

“The Battle for Growth”

UBS Resources Conference 20 June 2005

Mark Gell

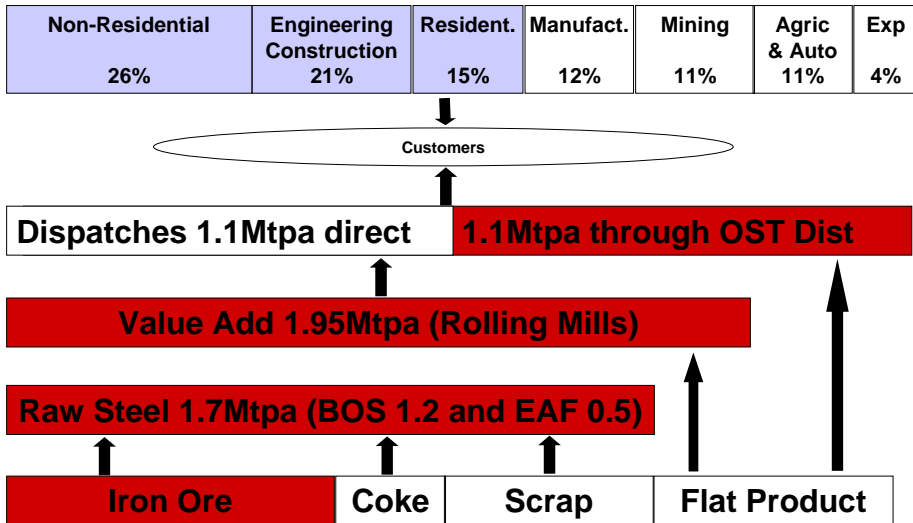
General Manager, Corporate Affairs & Marketing

OneSteel Limited

- **Global Over-capacity**
 - 800 million tonnes demand
 - 950 million tonnes capacity
 - **Fragmented Industry**
 - Over 80 players produce more than 3 million tonnes p.a
 - Top player produces less than 5% of total production
- **Since 2000**
 - Some consolidation is occurring
 - China has grown dramatically – 27% of world demand in 2004
 - Mega or niche to succeed

- OneSteel is niche domestic steel company
- We are a vertically integrated steel long products manufacturer and distributor of metal products
 - Over 150 distribution sites in Australia and New Zealand
 - Own high-quality low-cost iron ore mines near our main production facility

Vertical Integration

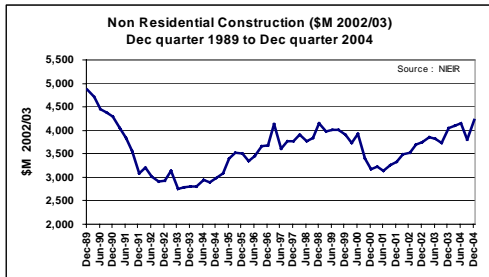


Last Four Years

- Revenue up by over 50%
- Earnings (NPAT) increased fivefold
- Share price increase threefold from listing

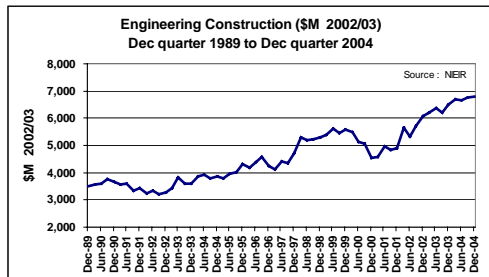
Challenge for future is to continue on growth path and minimise cyclical nature of earnings

OneSteel Key Segments



**Represents 26% of
OneSteel Activity**

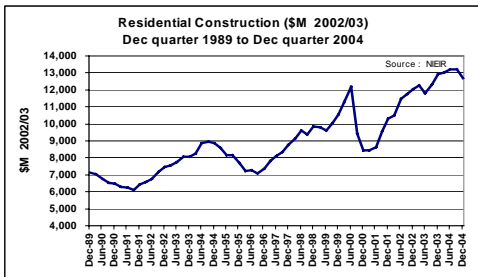
**3.1% year on year
increase in value of work**



**Represents 21% of
OneSteel Activity**

**6.7% year on year
increase in value of work**

OneSteel Key Segments



Represents 15% of OneSteel Activity

2.6% year on year increase in value of work

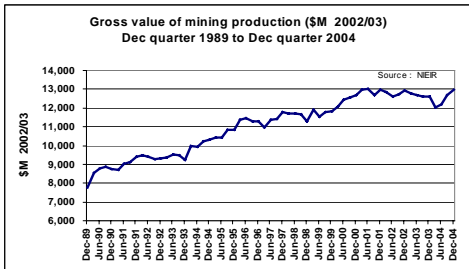
Overall construction segment (62% of OneSteel revenue) up 4.1%



Represents 12% of OneSteel Activity

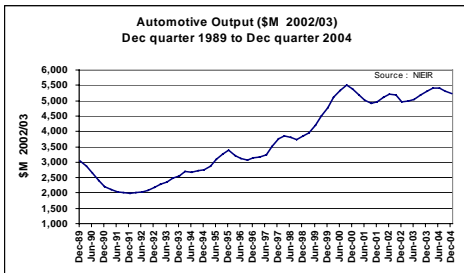
0.2% year on year decrease in value of work

Overall Increase In OneSteel Key Segments 3.2%

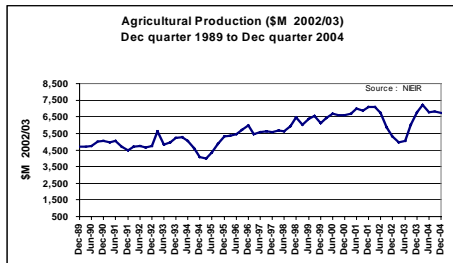


6% of OneSteel Activity
5.9% increase year on year

11% of OneSteel Activity
1.8% increase year on year

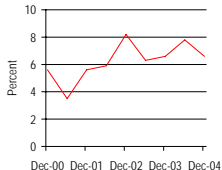


5% of OneSteel Activity
0.5% increase year on year

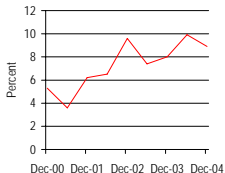


Trends in Key Financials

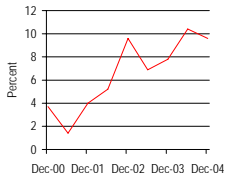
Sales Margin (EBITA)



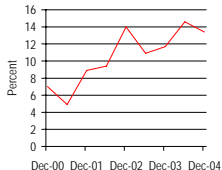
Return on Assets (EBITA)



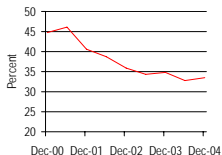
Return on Equity



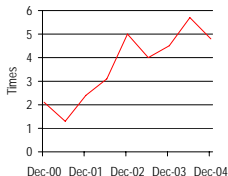
ROFE (EBITA)



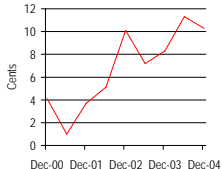
Gearing Ratio Incl Securitisation



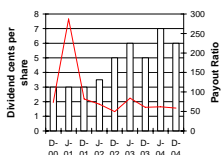
Interest Cover



Earnings Per Share

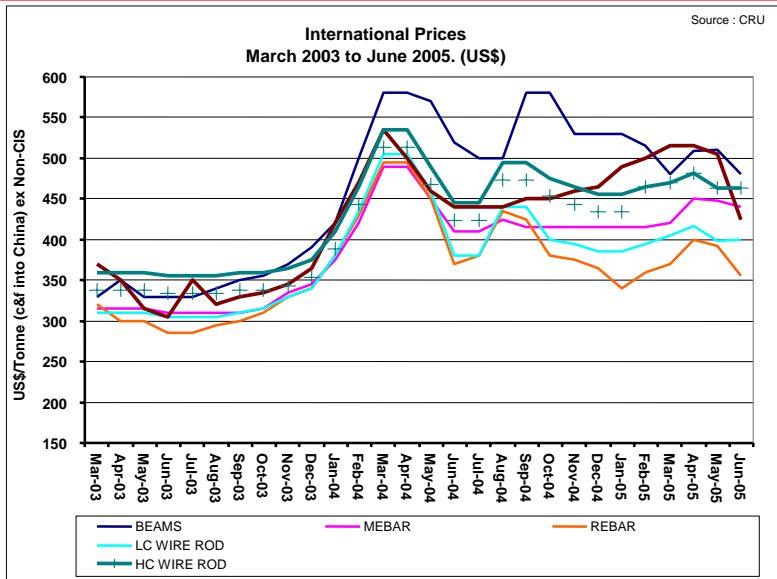


Dividends and Payout Ratio

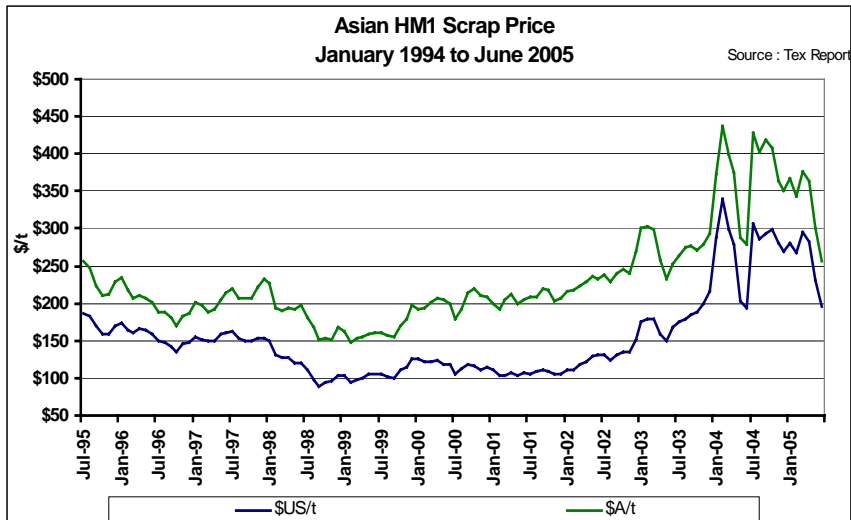


- Main driver domestic demand – particularly construction
- International market impact in two ways
 - Direct impact
 - prices for imports
 - coking coal, scrap and flat product inputs
 - Indirect impact
 - Price premium over imports

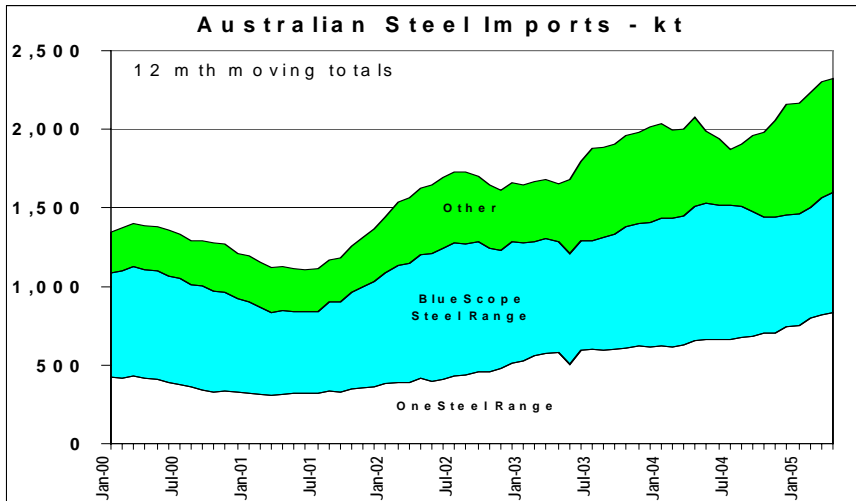
Trends in International Long Product Prices



Scrap Prices

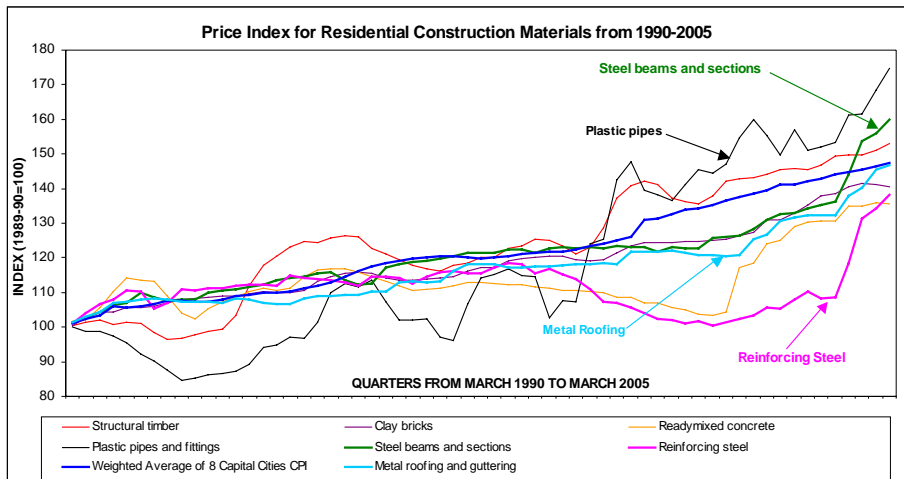


Imports into Australia



Source: Australian Bureau of Statistics and OST data

Prices of Australian Residential Construction Materials



Source: Australian Bureau of Statistics and OST data

Growth - Project Magnet



- **Improves OneSteel's competitive position, extends the life of Whyalla and lowers cost of steelmaking**
 - extend life of Whyalla from current restraint of 2020 to beyond 2027
 - potential to cut cost of steelmaking at Whyalla by up to 5% by converting to magnetite
- **Additional source of earnings and profit**
 - export up to 3 million tonnes extra hematite ore pa for 10 years
 - export ~220,000 tonnes pellets pa over the project life
 - produce up to ~100,000 tonnes extra steel pa over the project life
- **Environmental benefits**
 - switch from dry to wet processing

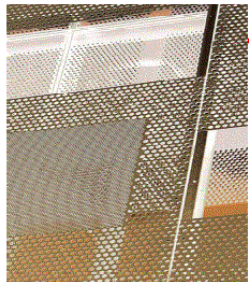
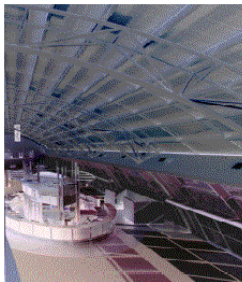
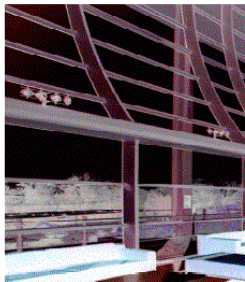
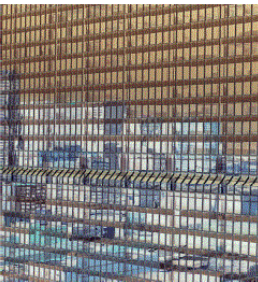
An attractive, value-creating long-term project, that builds on OneSteel's competitive advantage of owning low-cost, high-quality iron ore. Project Magnet is consistent with OneSteel's strategy of optimising its portfolio of assets

Project Magnet - Summary Financials



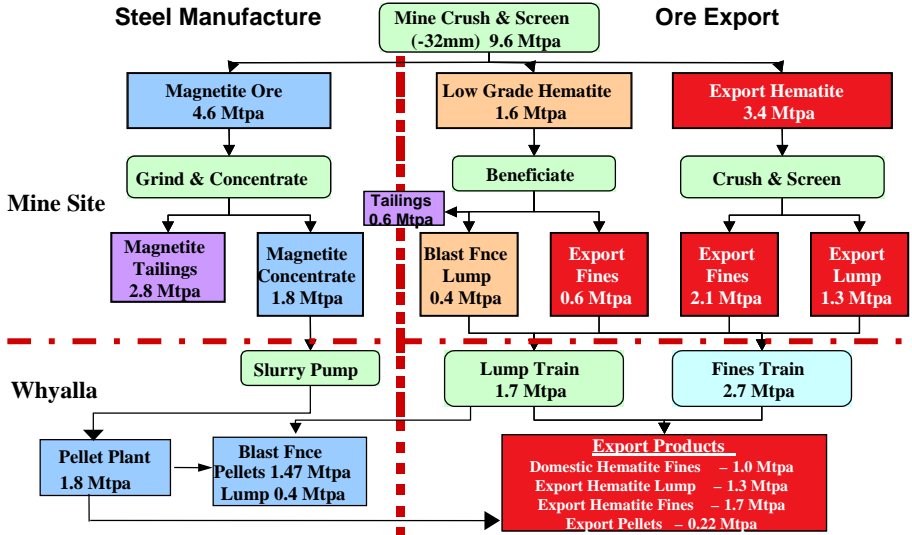
Project Estimated Financials	
NPV	> \$100M
IRR	> 14.0%
PV/I	> 1.4
Payback approx.5 years	
EBITDA Avg million	> \$70

- **Capex pressures**
- **Labour pressures**
- **Competitor threats**
- **Supply/demand imbalance**
- **New Entrants**
- **Project Magnet**
 - **organic growth to boost earnings and valuation**



Attachments

Capacities and Material Flows



- Project Magnet extends the current competitive position of OneSteel by lengthening the life of its strategic iron ore resource from 2020 to beyond 2027
- Value in use properties of using magnetite as against hematite ore for steelmaking:
 - Lower energy costs for pellet production
 - Less slag associated with iron making
 - Less impurities therefore less fluxes consumed

In excess of \$1.5 billion additional revenue

- **3m tonnes hematite ore sales pa for approx 10 yrs**
- **Approx 100,000 tonnes steel sales pa for ~ 20 years**
- **Approx 220,000 tonnes pellet sales pa for ~ 20 years**

- Key Value Drivers
 - Value in use
 - Additional steel production
 - Benefits from iron unit sales
- Value in use and additional steel production when added are approximately equal to the benefits from ore and pellet sales

- **\$325 million OneSteel capital expenditure**
- **Major works to be undertaken:**

Converting Whyalla to Magnetite

- Mine cut back
- Crushing and grinding processes
- Concentrating process
- Tailing dam at mine site
- Pumping and slurry pipeline
- Pellet plant re-configuration
- Desulphurisation plant

Incremental Iron Ore Sales

- Rail upgrade
- Wagons
- Handling facilities at port
- Storage
- Trans-shipping

- **Cost Escalations**
- **Scope changes**
- **Engineering Detail**
- **Risk**

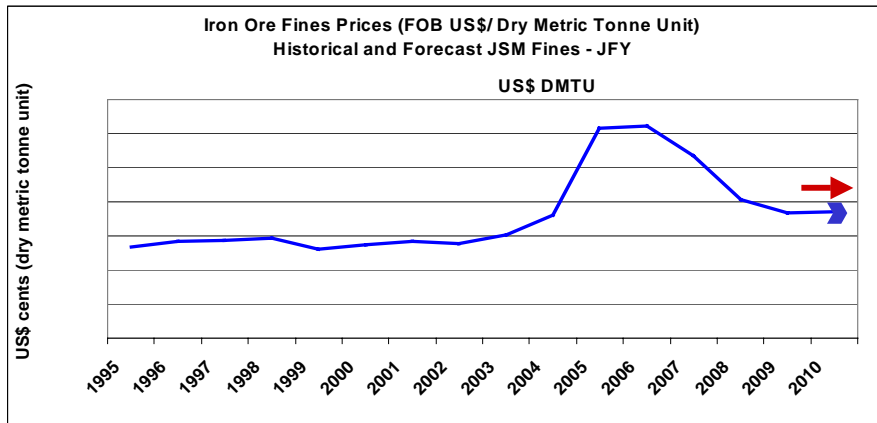
- Capital Expenditure

- 04/05 \$30M
- 05/06 \$225 to \$235M
- 06/07 \$55 to 65M

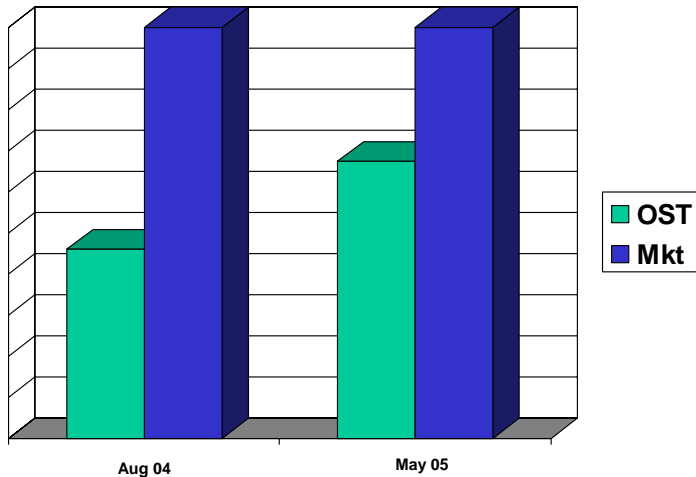
- Revenues

- Iron Unit Sales – Ore and Pellet
 - 05/06 400 to 500K tonnes
 - 06/07 1,400 to 1,500K tonnes
 - 07/08 Approx. 3.2 M tonnes
- Slab Sales
 - 07/08 Sales commence

Revenue Pricing Assumptions



Our iron ore pricing assumptions are based on returning to prices in line with long term trends.



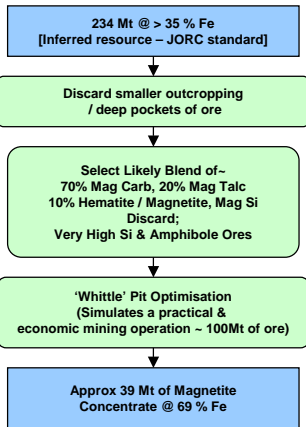
Slab Price Assumptions

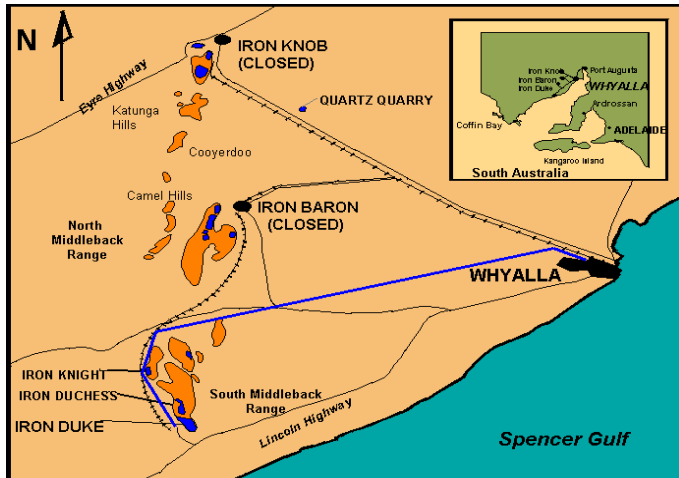
- **Valuable, attractive long-term project for OneSteel and its stakeholders, underpins Whyalla and its key competitive advantage of owning iron ore mines**
 - Extends life of Whyalla beyond 2027
 - Improves competitive position by cutting cost of steelmake by up to 5%
 - Generates new stream of earnings and profit
 - Incremental revenue in excess of \$1.5 billion revenue
 - \$325 million investment including environmental spend
 - Environmental & community benefits – 10 year operating licence
- **Fits OneSteel strategy of optimising its assets**
- **Expands on OneSteel's vertical integration and horizontal flexibility – flat & long products/domestic & export markets**

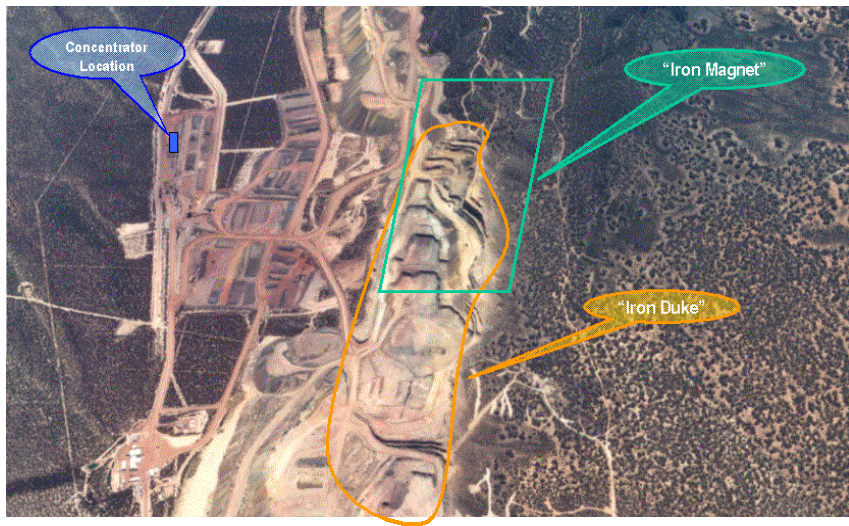
Magnetite Mine Ore Calculation -

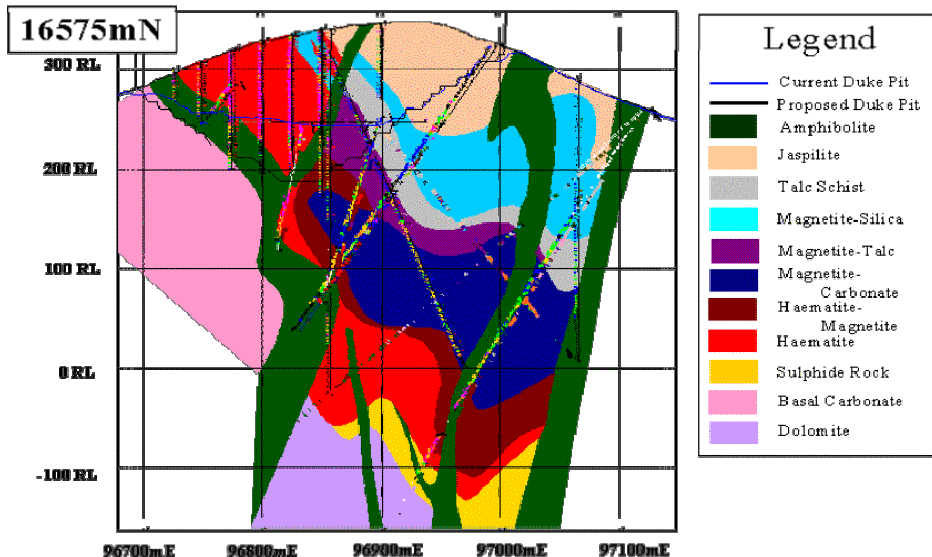
Magnetite ore calculation based on JORC standard

- **Total Magnetite Resource in South Middleback Ranges – based on JORC standard**
- **Select target area of most likely feasible magnetite deposit**
- **Select ore types that are ‘usable’ in beneficiation process, in percentages that are achievable**
- **Pit Optimisation Process**
(What can economically be mined)
- **Beneficiation process with 40% mass recovery, producing concentrate at ~ 69% Fe**

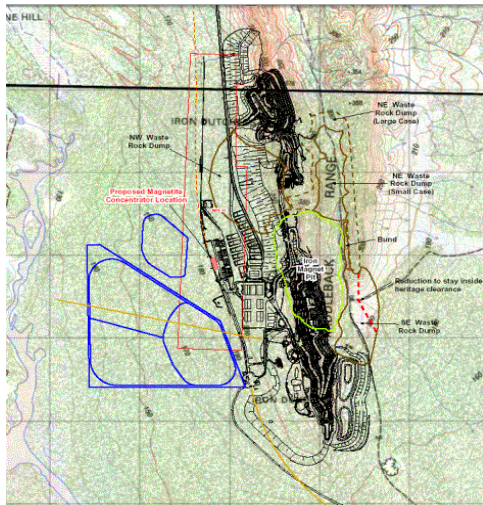




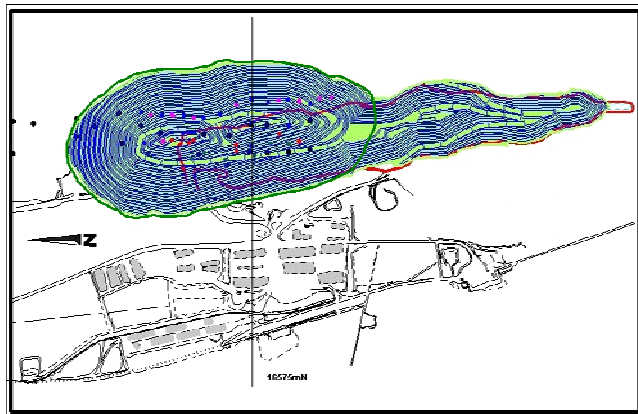




Iron Magnet Mine Site



Iron Magnet Mine Site



● ● ●
Drill Holes



Iron Duke Pit Outline



Iron Magnet Pit Outline