Interim Results Presentation
20 February 2007

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Good morning. I'm Geoff Plummer, Managing Director and CEO of OneSteel, and I would like to welcome you to OneSteel's results announcement for the first half of the 2007 financial year.

I will start today's presentation with an overview of the highlights of the results and a description of the market conditions. I will then pass you over to OneSteel's Chief Financial Officer, Tony Reeves, who will run through the financial highlights as well as the results of OneSteel's three business divisions.

After Tony's section, I will provide an update on the initiatives that we have underway to grow and diversify earnings before concluding the presentation with a summary and some comments on the outlook.

There will then be some time to answer questions.

Results Overview

- Interim net operating profit after tax up 16.8%
  - improved sales margin
  - improved earnings per share
  - record raw steel production
  - record safety result
- Gearing to remain in lower end of target range after investing almost $310 million in Project Magnet
- Project Magnet on track for 4 million tonnes of ore shipments in 2007/08
- New Transaction with Smorgon Steel

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Slide 3

In terms of the results overview, I would like to highlight:

• Another improvement in profit, as well as further improvement in earnings per share, plus the rise in sales margin from the previous corresponding period

• There were also some very pleasing operational outcomes, namely record raw steel production and a significant improvement in OneSteel's safety performance

• Our financial gearing remains at the lower end of the target range after investing almost $310 million in Project Magnet over 24 months.

• As Project Magnet approaches its final stages, I can report that the project is on track to ship 4 million tonnes of iron ore next financial year.

• Progressing the new transaction structure with Smorgon Steel as per our announcements in December and earlier this month.

Overview - Operational

- Business Performance
  - Underlying domestic price per tonne (excluding special projects) up 1.7%
  - Sales margin increased to 8.0% from 7.8%
- Overall domestic market activity up 0.3% in OneSteel segments
  - Underlying domestic steel tonnes up 7.7%
- Business Improvement
  - Cost reductions of $17 million
  - Revenue enhancements of $48 million
  - Cost increases – raw materials and inflationary – of $58 million
- Safety Performance
  - Medical Treatment Injury Frequency Rate improved 19% from 12.1 to 9.8
  - Lost Time Injury Frequency Rate improved 57% from 2.1 to 0.9

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We achieved further price increases of 1.7% to recover higher raw material and input costs. The sales margin improved to 8.0% from 7.8%, reflecting both product mix and a 7.7% increase in domestic underlying steel despatches.

This was achieved in a market where the segments that drive OneSteel's domestic revenue increased by 0.3%.

Management initiatives to improve the business resulted in a $17 million reduction in costs as well as $48 million of revenue enhancements. In combination these more than offset $58 million of raw material and inflationary cost increases.

Over the years OneSteel has made great progress in the area of safety to the point that our safety statistics are among the world's best. Therefore it is very pleasing to report that the Medical Treatment Injury Frequency Rate improved a further 19% from 12.1 to 9.8 injuries per million man hours worked, and the Lost Time Injury Frequency Rate improved a further 57% from 2.1 to 0.9. These statistics include contractors as well as employees.

Results Against Strategic Framework

Improve returns from existing businesses			
Net operating profit after tax and minorities*	$98.2m	16.8%	was $84.1m
Sales margin	8.0%		was 7.8%
Return on funds employed	14.9%	steady	was 14.9%
Earnings per share	17.2 cents	15.4%	was 14.9 cents
Fully franked interim dividend declared	8.0c	Up	was 7.0c

Achieve strong cash generation		
Operating cash flow	$90.8m	was $93.7m
Free cash flow	($86.2m)	was ($21.2m)
Free cash flow excluding Magnet	$55.3m	was $40.9
Inventory (incl. Magnet Stock) stock weeks down slightly	$888.8m	was $840.2m
Net debt including derivatives	$804.1m	was $706.2m
Gearing including derivatives	33.9%	was 32.9%

* Profit Attributable to Members of the Parent as per the Statutory Accounts

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I would like to present the financial and operational outcomes in the context of OneSteel's new strategic framework that was outlined in our 2006 Annual Review.

In terms of improving returns from existing businesses, OneSteel posted a 16.8% increase in net operating profit after tax. That translates into earnings of 17.2 cents per share, an improvement of 15.4% from the 14.9 cents per share in the previous corresponding period.

The sales margin, as mentioned earlier, also improved while the return on funds employed was steady, a function of our investment in Project Magnet, the full benefits of which will be delivered into the 2007/08 financial year.

The Board declared a fully-franked interim dividend of 8.0 cents, up from the 7.0 cents interim dividend in the last period.

Tony will talk about the cash outcomes in his section but one highlight of the results for me is to have gearing at the lower level of our target range as we approach completion of the capital expenditure associated with Project Magnet.

Results Against Strategic Framework

- Growing and diversifying earnings
  - During the period capital expenditure of approximately $120 million on Project Magnet.
  - An additional $45 million of the remaining $75 million is committed as at the end of December 2006
  - Export sales of iron ore lump and fines totalled just over 700kt in the period, in line with ramp-up in sales announced in May 2005
  - New Transaction with Smorgon Steel
- Building organisational capability
  - We are continuing work on our three strategic initiatives of:
    - Customer and Market Insight
    - Supply Chain Transformation
    - Operational Excellence

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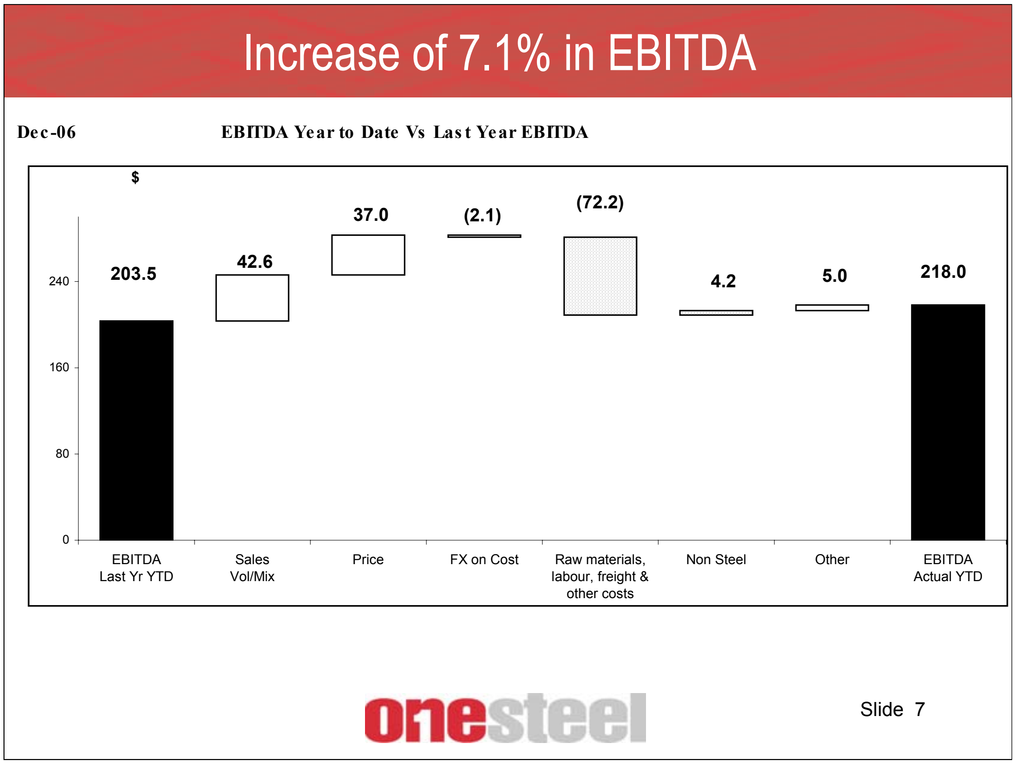
Slide 6

We have two initiatives underway in respect of the strategy to grow and diversify earnings, the first of which is Project Magnet in which we invested a further $120 million in capital during the half. As at the end of December, $45 million of the remaining $75 million estimated cost to complete the project, was committed.

During the period export sales of iron ore lump and fines totalled just over 700,000 tonnes. This is in line with the ramp-up in export sales that we announced in May 2005.

I will provide an update on Project Magnet and our proposed merger with Smorgon Steel later in this presentation.

In terms of our strategy to build organisational capability in the areas of customer and market insight, supply chain transformation and operational excellence, we have continued to invest in new resources to identify areas where OneSteel can add value and extract further earnings growth from existing operations.



Before reviewing the market conditions, I would like to discuss some of the main variances in earnings between the two periods. The largest variances continue to be around cost increases for raw materials and around price increases and sales volume and mix to recover those higher costs.

When comparing the six-months to December 2006 with the six-months to December 2005, higher costs for raw materials, and in areas such as labour and freight, subtracted $72.2 million at the EBITDA level while price increases and sales volume and mix made a positive contribution of $79.6 million.

The $4.2 million increase in EBITDA from non-steel sales may seem small given the increase in export lump and fines and the 19% increase in contract ore prices between the two periods. However in both periods we were selling into the spot market where prices were relatively stable.

Also non-steel sales in the six-months to December 2005 were boosted by opportunistic sales of coke and ore by-products. Another contributing factor is higher freight costs which offset much of the extra margin associated with the increased volume of lump and fines.

Market Conditions

Project Magnet – Magnetite Stream

An overview of the Magnet concentrator site.

As can be seen, key pieces of equipment including High Pressure grinding rolls, Ball Mill, thickener, magnetic separators and associated conveying systems are in position.

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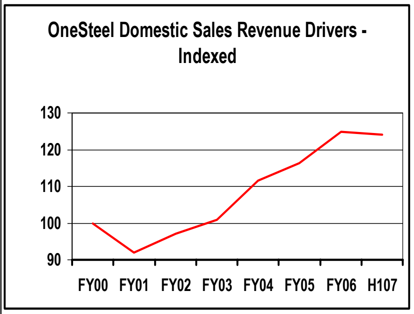
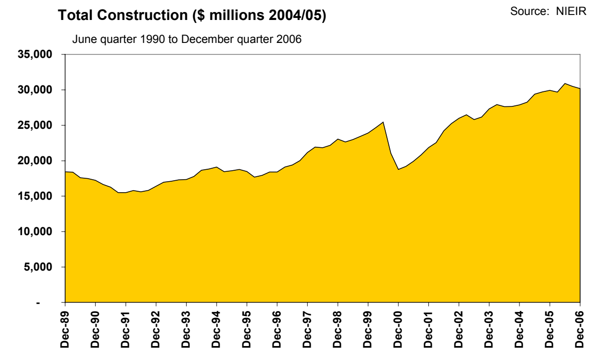
I would now like to briefly outline the market conditions in the six months to December 2006.

Domestic Market Drivers – Construction Still Strong





Segment	% OST Sales Revenues*	% Change Dec06 v Dec05
Engineering	23	2.6
Non-residential	21	7.4
Residential	14	-0.9
Total Construction	58	3.5
Other Manufacturing	10	-5.8
Mining	10	6.2
Agricultural	6	-23.2
Automotive	5	-7.7
Total Weighted Change		0.3

Source: NIEIR
* Export steel (2%) and non-steel sales (9%) drive the balance of OneSteel's sales revenue

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For some time now OneSteel has been operating in a very solid domestic construction market. As the graph on the right hand side of this slide shows, activity is sitting very close to the record set in the June 2006 quarter, as high levels of non-residential and engineering construction more than offset a continued weak residential construction segment in certain states.

Additionally, a strong resources market led to a 6.2% increase in the mining segment.

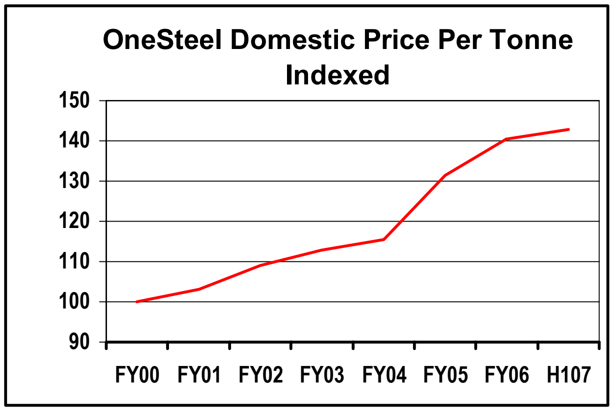
However, manufacturing, auto and rural continue to weaken while regional differences also persist, with the resource-based states being the strongest.

In total, activity in the domestic segments that drive 89% of OneSteel's sales revenue increased by 0.3%.

Detailed graphs of activity levels in these market segments are included in the attachments.

Market Drivers – Price/Tonne Movement

1.7% increase in underlying domestic steel price per tonne in six-month period to December 2006 from prior corresponding period reflecting price increases to recover higher costs for raw materials and purchased products, as well as changed product mix.



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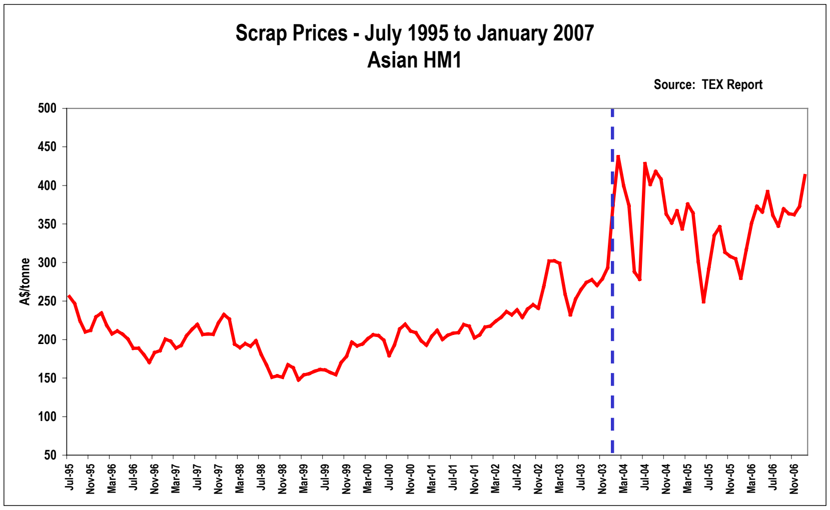
Since early 2004 we have had to implement price increases to recover a shift in higher raw material input costs to a new level driven by demand out of China.

We continue to focus on managing our margins to recover increases in raw material costs.

Adjusted for large projects associated with oil and gas pipelines, we achieved a 1.7% increase in domestic steel prices in the first half of this financial year.

Market Drivers – Scrap Prices

Price increases have been implemented since early 2004 to recover higher costs for raw materials such as scrap and for other inputs such as hot rolled coil.



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As the graph on this slide illustrates, over the last two years there has been a dramatic increase in prices of scrap steel which is a key input for steelmakers in the region. The scrap price traded above A$400 last month, significantly above its 10-year average. Of the raw material inputs that OneSteel uses, scrap was the biggest source of cost increases when comparing the six-months to December with the previous corresponding period.

Review of Financials

Project Magnet – Hematite Stream

The export storage facility preparing iron ore for export shipment.

Over one million tonnes has now been moved through this facility.

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I will now hand over to Tony to discuss the financial highlights and the operational and financial outcomes of OneSteel's three business divisions.

Financial Highlights – Details

Net operating profit after tax and minorities	$98.2m	↑	16.8% from $84.1m
Earnings per share - based on no. shares at end period	17.2 cents	↑	15.4% from 14.9c
Operating cash flow	$90.8m	↓	was $93.7m
Free cash flow	($86.2m)	↓	was ($21.2m)
Free cash flow excluding Project Magnet	$55.3m	↑	was $40.9m
Sales margin (EBIT)	8.0%	↑	from 7.8%
Gearing (net debt/net debt plus equity)	33.9%	↑	from 32.9%
Net debt including derivative	$804.1m	↑	13.9% from $706.2m
Interest cover	6.5 times	↑	from 5.3 times
Return on equity	13.6%	↑	from 13.1%
Return on funds employed	14.9%	→	from 14.9%
Fully franked interim dividend	8.0 cents	↑	from 7.0 cents

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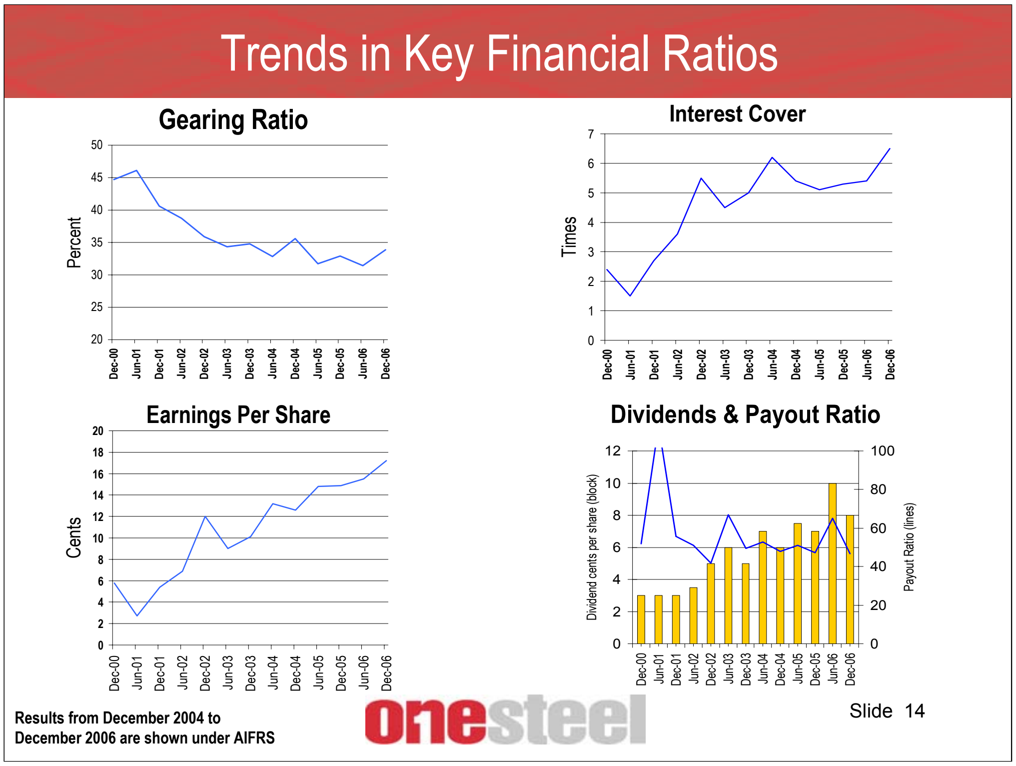
Thank you Geoff.

Good morning Ladies and Gentlemen. I would like to start my section of the presentation by discussing some of the highlights of the financial outcomes of the period. The 16.8% increase in net operating profit after tax translated into a 15.4% rise in earnings per share to 17.2 cents. This continues OneSteel's record of achieving double-digit growth in earnings per share.

Like Geoff, I am delighted that gearing remains in the lower end of our target range of 30% to 40% after investing approximately $310 million in Project Magnet over the last 24 months.

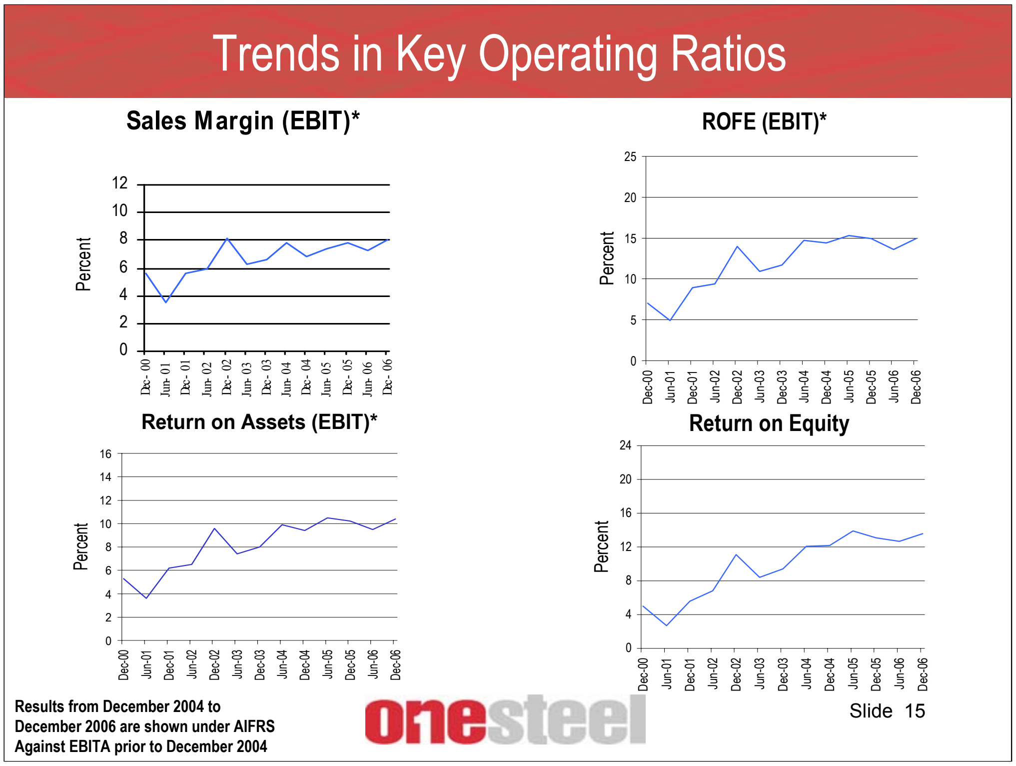
Another highlight is the improvement in the return on equity from 13.1% to 13.6%. The return on funds employed was steady at 14.9%, a function of our investment in Project Magnet, the benefits of which will shortly be fully realised.

The Board declared an increased interim dividend of 8.0 cents for the period.



Earnings per share is not the only key financial ratio that is headed in the right direction, as you can see from the graphs on this slide.

I am sure that the 14.3% increase in the interim dividend to 8.0 cents will be welcomed by shareholders while we continue to fund our growth projects of Magnet and the merger with Smorgon Steel.



Likewise OneSteel's key operating ratios are also showing favourable trends.

The results reflect efforts to improve our sales margin over the years while our return on asset result is suppressed by the extent to which we have invested in Project Magnet, the earnings of which have not yet come fully on stream.

Income Statement

Six months to 31 December A$ Million	2006 AIFRS	2005 AIFRS	% Chg 06 vs 05
Sales	2,134.3	1,988.8	7.3%
EBITDA	218.0	203.5	7.1%
Depreciation	(48.1)	(47.4)	1.5%
EBIT	169.9	156.1	8.8%
Finance Costs	(26.3)	(29.4)	(10.5%)
EBT	143.6	126.7	13.3%
Tax Expense	(39.2)	(34.5)	13.6%
NPAT	98.2	84.1	16.8%
EPS (cents) – based on no. of shares at end of period	17.2	14.9	15.4%
ROFE%	14.9	14.9	steady
Dividend (cents/share)	8.0	7.0	14.3%

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Finance costs have fallen while gearing and debt have risen because in the six months to December we have capitalised $6.1 million in interest costs associated with Project Magnet. As facilities associated with Project Magnet become operational, the capitalised interest goes through the depreciation line.

In the 2007/08 year, we will no longer be capitalising interest associated with Project Magnet debt as facilities become operational, and as a result the interest expense line will increase.

The other point to note on this slide is that OneSteel's $39.2 million tax expense continues to benefit from the impact of claimable R&D expenditure. This resulted in an effective tax rate of 27.3% in the period under review, little changed from the last corresponding period.

OneSteel Employees

- OneSteel headline employee numbers up from 7,269 to 7,733 an increase of 464
  - Of the 464 increase approximately 350 was the result of the transfer of employees from contract (including apprentices) to full time employment status, as well as the result of acquisitions
  - The remaining employees are additional workers associated with
    - Project Magnet integration
    - increase in apprentices and graduates as an investment for the future
    - OneSteel's three strategic initiatives

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An aspect of the results that I would like to clarify is the 6.4% increase in employee numbers. Employees rose from 7,269 at the end of December 2005 to 7,733 at the end of December 2006.

Approximately 350 of the 464 increase is the result of transferring employees from contract to full-time employment status. We were already paying these employees but they were not included in the headline employee numbers. The other factor behind the increase is acquisitions in New Zealand that added approximately 100 employees to International Distribution.

The majority of the balance of employee increase is attributable to additional staff who have commenced training on Project Magnet plant and equipment. There are also additional workers associated with OneSteel's three strategic initiatives and an increase in apprentices and graduates as an investment for the future.

Non-Trading Items – NOPAT

At the Net Operating Profit after Tax Level

	6m to Dec 06	6m to Dec 05
Additions	Millions	Millions
• Tax	$ 1.7	$ 5.2
• Termination of mining trucks leases	$ 1.7	-
Total Additions	$ 3.4	$ 5.2
Subtractions		
• Restructuring costs	$ (1.5)	$ (3.6)
• Other	$ (2.5)	-
Total Subtraction	$ (4.0)	$ (3.6)
Net Impact	$ (0.6)	$ 1.6

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I have included this slide to show the one-off items in the NOPAT result.

Tax and the termination of mining truck leases associated with awarding the mining and related services contract to Leighton Contractors' mining division each contributed $1.7 million.

On the negative side was $1.5 million of restructuring costs and $2.5 million of other items, for a total of $4.0 million in subtractions.

The net impact of these one-offs and non-trading items was to subtract $0.6 million from net operating profit after tax.

Balance Sheet

As at 31 December A$ Million	2006 AIFRS	2005 AIFRS	% Chg 06 vs 05
Total Assets	3,375.3	3,058.3	10.4%
Liabilities	1,804.1	1,619.9	11.4%
Net Assets	1,571.2	1,438.4	9.2%
Net Debt	804.1	706.2	13.9%
Inventory	888.8	840.2	5.8%
Funds Employed	2,375.3	2,144.6	10.8%
Gearing (net debt/ net debt + equity incl derivative) %	33.9	32.9	
Gearing (net debt/ net debt + equity excl derivative) %	32.4	31.5	
Interest Cover – times	6.5	5.3	
Interest Cover – times – including Project Magnet capitalised interest	5.2	5.1	
NTA / Share $	2.26	2.03	11.3%

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You can see here the investment in Project Magnet is increasing our funds employed. Notwithstanding this investment, our gearing remains at the lower end of our target range.

Cash Flow

Six months to 31 December A$ Million	2006 AIFRS	2005 AIFRS
Earnings before Tax (adjusted for non-cash items)	141.2	126.9
Depreciation/Amortisation	48.1	47.4
Capital & Investment Expenditure	(177.0)	(114.9)
Working Capital movement	(57.7)	(47.6)
Income Tax Payments	(40.8)	(33.0)
Asset Sales	3.9	0.5
Other	(0.4)	1.9
Operating Cash Flow	90.8	93.7
Free Cash Flow	(86.2)	(21.2)
Free Cash Flow excluding Magnet capex	55.3	40.9

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Obviously OneSteel's cash flow was also affected by Project Magnet. After adjusting cash flow for the spend associated with Project Magnet free cash flow is a positive $55.3 million rather than the negative $86.2 million that we reported.

I would now like to turn to the results of OneSteel's three business divisions.

Australian Distribution – Results

Six months to 31 December $A Million	2006 AIFRS	2005 AIFRS	% chg 06 vs 05
Revenue	939.6	923.2	1.8
EBITDA	76.4	76.4	-
EBIT	64.0	64.6	(0.9)
Assets	1,108.9	1,123.9	(1.3)
Employees	2,401	2,467	(2.7)
Sales Margin %	6.8	7.0	
ROFE %	16.2	15.7	

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A 3.3% increase in underlying prices to recover higher product and input costs helped to boost revenue of the Distribution business by 1.8% to $939.6 million. However EBIT was down 0.9% to $64 million and the sales margin declined from 7.0% to 6.8%, partly reflecting volatility in hot rolled coil prices and increased competition from imports in certain areas.

However, further progress in reducing working capital helped to lift the return on funds employed to 16.2% from 15.7%.

The business benefited from continued high levels of activity in the construction, mining and energy segments. This lifted despatches of structural products and plate in particular.

Demand in the rural segment continued to be affected by drought while overall manufacturing demand was restrained by activity moving offshore, with the automotive sector also impacted by model changeovers.

Manufacturing - Results

Six months to 31 December $A Million	2006 AIFRS	2005 AIFRS	% chg 06 vs 05
Revenue	1,182.4	1,020.9	15.8
EBITDA	140.3	113.1	24.0
EBIT	109.1	81.5	33.9
Assets	2,029.1	1,684.4	20.5
Employees	4,098	3,786	8.2
Sales Margin %	9.2	8.0	
ROFE %	15.7	14.2	

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Looking at the Manufacturing division, record raw steel production at the two plants and improved product mix were key drivers of Manufacturing's improved results. Higher despatches, particularly in structural products and reo, as well as higher prices in some product lines were also supportive.

In combination with increased iron ore sales, these helped to lift Manufacturing's revenue by 15.8% to $1.182 billion, while EBITDA and EBIT were up 24% and 33.9%, respectively. Manufacturing's sales margin improved from 8.0% to 9.2% and the return of funds employed rose to 15.7% from 14.2%. The drivers of the profit improvement are record steel production and the associated lower unit costs plus a more favourable product mix.

As noted in the first section of this presentation, the EBITDA variance from non-steel sales was $4.2 million, partly reflecting relatively stable prices in the spot market when comparing the two halves, and because higher freight costs offset much of the extra margin associated with the increased volume of lump and fine exports.

International Distribution - Results

Six months to 31 December $A Million	2006 AIFRS	2005 AIFRS	% chg 06 vs 05
Sales	194.8	204.4	(4.7)
EBITDA	23.3	28.3	(17.7)
EBIT	20.7	25.8	(19.8)
Assets	201.0	187.9	7.0
Employees	892	805	10.8
Sales Margin %	10.6	12.6	
ROFE %	26.4	32.5	

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The International Distribution business had to contend with tougher economic conditions. As the Reserve Bank of New Zealand struggles to keep inflation under control, the resulting relatively high interest rates are having the unintended consequence of driving up the New Zealand dollar exchange rate and adversely impacting the export sector.

Nevertheless, the 10.6% sales margin and 26.4% return on funds employed are still good outcomes.

Growing & Diversifying Earnings

Project Magnet – Hematite Stream

One of the transfer barges that will be used to trans-ship ore product from the newly-constructed export facilities at the Whyalla port. The two barges and the Floating Offshore Transfer Terminal have arrived in Whyalla. The barges will carry hematite lump and fines approximately 7.5 nautical miles to the Floating Offshore Transfer Terminal which will facilitate loading of Cape-sized ships sitting in the Spencer Gulf.

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Thank you Tony.

Project Magnet - Current Status

- Capital Expenditure
  - FY 2005 — $ 24.5 million
  - FY 2006 — $165.2 million
  - H1 2007 — $119.8 million
  - Total to Date — $309.5 million
  - Forecast total — $355 million + ~8% = $385 million

  Note: An additional $45.4 million was committed as at 31 December 2006

- Revenues
  - Incremental Iron Unit Sales (on top of 1mtpa historic sales) – Ore, Pellet and By-products
    - FY 2007 — ~ 1,500k tonnes ore
      - 700,000 tonnes lump and fines in H1 2007 plus almost 150,000 tonnes off-spec ore by products
    - FY 2008 — ~ 3.0m tonnes ore
  - Slab Sales
    - FY 2008 — Sales commence

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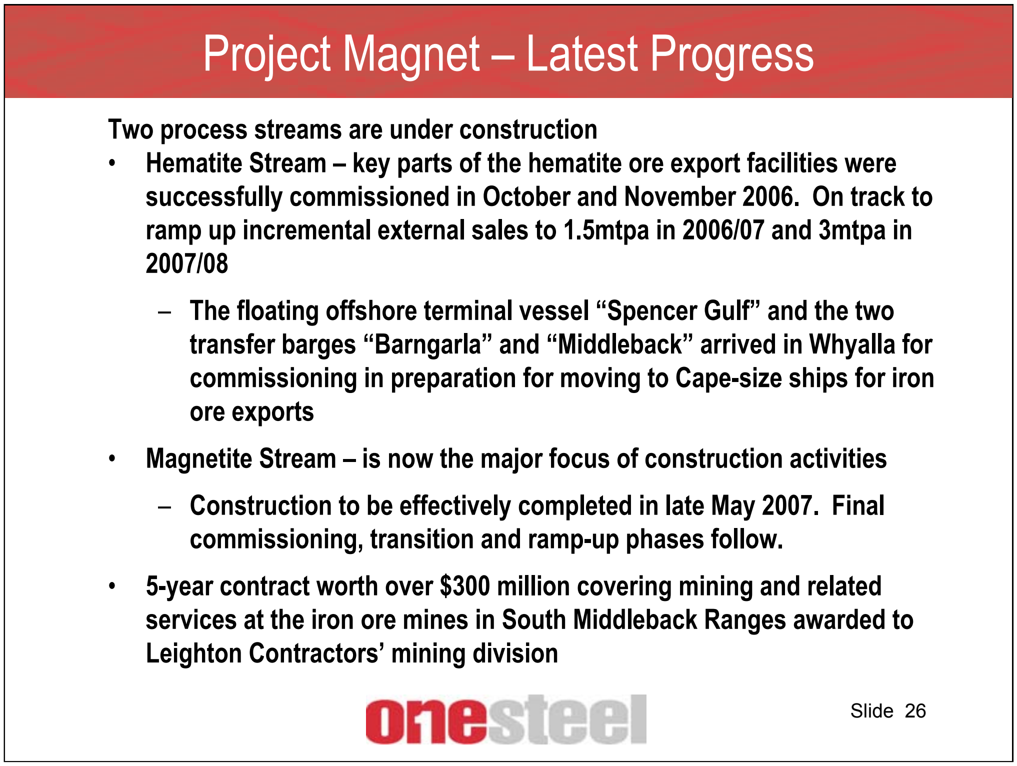
Project Magnet, the commercialisation of OneSteel's magnetite reserves, is progressing well.

In the six-months to December 2006 capital expenditure on the project totalled approximately $120 million. This takes the total spend to date to almost $310 million and capital construction work is due to be substantially completed in this financial year.

The total cost of the project was previously forecast at $355 million plus an additional 5%. However, with factors including continued cost pressures and the recent Whyalla flooding, the current estimate is for a capital spend of $385 million, or approximately 8% over budget. Of the remaining $75 million to be spent, $45 million or 60%, was committed as at 31 December 2006.

During the period under review, export sales of lump and fines totalled 700,000 tonnes. In addition OneSteel sold almost 150,000 tonnes of off-spec ore by-products.

Flooding at Whyalla in late January that caused damage and disrupted operations at the Whyalla Steelworks have slowed construction of Project Magnet by up to one week and also resulted in the deferral of some iron ore export sales into the next financial year. Despite this, consistent with the Project Magnet iron ore sales ramp-up plan, OneSteel expects to sell an incremental 1.5 million tonnes of iron ore externally in this financial year and an incremental 3.0 million tonnes of iron ore in the 2007/08 financial year.



Key parts of one of the two major work streams, the hematite export facilities, successfully commissioned in October and November 2006.

As you saw from the photo at the beginning of this section of the presentation, the three vessels required to trans-ship the export ore from Whyalla Port to ships in the Spencer Gulf have arrived at Whyalla. This will facilitate the move to Cape-size ships for ore exports in the coming half-year.

The major focus of the construction effort is now on the Magnetite stream. Construction of the Crushing & Screening facilities will be complete in March. Allowing for the delay caused by the floods at Whyalla in January, construction of the remainder of the magnetite stream facilities will be effectively completed in late May and will then be followed by final commissioning, transition and ramp-up phases.

Another milestone achieved during the period was the award of a five-year contract valued in excess of $300 million that covers mining and other related services. OneSteel awarded the contract last December to the mining division of Leighton Contractors.

Project Magnet – Next Steps

- **Focus remainder of 2006/07**
  - Complete capital works program
  - Commissioning, transition and ramp-up phases begin
  - Marketing of ore – securing contracts
  - Ramp-up ore sales to 2.5mtpa (1.5mt export plus 1.0mt external domestic)

- **2007/08 financial year**
  - Ship ore at rate of 4mtpa
  - Completion of transition of Whyalla Steelworks to magnetite feed
  - Ramp up of additional steel production
  - Value-in-use cost benefits

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With almost $310 million spent on Project Magnet as at the end of December 2006 and a further $45 million committed, capital construction work is due to be substantially complete in the current financial year.

The major focus of the construction effort is now on the Magnetite stream, which will be effectively completed by late May 2007, followed by final commissioning, transition and ramp-up phases.

As for the hematite stream, we will be moving to Cape-size ships for ore exports during this six month period. Negotiations are well progressed to put in place long term sales contracts for the iron ore.

In the 2007/08 financial year total annual ore sales will reach 4 million tonnes. During the year the cost benefits of the value-in-use and the additional slab steel and pellet sales will begin to be realised.

Smorgon Steel Merger Status –

- February 2007 - proceeding with the new transaction structure as announced in December 2006
- Next Steps include
  - ACCC review of new transaction structure
  - Taxation rulings
  - Despatch documentation to OneSteel Shareholders
  - Meetings of shareholders to approve transaction
- Pipe and Tube Joint Venture
  - Moving to implement the JV at earliest feasible date to realise the synergies that both companies believe the JV will deliver

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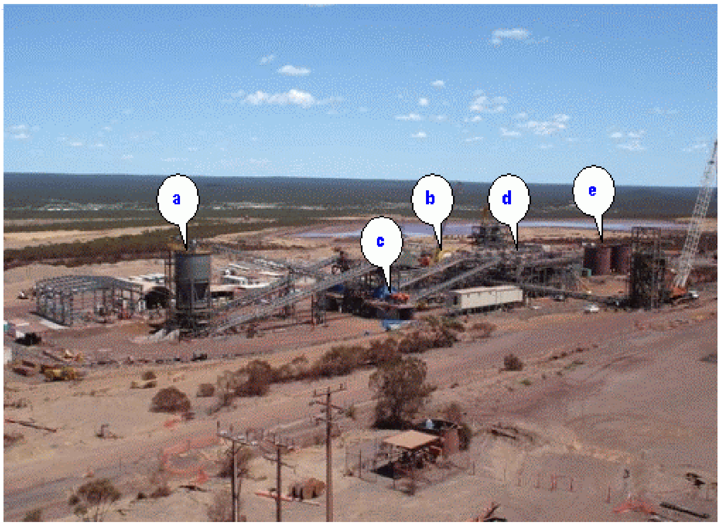
Our second initiative around growing and diversifying our earnings is of course our proposed merger with Smorgon Steel. Under a new transaction structure announced in December 2006, OneSteel will acquire all Smorgon Steel's assets and liabilities in exchange for OneSteel shares, except for Smorgon Steel's steel and metals distribution businesses comprising Smorgon Steel Metals Distribution, Smorgon Steel Sheet Metal supplies, Smorgon Steel Pipeline Supplies and Metalcorp Steel. These distribution assets will remain with Smorgon Steel. The transaction is subject to ACCC approval, favourable tax rulings, as well as approval from both Smorgon Steel and OneSteel shareholders.

The ACCC's review has commenced and it has proposed 21st March as the date for announcing its findings. Assuming the determination is favourable, documentation will be despatched to OneSteel and Smorgon Steel shareholders and meetings scheduled to approve the transaction.

In addition, in December 2006, OneSteel and Smorgon Steel announced a proposal to form a joint venture of their respective structural pipe and tube businesses, subject to approval of the proposal by the ACCC. Last month the ACCC announced that it would not intervene in the proposed joint venture. Accordingly, the joint venture is now unconditional and OneSteel and Smorgon Steel look forward to implementing the joint venture at the earliest feasible date to realise the synergies that both companies believe will be delivered by the joint venture.

Summary and Outlook



Project Magnet – Magnetite Stream

This is an overview of the concentrator area showing

a) the magnetite ore feed bin

b) ball mill

c) High Pressure grinding roll

d) magnetic separation building

e) slurry concentrate holding bins

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Slide 29

I will conclude this presentation with a summary of the results and some comments on the outlook before opening the session to questions.

Summary and Outlook

- Improvement in profit and sales margin
- Continued improvement in earnings per share
- Gearing remains in lower end of target range after investing almost $310 million in Project Magnet over 24 months
- Project Magnet progressing well
- Whyalla floods to impact second half 2007 financial year
- Overall level of domestic activity and demand expected to be similar
- International steel market and pricing expected to remain fluid
- Priorities:
  - continue to improve returns from existing businesses
  - completion of Magnet and delivery of its value
  - realise the benefits of the pipe and tube joint venture
  - to complete and effectively integrate of the Smorgon Steel new transaction

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Slide 30

In summary, OneSteel increased profit, earnings per share and sales margin in the period under review and also produced a record volume of raw steel. These outcomes were achieved in a domestic market that was driven by the mining and energy sector, with solid non-residential and engineering construction, and against a backdrop of fluid international pricing for steel and key inputs. The gearing ratio has been managed at the lower end of the target range after investing almost $310 million over 24 months on Project Magnet, which is progressing well.

Current trading conditions are in line with the company's expectations.

Flooding at Whyalla in late January which caused damage and disrupted operations at the Whyalla Steelworks will impact the financial and operational outcomes of the current financial year by $15 million to $30 million at the EBITDA level, due to, among other things, operational disruptions, slowing construction of Project Magnet by approximately one week and deferring some iron ore export sales into the next financial year. Consistent with the iron ore sales ramp-up plan, we expect to sell 4 million tonnes of iron ore in the 2007/08 financial year.

Management's priorities are unchanged, namely to further improve returns from existing business, complete Project Magnet and deliver its value, realise the benefits of the pipe and tube joint venture and to complete and effectively integrate the Smorgon Steel new transaction to deliver the expected level of benefits.

Ladies and gentlemen, thank you for your time today and for your interest in OneSteel.

Tony and I would be happy to take any questions that you may have.

Attachments – Financials

Project Magnet – Magnetite Stream

This is an overview of the concentrator area showing

a) the magnetite ore feed bin

b) ball mill

c) High Pressure grinding roll

d) magnetic separation building

e) slurry concentrate holding bins

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Cash Flow Reconciliation – Historical Data

	Statutory					
A$ Millions	AIFRS			AGAAP		
Six months to December	2006	2005	2004	2003	2002	2001
EBITDA (adjusted for non-cash items)	215.6	203.7	172.8	139.7	168.2	124.3
Interest	(26.3)	(29.4)	(23.9)	(20.8)	(22.9)	(30.6)
Tax	(40.8)	(33.0)	(24.2)	(13.7)	(6.1)	(9.4)
Capital & Invest Expenditure	(177.0)	(114.9)	(63.6)	(45.0)	(26.4)	(22.1)
Working Capital	(57.7)	(47.6)	(68.6)	(48.8)	(30.1)	(83.3)
Free Cash Flow	(86.2)	(21.2)	(7.5)	11.4	82.7	(21.1)
- Investments	-	0.3	0.8	-	-	-
- Plus Asset Sales	3.9	0.5	3.6	5.0	2.6	31.0
- Other	(0.4)	1.6	(0.1)	5.6	(9.2)	66.6
Operating Cash Flow	(82.7)	(18.8)	(3.2)	22.0	76.1	76.5

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Income Statement – Historical Data

Six months to Dec A$ Million	2006 AIFRS	2005 AIFRS	2004 AIFRS	2003 AGAAP	2002 AGAAP	2001 AGAAP	2000 AGAAP	% Chg Dec 06/ Dec 05
Sales	**2,134.3**	**1,988.8**	1,890.5	1,566.7	1,525.0	1,473.2	1,267.0	7.3%
EBITDA	**218.0**	**203.5**	173.7	146.9	168.2	125.6	111.6	7.1%
Dep & Amort*	**(48.1)**	**(47.4)**	(45.0)	(43.1)	(43.3)	(43.4)	(41.0)	1.5%
EBIT**	**169.9**	**156.1**	128.7	103.8	124.9	82.2	70.6	8.8%
Finance Costs	**(26.3)**	**(29.4)**	(23.9)	(20.8)	(22.9)	(30.6)	(29.6)	(10.5%)
EBT	**143.6**	**126.7**	104.8	83.0	102.0	51.6	41.0	13.3%
Tax Expense	**(39.2)**	**(34.5)**	(25.5)	(22.0)	(32.5)	(19.1)	(12.0)	13.6%
NPAT	**98.2**	**84.1**	70.3	55.8	64.8	28.9	26.4	16.8%
EPS (cents)	**17.2**	**14.9**	12.6	10.1	12.0	5.4	5.8	15.4%
ROFE%**	**14.9**	**14.9**	14.4	11.7	14.0	8.9	7.0	
Dividend (cents/share)	**8.0**	**7.0**	6.0	5.0	5.0	3.0	3.0	

*2000 to 2003 excludes goodwill amortisation from earnings

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**Against EBIT 2004 to 2006, earlier calculations against EBITA

Balance Sheet – Historical Data

Six months to Dec A$ Million	2006 AIFRS	2005 AIFRS	2004 AIFRS	2003 AGAAP	2002 AGAAP	2001 AGAAP	% Chg 06v 05
Total Assets	3,375.3	3,058.3	2,748.1	2,609.6	2,602.9	2,625.4	10.4%
Liabilities	1,804.1	1,619.9	1,465.9	1,305.5	1,331.8	1,424.7	11.4%
Net Assets	1,571.2	1,438.4	1,282.2	1,304.1	1,271.1	1,200.7	9.2%
Net Debt (inc derivative)*	804.1	706.2	709.0	696.9	712.6	822.2	13.9%
Inventory	888.8	840.2	758.8	646.5	626.0	608.0	5.8%
Funds Employed	2,375.3	2,144.6	1,791.2	1,801.0	1,783.7	1,822.9	10.8%
Gearing % (net debt/ net debt plus equity)	33.9	32.9	35.6	34.8	35.9	40.6	
Interest Cover – times	6.5	5.3	5.4	5.0	5.5	2.7	
NTA / Share $	2.26	2.03	1.77	1.82	1.78	1.70	

* For the purposes of comparing the December 2005 result, historical figures for net debt include a $200 million securitisation program that was discontinued in January 2005

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Cash Flow – Historical Data

A$ Million Six months to December	2006	2005	2004	2003	2002	2001
Earnings before Tax (adj'd for non-cash items)	**141.2**	**126.9**	103.8	75.4	102.0	50.3
Dep & Amort (ex goodwill)	**48.1**	**47.4**	45.0	43.1	43.3	43.4
Capital & Investment Expenditure	**(177.0)**	**(114.9)**	(63.6)	(45.0)	(26.4)	(22.1)
Working Cap movement	**(57.7)**	**(47.6)**	(68.5)	(48.8)	(30.1)	(83.3)
Income Tax Payments	**(40.8)**	**(33.0)**	(24.2)	(13.7)	(6.1)	(9.4)
Asset Sales	**3.9**	**0.5**	3.6	5.0	2.6	31.0
Other	**(0.4)**	**1.9**	0.7	6.0	(9.2)	66.6
Operating Cash Flow	**90.8**	**93.7**	56.1	56.0	109.1	1.0
Free Cash Flow	**(86.2)**	**(21.2)**	(7.5)	11.4	82.7	(21.1)

Australian Distribution – Historical Data

$A Million Six months to Dec	AIFRS 2006	AIFRS 2005	AIFRS 2004	2003	2002	2001	2000	% chg 06 v 05
Revenue	939.6	923.2	863.8	747.5	727.1	749.4	551.7	1.8
EBITDA	76.4	76.4	83.5	53.4	70.9	54.6	31.1	0
EBIT*	64.0	64.6	71.7	42.4	58.0	43.7	20.6	(0.9)
Assets	1,108.9	1,123.9	1,144.4	1,029.5	1,039.4	1,008.7	768.0	(1.3)
Employees	2,401	2,467	2,416	2,299	2,301	2,448	2,277	(2.7)
Sales Margin %	6.8	7.0	8.3	5.7	8.0	5.8	3.7	
ROFE %	16.2	15.7	17.7	10.7	14.0	11.1	6.6	

Results of previous six-month periods to December have been restated to reflect the business restructure that became effective July 2005.

* The financial information presented for the years 2000 – 2003 are based on information prepared under previous AGAAP and have been adjusted to exclude goodwill amortisation from earnings.

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Manufacturing – Historical Data

$A Million 6 mths to Dec	AIFRS 2006	AIFRS 2005	AIFRS 2004	2003	2002	2001	2000	% chg 06 v 05
Revenue	1,182.4	1,020.9	982.5	791.4	778.8	702.5	637.3	15.8
EBITDA	140.3	113.1	77.2	85.7	98.2	72.4	79.8	24.0
EBIT*	109.1	81.5	48.1	56.9	70.1	42.7	49.0	33.9
Assets	2,029.1	1,684.4	1,480.3	1,477.6	1,430.2	1,452.6	1,488.6	20.5
Employees	4,098	3,786	3,831	3,816	3,806	3,874	3,822	8.2
Sales Margin %	9.2	8.0	4.9	7.2	9.0	6.1	7.7	
ROFE %	15.7	14.2	9.8	11.3	14.9	8.6	9.6	

Results of previous six-month periods to December have been restated to reflect the business restructure that became effective July 2005.

* The financial information presented for the years 2000 – 2003 are based on information prepared under previous AGAAP and have been adjusted to exclude goodwill amortisation from earnings.

International Distribution – Historical Data

$A Million 6 months to Dec	AIFRS 2006	AIFRS 2005	AIFRS 2004	2003	2002	2001	2000	% chg 06 v 05
Sales	194.8	204.4	198.6	161.5	142.1	144.1	152.4	(4.7)
EBITDA	23.3	28.3	30.9	20.6	17.7	13.0	13.9	(17.7)
EBIT*	20.7	25.8	28.2	18.1	15.6	10.5	11.2	(19.8)
Assets	201.0	187.9	181.5	152.5	139.7	123.0	173.7	7.0
Employees	892	805	803	772	613	573	714	10.8
Sales Margin %	10.6	12.6	14.2	11.2	11.0	7.3	7.4	
ROFE %	26.4	32.5	39.5	28.3	28.1	17.2	15.4	

Results of previous six-month periods to December have been restated to reflect the business restructure that became effective July 2005.

* The financial information presented for the years 2000 – 2003 are based on information prepared under previous AGAAP and have been adjusted to exclude goodwill amortisation from earnings.

Attachments – Growing & Diversifying Earnings

Project Magnet – Hematite Stream

Two transfer barges that will be used to trans-ship ore product from the newly-constructed export facilities at the Whyalla port were towed into Whyalla on Tuesday 23 January 2007.

Growing & Diversifying Earnings

- **Project Magnet**
  - **This project represents the commercialisation of OneSteel's magnetite iron ore reserves for producing steel and the sale of surplus hematite ore reserves. Benefits include:**
    - **improving OneSteel's competitive position**
    - **extending the life of the steelworks**
    - **lowering the cost of steelmaking at Whyalla**
    - **an additional source of earnings and profit.**

- **Smorgon Steel Transaction**
  - **OneSteel remains committed to the transaction**
    - **Corporate benefits – a stronger more financially flexible company with enhanced growth opportunities**
    - **Customer and market benefits – increased ability to service the customer with new products and service offerings and a greater diversity and scope of operations**
    - **Competitive benefits – a more competitive business with lower costs, improved raw material integration and opportunities with diversified revenue streams.**

Benefits of proposed Smorgon Steel merger

- Growth
  - Both OneSteel and Smorgon Steel have recently announced exciting and complementary growth options including Project Magnet, the LiteSteel™ beam and expansions in metal recycling that offer shareholders diverse sources of potential earnings growth into the future

- Stronger company
  - With pro forma revenue in excess of $5.5 billion[1], EBITDA in excess of $700 million[1] and more than 10,000 employees, the combined entity will become the pre-eminent domestic manufacturer and distributor of steel and metal products in Australasia

- More competitive business
  - Various long-term strategic benefits are expected to be realised through efficiencies in manufacturing operations, improved facility utilisation, improved supply chain management, production, distribution and other savings providing benefits to customers and enabling improved ability to compete against imports

1 Approximate only. Further detail will be provided in shareholder information for approval of the transaction.

Benefits of proposed Smorgon Steel merger

- Increased ability to service customers
  - A more diverse geographical manufacturing footprint and wider range of products and services provides the ability to streamline and improve the efficiency of the combined supply chains of the companies
  - In addition it is also expected to increase the products and services being offered to customers
- Diversity and size of operations
  - Following the proposed transaction, OneSteel expects to have an enhanced regional footprint with over 200 sites across Australia and more than 10 offshore offices and operations. This presence is expected to provide a solid platform for growth in new and existing markets
- Expected synergies
  - The combination of the businesses is expected to generate net EBITDA synergies of $70 million per annum by the third full year after completion of the proposed transaction. These synergies are net of expected asset disposals and potential sales leakage from combining the two businesses

Benefits of proposed Smorgon Steel merger

- New revenue streams developed
  - The combination of OneSteel and Smorgon Steel's operations will allow OneSteel to offer an extended product offering to customers and will facilitate the development of new business structures (e.g. a "rail infrastructure" business unit covering wheels and bogeys, rails, sleepers, etc) generating greater value for customers and the potential for new revenue opportunities

- Improved security of raw material supply
  - The combined business will enjoy improved security of raw material supply via OneSteel's long term iron ore resources through Project Magnet and Smorgon Steel's scrap recycling business. It is also expected to be more competitive through the natural hedges associated with these improved raw material supply arrangements

- Increased liquidity
  - Following the proposed transaction, OneSteel will be a stronger Australian company which is expected to rank well inside the top 100 companies on the ASX. This should provide greater liquidity for investors and facilitate greater interest from domestic and international investors

Attachments – Market Conditions

Project Magnet – Magnetite Stream

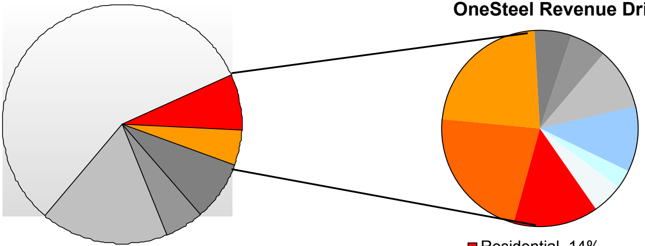
An overview of the Magnet concentrator site.

As can be seen, key pieces of equipment including High Pressure grinding rolls, Ball Mill, thickener, magnetic separators and associated conveying systems are in position.

OneSteel Revenue Drivers vs Broader Economy’s Drivers

Australian Gross Domestic Product

OneSteel Revenue Drivers



- Household Consumption 60%
- Residential 8%
- Non-residential & Engineering 5%
- Equipment Investment 8%
- Other Investment 6%
- Public Demand 18%

- Residential 14%
- Non-residential 21%
- Engineering 23%
- Agriculture 6%
- Auto 5%
- Mining 10%
- Other Manufacturing 10%
- Non-steel 9%
- Export steel 2%

Source: Australian Bureau of Statistics (GDP data for 2005 calendar year)
Data for year ended 30 June 2006

Source: OneSteel

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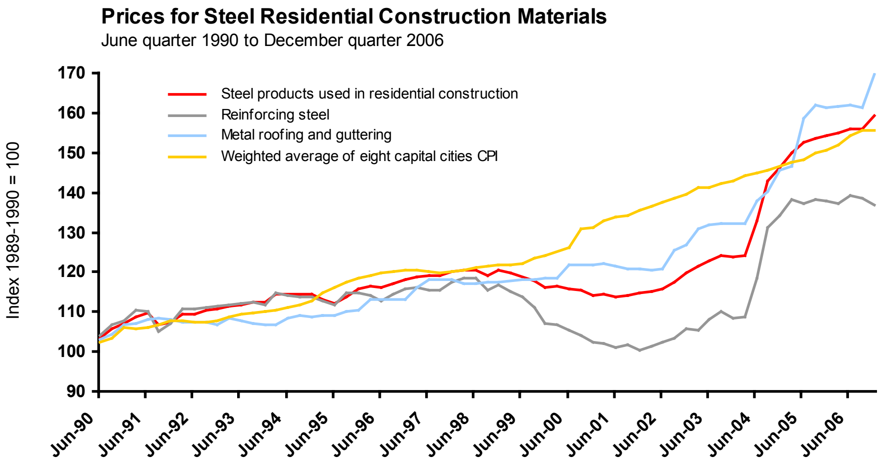
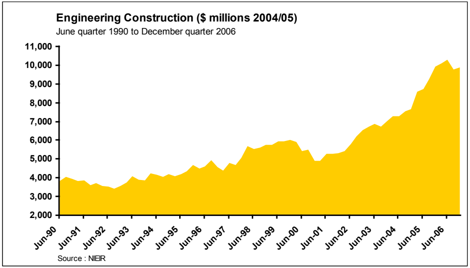
Australian Steel Price Index



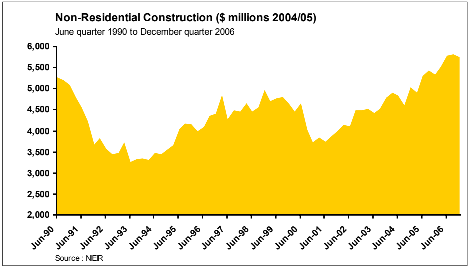
Source : ABS

OneSteel Key Segments



Engineering construction represents 23% of OneSteel's sales revenue

2.6% year-on-year increase in value of activity



Non-residential construction represents 21% of OneSteel's sales revenue

7.4% year-on-year increase in value of activity

Source: NIEIR

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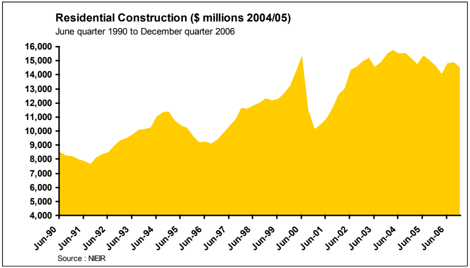
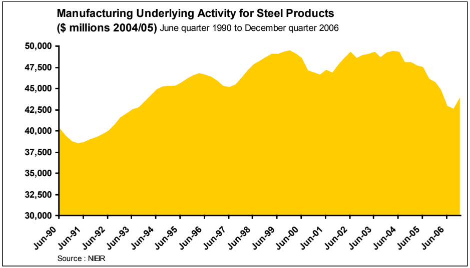
OneSteel Key Segments



Residential construction represents 14% of OneSteel sales revenue

0.9% year-on-year decrease in value of activity

Overall weighted year-on-year increase in value of construction activity 3.5%



Manufacturing represents 10% of OneSteel sales revenue

5.8% year-on-year decrease in value of activity

Source: NIEIR

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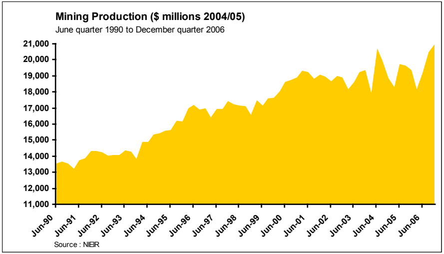
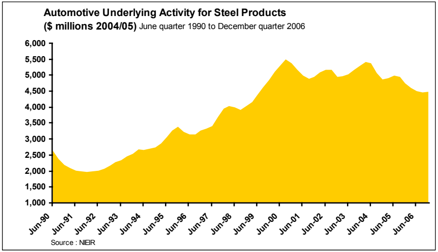
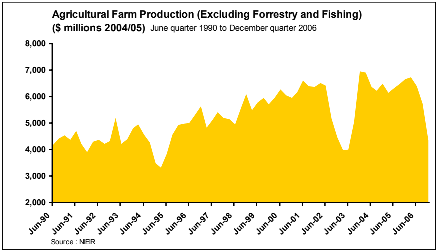
Overall Increase In OneSteel Key Segments 0.3%*





Mining: 10% of OneSteel sales revenue
6.2% increase year-on-year

Auto: 5% of OneSteel sales revenue
7.7% decrease year-on-year



Agricultural: 6% of OneSteel sales revenue
23.2% decrease year-on-year

Source: NIEIR

- **Excludes export steel (2%) and non-steel products (9%) which drive the remaining 11% of OneSteel's sales revenue**

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Major Project Flow

Won/Awarded

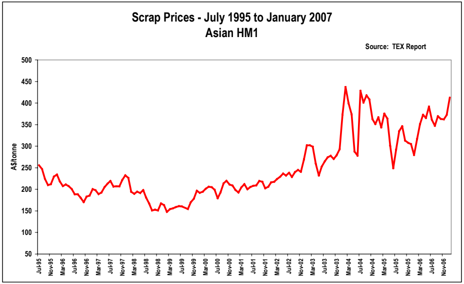
- OneSteel Project Magnet, Whyalla, SA
- Connect East, East Melbourne Motorway, VIC
- Newcrest Boddington Gold Mine, Boddington, WA
- Rio-Tinto Parker Point Upgrade (Dampier Wharf), WA
- Rio Tinto Yandi Upgrade, WA
- BHP Billiton, Dampier Port Development JV, WA
- Abbot Point Coal Terminal Expansion, QLD
- Hay Point Expansions, QLD
- Woodside Angel Project, Topsides, NW Shelf, WA
- Santos DPCU Project, Perth, WA
- Comalco WEIPA Refinery, QLD
- QNI Yabulu Expansion, Brisbane, QLD
- Hartley Mine, Lithgow, NSW
- Coles Myer Distribution, Goulburn, NSW
- Coles Myer, Erskine Park, NSW
- Coles Myer Distribution Centre, Adelaide, SA
- Woolworths Minchinbury, NSW
- BlueScope Steel's Erskine Park Coating Line, Sydney, NSW
- AXA Building, Melbourne, VIC
- Epping Plaza, Epping, Sydney, NSW
- ABB Grain Silos, SA
- Franklin Bus Terminal, Adelaide, SA
- "Northern Link" north/south Bypass Tunnel, Brisbane, QLD
- Woodside Train 5 (S&T Structural), NW Shelf, WA
- Woodside Train 5 Stick Built, WA
- Lake Lindsay Dragline (Bucyrus), Bowen Basin QLD

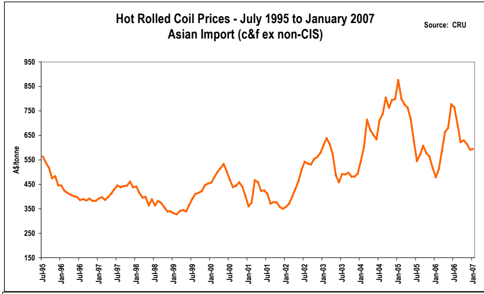
Projects highlighted in red denote additions to list

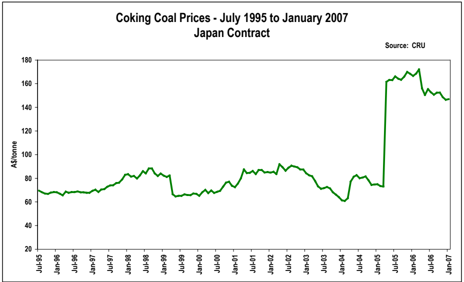
Potential/Upcoming

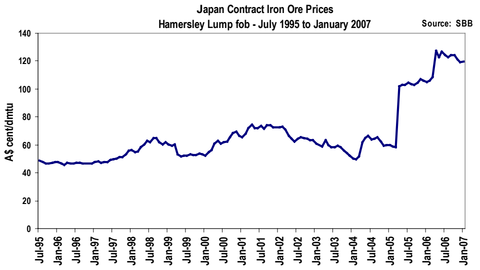
- Gorgon LNG – Chevron/Texaco, NW Shelf, WA (comes into Australia at Karratha)
- Alcoa Wagerup Stage III, WA
- Convention Centre, Melbourne CBD, VIC
- Gladstone Nickel Project, Yarwun, QLD
- Natural Fuels Australia – Bio Processing Plant, East Arm, NT
- ADO Air Warfare Destroyers, Adelaide, SA
- Westfield Liverpool, NSW
- Sydney International Car Park, Sydney, NSW
- Vopak Botany Terminal, Sydney, NSW
- BHP Billiton Olympic Dam Expansion, SA
- Rio Tinto Hope Downs Development, WA
- Linfox Warehouse, WA
- Oxiana Prominent Hill Development North SA
- Worsley Alumina Refinery Upgrade, Worsley, WA
- Comalco Refinery (Phase 2), Gladstone, QLD
- Tyco, Water Pipe Racks, WA
- Worsley Alumina DCP Expansion, Collie, WA
- McArthur Coal, Fitzroy, QLD
- Goonyella Broadside Coal Mine Expansion, QLD
- Swanbank Paper, QLD
- Dalrymple Bay Coal Terminal, Dalrymple, QLD
- Gateway Bridge Upgrade, Brisbane, QLD
- Westfield Centrepoint, Sydney, NSW
- BLL Headquarters, Melbourne, VIC
- Water Front City, Melbourne, VIC
- Worsley Alumina LNG Plant, Dampier WA
- BHP Billiton RGP4, WA
- Dawson South Stage Two Project, Theodore QLD
- Seqwater Recycled Water Scheme, Bundamba QLD
- Seqwater Recycled Water Scheme East Pipeline, Brisbane QLD

Long Products Raw Material Inputs









Market Drivers – International Traded Prices*

Raw Material/Input International Traded Prices*	Jul-Dec 2006	Jul-Dec 2005
A$ Scrap prices* - average in the 6m period	$363 (range $347-$373)	Up from $317
A$ HRC prices* – average in the 6m period	$653 (range $592-$764)	Up from $564
US$ Coking coal – contract price	$115	Down from $125
Revenue Drivers International Traded Prices*		
US$ Iron ore – contract price (Hamersley lump, export FOB, US cent/dmtu)	93.74	Up from 78.77
Iron ore – spot price* – average in 6m period (India into China, $/t, cif, fines 63.5% Fe)	A$97.1 US$74.2	Up from A$90.6 Up from $68.2
Long products international prices*	Average price up over A$50 from pcp	

* Prices quoted are traded international prices, and are not OneSteel's realised prices.

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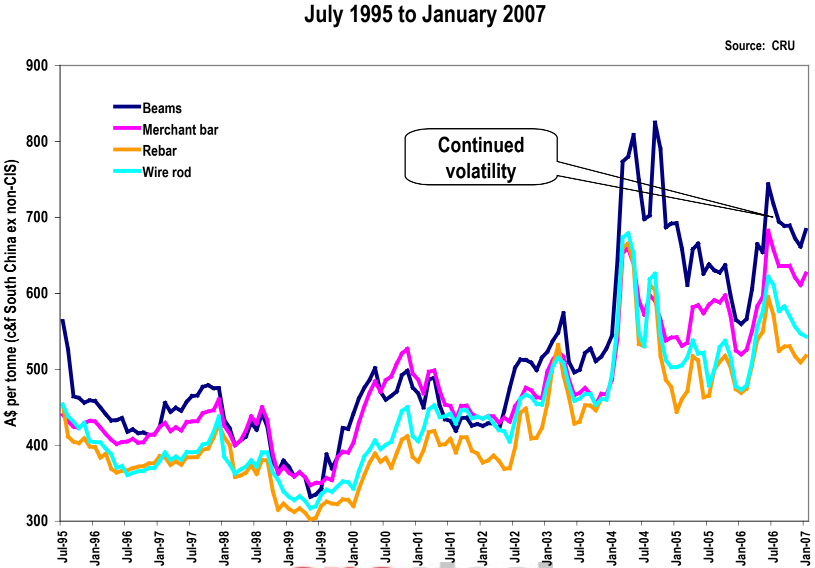
International Long Products Prices



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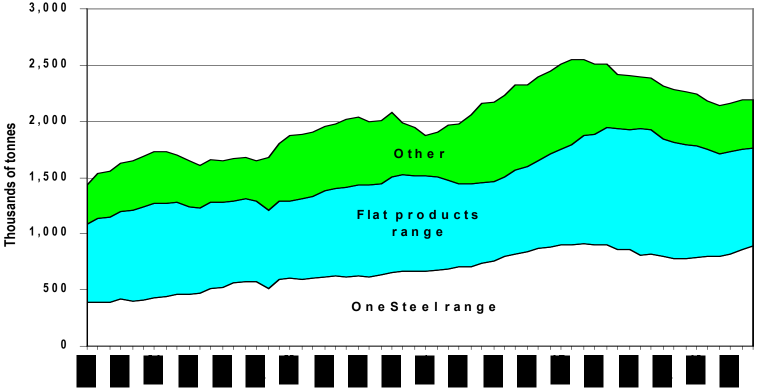
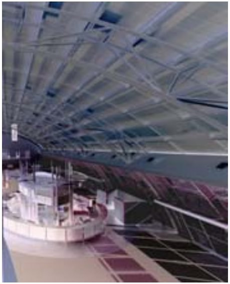
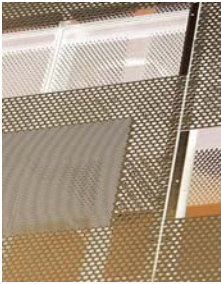
Imports into Australia

Steel Imports into Australia
January 2002 to December 2006



Source: ABS and OneSteel data, 12-month moving average
The data include approximately 90,000 tonnes of OneSteel imports of finished and semi-finished product associated with production disruptions at the Whyalla Steelworks blast furnace in the latter part of 2004 calendar year.



Interim Results
20 February 2007

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