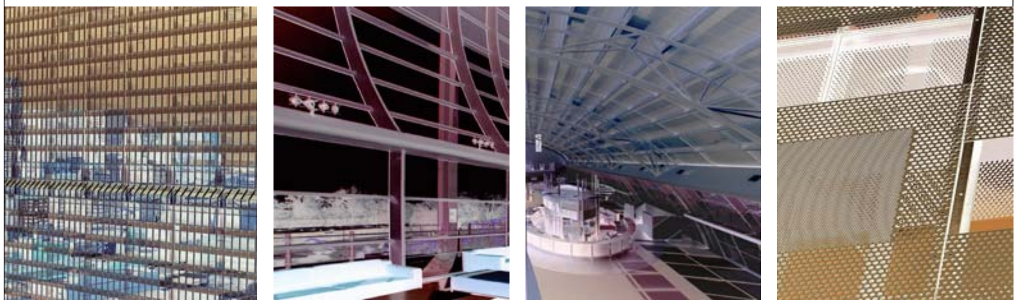

Chairman's Address

Annual General Meeting
20 November 2006

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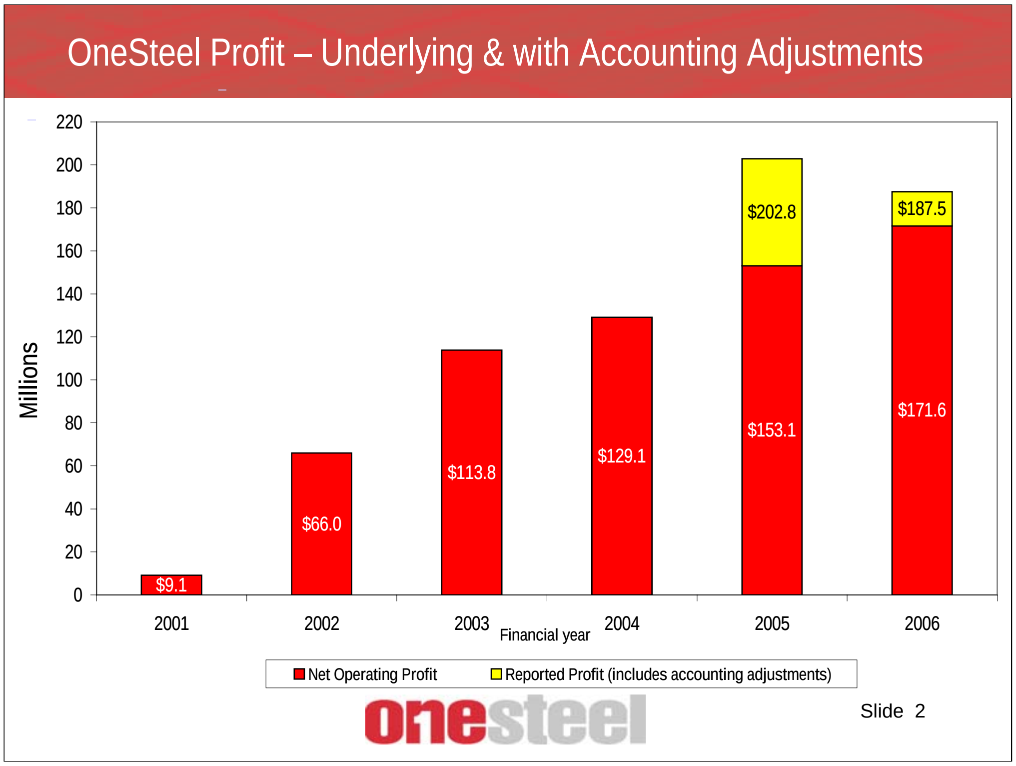
OneSteel Profit – Underlying & with Accounting Adjustments
Millions
220
200
180
160
140
120
100
80
60
40
20
0
$9.1
$66.0
$113.8
$129.1
$153.1
$202.8
$171.6
$187.5
2001
2002
2003
2004
2005
2006
Financial year
Net Operating Profit
Reported Profit (includes accounting adjustments)
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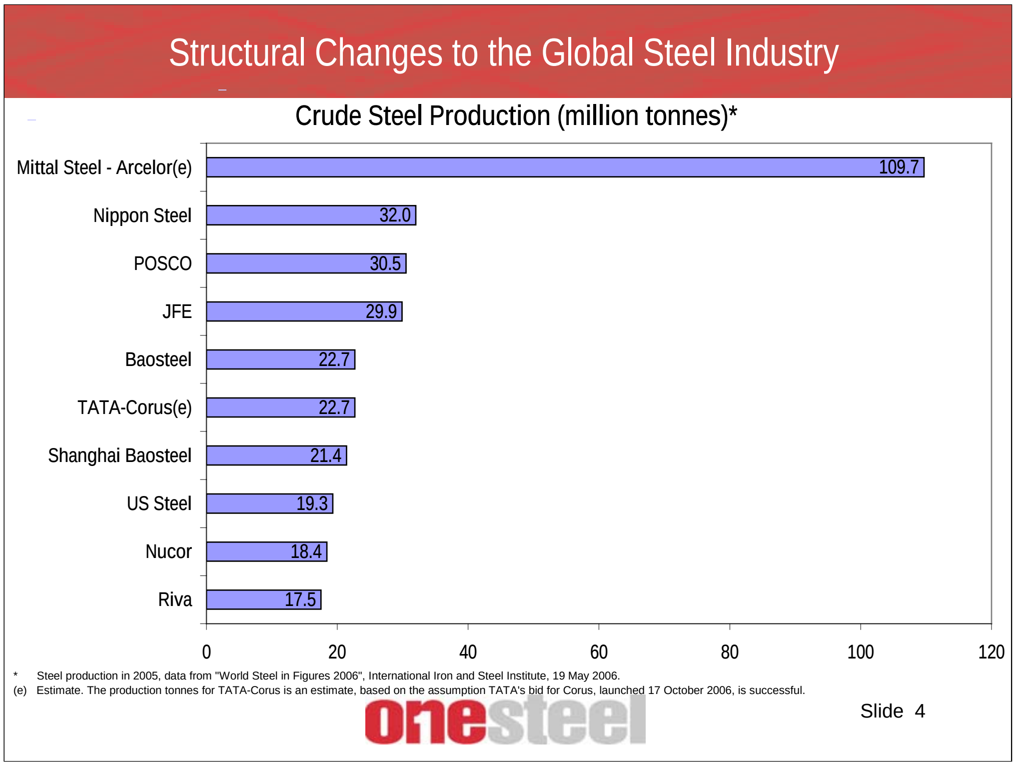
Slide 2

Thank you Peter.

Good afternoon Ladies and Gentlemen and welcome to OneSteel’s Annual General Meeting for 2006.

Following on from the Chairman’s review of the outcomes and events in OneSteel’s sixth year of operations since listing, I would like to talk to you about developments in the global steel industry and how they are influencing OneSteel’s strategy.

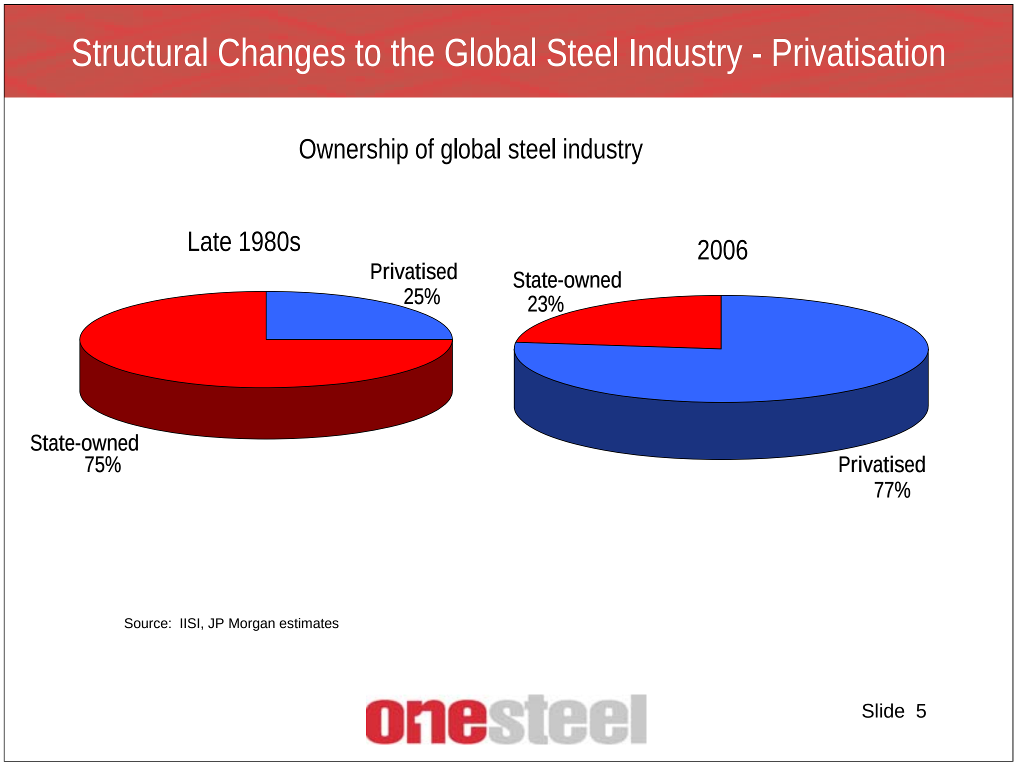
This will help put into context the rationale behind the two major growth projects that we have underway. I will also provide an update on the status of these projects and finish with some comments on the outlook for the financial year underway.



This time last year I touched on the changing international steel markets and the impact of China and how OneSteel had positioned its business for the long term with the blast furnace reline and Project Magnet.

Over the last 12 months there has been further significant change with increased consolidation of steel companies on a regional level. For example, Mittal Steel merged with Europe's Arcelor to form the world's largest steel company with over 100 million tonnes of annual steel production and last month India's TATA launched a takeover bid for Corus, another European steel company.

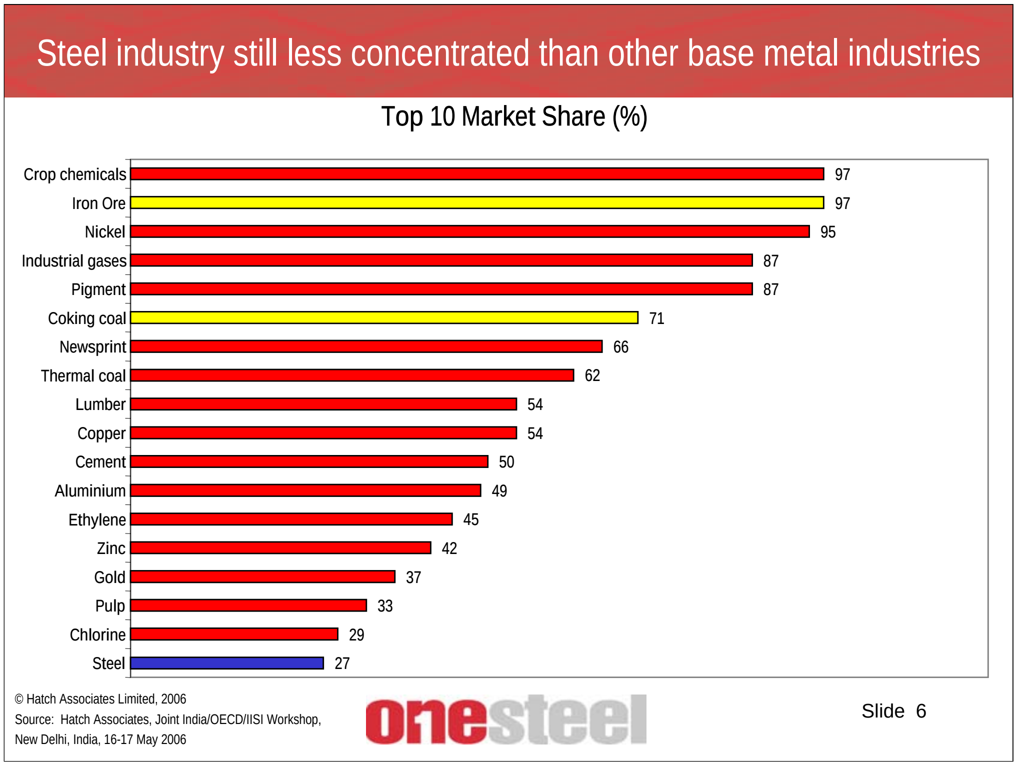
The global steel industry is being transformed by three forces – privatisation, consolidation and China's industrialisation.



Arguably, privatisation of the steel industry was the catalyst for the consolidation we are now seeing.

For many years the global steel industry was predominantly state-owned and run. Governments viewed steel production as part of nation building and a convenient way of creating employment and development in key political regions. Access to government funds meant that capital costs were often ignored when considering investment in new capacity. This contributed to the unfavourable supply/demand imbalance that prevailed between 1970 and 2000.

Now however less than 25% of the world's steel companies remain government owned, with most of these being located in China. The industry is now predominantly operated for profit with steel companies placing more weight on the very high capital costs when considering to invest in new capacity. Thus privatisation has radically changed the structure of the global steel industry.



With many steel companies now privatised, this has set the stage for the regional consolidation that has been a key feature of the global steel industry over the last five years.

To date there has been only small scale consolidation of the Chinese steel industry but even in China, consolidation is a key objective of the Chinese "Steel Plan".

Despite the consolidation to date, the steel industry remains less consolidated than many other base metal industries, including the coking coal and iron ore industries that supply raw materials to the steel sector.

China's industrialisation is having a dramatic impact on the global steel industry

- China has fuelled one of the biggest resource booms in memory in steel, steelmaking raw materials, coal, coke and a wide range of commodities
  - China went from 7–10% of world demand for the main base metals in 1993 to 20–25% of world demand in 2003. Generally around 25% in 2005
  - Even allowing for a slowdown from current growth rates, China is likely to account for over 30% of world demand by 2010 and more than 40% by 2020
- China is treading a well-worn path to development already trodden by most Western countries – only difference is the size
- The Chinese government has espoused hugely ambitious goals for development out to 2020 (quadrupling GDP), part of which includes increasing Chinese steel production

Source: Macquarie Research Commodities, China's impact on world freight markets – role of bulk commodities, McCloskey's European Coal Outlook Conference, Nice, France, 22-23 May 2006

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Slide 7

China's industrialisation is the other factor that is having a dramatic impact on the global steel industry. The huge growth in China's demand for steel in recent years has played a major role in correcting the over-supply that plagued steel companies for three decades.

Steel booms have been seen before when nations such as the US, Japan and Korea transformed themselves into manufacturing giants. However China's industrialisation is on an unprecedented scale and has fuelled one of the biggest resource booms in memory.

In 1993 China accounted for between 7 and 10% of world demand for the major base metals. Ten years later it accounted for between 20 and 25% of demand.

Even allowing for a slowdown from current growth rates, China is likely to account for over 30% of world demand by 2010 and more than 40% by 2020. The Chinese government has espoused very ambitious goals for its national development out to 2020. If successful, these would quadruple China's gross domestic product over that period and would require continued high levels of steel supply. Hence China's steel capacity is also growing rapidly.

It is against this international backdrop that OneSteel has developed its growth strategy.

The Australian steel industry is small and domestic steel companies have negligible ability to influence global or regional trends. However, understanding the global steel industry and what is happening in China is essential to ensuring that OneSteel positions itself so that it can continue to add value to its customers and its shareholders.

While small, the Australian steel industry has the advantage of being less fragmented than other international markets, relatively innovative and having ready access to good quality raw material inputs. This helps us to compete against imported and fabricated products while providing returns to shareholders. It is also characterised by the ability to produce a wide range of products with associated small runs at a competitive cost. This is necessary to meet the increasingly sophisticated and demanding requirements of our customers.

Imports are a reality for the Australia steel industry from the semi-finished steel level through to manufactured steel goods. Customers have much wider choices than 10 years ago and now look beyond price and availability. Therefore, competing on price alone will not provide sufficient returns for the longevity of the Australian steel industry, particularly given the developments in the international steel market.

So to continue to compete into the future OneSteel must not only be more cost competitive but also more efficient in the way that product is delivered through the value chain, be it raw materials, manufacturing, distributing, processing or fabricating.

We must do this in a way that balances the need to deliver increased value to meet higher customer requirements and demands while also creating value for shareholders.

OneSteel's Growth Priorities

Slide 10

So with an eye to the future and to developing a sustainable business model that will position OneSteel to compete more effectively over time, OneSteel currently has two major investment projects which form the company's growth priorities.

The photograph on this slide is of the filter plant that we are building as part of Project Magnet. Magnet is one of OneSteel's major investment projects and I will provide an update on its progress shortly.

OneSteel's Growth Priorities

Two major investments underway to develop a sustainable business model that will position OneSteel to compete more effectively over time

- Project Magnet – the commercialisation of OneSteel's magnetite resource
  - extends the life of our main steel making facility at Whyalla
  - improves OneSteel's competitiveness
  - generates new earnings and revenue stream – in excess of $1.5bn revenue
- Proposed merger of OneSteel and Smorgon Steel provides a catalyst to:
  - reconfigure long products production facilities in Australia to lower costs
  - streamline and enhance the supply chain and logistics
  - improve the range of products and services available to customers
- The two growth projects provide a platform for OneSteel to:
  - reduce its cost base
  - grow its revenue and earnings stream
  - expand its current product and service offering, both range and geography

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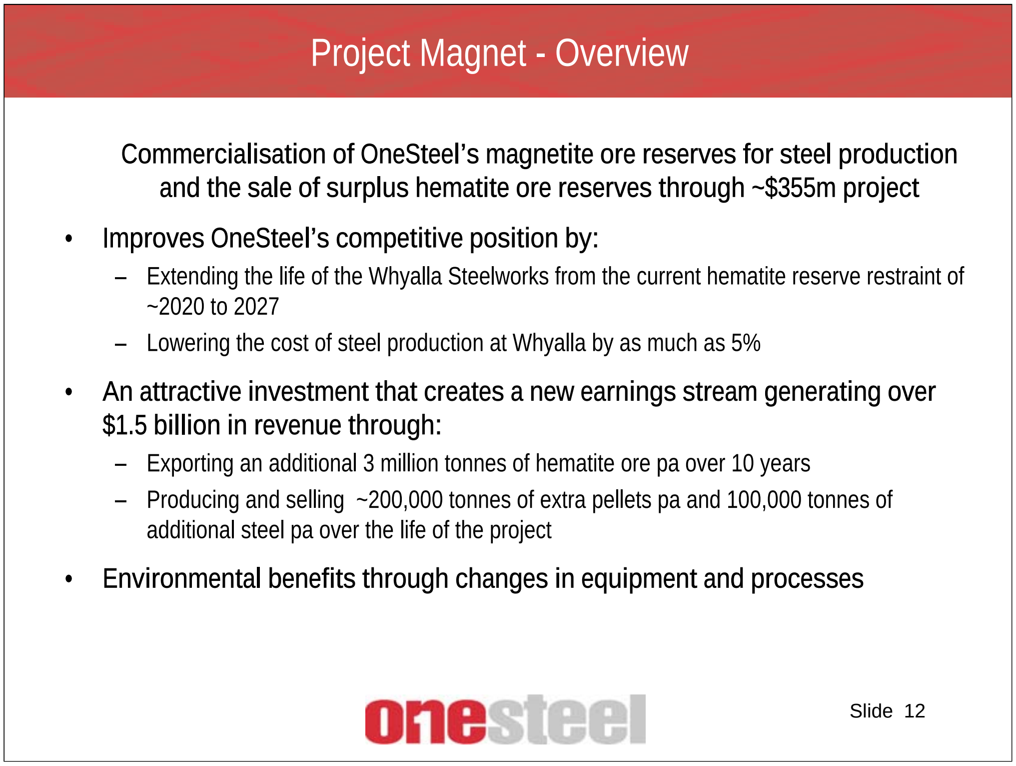
Slide 11

Project Magnet represents the commercialisation of OneSteel's magnetite iron ore resource, while our other major growth investment is the recently announced proposed merger of OneSteel and Smorgon Steel.

These two growth projects provide a platform for OneSteel to reduce its cost base, grow its revenue and earnings stream and expand its current product and service offering, both in terms of range and geography.



Looking first at our $355 million investment in Project Magnet.

The project will improve our competitiveness as well as help us to extract maximum value from our existing assets.

It improves our competitiveness by extending the life of the Whyalla Steelworks from around 2020 to 2027 and by lowering the cost of steel production at Whyalla.

The conversion of the steelworks from hematite ore feed to magnetite ore also generates a new earnings stream through the opportunity to increase sales of hematite iron ore for approximately 10 years, and through sales of surplus pellets and additional steel over the life of the project.

With changes in equipment such as the construction of export storage facilities, and changes in process such as moving from a 'dry' to a 'wet' process to make pellets, Project Magnet also brings considerable environmental benefits to the Whyalla community.

Project Magnet – Current Status

Hematite Stream

Hematite Export Facilities

- Commissioned successfully October/November 2006
- Over 100,000 tonnes have now passed through system

Ore Sales

- On target to reach 2.5m tonnes of external ore sales in 2006/07
- Well placed to meet projected 4.0m tonnes ore sales in 2007/08

Trans-shipping

- Trans-shipping vessels will arrive in Whyalla and begin utilisation in Q1 CY2007

Magnetite Stream

- Construction of Magnetite Stream facilities progressing soundly at mine site and Steelworks
- Key areas of work include crushing & screening equipment, concentrator & ball mill, flux & filter areas and desulphurisation plant
- Commissioning will commence progressively from January 2007

Total expenditure spent/committed ~$295m as at 31 October 2006

- Project capital works due to be substantially completed in 2006/07

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Slide 13

The first of the two key Project Magnet work streams – the Hematite Export Facilities – was successfully commissioned in October and November 2006. This stream which includes the rail upgrade, new rail wagons, the iron ore rail tipping facility, the export shed and associated conveyor systems has operated soundly, with over 100,000 tonnes of iron ore passed through these facilities to date.

Through the commissioning of these works, we are on track to meet our target of 2.5mt external iron ore sales for the 2006/07 year and well placed to meet our 4.0mt iron ore sales target for 2007/08 year. The trans-shipping facilities, which enable OneSteel to become "Cape Ship" capable with respect to our iron ore sales, are travelling to program. The three vessels have been launched and are now in the fit-out stage. They are due to arrive and undergo commissioning in the first quarter of calendar 2007.

The major focus of the construction effort is now on the Magnetite Stream. There are a number of facilities in this stream, including crushing & screening works, the ball mill & concentrator and the filter & flux process at the Pellet Plant. These facilities will begin commissioning activity in January 2007 and will be progressively brought on line.

As of 31 October, around $295 million of the total project expenditure had been spent or committed. Project capital works are due to be substantially completed in this financial year.

Proposed Smorgon Steel Transaction – Overview

The proposed transaction is expected to create significant benefits	•Net EBITDA synergies expected to be $70 million pa
It is the next step in the streamlining of the Australian steel industry	•Provides a stronger platform to compete domestically and internationally •Opportunity to reduce OneSteel's cost base
A stronger company is established	•Revenues in excess of $5.5 billion, EBITDA in excess of $700 million[1], over 10,000 employees and 200 sites across Australia and over 10 offshore with greater diversification
Increased ability to service customers	•Wider product range, more extensive geographical manufacturing footing, streamlined supply chain management
Improved security of raw material supply	•The addition of a scrap recycling business alongside OneSteel's iron ore business
Growth opportunities through new revenue streams	•New businesses and products with scrap, railway wheels and axles, grinding media and LiteSteel™ Beam

1. Includes full pro-forma synergies

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Slide 14

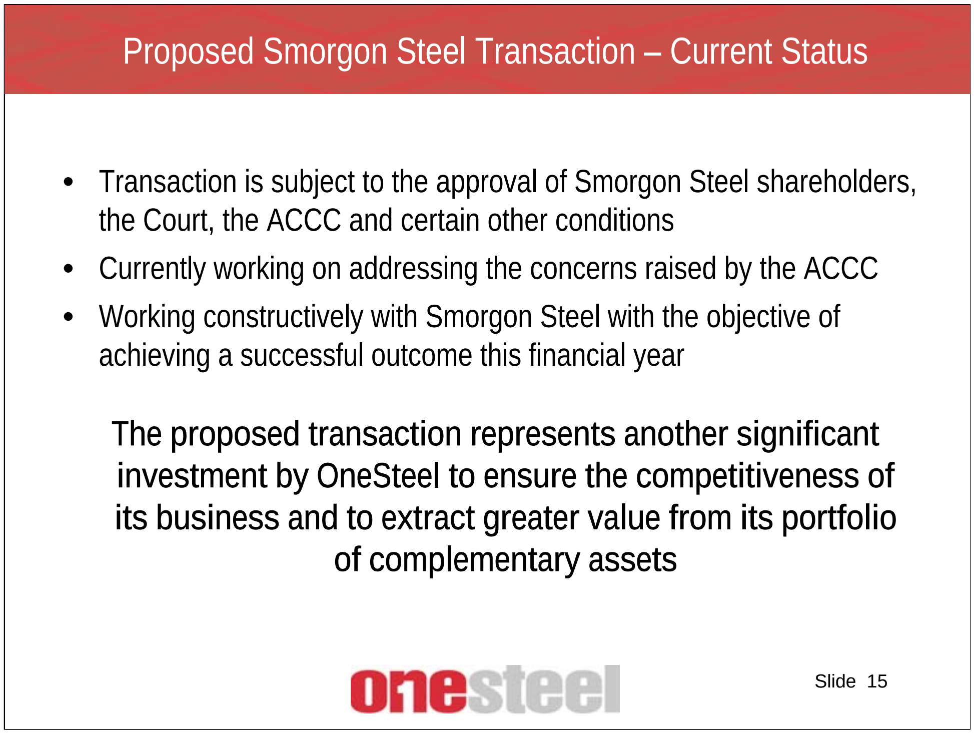
Turning now to our second major growth project, we expect the proposed merger with Smorgon Steel to create significant benefits. The combination of businesses is expected to generate net EBITDA synergies of $70 million per annum by the third full year after completion of the proposed transaction.

It is the next step in the streamlining of the Australian steel industry. It would provide a stronger, lower-cost platform to compete domestically and internationally. The new entity would be stronger, with revenues in excess of $5.5 billion, EBITDA in excess of $700 million, over 10,000 employees, plus 200 sites across Australia and more than 10 offshore sites with greater diversification.

Customers would benefit from a wider product range, more extensive geographical manufacturing footing, and streamlined supply chain management.

The addition of a scrap recycling business alongside OneSteel's iron ore business would improve OneSteel's security of raw material supply.

New businesses and products with recycling, railway wheels and axles, grinding media and LiteSteel™ Beam would create growth opportunities through new revenue streams.



The proposed transaction is subject to the approval of Smorgon Steel shareholders, the Court, the ACCC and certain other conditions.

We are currently working to address the concerns raised by the ACCC, so we can move towards a successful outcome.

Over the past several weeks, discussions have been taking place with BlueScope Steel management regarding their aspirations in respect to BlueScope's shareholding in Smorgon Steel. These discussions were conducted on an exclusive basis. As agreement has not been reached, we will be examining all avenues to complete the transaction.

We expect to have the transaction completed in the financial year currently underway, and to this extent, OneSteel and Smorgon have agreed to extend the deadline for the implementation of the merger to 30 June 2007 with the commercial terms around the proposed merger remaining unchanged.

The proposed transaction represents another significant investment by OneSteel to ensure the competitiveness of its business and to extract greater value from its portfolio of complementary assets.

The Challenge is to Continue to Perform

Best Total Shareholder Returns on the Australian Stock Exchange over 5 years					
Rank	Company	Industry	5yr TSR (% pa)	1yr TSR (%)	Market cap (A$ bln)*
1	Oxiana	Resources	90.3	75.8	2.386
2	Macquarie Goodman	Real estate infrastructure	86.0	20.5	6.955
3	Metcash	Retail	71.5	50.2	3.353
4	Caltex Australia	Telco/utilities	60.3	84.4	5.233
5	Unitab	Media/entertainment	48.3	24.1	1.812
6	Newcrest Mining	Resources	41.9	39.7	8.061
7	Toll Holdings	Transport	41.2	10.5	4.944
8	Boral	Industrial/materials	35.9	23.7	4.747
9	Alinta	Telco/utilities	35.7	42.3	2.899
10	OneSteel	Industrial/materials	35.5	36.4	1.900

Source: Boston Consulting Group April 2006

* Market capitalisation as at December 2005

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Slide 16

It is pleasing that we have achieved our fifth consecutive year of improved earnings and, as this table demonstrates, on a total shareholder return basis in the five years to December 2005, OneSteel ranked the 10th best performing stock on the Australian Stock Exchange.

The challenge for OneSteel management is to continue to perform over the next five-year period.

I believe the strategies I have outlined to you today will help position the company to meet that challenge.

Areas of Focus in 2006/07

Management attention will focus on:

- Continuing to achieve productivity and performance gains to offset inflationary costs
- Managing pricing and associated strategies to minimise the impact of raw material inputs costs
- Maintain tight working capital outcomes to maximise cash generation during the year
- Conclude the construction phase of Project Magnet on time
- Ensuring a smooth transition from hematite to magnetite iron ore feed at our Whyalla Steelworks and the continued ramp up in the volume of hematite ore sales
- Completing the proposed Smorgon Steel transaction and beginning the process of delivering the substantial synergies and other benefits we believe the transaction brings to OneSteel, its customers and other stakeholders

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Slide 17

In the shorter term, our areas of focus over the next 12 months will be:

To continue to achieve productivity and performance gains to offset inflationary costs;

to manage pricing and associated strategies to minimise the impact of raw material input costs; and

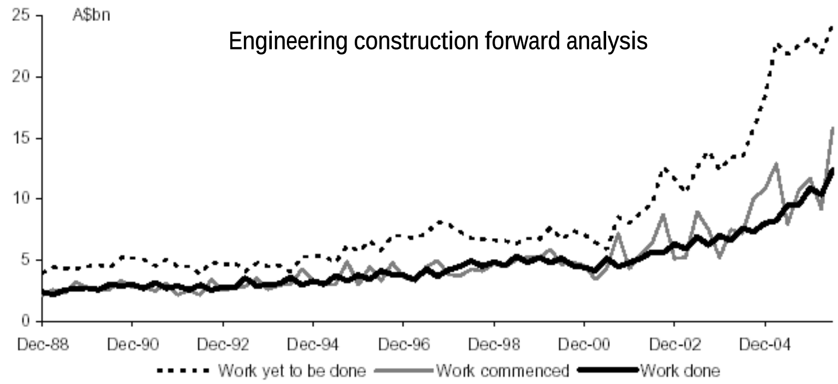
to maintain tight working capital outcomes to maximise cash generation during the year.

At the same time we will be working to conclude the construction phase of Project Magnet on time and seek to ensure a smooth transition from hematite to magnetite iron ore feed at the Whyalla Steelworks and the continued ramp up in the volume of hematite ore sales.

Management attention will also be directed towards completing the proposed Smorgon Steel transaction and beginning the process of delivering the substantial synergies and other benefits we believe the transaction brings to OneSteel, its customers and other stakeholders.

Outlook for 2006/07

- Domestic market conditions in FY06/07 expected to be similar to those of FY05/06
  - Continued strength in engineering construction, mining and resources sector
  - Solid non-residential construction activity
  - Rural, automotive, manufacturing & residential construction to remain soft
- International prices for steel and key inputs remain fluid



Source: ABS, Macquarie Research, October 2006

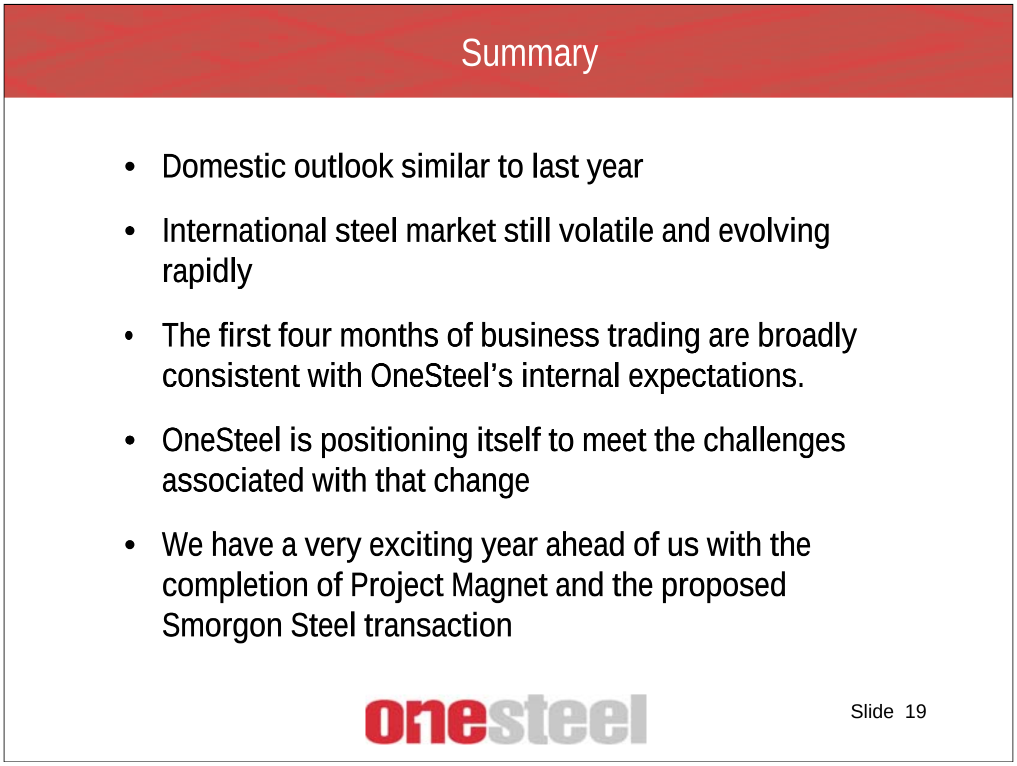
Slide 18

Domestic market conditions in the financial year now underway are expected to be similar to those of the previous 12 months, with continued strength in engineering construction and the mining and resources sector. This view is supported by the graph showing the large amount of engineering construction work yet to be done. It is also consistent with a survey of construction activity that was published this month by the Australian Industry Group and the Australian Constructors Association. The survey forecasts a 14% increase in engineering construction activity in 2006/07 and a further 8% rise in 2007/08. By this time, activity is forecast to reach a record $40 billion.

We also expect non-residential construction activity to remain solid. The non-residential and engineering construction segments drive around 45% of OneSteel's revenue.

The rural, automotive and manufacturing segments are expected to continue to be soft, as is the residential construction segment, particularly in light of the latest increase in interest rates this month.

International steel pricing and the cost of key inputs such as scrap and hot rolled coil are expected to be fluid in this financial year while the outlook for iron ore prices continues to be positive.



In summary, the domestic outlook is similar to last year while the international steel market continues to be volatile and to evolve at a rapid pace.

The first four months of business trading are broadly in consistent with OneSteel's internal expectations.

Through its two major growth projects, OneSteel is positioning itself to meet the challenges that are associated with that change.

We have a very exciting year ahead of us with the completion of Project Magnet and the Smorgon Steel transaction and realising the substantial benefits that these two projects can deliver.

Thank you, our shareholders, for your continued support during the year. OneSteel has provided improved earnings and shareholder returns for a further year and we look forward to meeting the challenges ahead with the same vigour and discipline that management exhibited over the last year.

I would also like to thank our customers who have supported us during the year by choosing to purchase OneSteel products and services.

I also extend my thanks to the Board for their support in my first full year as Managing Director and Chief Executive Officer of the company.

To all who work for OneSteel, I thank you for your efforts in helping to build a stronger company and I look forward to working with you all to meet the challenges ahead of us.

Thank you for this opportunity to talk to you about OneSteel's direction at the 2006 Annual General Meeting. I will now hand back to the Chairman.