OneSteel Limited

2008 Annual General Meeting

17 November 2008

Mr Peter Smedley
AGM Address

Mr Geoff Plummer
AGM Managing Director & CEO Presentation

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Mr Peter Smedley
Chairman

OneSteel Limited AGM Address
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INTRODUCTION

This afternoon I would like to review the company's financial results and activities of the 2008 financial year. I will then introduce OneSteel's Managing Director and Chief Executive Officer, Mr Geoff Plummer, who will make some additional comments on the company's financial performance for the 2008 financial year as well as provide an update on OneSteel's two major growth initiatives, Project Magnet and the integration of Smorgon Steel. Mr Plummer will also comment on the outlook for the current financial year.

I have pleasure in reporting that the 2008 financial year represents OneSteel's seventh consecutive year of profit improvement, reflecting strong operational performance and the inclusion of the Smorgon Steel businesses from 20 August 2007. It was a year of transformation for your company. In the 2008 financial year, OneSteel became a stronger, more diversified and sustainable materials, steel manufacturing and distribution business.

The 2008 financial year was marked by a number of significant achievements for the company including completion of the company's merger of Smorgon Steel and the conversion of the Whyalla steelworks to magnetite ore feed under Project Magnet.

The Smorgon Steel merger was completed during the year and integration is progressing well, resulting in synergy benefits well ahead of expectations. The merger has resulted in a stronger, more flexible company with enhanced growth opportunities and a greater product and service offer to customers. The competitive benefits of the fully integrated business model are expected to continue to improve OneSteel's costs as well as present further opportunities to diversify revenue streams.

In May 2005, OneSteel announced details of Project Magnet, the commercialisation of OneSteel's magnetite ore reserves for producing steel and the sale of hematite ore to global markets. After five years and approximately $400 million invested, our efforts on Project Magnet have resulted in significant increases in iron ore available for export and steelmaking at the Whyalla steelworks.

In February this year, OneSteel announced that work was underway to further increase iron ore sales above 4 million tonnes per annum and to identify and prove up increased iron ore reserves, under Project Magnet phase 2.

The first stream of this new work is aimed at lifting sales of iron ore through improving operational and supply chain capability, including the review of operations from mining to barging. OneSteel's efforts to date are expected to increase iron ore sales to 6 million tonnes per annum from the start of the 2010 financial year.

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The second stream of work is a two–year program and includes updating OneSteel's mine plans, mine extension drilling and exploration work to increase hematite ore reserves to support increased sales levels.

In a moment, I will hand over to OneSteel's Managing Director and CEO, Mr Geoff Plummer who will provide further detail on both initiatives. But first, I'd like to review our performance during the year in more detail.

The 2008 financial year in review

The 2008 financial year was marked by unprecedented increases in international steel prices, steel raw materials prices and ferrous scrap prices due to very strong demand from both international and domestic markets.

In Australia, resources and heavy construction, particularly in the engineering and infrastructure sectors, remained very strong. Manufacturing, residential and agricultural activity remained weak.

The results for the year include the pre–existing OneSteel businesses for 12 months and the Smorgon Steel businesses from 20 August 2007.

Sales revenue for the 12 months to 30 June 2008 grew by 73% to $7,434.3 million, reflecting the inclusion of the former Smorgon Steel businesses and a very solid performance across all segments.

Operating earnings before interest, tax, depreciation and amortisation (EBITDA) was up 85% to $807.7 million.

The sales margin, based on operating earnings before interest and tax, was 8.2% compared with 7.9% in the previous financial year.

Operating net profit after tax and minorities increased 59% to $315 million from $197.5 million in the previous financial year, equivalent to 36 cents per share, up from 34.5 cents per share at the end of June 2007. Statutory net profit after tax and minorities was $244.9 million, an increase of 18% on the previous year, reflecting the contribution of the acquired Smorgon Steel businesses and associated restructuring costs.

The effective tax rate of 28.2% for the year incorporates the impact of claimable research and development expenditure of the combined OneSteel and Smorgon Steel businesses.

Operating cash flow was $350.8 million, up from $276.5 million the previous year.

Capital and investment expenditure, excluding the Smorgon Steel and Fagersta acquisitions, decreased from $360.5 million for the previous financial year to $311.1 million for the period ended 30 June 2008.

Financial gearing including derivatives was 37.6%, up from 33.5% in the previous financial year, largely due to increased debt associated with the merger of Smorgon Steel businesses and the inflationary impact of the volatile international steel market on working capital. Net debt excluding derivatives increased from $769.8 million to $1,947.2 million.

Interest cover was 3.8 compared to 6.1 for the previous financial year.

Funds employed increased 122% to $5,497.3 million from $2,481.1 million in the previous financial year, reflecting the inclusion of the Smorgon Steel businesses. The EBIT return on funds employed rose to 15.2%, from 14.6% in the previous year.

Inventories increased 55% to $1,298.9 million, from $836.3 million at 30 June 2007, due largely to the inclusion of the Smorgon Steel businesses and the impact of significant increases in steel prices, raw materials prices and ferrous and non–ferrous scrap prices.

Total raw steel production increased 48% while Australian steel tonnes despatched increased 60%.

Staffing levels rose to 11,678 at the end of June 2008, up from 7,526 the previous year, again reflecting the inclusion of the Smorgon Steel businesses in the period.

At OneSteel, safety is a core value. Despite our commitment and efforts to ensuring a healthy and safe employment environment, we regretfully experienced two fatalities in the year. We undertook extensive investigations in both instances and identified areas for improvement to prevent any tragic reoccurrence. Our thoughts remain with the families of those involved.

During the past year, the company added further rigour to its comprehensive occupational health and safety program with a focus on safety structure and leadership, risk management and employee involvement, which is integral in developing a safety culture.

I would like to briefly touch on the federal government's proposed introduction of its carbon pollution reduction scheme because it is a very important matter facing the company. While acknowledging the government's objective in proposing the scheme, we are concerned that the policy framework as currently proposed risks imposing substantial new costs on the Australian iron and steel industry that are not faced by our major international competitors. As an industry with a large proportion or our green house gas emissions fixed according to the volume of production, because of technical limits, the introduction of the scheme is a key public policy issue currently facing OneSteel and the industry.

We have been, and continue to be, actively involved in the government's consultative process on its proposed scheme, as well as engage with state governments and other stakeholders on this very important matter.

On behalf of the board, it was our pleasure to be able to declare a final dividend of 13.5 cents for the financial year, bringing the 2008 financial year dividend to 21.5 cents, an increase of 16% on the previous year.

The 2009 financial year to date

The 2009 financial year is unfolding into quite a different period from the previous financial year. Global financial markets are in a state of shock and uncertainty and economies around the world are slowing. Australia is not likely to escape from the global problems unscathed with the Federal Government predicting that economic growth will also slow here.

As a result of the changing financial and economic environment, OneSteel withdrew its offer for the remaining shares in Steel & Tube Holdings Limited (New Zealand) in October. Your board and management felt it prudent not to proceed with the bid due to the increasing volatility in equity markets and the impact the global financial problems may ultimately have on the New Zealand economy.

OneSteel currently owns 50.3% of the shares in Steel & Tube via its wholly owned subsidiary OneSteel NZ Holdings Limited. We will continue to review our position on acquiring any additional holding in Steel & Tube Holdings Limited (New Zealand).

Your board and management believe the fundamentals for the medium to longer-term outlook remain positive for OneSteel although recent global events have resulted in uncertainty for the near term. Despite this uncertainty, your board and management remain on track to achieve net cost synergies of $60 million for this financial year, and be at a rate of $100 million by the start of the 2010 financial year from the integration of the former Smorgon Steel business.

Additionally, your board is pleased with the current work underway on Project Magnet phase 2, and subject to market conditions, we expect to reach our stated target of 5 million tonnes of iron ore in the current financial year and a run rate of 6 million tonnes at the beginning of the next financial year.

OneSteel's Managing Director and CEO, Mr Geoff Plummer will comment further on the outlook for the current year in a moment.

Management's focus for the remainder of this financial year is to maximise returns from the current businesses, to continue to effectively integrate the former Smorgon Steel businesses and deliver on our promise of further cost synergies as I mentioned previously and continue the successful roll–out of Project Magnet phase 2. Ultimately, the focus of OneSteel's executive management team is to continue to grow and diversify returns and build OneSteel's organisational capability.

On behalf of the entire board of directors before you, I would like to thank all of OneSteel's shareholders for their ongoing support. I would also like to thank OneSteel's Managing Director and CEO, Geoff Plummer, the executive management team and all of OneSteel's employees for their dedication in servicing our clients and customers.

Thank you ladies and gentleman. Please welcome OneSteel's Managing Director and CEO, Mr Geoff Plummer.

Annual General Meeting

Geoff Plummer, Managing Director & CEO

17 November 2008

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Thank you Peter.

Good afternoon Ladies and Gentlemen and welcome to OneSteel's 2008 Annual General Meeting.

I'd like to thank you all for coming along this afternoon.

As you heard from the Chairman, OneSteel delivered a very solid result for the 12 month period ending 30 June 2008. I would first like to start by briefly revisiting this result and then I will provide an update on OneSteel's two significant growth initiatives, the integration of the former Smorgon Steel business and Project Magnet.

And finally, I will conclude with some comments on the outlook for this financial year.

FY08 results overview

- FY08 results incorporate the Smorgon Steel businesses from 20 Aug 2007
- EBITDA $767 million (market guidance $710 - $780 million) before restructuring costs ($77 million) and synergy benefits ($41 million)
  - First half adversely affected by trading environment
  - Much stronger second half performance
- Net operating profit after tax of $315 million, up 59%
- Statutory net profit after tax $244.9 million, up 18% (includes restructuring costs and asset impairment)
- Operating cash flow of $351 million
- Gearing remains in target range after the Smorgon Steel merger
- Final dividend of 13.5 cents - full-year dividend 21.5 cents, up from 18.5 cents at FY07

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Turning to the results overview, as the Chairman mentioned, the company delivered a solid performance in the year, despite unprecedented conditions for international steel prices, steel raw materials and scrap prices.

I would like to highlight that the results for the 2008 financial year included the Smorgon Steel businesses from 20 August 2007, the date of the merger between Smorgon Steel and OneSteel.

Other key points about the result include a stronger second half performance which helped lift EBITDA, before restructuring costs and synergy benefits, to $767 million. This was at the upper end of guidance provided to the market this time last year.

Restructuring costs for the year were $77 million and synergy benefits were $41 million.

Net operating profit after tax increased 59% to $315 million, excluding restructuring costs and asset impairment of $70 million.

Net statutory profit after tax was up 18% to $245 million.

We continued to make good progress on Project Magnet during the year, and reached new milestones with external iron ore sales of 4.4 million tonnes, above our targeted 4.0 million tonnes of external iron ore sales. We were also successful in transitioning the Whyalla Steelworks from hematite to magnetite iron ore feed.

Integration of the the Smorgon Steel businesses has progressed well and we are ahead of our plan in terms of synergy benefits.

The company also continued to generate solid cash outcomes with $351 million operating cashflow during the year, and our gearing remained in the target range even after the Smorgon Steel merger.

And finally, you would be aware that the Board declared a final dividend of 13.5c, bringing the total dividend for the year to 21.5 cents per share, an increase of 16% on the previous year.

FY08 operational overview

- First half margins and results impacted by significant over-hang of imports
- Dramatic increase in input costs and steel prices in second half
- Integrated business model performing well in volatile domestic and international market
  - Downstream businesses – strong focus on price increases to recover costs
  - Self-sufficient in iron ore and partially sufficient in scrap metal
  - Recycling business provides partial hedge in period of dramatic change
- Cash adversely effected by increase in working capital due to higher input costs and prices
- Sales margin increased from 7.9% to 8.2%
- At or near record steel production at Sydney and Laverton electric arc furnaces
  - Total raw steel production 2,559,422 tonnes
- Iron ore shipments of 4.4 million tonnes and 0.5 million tonnes of ore by-products
- Recycled metal sales of 1,865,141 tonnes

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Looking at the company's performance in more detail, the 2008 financial year was a year of two halves and it is fair to say the first half results were somewhat disappointing with $288 million EBITDA for the first six months of last year.

There were a set of factors which impacted the first half result which were one off, but particularly related to the impact of imports and the domestic environment. As predicted at last year's AGM, the company's performance recovered strongly in the second half despite significant volatility in input costs where costs of steel making inputs doubled resulting in significant increases in international steel prices.

Throughout this period, we introduced a number of initiatives in the business which focussed on recovering cost increases as a result of rising input costs. Significant effort was also made to assist our customers in understanding the underlying market drivers creating volatility and the implications for their businesses.

Also during this period of volatility, OneSteel benefitted from our integrated business model. Our self – sufficiency in iron ore and scrap and strong focus downstream into end market businesses facilitated efficient cost recovery. The recycling business provided a partial offset in enabling the company to maintain margins despite significant increases in scrap prices.

The company's cash position was impacted by the significant inflationary impact in working capital. I am confident, however, that this has been a good investment in terms of maintaining our customer service levels and looking after our customer base as costs and prices rose dramatically. We made some progress in restoring the sales margin in the year, particularly in the second half. Management viewed the improvement positively as a reflection of our ability to recover costs, but it also reflected the net synergy benefits from the Smorgon Steel merger and efforts on Project Magnet starting to flow through late in the second half.

It was a good year operationally in terms of production. We held production back through the blast furnace at Whyalla while we converted to magnetite based pellet feed as part of Project Magnet, and maintained overall production at or close to record levels for the year from the electric arc furnaces in New South Wales and Victoria. I indicated earlier we were pleased with the level of external iron ore sales and we also saw record volumes in the recycling business.

FY08 market conditions

First half FY08

- Volatile international and domestic environment for steel during the year
- Dramatic change in conditions between first and second halves
- First half FY08 – domestic steel market
  - High level of imports
    - Rapidly increasing currency
    - Speculative buying of imports ahead of the merger and Chinese tax changes
    - Significant overstocking throughout the channel
  - Price Suppression
    - Focus on customer and sales retention
    - Delays in increased raw material costs flowing through to import prices

I have made some comment on the market conditions during the year but would like to take a moment to discuss this in further detail.

As I mentioned, our performance during the 2008 financial year was delivered against a backdrop of volatile global markets and increased competition as well as unprecedented price rises in steel and steelmaking input costs.

However, it was a year in which market conditions for each half were materially different.

In the first half, activity levels were strong but sales and margins were adversely impacted by some specific factors, including a high level of imports that resulted from a steep rise in the Australian dollar, and from speculative buying ahead of the merger with Smorgon Steel in anticipation we would give up some of our customer base. There was also speculative buying of imports ahead of Chinese tax changes.

Prices in the first half were also adversely affected, due to management’s focus on customer retention – which proved later to be a good investment, and from delays in increased raw material costs flowing through to import prices.

FY08 market conditions

Second half FY08

- Unprecedented run up in international steel raw materials and prices
  - Very strong demand internationally
  - Dramatic increases in raw material costs, ferrous and non-ferrous scrap and steel prices
    - Coking coal up over 200%, iron ore up over 80%, scrap doubled
  - Customers seeking to pull forward purchases internationally and domestically
  - OneSteel domestic sales volumes increased significantly
  - In some products, demand management procedures introduced domestically to maintain service levels
  - Strong focus on working with affected customers
  - OneSteel ramped up production and in some instances supplemented supply by sourcing offshore to meet demand

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The second half of the 2008 financial year was unprecedented with dramatic increases in costs and prices across the steel making input range and in international steel prices.

We saw contract coking coal prices rise from US$100 to US$300 during the period. Contract iron ore prices increased on average approximately 80% over the same time. Scrap prices rose from approximately US$350 to more than US$750 and alloys also more than doubled, ultimately driving international steel prices to never before seen levels.

A key point I made to the market at the time we released our results in August was that while input costs rose significantly, internationally steel prices increased equally or ahead of that rate reflecting strong underpinning demand for the steel products.

During this period we worked very closely with our customer base to support their businesses while also protecting our margin. The world was changing dramatically, which presented a significant challenge for our customers, but supporting them through rapid change was something we felt was important for both us and our customers.

Also in the second half we focussed on ramping up production and improving our supply chain, to enable a broader operational footprint, and improve our supply performance which resulted in a number of significant benefits across the business. Supply in the markets was tight in the period as a result of strong demand and supply shortages from importers, and customers turned to domestic suppliers to fill those gaps. We worked very closely with our customers to try and fill those gaps and show that there is significant value in having a local supplier that will stand by them.

Company overview

Smorgon Steel Merger

- Good progress on integration of the Smorgon Steel businesses
  - Year 1 synergy benefits $41 million. Restructuring costs $77 million
  - On track to meet estimated net cost synergies of $60 million for FY09 (benefits $80 million less costs of $20 million). Increasing to a run rate of $100 million at start of FY10
  - Corporate synergies achieved early and achieved good level of customer support and minimal loss of sales
  - Increased facilities footprint enabled improved supply response
  - Major reconfigurations complete resulting in significant cost reductions through closure of some facilities
  - Upgrade of Waratah plant facilities and investment in ferrous shredder in Tampa, Florida (USA)
  - Integrated business model beneficial in volatile domestic and international market
    - Downstream positions facilitated price increases to recover costs
    - Self sufficient in iron ore and partially sufficient in scrap metal
    - Recycling business provides partial hedge in period of dramatic change

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I would now like to focus on our progress integrating the former Smorgon Steel business. Earlier I highlighted this year's result reflected only a part year inclusion for the former Smorgon Steel businesses, but clearly in terms of the financials it is a major factor in the movement in numbers year on year.

We'd indicated when we acquired the former Smorgon Steel business that out first year target was $25 million of synergy benefits. We finished the year with $41 million in synergy benefits, in line with the guidance we gave in February. Restructuring costs for the year were $77 million.

Importantly, we have indicated that we expect synergy benefits to be at the rate of $80 million with $20 million costs for the current year, or net synergies of $60 million and we are on track to achieve this for the 2009 financial year. These synergies continue to be above the run rate announced at the time of acquisition when we indicated $50 million of benefits and a further $35 million of costs in the second year. So we are tracking well ahead in terms of the level and rate of synergies.

Our success on this front was achieved through corporate synergies and major facilities rationalisations during the year. Further rationalisation will take effect early next calendar year. We have provided the market with a clear view of where we expect to be at by the start of the next financial year with cost synergies at a run rate of $100 million, well ahead of the initial target.

Also very important to management in the rationalisation process has been ensuring that we minimise revenue losses around market and customer retention. We have been pleased with our achievements on this front because it has been a very major focus of the business. Retaining key personnel has also been critical and again we are pleased with how we've gone in relation to employee retention.

We also proceeded with some significant investments during the year including the ferrous shredder in Tampa, Florida, the rail upgrade in Comsteel, and the investment in Lightsteel Technologies™ in the United States.

All in all we are making significant progress in taking these businesses forward while also continuing to focus on the rationalisation opportunities and maximising synergy benefits.

Company overview

Project Magnet

- Project Magnet is the commercialisation of OneSteel's magnetite ore reserves for producing steel and the sale of hematite ore reserves to global markets that adds significant value to OneSteel
- Exceeded external iron ore sales target
  - FY08 ~ 4.4m tonnes lump and fines (4.0mt originally targeted)
    ~ 500k tonnes ore by-products
  - FY 2007 ~ 2.8m tonnes ore (2.5mt originally targeted)
    ~ 266k tonnes ore by-products
  - FY2006 ~ 1.700kt iron ore lump and fines (1.5mt originally targeted)
    ~ 300kt ore by-products
- Transition of the pellet plant to magnetite ore feed December 2007
- Blast furnace cutover to magnetite-based pellets effectively complete February 2008
- In February 2008, we announced Project Magnet Phase 2 to identify and prove up increased iron ore reserves and to increase iron ore sales above 4.0 million tonnes pa
- Total capital expenditure of $402 million over 5 years to June 2008

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Turning to Project Magnet, I'm pleased to report the company delivered better than expected results on iron ore sales with 4.4 million tonnes sold during the year, well above our initial target of 4 million tonnes for the year.

We also achieved a number of significant milestones including the transition of the pellet plant to magnetite ore feed in December 2007. The transition of the blast furnace to the new magnetite based pellets was effectively completed by February this year.

In February we announced details of Project Magnet Phase 2 which addresses how we can sell more iron ore and identifies the reserves and resources to support our efforts on this front. Our capital expenditure on Project Magnet was $402 million. Initial work on Project Magnet Phase 2 requires minimal capital.

Company overview

Project Magnet Phase 2

- In February 2008, the company announced work was underway to further increase iron ore sales above 4 million tonnes per annum (Stream 1) and identify and prove up increased iron ore reserves (Stream 2)
  - Stream 1 is aimed at lifting sales through improving operational and supply chain capability and reviewing all operational and supply chain aspects including mining, handling, crushing and screening, rail, warehousing and barging
  - Stream 2 involves three phases of work including optimising existing mine plans, extending existing mines following further geological work/drilling and exploring additional hematite targets on the exploration lease
  - Focus over the next two years is on ferrous reserves and resources, but as opportunity allows, the company will develop and progress non-ferrous exploration programs
- OneSteel expects sales of 5m tonnes per annum of hematite ore in the 2009 financial year as a result of work underway on Project Magnet Phase 2. OneSteel also expects to achieve the capacity to sell 6m tonnes per annum by start of the 2010 financial year

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I'd now like to discuss Project Magnet Phase 2 in a little more detail. Put simply, we are developing the ability to sell more iron ore, and are establishing the reserves and resources to support the increased sales.

In February we said that we were confident we could deliver four million tonnes in the 2008 financial year, and were therefore starting work on other opportunities. Put simply, Project Magnet Phase 2 has two streams of work. The first stream has the objective of increasing our capacity to mine and ship iron ore. The second stream of work is aimed at increasing our iron ore reserves to support increased sales volumes.

We have made good progress already on both streams of work in Project Magnet Phase 2, and are confident we can increase our sales capacity. We are also confident we can increase our reserves to support an increase in sales.

Company overview

Project Magnet Phase 2 - update

- Stream 1
  - The Optimisation work which focussed on supply chain analysis to identify potential operational improvement opportunities is substantially complete
  - Quick capital opportunities identified and substantially complete – minimal capex required
  - Substantive change / investment - commenced
- Stream 2
  - Initial mine planning changes (new plan and update of plan) – first phase hematite work complete. Magnetite work to be progressed
  - Mine extension work - resources (drills and specialist staff) progressively added
  - Exploration work - initially a 2 year program

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So where are we at today?

In relation to Stream 1, our work on supply chain analysis to identify potential operational improvement opportunities is substantially complete. Quick capital opportunities have been identified and, as I've mentioned, minimal capex is required.

As a result of this work we have announced that with minimal capital we can increase our sales capacity to 5 million tonnes this financial year, and to 6 million tonnes by the start of the next financial year.

Additionally, work is currently under way to see what further increases in capacity may be possible and what the costs, benefits and timeframe of the options are. We will provide updates on this work as decisions are made.

In relation to Stream 2, the initial mine planning changes for hematite is complete and further work is underway to add to our reserves and resources through extension drilling and exploration. This work is initially a 2 year program. Additional resources of equipment and drills and specialist staff are being added to enable this work to be progressed. We are confident that this work will add sufficient reserves to support the increased sales capacity.

Summary

- Smorgon Steel businesses included from 20 August 2007 and delivered ahead of plan on net synergy benefits
- Good performance at EBITDA line
  - First half adversely affected by trading conditions
  - Much stronger second half
- Cash flow and ratios acceptable, working capital increased due to inflationary impacts
- Integration of former Smorgon Steel businesses progressing well – net synergy benefits accelerated
- Project Magnet delivering significant benefits. Phase 2 announced in February and delivering early benefits
  - We are aiming for iron ore sales of 5 million tonnes per annum in FY09
  - We expect to achieve capacity of 6 million tonnes per annum by start of FY10

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In summary, it was a year of solid performance despite volatile markets and unprecedented rises in steel, steel making raw materials and scrap prices. The result for the year included the Smorgon Steel businesses from 20 August 2007 and reflected restructuring costs and impairment of plant and equipment incurred ahead of receiving the associated synergy benefits.

We were ahead of plan on net synergies benefits from the merger of Smorgon Steel and expect to achieve net synergy benefits of $60 million for the year ending 30 June 2009. We also made good progress on Project Magnet with external iron ore sales of 4.4 million tonnes, well ahead of the 4 million target.

Further plans were announced, in the form of Project Magnet Phase 2, to increase iron ore sales to 5 million tonnes in the 2009 financial year and to increase our capacity to a run rate of 6 million tonnes by the start of 2010 financial year.

Outlook

Strategic priorities for FY09

- Implementing ‘back to basics’ initiatives to ensure we are well positioned for the impact of weaker global economic and financial conditions
- Improving returns from existing businesses
- Focussing on cash generation
- Realising full benefits from Project Magnet
- Pursuing opportunities with Project Magnet Phase 2
- Continuing to effectively integrate the former Smorgon Steel businesses
- Growing and diversifying earnings
- Building organisational capability

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Before turning to the outlook I think it is appropriate to quickly review managements priorities for the current year.

Firstly, given the deterioration in global economic and financial conditions, as mentioned by the Chairman, we are implementing “back to basics” initiatives to ensure we are well placed to address the challenges that may lie ahead.

Secondly, our aim is to continue to improve returns from our existing businesses.

Thirdly, we will continue to focus on solid cash generation from the business.

We also aim to realise the full benefits from Project Magnet and continue to pursue opportunities with Project Magnet Phase 2.

We will continue to effectively integrate the former Smorgon Steel businesses and deliver on the expected net synergies of $60 million for the 2009 financial year.

And, we’ve made good strides over the last few years on growing and diversifying earnings and building our organisational capability and will maintain this focus for the remainder of this year and into the future.

Outlook

Short-term

- Global financial and economic conditions have changed significantly since announcement of our FY08 result in August
- Overall operating performance for the 4 months to end of October has been solid
- International prices for iron ore, scrap and steel have fallen significantly in recent months
    - Most immediate impact is in Materials segment due to exposure to international market conditions
        - Reduced volumes and lower prices in recycling business impacting margins and stock values
        - Lower iron ore prices, but to-date overall volume targets maintained
            - Some risk of meeting FY09 target of 5mt unless recovery in market conditions in 2nd half

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Turning firstly to the short-term outlook, as mentioned, there has been a significant change in global financial and economic conditions since we announced our full year results in August. To the end of October, our overall business performance has been solid and we have not seen a significant impact from the change in global conditions other than in our Materials segment. International prices for iron ore, scrap and steel have fallen significantly in recent months and this has had the most immediate impact in our Materials segment due to its level of exposure to international market conditions. In our recycling business, both prices and volumes have fallen substantially below where they were at the time of our August results announcement. In our iron ore business, weaker demand from China has resulted in iron ore prices also falling substantially. To date, we have been successful in maintaining our overall volume targets for iron ore sales, but there is some risk of achieving our target sales of 5 million tonnes for FY09 unless demand conditions recover in the second half. The Chinese government announced last week a massive stimulus package for its economy, which is encouraging for the prospect of improved demand for iron ore, however how quickly this occurs is uncertain at this time.

Outlook

Short-term (cont.)

- The extent activity is suppressed is not expected to be clearer until there is greater clarity in the international and national response to the deterioration in global financial and economic conditions
- Australian domestic market has held up reasonably well, but lack of credit and reduced confidence is starting to suppress domestic activity
- In anticipation of a more challenging balance of FY09, we are implementing a number of initiatives including: increased focus on cash, working capital, cost control and adjusting production to reflect reduced demand

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We expect activity levels will be weaker for the remainder of this fiscal year, but don't expect to have a clearer picture on the extent of the weakness until there is greater clarity in the international and national response to the deterioration in global financial and economic conditions.

Australian domestic conditions have held up reasonably well so far, but we are now starting to see some softening in demand due to a lack of credit availability, and reduced confidence levels and activity in some markets.

In anticipation of what will be a more challenging second half, we are implementing a number of initiatives to ensure we are well placed to face the global challenges ahead, including increasing our focus on cash, working capital and cost control, as well as focussing on adjusting production to reflect reduced demand.

Outlook

Medium to longer-term

The fundamentals for continued strength in our key market segments remain sound

- International prices for steel and steelmaking inputs are expected to remain volatile. Despite prices falling from well below their peaks of a few months ago, they are expected to be above historical standards over the medium to longer-term
- The fundamentals for continued strong demand for steel and steel making inputs that underpin these higher prices are expected to exist in the medium to longer-term

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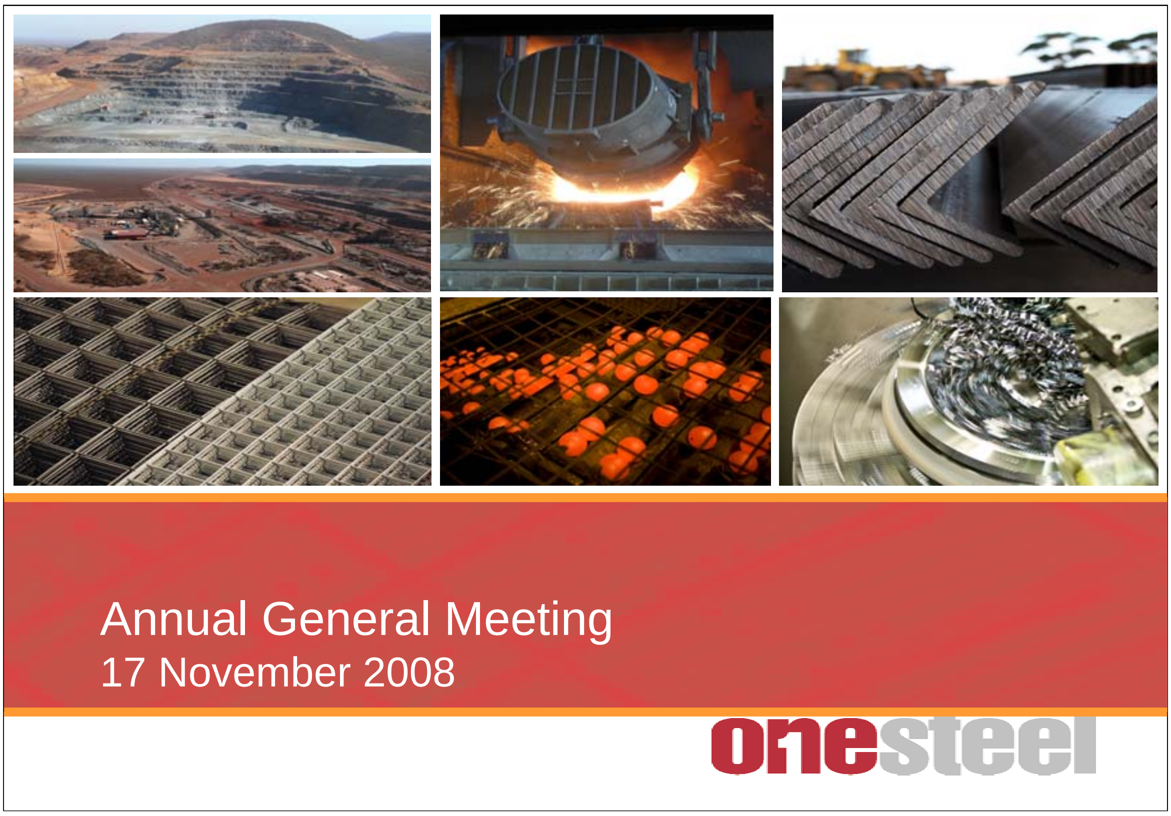
Turning to the medium to longer-term outlook, the fundamentals for continued strength in our key market segments remain sound. We expect international prices for steel and steelmaking inputs to remain volatile, and despite prices falling well below their peaks of a few months ago, we believe they are likely to be above historical standards over the medium to longer-term. We also believe the fundamentals for continued strong demand for steel and steel making inputs that underpin these higher prices will continue to exist in the medium to longer-term.



Once again I'd like to thank you for your time today and your ongoing support.

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

I also extend my thanks to the Board for their support during the year.

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

I will now hand back to the Chairman.