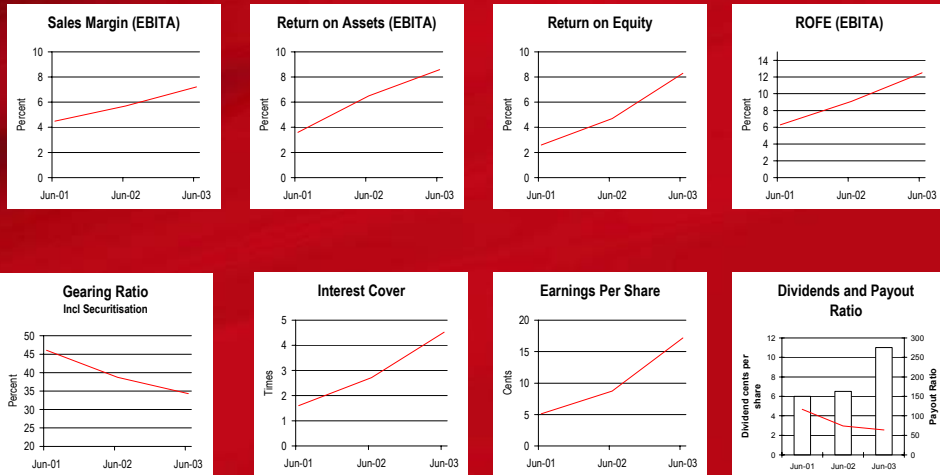
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As I touched on earlier, another pleasing aspect of the year's result is the continued improvement in OneSteel's safety performance. The medical treatment injury frequency rate improved 27.7% to 15.6 and the lost time injury frequency rate improved 48.6% to 1.7. In measuring safety performance, OneSteel includes safety outcomes for contractors as well as employees.

As well as the improvement, the actual performance compares favourably with like industries in Australia and around the world.

Shareholders have reason to be interested in OneSteel's safety performance because around the world and across many different industries, good safety performance tends to accompany sound commercial work practices. We strongly believe that "Good Safety is Good Business".

Trends in Key Financial Ratios



Debt:debt plus equity

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The charts on this slide highlight trends in OneSteel's key financial ratios over the last three financial years. As you can see that like our safety performance, these ratios are all headed in the right direction.

One ratio I would like to highlight is the fall in gearing as we have used OneSteel's strong cash flow and the proceeds of asset sales to reduce debt. As a result of the reduction in gearing, OneSteel's interest cover has risen to 4.5 times, significantly better than the 2.7 times interest coverage this time last year.

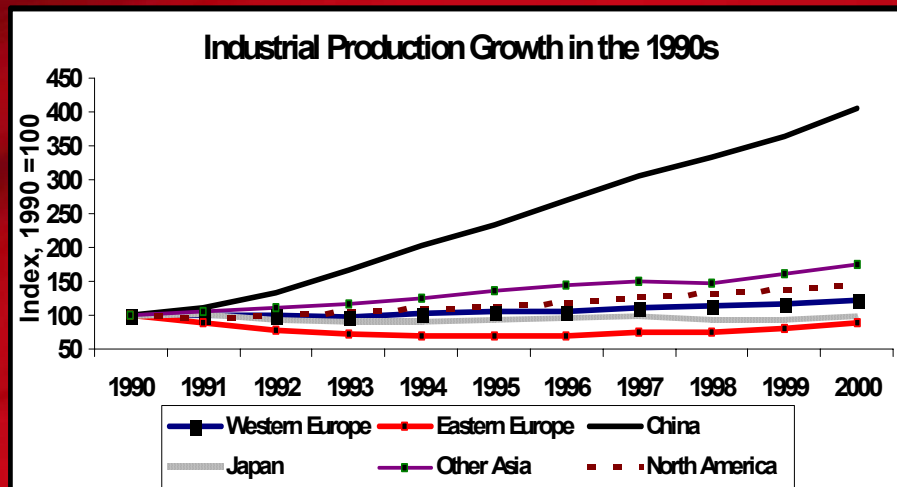
Trends in International Steel

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Although OneSteel is a domestically focused company, we monitor international steel trends to determine possible impacts on OneSteel. For the last three decades, the international steel market has been characterised by significant oversupply that has artificially held down the prices companies can achieve for steel on the international market.

Trends in International Steel



Source: Ecwin

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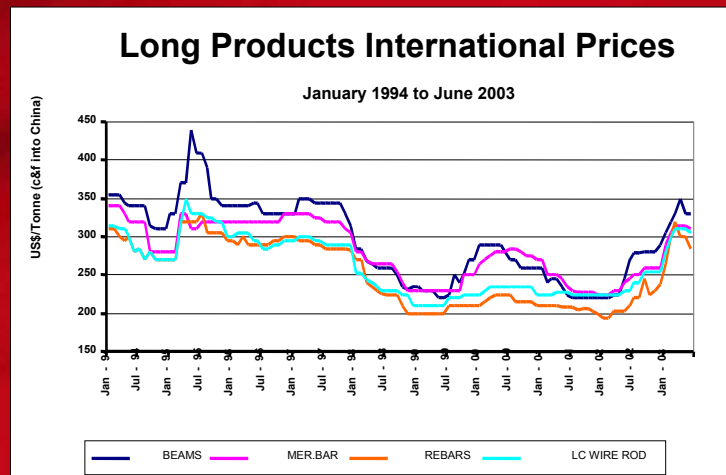
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More recently, demand for steel has begun to increase significantly, driven by the development of the Chinese economy. This graph, taken from a presentation by Macquarie Bank at an international conference in March this year, shows that industrial production in China has grown by an average of 15% per annum over the last decade. That is a significantly higher growth rate than in other parts of the world. For example, annual industrial production in the rest of Asia grew by 6% on average, followed by an average annual growth rate of 4% in the US, 2% in Western Europe and zero growth in Japan. In Eastern Europe, annual growth in industrial production has contracted by 12%, on average, over the past 10 years.

Should current trends continue then demand for steel worldwide could outstrip supply over the next five to 10 years.

In the long term, this could support current price levels, however there will continue to be short-term volatility if stock balances are not maintained.

Trends in International Steel



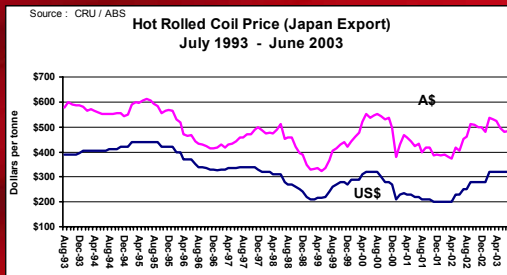
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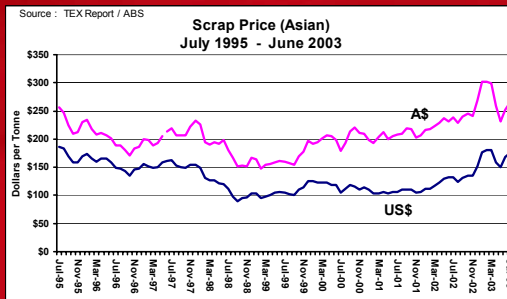
As the graph illustrates, international prices for finished long steel products have already increased considerably as a result of the growing demand from China.

The range of products depicted in the graph include structural beams, merchant bar, reinforcing bar and wire. These products are typical of OneSteel's range.

Trends in International Steel



Hot Rolled Coil prices escalated over the last 12 months. One Steel increased its prices of pipe and tube products in response.



Scrap prices also increased during the year. OneSteel uses approx. 500,000 tonnes of scrap feed for its Sydney Steel Mill operation.

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The increased demand for steel has also led to price increases in some of the key inputs of steel. For OneSteel, the price rises in sheet and coil, and scrap steel represent increased input costs. OneSteel buys these products to convert into finished product in its manufacturing facilities. Of the \$68 million in cost increases over the last financial year that I mentioned earlier, \$36 million was attributable to price increases in these semi-finished products.

OneSteel reacted to the price increases in these inputs by increasing prices for its finished products and by reducing costs. In this way, OneSteel was able to recover the majority of these higher input costs. The appreciating Australian dollar also assisted in offsetting some of the cost increase.

At times such as these OneSteel's business model of vertical integration comes into its own. Two-thirds of the steel that OneSteel produces is made from its own iron ore that it mines in the South Middleback Ranges. Therefore over half of the steel that OneSteel sells is not impacted by international steel cost pressures.

Against the backdrop of a higher exchange rate and increased competition from imports, the challenge over the next 12 months is to endeavour to maintain margins. At the current exchange rate, and with import competition growing, we do not believe there is much scope to further increase prices.

The Year Ahead

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This leads me to turn to the company's prospects in the current financial year.

Major Project Flow

Current

- Comalco Plant - Gladstone
- Woodside 4th train
- Queen Victoria Bld - Melbourne
- Eureka Bld – Melbourne
- World Square – Sydney
- Southbank development – Melbourne
- Exhibition Street development – Melbourne
- Regional Fast Train – Victoria
- Melbourne Cricket Ground
- Tasmanian Wind towers
- BHP Billiton Area C
- Hi-Smelt
- Latitude 2 – Sydney
- Rhodes Shopping Centre
- Kambalda to Esperance Gas Pipeline
- Gold Coast Exhibition Centre
- Telfer Gas Pipeline
- Darwin LNG
- Western Orbital – Sydney
- Enertrade pipeline
- Auburn Central Development
- Philip Street Development – Sydney
- Aurora Tower, Brisbane
- NAB Building, Docklands Melbourne

Upcoming

- Sunland – Gold Coast
- Chatswood to Epping Rail Link
- RAC Track upgrade
- Woodside 5th Train
- SAMAG
- Aldoga Smelter
- Sydney CBD cross-city Tunnel
- Burrup Fertiliser and Methanol
- Queen Street Melbourne
- Adelaide Airport
- Spencer Street Station
- Southern Cross Melbourne

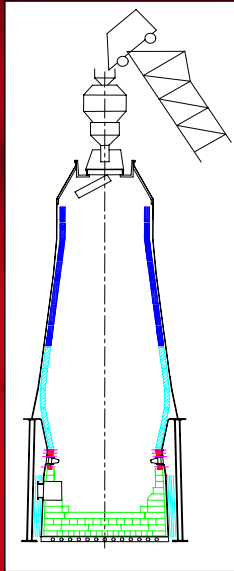
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Last year was another solid year of growth in the construction sector and we anticipate this will continue in the current financial year. In fact, we expect the robust construction cycle to continue and peak in 2005/06. The construction sector drives 58% of OneSteel's revenues. We are currently delivering steel to an extensive list of projects and there are more potential projects in the pipeline.

Current Projects – Furnace Reline

Scope of the Blast Furnace Reline



- What:** Hearth shell & refractory
Staves and Cooling System
Paul Wurth Top
- When:** Mid 2004
- How long:** Approximately 65 days
- Cost:** \$80 million capital
- Impact:** Stock build to limit customer impact
Sydney Steel Mill fully loaded
Approximately \$95 million inventory

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As mentioned by the Chairman, one key event in the next 12 months is the reline of the blast furnace at Whyalla. The current blast furnace campaign life will be 23 years by the time it is relined in June/July 2004. This represents one of the longest running campaigns in the world. Despite this, the blast furnace operated efficiently over the last financial year and it continues to operate consistently at planned production output and quality in this financial year.

The focus for the OneSteel blast furnace reline project team is to deliver this project on-time and on-budget. A priority for the company during this period will be to fund the project from OneSteel's strong internal cash generation to ensure our debt levels finish the 2003/04 year at the same level they ended 2002/03.

Furnace Reline – Current Status

- Several long lead time items already on site
 - Paul Wurth top
 - Copper staves
 - Carbon hearth
- Labour contract scheduled to be signed later this month
- \$28 million in inventory on the ground
- Approximately 80% of capital cost (forecast to be approximately \$80 million) is already committed including the labour contract

Running on time and on budget

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The shutdown of the blast furnace is set for 4 June 2004. As you will see from the next slide, supply of the critical long lead time equipment is well advanced, with a number of items already on site.

We are scheduled to sign the major mechanical site contract on 20th November. This will result in project commitments to date of approximately 80% of the budget. The capital cost forecast is approximately \$80 million, as originally estimated.

The Whyalla Steelworks and Sydney Steel Mill started building inventory in the last financial year to prepare for the shutdown. This will be used to provide feed for the OneSteel rolling mills during the reline. The stock build is progressing in line with plans with \$28 million of inventory now on the ground. We anticipate that inventory will peak at around \$95 million in May.

Furnace Reline – Long lead-time items



Paul Wurth Top. This is a new top for the blast furnace that will replace the current bell top.



Copper staves – these will be used to line the inside of the furnace.

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These are photos of some of the long lead-time items that we already have on site.

We are replacing the current bell top of the furnace with what is known as a Paul Wurth Top. The new top will enable us to feed the furnace with iron ore, coal and alloys more efficiently. There are over 200 of these Paul Wurth Tops in blast furnaces around the world so it is proven technology. We are also updating the technology we are using to reline the furnace. Instead of a refractory lining, we are using copper staves.

Planning for the reline began in September 2001 and includes detailed risk analysis that is constantly reviewed. As a result we have a very clear understanding of where the risks lie and we have, and will continue to, implement measures to control those risks.

We have assembled a very experienced project team comprising OneSteel personnel and external consultants. A number of the OneSteel members in fact worked on the last reline of the furnace in 1981. The external consultants have worked on successful furnace relines around the world and include people from Hatch, Paul Wurth, Danieli Corus and NDK. Approximately 20 furnaces are relined around the world each year.

Current Projects – Iron Ore Resources

- Magnetite Resources
 - Mine and beneficiate magnetite ore to achieve:
 - Lower production cost of steel – lower impurities
 - Increased sale (export) of hematite
 - Sale of more pellets
 - \$6 million feasibility study underway
 - Outcome known around July 2004
- Beneficiation of Hematite Accumulations

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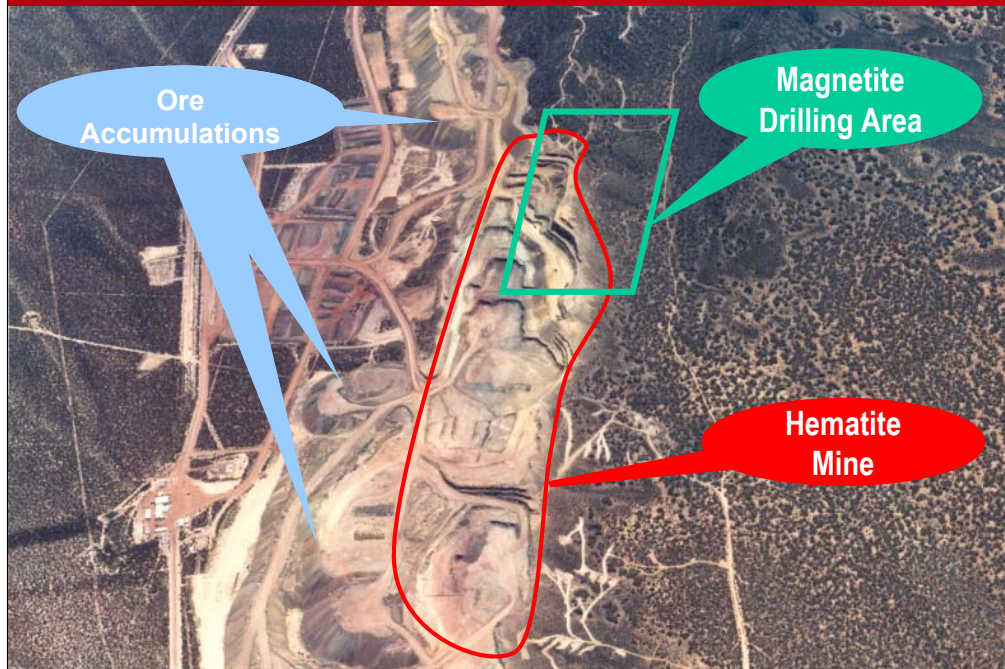
A second major project is the \$6 million feasibility study into OneSteel's 300 million tonne magnetite resource. The study will determine the geological, commercial and logistical requirements to convert the Whyalla operations from a hematite to a magnetite iron ore-based operation and examine opportunities for increased iron ore sales.

Should the project go ahead, it will allow OneSteel to extend its sales of iron ore from one million to three million tonnes per annum and provide OneSteel with potential to sell up to 500,000 tonnes of iron ore pellets each year. It also has the potential benefit of lowering the cost of steelmaking as a result of lower trace elements in the magnetite as well as increasing iron ore resources. Therefore the magnetite iron ore opportunity has the potential to increase revenue and profit from OneSteel's existing mine reserves and resources.

We have another project underway that is designed to add to the iron ore resources at Whyalla.

In April 2003, as part of a new mining contract, we announced the construction of an ore beneficiation plant. The plant will recycle approximately 9 million tonnes of lower-grade hematite ore accumulations to produce an estimated 5 million tonnes of usable high-grade ore. By processing these accumulations that previously weren't usable, we will reduce our annual mining requirement by one million tonnes for five years, so extending the life of the mine. The plant is expected to start operation in April 2004.

Current Projects - Iron Ore Resources



You can get a better idea of the two projects from this aerial shot of our mines in the South Middleback Ranges.

The area that is outlined by the red frame is one of the hematite iron ore reserves that we are currently mining. The magnetite iron ore resource is located below, and adjacent to, the hematite reserves. As at the end of October, we had drilled 28 of the 41 holes that are required for the geological analysis and the results are meeting expectations.

We are using the samples to undertake pilot processing to help us determine the economics of converting the Whyalla Steelworks from a hematite ore feed to a magnetite ore feed.

Also highlighted on the map is some of the lower-grade ore accumulations that we will start to recycle next year when the beneficiation plant is built by our mining contractor.

OneSteel's Way Forward

- Continue to improve business performance
- Main Priorities
 - Managing costs down, cash generation, improving capital management and retiring debt to improve profitability
- Manage Major Projects to Successful Outcomes
 - Blast furnace reline
 - Complete feasibility study of iron ore resource

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In terms of the way forward and to recap on the Chairman's comments, we will continue to work on further improving the business by focusing on operational excellence, further rationalising the product range, plant reconfiguration and tight control of inventory.

In addition to these operational improvements, OneSteel will remain focused on reducing costs, enhancing revenues and tight capital control.

Our immediate main objectives also include completing the blast furnace reline on time and on budget and completion of the iron ore resource feasibility study.

Summary and Outlook

- Residential sector decline to be offset by increased activity in non residential and engineering construction sectors
- Strong three year construction market cycle
- Profit in first four months of trading below internal expectations as higher exchange rate opens market to greater imports
- Blast furnace reline funded from internal cash generation in 2003/04
- Strong cash flows in 2004/05
- Company in good financial position
- Positioned to take advantage of any growth opportunities

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Market activity in the residential sector has begun to ease as expected, while the non-residential and engineering construction segments continue to build momentum. The remaining sectors that drive OneSteel's revenue – manufacturing, automotive, mining and rural – are relatively steady. We expect the current robust construction cycle to continue and peak in 2005/06.

As the Chairman indicated earlier, the first four months of trading have been below our internal expectations. The main reason for this is the impact of the Australian dollar's appreciation on imports.

The Australian dollar's appreciation against the US dollar has been stronger than the company had predicted and the currency continues to trade above the level OneSteel had forecast for this period of the year. While this provides OneSteel with a benefit in terms of lowering input costs, it also opens the Australian market to increased imports. This year the net impact has been unfavourable.

In terms of OneSteel's product lines, there has been increased import activity in pipe & tube and merchant bar. OneSteel expected the price of these imports to increase in line with the higher cost of the raw materials to manufacture these products. This has not happened and OneSteel is monitoring the type and price of imports extremely closely to determine what prudent measures may be taken.

Allowing for the uncertainty of exchange rates moving forward, OneSteel is comfortable with the current investor market range for 2003/04 profit of \$84 million to \$96 million with a more even split between the halves compared to the prior year.

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Looking further ahead, in 2004/05, the anticipated strong cash flows generated by OneSteel, combined with the rundown in inventory associated with the blast furnace reline, will be applied to further reduce debt, allowing management to consider growth opportunities.

I would like to thank everyone in the company for their contribution to another year of substantial safety and profit gains across all OneSteel businesses. I would also like to extend my thanks to our shareholders and customers for their support of OneSteel.

The company has strengthened its financial position considerably over the last three years and management will continue to strive to improve the performance of the business.

Thank you for this opportunity to report to you on OneSteel's performance at the 2003 Annual General Meeting. I will now hand back to the Chairman.