ONESTEEL LIMITED

ABN 63 004 410 833

APPENDIX 4D

HALF YEAR REPORT

6 MONTHS ENDING 31 DECEMBER 2004

ONESTEEL LIMITED

HIGHLIGHTS OF RESULTS AND DIVIDENDS

6 MONTHS ENDING 31 DECEMBER 2004

Results for announcement to the market

				A$ Millions
Sales Revenue	up	20.7%	to	1,890.5
Revenues from ordinary activities	up	19.2%	to	1,910.4
Profit from ordinary activities after tax attributable to members	up	27.3%	to	57.9
Net profit for the period attributable to members	up	27.3%	to	57.9

Dividends	Amount per security	Franked amount per security
Interim Dividend	6.0 c	6.0 c
Previous corresponding period	5.0 c	5.0 c
Record date for determining entitlements	18 March, 2005	

This report is based on accounts that have been subject to audit review and are not subject to any dispute or qualification.

OneSteel Financial Ratios

	Six Months to									% Change
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-00 $m	Dec on Dec 04/03
Sales	1,890.5	1,702.5	1,566.7	1,535.6	1,525.0	1,432.8	1,473.2	1,370.7	1,267.0	20.7%
Other Revenue	19.9	34.7	35.4	25.5	14.0	43.7	36.8	129.0	12.5	-43.8%
Total Revenue	1,910.4	1,737.2	1,602.1	1,561.1	1,539.0	1,476.5	1,510.0	1,499.7	1,279.5	19.2%
Gross Profit	407.6	326.6	316.0	285.1	341.1	257.8	270.6	249.1	240.5	29.0%
EBITDA	173.6	177.3	146.9	139.4	168.2	125.4	125.6	91.0	111.6	18.2%
Depreciation	(47.9)	(44.0)	(43.1)	(43.2)	(43.3)	(40.8)	(43.4)	(43.2)	(41.0)	11.1%
EBITA	125.7	133.3	103.8	96.2	124.9	84.6	82.2	47.8	70.6	21.1%
Amortisation	(10.5)	(10.7)	(10.3)	(9.9)	(9.9)	(9.7)	(9.2)	(7.4)	(7.6)	1.9%
EBIT	115.2	122.6	93.5	86.3	115.0	74.9	73.0	40.4	63.0	23.2%
Borrowing costs	(23.9)	(21.4)	(20.8)	(21.6)	(22.9)	(23.8)	(30.6)	(32.2)	(29.6)	14.9%
EBT	91.3	101.2	72.7	64.7	92.1	51.1	42.4	8.2	33.4	25.6%
Tax	(24.9)	(31.4)	(22.0)	(20.8)	(32.5)	(19.9)	(19.1)	(0.1)	(12.0)	13.2%
PAT	66.4	69.8	50.7	43.9	59.6	31.2	23.3	8.1	21.4	31.0%
Minorities	(8.5)	(7.2)	(5.2)	(4.8)	(4.7)	(3.8)	(3.6)	(3.3)	(2.6)	63.5%
PAT & Minorities	57.9	62.6	45.5	39.1	54.9	27.4	19.7	4.8	18.8	27.3%
Total Assets	2,861.5	2,803.2	2,609.6	2,577.0	2,602.9	2,582.0	2,625.4	2,710.8	2,666.2	9.7%
Total Liabilities	1,453.6	1,429.8	1,305.5	1,292.0	1,331.8	1,359.4	1,424.7	1,594.6	1,493.5	11.3%
Funds Employed	1,916.9	1,842.4	1,801.0	1,755.2	1,783.7	1,794.2	1,822.9	1,878.6	1,990.8	6.4%
Total Equity	1,407.9	1,373.4	1,304.1	1,285.0	1,271.1	1,222.6	1,200.7	1,116.2	1,172.7	8.0%
Net Debt	509.0	469.0	496.9	470.2	512.6	571.6	622.2	762.4	818.1	2.4%
Securitisation	200.0	200.0	200.0	200.0	200.0	200.0	200.0	191.0	128.0	0.0%
No of shares (at end if period)	561.1	554.9	551.4	546.9	542.2	538.6	535.9	460.3	454.8	1.8%
Cash flow from operations & inv	(7.2)	62.9	22.0	66.4	76.1	67.4	76.5	135.0	35.1	-132.7%
Free Cash Flow	(11.5)	22.4	11.4	72.2	82.7	49.6	(21.1)	189.4	31.4	-200.9%
Capex	63.6	106.4	45.0	104.5	26.4	48.7	22.1	92.5	15.9	41.3%
ROA (EBITA)	8.9%	9.9%	8.0%	7.4%	9.6%	6.5%	6.2%	3.6%	5.3%	
ROE	9.6%	10.4%	7.8%	6.9%	9.6%	5.2%	4.0%	1.4%	3.7%	
ROFE (EBITA)	13.4%	14.6%	11.7%	10.9%	14.0%	9.4%	8.9%	4.9%	7.0%	
EBITA to sales	6.6%	7.8%	6.6%	6.3%	8.2%	5.9%	5.6%	3.5%	5.6%	
EPS (cents) - year end	10.3	11.3	8.3	7.2	10.1	5.1	3.7	1.0	4.1	
DPS (cents)	6.0	7.0	5.0	6.0	5.0	3.5	3.0	3.0	3.0	
Dividend payout ratio	58.2%	62.0%	60.7%	83.9%	49.4%	69.0%	81.7%	287.5%	72.9%	
Gearing (excl securitisation)	26.6%	25.5%	27.6%	26.8%	28.7%	31.9%	34.1%	40.6%	41.1%	
Gearing (incl securitisation)	33.5%	32.8%	34.9%	34.3%	35.9%	38.7%	40.6%	46.1%	44.7%	
Gross Profit Margin	21.6%	19.2%	20.2%	18.6%	22.4%	18.0%	18.4%	18.2%	19.0%	
Interest cover	4.8	5.7	4.5	4.0	5.0	3.1	2.4	1.3	2.1	
NTA per share	2.0	1.9	1.8	1.8	1.8	1.7	1.7	1.8	2.1	
Employees	7262	7272	7078	7054	6899	6989	7012	7379	6896	
Sales per employee	260	234	221	218	221	205	210	186	184	
Cost increases	94.3	43.8	27.2	36.1	31.9	37.2	19.8	37		
Cost reductions	29.8	31	19	27.3	28.7	35.4	23.6	26	24	
Revenue enhancements	113.6	19.4	8.6	22.5	28.5	14.6	5.4	15		
Raw steel production	538,998	799,347	819,508	792,495	831,904	783,561	793,089	747,099	691,671	-34.2%
Steel tonnes despatched	1,107,110	1,085,901	1,073,635	1,113,010	1,111,129	1,075,745	1,100,668	1,125,058	1,000,015	3.1%
Exports as % of total	3.4%	4.2%	5.1%	3.8%	3.7%	7.9%	7.9%	17.8%	7.9%	

Note: The December 2000 numbers are proforma. The June 2001 numbers are before taking restructuring into consideration.

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Review of Operations
For the Six Months To December 2004

22 February 2005

Key Points - **(Six months to Dec.2004 compared with six months to Dec. 2003)**

- Sales Revenue increased 20.7% to $1,890.5 million
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18.2% to $173.6 million
- Net profit after tax and minorities increased by 27.3% to $57.9 million compared with the previous corresponding period
- Earnings per share (based on number of shares at the end of the period) increased to 10.3 cents from 8.3 cents
- The blast furnace production disruptions at the Whyalla blast furnace had an estimated net $38 million impact on EBITDA with a further flow-on impact from the disruptions in the second half of the financial year estimated to be at net $15 million at the EBITDA line
- Blast furnace has been operating normally since December 15 with revised operating parameters implemented
- The effective tax rate of 27% reflects the impact of a prior period adjustment following higher R&D claims and environmental expenditure in the final 2004 tax return
- Total Australian steel tonnes dispatched increased by 3.1%, with domestic dispatches increasing 5.0% and exports dispatched decreasing by 31.3%
- After adjusting for one-off projects and acquisitions, underlying domestic dispatches were up 6.6%
- Underlying price per tonne for domestic steel sales increased by approximately 11.6%
- Return on funds employed (based on earnings before interest, tax and amortisation EBITA) increased from 11.7% to 13.4%
- Return on equity increased from 7.8% to 9.6%
- Cost reductions of $30 million and revenue enhancements of $114 million were achieved against increased costs of $94 million.
- Net debt increased from December 2003 by $12.1 million or 2.4% to $509.0 million
- The net debt to net debt plus equity ratio decreased from 27.6% to 26.6% (the ratios are 34.9% and 33.5% respectively inclusive of $200 million of securitisation)
- Operating cash flow for the period was only slightly negative ($7.2 million) notwithstanding funding growth in sales volumes and price increases
- Staff numbers rose by 2.6% to 7,262 due to strong market activity and acquisitions
- Safety performance improved 24% in the main measure of medical treatment injury rate when comparing the 12-months to December 2004 with the 12-month period that ended in December 2003.
- Fully franked interim dividend of 6.0 cents declared, up from 5.0 cents

Market Conditions

Market conditions remained buoyant for the six months to December 2004. Across all segments that impact OneSteel revenues, activity increased by 3.2% from already high levels. In the construction sector, which accounts for 62% of OneSteel revenues, activity was up 4.1%.

Within the construction sector, non-residential construction, which accounts for 26% of OneSteel revenues, increased by 3.1% from the previous corresponding period. The engineering sector, which accounts for 21% of OneSteel revenues, was up 6.7%. Residential investment continued at high levels, registering growth of 2.6% compared with the previous corresponding period. This segment accounts for 15% of OneSteel revenues.

In the other segments that drive OneSteel's revenue, 'other manufacturing' and automotive that represent 12% and 5% of revenue, respectively, were steady when compared with the previous corresponding period, while mining production was up 1.8% and agricultural production was up 5.9%. The latter two segments account for 11% and 6% of OneSteel's activity.

Company Overview

Sales revenue for the six months to December 2004 grew 20.7% from $1,566.7 to $1,890.5 million when compared with the prior corresponding period.

Underlying Australian domestic revenue from steel sales, adjusted for large projects and acquisitions, increased by 20%, reflecting the pick up in sales volumes, price increases to recover higher costs and some recovery in market share from imports.

Total Australian tonnes dispatched increased by 3.1% due to the strong domestic market conditions and a fall in exports. Underlying domestic tonnes dispatched increased by 6.6% after adjusting for large one-off projects and acquisitions. Exports for the period totalled 3.4% of tonnes dispatched compared with 5.1% a year prior. Total raw steel tonnes produced were 280,510 tonnes lower than in the previous corresponding period as a result of the blast furnace reline project and the production disruptions in the latter part of the period under review.

The underlying price per tonne for domestic steel sales improved by 11.6%.

Operating earnings before interest, tax, depreciation and amortisation (EBITDA), increased by 18.2% in the six months to $173.6 million.

The **sales margin**, on an operating earnings before interest, tax and amortisation (EBITA) basis, was 6.6%, unchanged from the prior corresponding period. On an **earnings before tax** basis, profit increased by 25.6% from $72.7 million to $91.3 million.

Operating net profit after tax and minorities increased by 27.3% to $57.9 million for the six months, which is equivalent to 10.3 cents per share, 24.1% higher than the prior year.

The **effective tax rate** of 27% reflects the impact of an over-provision of tax in 2004 following higher R&D claims and environmental expenditure in the final 2004 tax return.

Australian Distribution revenue was up 16.9% or $152.8 million to $1,055.4 million reflecting the continued strength in the domestic market. Distribution EBITA was up 40.3% at $63.4 million with the sales margin rising from 5.0% to 6.0%, while EBITA return on funds employed increased from 11.7% to 15.5%. Domestic steel tonnes dispatched from Distribution increased by 8.7%, with domestic prices improving by 11.4%, (after adjusting for the acquisition of Midalia Steel).

Manufacturing revenue increased 23.2% or $200.3 million to $1,063.3 million reflecting a 10.7% increase in prices and 2.2% rise in tonnes dispatched (after adjusting for large one-off projects), plus increased non-steel sales. Manufacturing EBITA decreased 0.7% to $54.1 million with a fall in sales margin from 6.3% to 5.1%. Manufacturing's EBITA return on funds employed decreased from 10.1% to 9.8%. The falls reflect the impact of the operational disruptions at the Whyalla blast furnace offsetting the favourable market conditions and excellent operational performance at Market Mills.

Underlying domestic tonnes dispatched increased 3.4% while price per tonne rose 10.9%. Exports decreased 31.3% to 3.4% of total tonnes.

International Distribution revenue increased 22.8% or $36.9 million to $198.7 million, while EBITA improved by 54.9% to $28.2 million. The EBITA return on funds employed improved from 28.4% to 39.2%. In New Zealand dollars, sales revenue increased by 17.2%, while EBIT increased by 52.3% to NZ$29.7 million.

OneSteel's continued **restructuring** delivered a total of $30 million in cost savings along with revenue enhancements of $114 million, offsetting $94 million in cost increases. The revenue enhancements achieved during the period were implemented to recover substantial cost increases starting earlier in calendar 2004. Over the 2004 calendar year cost increases totalled $138 million, which were more than offset by $61 million of cost savings and $133 million of revenue initiatives. The major cost increases in the most recent six-month period stemmed from scrap feed, coil and sheet prices and labour costs.

The first full six-month impact of the acquisition of **Midalia Steel** in February 2004 was recorded during the period.

Staffing levels at 7,262 were higher when compared with the 7,078 at the end of December 2003. Staff numbers were down however from the end of June 2004 when the number of employees totalled 7,272. The rise from the prior corresponding period reflects the addition of staff associated with acquisitions and to meet strong market conditions.

Operating cash flow for the period was only slightly negative ($7.2 million) despite funding higher working capital of $72 million mostly associated with price increases. Higher capital expenditure also increased the cash requirements of the business.

Capital and investment expenditure increased by 41.3% to $63.6 million. More than half of the capital expenditure was associated with the blast furnace reline project that was completed during the period. Approximately $7 million of the expenditure was related to Project Magnet, the commercialisation of OneSteel's magnetite iron ore resource.

OneSteel's **financial gearing** on a net debt, to net debt plus equity basis, improved from 27.6% to 26.6% with net debt increasing 2.4% or $12.1 million from $496.9 million to $509.0 million (OneSteel's gearing ratio including $200 million of securitisation was 34.9% and 33.5% respectively). The improvement in gearing was despite the rise in capital expenditure and working capital.

Interest Cover improved from 4.5 times to 4.8 times when comparing the two periods.

Funds employed have risen by 6.4% or $115.9 million to $1,916.9 million. The EBITA return on funds employed has increased from 11.7% to 13.4%.

Inventories increased by 17.4% to $758.8 million when compared with the previous corresponding period, primarily due to cost increases and a more conservative stocking policy in light of volatile international market conditions.

The **Whyalla blast furnace** resumed normal operations on December 15 with revised operating parameters implemented. We will focus on maintaining stable operations.

The Interim dividend was declared at [6.0] cents per share fully franked representing a payout ratio of [58.2%] of the first half profits. This compares with a 5.0 cent fully franked dividend paid for the six months to December 2003.

A dividend reinvestment plan exists which provides the facility for shareholders in Australia and New Zealand to reinvest their dividends in shares at a price calculated on the arithmetic average of the daily volume weighted average market price during the 10 consecutive trading days commencing on the date which is the second trading day after the Record Date for the relevant dividend. The record date for the dividend will be 18 March 2005, with the dividend due to be paid on 21 April 2005.

Initiatives for Improving Profit

Following significant restructuring activities over the last three years, OneSteel is focusing its profit strategies on second stage initiatives. These include:

- **Project Magnet** – In August the OneSteel Board approved commencement of Project Magnet and committed $30 million for the first stage. Of this amount, $7 million has been spent, with basic engineering nearing completion and detailed engineering commenced, further drilling undertaken and the mining cut back initiated. The iron ore and pellet marketing strategy is being progressed, as is transhipping of the iron ore.

  During the intervening period commodity prices and costs for project capital equipment and skilled labour have increased. Therefore estimated revenue from the project will be higher and estimates for capital expenditure have also increased. The overall value of the project remains extremely attractive and it remains an important growth opportunity for OneSteel. Management is focused on delivering a successful outcome and incorporating lessons from the blast furnace reline project.

  Because of all these factors, the timeline for the project is now such that full ramp up will not have occurred until towards the end of the 2006/07 financial year. As previously announced, each element of the project requires Board approval and some regulatory approvals are being sought. More details will be announced on approval of all project elements by the Board.

- **Ropery** – the new eight-strand ropery plant that will enable OneSteel to manufacture products to meet the latest specifications of the mining industry has been installed. OneSteel is currently completing the acceptance testing program before transferring the plant to operations and manufacturing mining rope for the market.

- **Mesh Rationalisation Project** - Distribution is currently rationalising and consolidating mesh manufacturing facilities in the Eastern States to lower the cost of production and improve capacity utilisation. The program is almost complete with the last step, relocation of the bar shop from Altona to Noble Park, occurring during December and January.

- **Information Systems** – The rollout of SAP across the Distribution business continues. During the half-year, the rollout of OneSteel's SAP platform was successfully completed in the Metaland business. SAP is now being introduced into the remaining Distribution business of Sheet & Coil. The Wire Products business has been operating on SAP since July 2004, with the extension of SAP's back-office functionality into the Pipe & Tube business underway. This will complete the upgrade of business support systems in the Market Mills business.

- **Iron Ore Beneficiation** – The iron ore beneficiation plant to access low grade accumulations began processing in November. The plant is now in ramp-up phase. The quality of the initial ore output is encouraging.

- **Debt Refinancing** – Further to OneSteel privately placing US$128 million of seven- and 12-year debt in the US market in April 2003, in September 2004 OneSteel refinanced $700 million of expiring four- and five-year bank facilities. The new three-, five- and seven-year facilities were oversubscribed and OneSteel took the opportunity to increase the facility by $100 million to $800 million. The refinancing extended the duration of OneSteel's debt facilities to five years and two months from three years and four months.

Significant and Subsequent Events

No significant events have occurred subsequent to the end of the reporting period.

Outlook

After almost five years as Managing Director and Chief Executive Officer, I will be retiring at the end of June 2005 and over the remainder of this financial year I will work with my successor, Geoff Plummer, to ensure a smooth transition.

Over the medium term, Management will be focussed on implementing Project Magnet and the discipline of tight cash management will be maintained to ensure OneSteel continues to meet its financial objectives.

We expect overall market conditions to remain robust for the remainder of the financial year. There will be some flow-on negative impact from the blast furnace disruptions into the second half which we estimate to be in the order of $15 million at the EBITDA line. Assuming international steel market conditions remain strong and if currency markets are relatively stable, OneSteel expects to achieve a net profit after tax result for the full year in the range of $110 million to $125 million. That compares with the $108.1 million net operating profit after tax and minorities in the 2004 financial year.

Bob Every

Bob Every
Managing Director &
Chief Executive Officer
OneSteel Limited
22nd February, 2005

Australian Distribution

	2004	2003	%
Revenue	1,055.4	902.6	16.9
EBITDA	73.0	54.0	35.2
EBITA	63.4	45.2	40.3
EBIT	54.8	36.8	48.9
Assets	1,141.0	1,018.0	12.1
Employees	2,684	2,571	4.4
Sales Margin	6.0%	5.0%	
Funds Emp.	837.5	792.0	5.7
ROFE	15.5%	11.7%	32.5

Market Conditions
Underlying market conditions remain strong, driving the increase in revenue. Activity has been particularly robust in the building and construction sectors, notably mining and engineering projects. All major product groups have encountered significant cost increases from suppliers during the year that have been passed in to the market. Imports of pipe & tube and merchant bar, albeit lower, remain reasonably strong.

Performance
Distribution improved revenue, earnings, sales margin and return on funds employed. The revenue growth was driven by increased volume of despatches, price increases and new business growth. The acquisition of Midalia Steel contributed to the improvement in performance.
Reinforcing tonnages increased reflecting continued demand for bar and mesh on the back of high levels of construction. Queensland continues to be a key market, while the M7 road project in NSW supported significant growth in bar.
Steel and Tube performed strongly with good volume growth. Sales were assisted by delivery to large projects in WA.
Sheet and Coil and Aluminium volumes were boosted by ongoing demand in the commercial construction sector across the country, with NSW and Queensland particularly strong.
Metaland's sales and margins improved with recovery in the rural sector and commencement of large regional projects.
Piping Systems results improved with an increase in sales to major mineral processing projects.

Initiatives
The rollout of SAP continues, with its implementation successfully completed in the Metaland business. The mesh manufacturing facilities in the eastern states are being rationalised and consolidated to lower the cost of production and capacity utilisation.

Outlook
Market conditions are expected to remain strong, particularly in the construction segment. SAP is being introduced in the remaining Distribution business of Sheet & Coil.

Australian Manufacturing

	2004	2003	%
Revenue	1,063.3	863.0	23.2
EBITDA	88.3	85.6	3.2
EBITA	54.1	54.5	(0.7)
EBIT	53.1	53.5	(0.7)
Assets	1,657.8	1,522.2	8.9
Employees	3,563	3,544	0.5
Sales Margin	5.1%	6.3%	
Funds Emp.	1,114.7	1,078.4	3.4
ROFE	9.8%	10.1%	(3.0)

Market Conditions
Market conditions for Manufacturing remain robust, underpinned by continued strength in the construction segment and some further recovery in the agricultural segment. However, oil & gas-related product volumes were down because of reduced project activity for line pipe.

Performance
Operational performance across Market Mills was excellent but the performance of the overall Manufacturing business was impacted by the production disruptions at Whyalla Steelworks. Therefore despite the rise in revenue, Manufacturing's earnings, sales margin and return on funds employed were lower than the previous corresponding period.
Higher prices were achieved across all major products at **Whyalla** Steelworks. Billet dispatches were lower as a result of the blast furnace reline and the disruptions to production.
The **Sydney Steel Mill** operated at record levels during the period.
Structural dispatches were higher than the corresponding period last year, while **Rail** sales were lower.
Rod and Bar total tonnes were up with merchant bar exhibiting significant improvement, regaining share from imports. Volumes of automotive products and grinding media were steady. All market segments recorded price increases.
Pipe and Tube tonnage was up on stronger sales of structural pipe and rectangular hollow sections. Domestic price increases have been achieved to recover increased prices for hot rolled coil.
Wire volumes and prices rose over the period. The business was assisted by a recovery from drought in the northern area of NSW but Victoria and southern NSW remain severely affected.

Initiatives
The new eight-strand ropery plant has been installed. The acceptance testing program is currently being completed before transferring the plant to operations for manufacture of mining rope for the market.

Outlook
The outlook remains positive with the general construction market underpinning demand. Significant price increases have occurred in recent months in all sectors as a response to escalating input costs.

International Distribution

	2004	2003	%
Revenue	198.7	161.8	22.8
EBITDA	30.9	20.6	50.0
EBITA	28.2	18.2	54.9
EBIT	27.3	17.2	58.7
Assets	181.4	152.5	19.0
Employees	803	772	4.0
Sales Margin	14.2%	11.2%	
Funds Emp.	147.7	127.2	16.1
ROFE	39.2%	28.4%	38.0

Market Conditions
The New Zealand economy continued to outperform expectations in the period under review and remains firm. However tighter monetary conditions and easing migration are pushing the economy to a more moderate growth trajectory towards the second half of the 2005 calendar year.

Performance
International Distribution continues to grow revenue and earnings while improving its sales margin and return on funds employed. It was supported by buoyant trading conditions in most of the group's operations.
The **Steel Distribution and Processing** business increased sales and earnings significantly from the previous corresponding period. Demand for product was particularly strong in the Auckland and surrounding region, buoyed by a strong construction market.
The **Roofing Products** business continues to benefit from record demand from residential construction and the light commercial sector. The substantial increase in volumes by the **Reinforcing** operations due to considerable growth from the construction and infrastructure sectors assisted this business to record substantially higher sales and earnings than the previous corresponding period.
The result from the **Hurricane Wire Products** business was similar to last year however this is expected to improve in the second half as seasonal demand from the farming sector increases.

Initiatives
Steel and Tube continues to focus on managing its business to deliver superior returns to its shareholders through cost-effective solutions to its customers.

Outlook
The strength of the economy is expected to fuel strong demand for the company's goods and services with the growth in commercial construction and infrastructure spending to offset the expected downturn in residential construction later in the year. Retail activity and business investment remain strong and with solid support from commodity prices and currency hedging by large exporters, there is the expectation that the economic cycle will lengthen and eventually have a 'soft landing' towards the end of calendar 2005.

OneSteel Financial Summary

PROFIT & LOSS SUMMARY	2004 $m	2003 $m	2002 $m	2001 $m	2000 $m	% Chg 2004/2003 %
	SIX MONTHS TO 31 DECEMBER					
	Statutory			Pro Forma		
Revenue	1,910.4	1,602.1	1,539.0	1,510.0	1,279.5	19.2
EBITDA	173.6	146.9	168.2	125.6	111.6	18.2
Depreciation/Amortisation	(58.4)	(53.4)	(53.2)	(52.6)	(48.6)	9.4
EBIT	115.2	93.5	115.0	73.0	63.0	23.2
Borrowing costs	(23.9)	(20.8)	(22.9)	(30.6)	(29.6)	14.9
EBT	91.3	72.7	92.1	42.4	33.4	25.6
Tax Expense	(24.9)	(22.0)	(32.5)	(19.1)	(12.0)	13.2
Profit After Tax	66.4	50.7	59.6	23.3	21.4	31.0
OEI in Operating Profit After Tax	8.5	5.2	4.7	3.6	2.6	63.5
Profit Attributable to OneSteel	57.9	45.5	54.9	19.7	18.8	27.3

CASH FLOW SUMMARY	2004 $m	2003 $m	2002 $m	2001 $m
	SIX MONTHS TO 31 DECEMBER			
Earnings before tax	89.7	65.1	92.1	41.1
Depreciation / Amortisation	58.4	53.4	53.2	52.6
Capital & investment expenditure	(63.6)	(45.0)	(26.4)	(22.1)
Working capital movements	(71.8)	(48.8)	(30.1)	(83.3)
Income tax payments	(24.2)	(13.7)	(6.1)	(9.4)
Asset sales	3.6	5.0	2.6	31.0
Other	0.7	6.0	(9.2)	66.6
Operating cash flow	(7.2)	22.0	76.1	76.5
Dividends paid	(45.1)	(41.1)	(22.6)	(18.9)
Capital movements	12.3	9.6	5.4	66.2
Total Cash Flow	(40.0)	(9.5)	58.9	123.8

BALANCE SHEET	2004 $m	2003 $m	2002 $m	2001 $m
	As at 31 December			
Cash	12.9	14.5	25.3	26.9
Receivables	525.4	437.8	390.6	378.5
Inventory	758.8	646.5	626.0	608.0
Fixed Assets	1,216.4	1,153.5	1,143.6	1,179.3
Other Assets	348.0	357.3	417.4	432.7
TOTAL ASSETS	2,861.5	2,609.6	2,602.9	2,625.4
Borrowings	521.9	511.4	537.9	649.1
Creditors	601.0	455.9	419.3	403.6
Provisions	330.7	338.2	374.6	372.0
TOTAL LIABILITIES	1,453.6	1,305.5	1,331.8	1,424.7
NET ASSETS	1,407.9	1,304.1	1,271.1	1,200.7
Share Capital	1,108.6	1,089.3	1,072.0	1,063.1
Outside Equity Interest	59.6	51.5	57.6	48.9
Retained Profits / Reserves	239.7	163.3	141.5	88.7
SHAREHOLDER'S EQUITY	1,407.9	1,304.1	1,271.1	1,200.7

SEGMENTS 6 MONTHS TO 31 DECEMBER 2004	Revenue			EBITDA			EBIT			Assets		
($millions)	2004	2003	% Chg	2004	2003	% Chg	2004	2003	% Chg	2004	2003	% Chg
Manufacturing	1,063.3	863.0	23.2	88.3	85.6	3.2	53.1	53.5	(0.7)	1,657.8	1,522.2	8.9
Distribution - Aust	1,055.4	902.6	16.9	73.0	54.0	35.2	54.8	36.8	48.9	1,141.0	1,018.0	12.1
Distribution - Int	198.7	161.8	22.8	30.9	20.6	50.0	27.3	17.2	58.7	181.4	152.5	19.0
Corporate activities	10.5	6.1	72.1	(8.6)	(9.2)	(6.5)	(10.0)	(9.9)	1.0	(6.3)	(14.5)	(56.6)
Inter segment	(417.5)	(331.4)	26.0	(10.0)	(4.1)	143.9	(10.0)	(4.1)	143.9	(112.4)	(68.6)	63.8
TOTAL ONESTEEL GROUP	1,910.4	1,602.1	19.2	173.6	146.9	18.2	115.2	93.5	23.2	2,861.5	2,609.6	9.7

OneSteel Limited

ABN 63 004 410 833

Financial Report

for the half-year ended 31 December 2004

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Corporate Directory

DIRECTORS

Peter J Smedley
Chairman

Robert L Every
Managing Director
Chief Executive Officer

Geoffrey J Plummer
Deputy Managing Director
(Appointed 20 December 2004)

R Bryan Davis
(Appointed 1 December 2004)

Eileen J Doyle

Colin R Galbraith

David E Meiklejohn

Peter G Nankervis
(Appointed 1 December 2004)

Dean A Pritchard

Neville J Roach

COMPANY SECRETARY

John M Krenich

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

OneSteel Limited
ACN 004 410 833
ABN 63 004 410 833

Level 23
1 York Street
Sydney NSW 2000
Australia

SHARE REGISTERS

OneSteel Share Registry
Computershare Investor Services Pty Ltd
Level 3
60 Carrington Street
Sydney NSW 2000

AUDITORS

Ernst & Young

STOCK EXCHANGE LISTINGS

OneSteel Limited shares are quoted on the Australian Stock Exchange.

Directors' Report

The Board of Directors of OneSteel Limited has pleasure in submitting its report in respect of the financial half-year ended 31 December 2004.

DIRECTORS

The names of the directors in office during or since the end of the half-year are:

P J Smedley
R L Every
G J Plummer (appointed 20 December 2004)
R B Davis (appointed 1 December 2004)
E J Doyle
C R Galbraith
D E Meiklejohn
P G Nankervis (appointed 1 December 2004)
D A Pritchard
N J Roach

Unless otherwise indicated, all directors held their position as a director throughout the entire half-year and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the OneSteel Group during the financial half-year were the manufacture and distribution of steel long products.

The OneSteel Group manufactures and distributes a wide range of products including structural, rail, rod, bar, wire and pipe and tube products. In addition, OneSteel distributes sheet and coil, piping systems, plate and aluminium products. OneSteel owns 50.3% of the ordinary shares of Steel & Tube Holdings Limited, a listed New Zealand steel distribution company.

RESULTS

The consolidated profit of the OneSteel Group for the half-year was $57.9 million (half-year 2003: $45.5million) after income tax and outside equity interests.

REVIEW OF OPERATIONS

Refer to the attached report on the review of operations.

ROUNDING OF AMOUNTS

The parent entity is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/0100. In accordance with that class order, amounts in the consolidated financial statements and the Directors' report have been rounded to the nearest hundred thousand dollars unless specifically stated otherwise.

AUDITORS' INDEPENDENCE DECLARATION

In relation to the review of the financial report for the half year ended 31 December 2004, the auditors have issued the directors with an independence declaration. Refer page 17 for the specific representation.

Signed in accordance with a resolution of the directors.

Peter Smedley	Robert Every
Chairman	Managing Director

Sydney
22 February 2005

Statement of Financial Performance

HALF-YEAR ENDED 31 DECEMBER 2004	Note	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Sales revenue	2	1,890.5	1,566.7
Cost of sales		(1,489.7)	(1,250.7)
Gross profit		400.8	316.0
Other revenues from ordinary activities	2	19.9	35.4
Operating expenses excluding borrowing costs		(305.9)	(258.1)
Borrowing costs		(23.9)	(20.8)
Share of net profit of associate accounted for using the equity method		0.4	0.2
Profit from ordinary activities before income tax expense		91.3	72.7
Income tax expense relating to ordinary activities		(24.9)	(22.0)
Net profit from ordinary activities after related income tax		66.4	50.7
Net profit attributable to outside equity interests		(8.5)	(5.2)
Net profit attributable to members of the parent entity		57.9	45.5
Net exchange difference on translation of financial statements of self-sustaining foreign operations		0.5	(0.1)
Total revenues and expenses attributable to members of the parent entity and recognised directly in equity		0.5	(0.1)
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of OneSteel Limited		58.4	45.4
Basic earnings per share (cents per share)		10.4	8.3
Diluted earnings per share (cents per share)		10.4	8.2

The accompanying notes form an integral part of this Statement of Financial Performance.

Statement of Financial Position

AS AT 31 DECEMBER 2004	Note	CONSOLIDATED December 2004 $m	June 2004 $m
CURRENT ASSETS			
Cash assets		12.9	54.2
Receivables		517.4	487.8
Inventories		758.8	704.6
Other		11.1	8.5
TOTAL CURRENT ASSETS		1,300.2	1,255.1
NON-CURRENT ASSETS			
Investment accounted for using the equity method		7.0	7.4
Other financial assets		8.0	0.3
Property, plant and equipment		1,216.4	1,202.8
Intangibles		236.5	246.9
Deferred tax assets		62.3	61.6
Other		31.1	29.1
TOTAL NON-CURRENT ASSETS		1,561.3	1,548.1
TOTAL ASSETS		2,861.5	2,803.2
CURRENT LIABILITIES			
Payables		601.0	569.9
Interest bearing liabilities		38.5	45.7
Tax liabilities		17.0	20.1
Provisions		82.3	88.9
TOTAL CURRENT LIABILITIES		738.8	724.6
NON-CURRENT LIABILITIES			
Interest bearing liabilities		483.4	477.5
Deferred tax liabilities		133.0	128.5
Provisions		98.4	99.2
TOTAL NON-CURRENT LIABILITIES		714.8	705.2
TOTAL LIABILITIES		1,453.6	1,429.8
NET ASSETS		1,407.9	1,373.4
EQUITY			
Contributed equity	5	1,108.6	1,096.3
Reserves		3.3	2.8
Retained profits		236.4	217.6
Parent entity interest		1,348.3	1,316.7
Outside equity interest		59.6	56.7
TOTAL EQUITY		1,407.9	1,373.4

The accompanying notes form an integral part of this Statement of Financial Position.

Condensed Statement of Cash Flows

	CONSOLIDATED	
HALF-YEAR ENDED 31 DECEMBER 2004	**December 2004 $m**	**December 2003 $m**
	Inflows/(Outflows)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,868.6	1,582.9
Payments to suppliers and employees	(1,770.1)	(1,493.8)
Interest received	1.2	1.1
Interest and other costs of finance paid	(23.4)	(20.5)
Income taxes paid	(24.2)	(13.7)
NET OPERATING CASH FLOWS	52.1	56.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(63.6)	(44.8)
Proceeds from sale of property, plant and equipment	3.6	5.0
Proceeds from repayment of preference shares by associate	0.8	-
Repayment/(advances) of loan by/(to) non-related parties	(0.1)	6.0
Purchase of businesses	-	(0.2)
NET INVESTING CASH FLOWS	(59.3)	(34.0)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	2.8	0.2
Net proceeds/(repayment) of borrowings	(103.5)	4.4
Proceeds from finance lease	105.8	-
Repayment of finance lease principal	(3.6)	-
Dividends paid	(35.6)	(31.6)
NET FINANCING CASH FLOWS	(34.1)	(27.0)
NET DECREASE IN CASH HELD	(41.3)	(5.0)
Cash at the beginning of the financial period	54.2	19.5
Cash at the end of the financial period	12.9	14.5

The accompanying notes form an integral part of this Statement of Cash Flows.

Notes to the Half-year Financial Statements

HALF-YEAR ENDED 31 DECEMBER 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose consolidated financial statements have been prepared for the half-year ended 31 December 2004 in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting", Urgent Issues Group Consensus Views and any other authoritative pronouncements of the Australian Accounting Standards Board. It is recommended that this report be read in conjunction with the 30 June 2004 Annual Review and Full Financial Report and any public announcements made by OneSteel Limited and its controlled entities during the half-year in accordance with the continuous disclosure obligations of the Corporations Act 2001 and the Australian Stock Exchange. The notes to the financial statements do not include all information normally contained within the notes to an annual financial report.

The financial statements have been prepared in accordance with the historical cost convention and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies are consistent with those applied in the 30 June 2004 Full Financial Report.

Notes (continued)

31 DECEMBER 2004

2. PROFIT FROM ORDINARY ACTIVITIES

	December 2004 $m	December 2003 $m
Profit from ordinary activities is after crediting the following revenues:		
Sales revenues:		
Product sales	1,888.7	1,564.5
Rendering of services	1.8	2.2
Total sales revenue	1,890.5	1,566.7
Other revenues:		
Interest income	1.2	1.1
Proceeds from sale of non-current assets	3.6	23.0
Other	15.1	11.3
Total other revenues	19.9	35.4
Included in the cost of sales and operating expenses are the following items:		
Depreciation of property, plant and equipment	47.9	43.1
Amortisation of goodwill	10.5	10.3
Carrying value of non-current assets sold	2.4	15.6

3. DIVIDENDS

The following dividends have been paid, declared or recommended since the end of the preceding financial year:

December 2004	On ordinary shares $m	Dividend per ordinary share $
Dividends proposed and not recognised as a liability		
Interim fully franked dividend for 2005 as recommended and declared by the directors, payable 21 April 2005	33.7	0.06
Dividends paid during the half- year		
Final fully franked dividend for 2004 as recommended and declared by the directors, paid 14 October 2004	39.1	0.07

December 2003	On ordinary shares $m	Dividend per ordinary share $
Dividends proposed and not recognised as a liability		
Interim fully franked dividend for 2004 as recommended and declared by the directors, payable 22 April 2004	27.6	0.05
Dividends paid during the half- year		
Final fully franked dividend for 2003 as recommended and declared by the directors, paid 16 October 2003	32.8	0.06

Notes (continued)

31 DECEMBER 2004

4. SEGMENT INFORMATION

December 2004	Manufacturing $m	Australia Distribution $m	Unallocated $m	Eliminations $m	Total $m	International Distribution $m	Eliminations $m	Consolidated $m
Segment revenues								
Revenues from customers outside the consolidated entity	658.1	1,052.3	1.3	-	1,711.7	198.7	-	1,910.4
Plus: Inter-segment revenues	405.2	3.1	9.2	(392.9)	24.6	-	(24.6)	-
Total revenues	1,063.3	1,055.4	10.5	(392.9)	1,736.3	198.7	(24.6)	1,910.4
Share of net profits of equity accounted associate	-	-	0.4	-	0.4	-	-	0.4
Other non-cash expenses	(1.1)	(1.2)	-	-	(2.3)	-	-	(2.3)
Earnings before depreciation and amortisation	88.3	73.0	(8.6)	(3.8)	148.9	30.9	(6.2)	173.6
Depreciation and amortisation	(35.2)	(18.2)	(1.4)	-	(54.8)	(3.6)	-	(58.4)
Earnings before interest and tax	53.1	54.8	(10.0)	(3.8)	94.1	27.3	(6.2)	115.2
Less: Borrowing costs								(23.9)
Less: Income tax expense								(24.9)
Profit after tax before minority interests								66.4
Segment assets	1,623.5	1,129.3	46.8	(174.8)	2,624.8	177.9	(3.5)	2,799.2
Plus: Tax assets								62.3
Total assets								2,861.5
Segment liabilities	362.5	280.0	696.8	(98.4)	1,240.9	62.7	-	1,303.6
Plus: Tax liabilities								150.0
Total liabilities								1,453.6
Non-current assets on acquisition	52.4	5.0	3.3	-	60.7	2.9	-	63.6

Notes (continued)

31 DECEMBER 2004

4. SEGMENT INFORMATION (CONTINUED)

December 2003	Australia Manufacturing $m	Australia Distribution $m	Australia Unallocated $m	Australia Eliminations $m	Australia Total $m	International Distribution $m	International Eliminations $m	Consolidated $m
Segment revenues								
Revenues from customers outside the consolidated entity	539.2	899.9	1.2	-	1,440.3	161.8	-	1,602.1
Plus: Inter-segment revenues	323.8	2.7	4.9	(321.8)	9.6	-	(9.6)	-
Total revenues	863.0	902.6	6.1	(321.8)	1,449.9	161.8	(9.6)	1,602.1
Share of net profits of equity accounted associate	-	-	0.2	-	0.2	-	-	0.2
Other non-cash expenses	-	(0.2)	-	-	(0.2)	-	-	(0.2)
Earnings before depreciation and amortisation	85.6	54.0	(9.2)	0.5	130.9	20.6	(4.6)	146.9
Depreciation and amortisation	(32.1)	(17.2)	(0.7)	-	(50.0)	(3.4)	-	(53.4)
Earnings before interest and tax	53.5	36.8	(9.9)	0.5	80.9	17.2	(4.6)	93.5
Less: Borrowing costs								(20.8)
Less: Income tax expense								(22.0)
Profit after tax before minority interests								50.7
Segment assets	1,489.1	1,006.5	(20.6)	(70.6)	2,404.4	149.6	(1.3)	2,552.7
Plus: Tax assets								56.9
Total assets								2,609.6
Segment liabilities	274.8	205.1	682.4	(62.0)	1,100.3	52.6	-	1,152.9
Plus: Tax liabilities								152.6
Total liabilities								1,305.5
Non-current assets on acquisition	24.4	17.8	0.5	-	42.7	2.3	-	45.0

Notes (continued)

31 DECEMBER 2004

5. CONTRIBUTED EQUITY

	December 2004 $m	June 2004 $m
Share capital		
Number of ordinary shares: 561,110,266		
Issued and paid-up	1,108.6	1,096.3

	Number of ordinary shares	Value of ordinary shares $m
Movements in contributed equity for the period:		
On issue at the beginning of the year	554,882,602	1,096.3
Issued during the period:		
From the exercise of options	3,041,868	2.8
Under a Dividend Reinvestment Plan	3,185,796	9.5
On issue at the end of the period	561,110,266	1,108.6

Terms and Conditions of Contributed Equity

Ordinary Shares
Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	December 2004 $m	June 2004 $m
Contingent liabilities at balance date not otherwise provided for in the financial statements are categorised as follows:		
Guarantees and indemnities:		
Bank guarantees covering:		
Performance of contracts	29.2	35.1
Workers' compensation self insurance licences	39.6	39.0
Total contingent liabilities	68.8	74.1

Notes (continued)

31 DECEMBER 2004

6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

Third party claims:

OneSteel has a contract dispute with United KG over work undertaken for the reline of the Whyalla blast furnace. The value of the claim from United KG is $33m. OneSteel stands by its expenditure estimates that have been included in the financial statements for the total project and intends to vigorously defend any action undertaken by United KG.

The OneSteel Group has been involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including claims for damages and commercial disputes relating to its products and services. Based on legal advice obtained, other than amounts already provided for in the accounts, the directors do not expect any material liability to eventuate.

(b) Contingent Assets

An insurance claim, relating to incidents that have occurred at the Whyalla blast furnace during the first half, is being prepared. Insurers have been advised of the incidents and we are working on quantification of the claim. Recovery under our insurance policy will not be booked in the financial statements until the claim is accepted by the insurers and it can be quantified.

7. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Transition to Australian equivalents of IFRS

OneSteel has continued to work on the transition of its accounting policies and financial reporting from the current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). A number of key issues are scheduled to be completed in the first quarter of 2005, including impairment testing of fixed asset carrying values, preparation of the opening IFRS balance sheet as at 1 July 2004, accounting for financial instruments and revised tax accounting.

OneSteel will be required to prepare its first fully IFRS compliant full financial report for the year ended 30 June 2006, including revised comparative figures for the year ended 30 June 2005, with the first half year IFRS report to be prepared for the six months to December 2005.

Impact of IFRS on significant accounting policies

An update on the primary areas where OneSteel's accounting policies will be impacted is shown below. At this stage, the company has not been able to reliably quantify the impacts on the financial report.

Goodwill

Amortisation of goodwill will cease, with the carrying value of goodwill subject to impairment testing (see next item).

Impairment of assets (including goodwill)

Work has progressed on the identification of cash generating units and the setting of the discount rate to be used, while modelling of tests as at 1 July 2004 is currently underway. A reduction in the carrying value of goodwill as at 1 July 2004 may be required and volatility in future earnings may arise as a result of impairment write-downs.

Notes (continued)

31 DECEMBER 2004

7. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

Financial instruments and hedging

Current hedging and accounting policies for financial instruments are under review, so that they can be changed to be compliant with IFRS. The changes to these policies will result in earnings volatility reflected in the income statement associated with the mark-to-market of certain derivatives, as well as the ineffective portion of any qualifying hedges.

The current receivables securitisation facility is being repaid in early 2005. De-recognition of securitised receivables will therefore no longer be an issue under IFRS.

Post-employment benefits

Under AASB 119, OneSteel will be required to recognise the net surplus/deficit in its defined benefit superannuation fund as an asset or liability respectively.

AASB 119 was recently amended to allow entities to recognise the actuarial gains/losses relating to the funds, directly in retained earnings, through the profit and loss account, or by applying the “corridor approach”. If OneSteel elects to apply the corridor approach or recognise the actuarial gains/losses directly in retained earnings, this will reduce the impact on the income statement in future years.

Extractive industries

AASB 6 was issued in December 2004 and deals with the treatment of expenditure associated with the exploration for and evaluation of mineral resources. As there are very little differences between the new standard and the current Australian standard AASB 1022 (except for scope), there will therefore be little change required to OneSteel's current accounting policies.

Share based payment

The OneSteel option plan has not been activated since December 2001. All shares for employee share plans and long term incentive plans are purchased on-market and expensed in the Statement of Financial Performance. As a result, there will be no anticipated material impact on future earnings on adoption of IFRS.

Income tax

Following work undertaken to date, it is not anticipated that there will be any material changes to tax balances or income tax expense following adoption of the balance sheet approach under IFRS.

Directors' Declaration

In the opinion of the directors of OneSteel Limited ("the Company"):

(a) the financial statements and accompanying notes:

(i) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and

(ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Peter Smedley
Chairman

Robert Every
Managing Director

Sydney
22 February 2005

Independent Review Report

TO MEMBERS OF ONESTEEL LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both OneSteel Limited (the company) and the entities it controlled during the six months ended 31 December 2004, and the directors' declaration for the company, for the six months ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditors' Independence Declaration a copy of which is included in the Directors' Report. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising OneSteel Limited and the entities it controlled during the six months ended 31 December 2004 is not in accordance with:

(a) the Corporations Act 2001, including:

 (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the six months ended on that date; and

 (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Craig M. Jackson
Partner
Sydney
22 February 2005

Auditors' Independence Declaration

TO THE DIRECTORS OF ONESTEEL LIMITED

In relation to our review of the financial report of OneSteel Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Craig M. Jackson
Partner
Sydney
22 February 2005