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ONESTEEL LIMITED

ABN 63 004 410 833
OneSteel was listed on the Australian Stock Exchange on 23 October 2000.

Cover picture

OneSteel Employees (clockwise from top left): Ly Cong Quach, Reinhard Piel, John Borham, Ana Guerrero, Richard Ledington, Lee Hunter, Wayne Phillips, David Ellis, (and centre) Craig Watson

AT ONESTEEL WE UNDERSTAND THE IMPORTANCE FOR OUR BUSINESS TO BE PROFITABLE FOR OUR SHAREHOLDERS TODAY AND FOR OUR PERFORMANCE AND GROWTH TO BE SUSTAINABLE AS A LONG-TERM INVESTMENT FOR THE FUTURE. WITH THIS STRATEGY IN MIND ONESTEEL HAS INVESTED IN TWO MAJOR PROJECTS IN THE 2004 CALENDAR YEAR, THE FIRST OF WHICH IS THE RELINE OF THE WHYALLA BLAST FURNACE, WHICH WILL ENSURE THE CONTINUED LONGEVITY OF THE OPERATION FOR A FURTHER 20 YEARS. THE SECOND PROJECT IS THE APPROXIMATELY $250 MILLION INVESTMENT FOR DEVELOPING MAGNETITE IRON ORE AS A VIABLE NEW RESOURCE TO UNDERWRITE THE WHYALLA OPERATION TO AT LEAST 2027.

Gregory Fairhall looks after quality assurance at the Newcastle Bar Mill. He has been with OneSteel for over 30 years and at the Bar Mill for over 10 years. He is a Newcastle Knights supporter in the National Rugby League competition. His most memorable moment was standing on an observation point in the Austrian Alps in brilliant sunshine with not a breath of wind anywhere, looking out at mountain peaks protruding though a cloud bank, knowing that below the cloud bank the weather was cold, wet, windy and miserable.

HIGHLIGHTS

- **Third consecutive year of improving net profit after tax**
- **Dividend of 12.0 cents per share, up from 11.0 cents**
- **Continued strong gains in OneSteel share price**
- **Double-digit earnings per share growth**
- **Realigned the business to counter extremely dynamic foreign exchange and steel markets**

OUR VISION

To be the safest and most profitable manufacturer and distributor of steel and other industrial products in Australasia focused on delivering value to shareholders, customers and employees.

WHAT WE DO

OneSteel is a vertically-integrated mining, steel manufacturing, and steel and metals products distribution company.

We manufacture structural steel, pipe and tube, rails, reinforcing steel, rod, bar and wire.

OneSteel is primarily focused on the Australasian market, employing over 7,000 people across major cities and regional areas of Australia and New Zealand.

We have in excess of 30,000 customers ranging from large construction companies to automobile component suppliers through to small farm owners.

We are the largest steel long products producer in Australia and we hold leading market positions in each of our key product segments.

OneSteel has approximately 100,000 shareholders, primarily residing in Australia, but with many from around the world.

WHAT'S NEW IN THIS REPORT

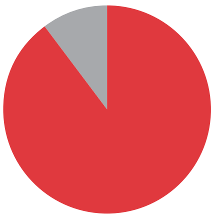
- Finance and Risk Management section – Pages 10 and 11
- Expanded Key Business Drivers section – Pages 12 through to 15

FINANCIAL HIGHLIGHTS

Revenue by Source

- Non–Residential Construction 26%
- Engineering Construction 21%
- Residential Construction 15%
- Other Manufacturing 12%
- Mining 11%
- Agricultural 6%
- Automotive 5%
- Export and Other 4%

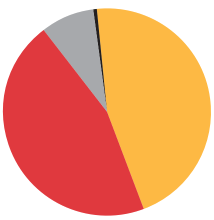
Revenue by Markets



- Australia $3,042.5 million
- International $340.3 million

Inter-Segment $(43.5) million

Revenue by Segment



- Manufacturing $1,841.9 million
- Distribution Australia $1,835.6 million
- Distribution International $340.3 million
- Corporate $24.0 million

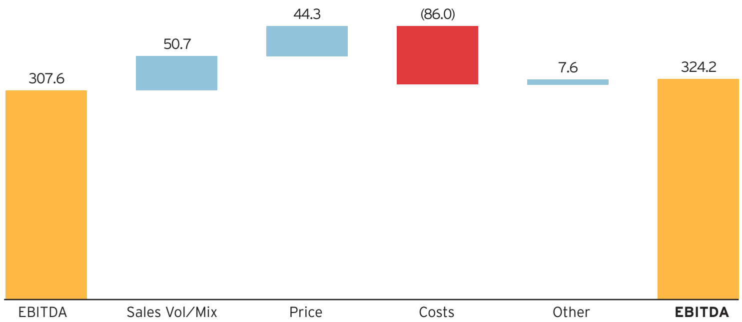
Inter-Segment $(702.5) million

- **Sales revenue increased 6.8% to $3,269.2 million**
- **Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 5.4% to $324.2 million**
- **Earnings before interest, tax and amortisation (EBITA) increased by 7.2% to $237.1 million**
- **Net operating profit after tax and minorities rose to a record $108.1 million**
- **After the tax benefit from entry into tax consolidations, a total net profit after tax of $127.9 million was reported**
- **Earnings per share increased 13.4% to 19.5 cents per share, based on the number of shares at year end**
- **After adjusting for large projects, the underlying domestic price per tonne increased by 2.4%, export prices decreased by 12.6% and the total underlying price per tonne increased by 1.7%**
- **Operating cash flow was $84.9 million, lower than the previous year mainly as a result of $76.1 million in capital expenditure and inventory associated with the reline of the blast furnace and also because of the funding of price increases undertaken in the later part of the year**
- **Safety performance, as measured by medical treatment injury frequency rate, improved 10%, to 14.2 per million man hours worked, the lowest rate ever. However the lost time injury frequency rate rose from 1.7 to 2.6**
- **After adjusting for large projects, underlying tonnes dispatched increased by 5%, with domestic tonnes up 4.3% and export tonnes up 21%**
- **Net debt decreased by $1.2 million to $469.0 million**
- **The net debt to net debt plus equity ratio decreased from 26.8% to 25.5% excluding securitisation (the ratios are 34.3% and 32.8% inclusive of securitisation)**
- **Inventory stock weeks remain under 10 weeks**
- **Staff numbers increased by 3.1% to 7,272 due to minor "bolt-on" acquisitions and volume-related increases**
- **Return on funds employed (based on EBITA) increased to 13.2% from 12.5%**
- **Cost reductions of $50 million and revenue enhancements of $28 million were achieved against inflationary and other cost increases of $71 million**

FIGURE ONE

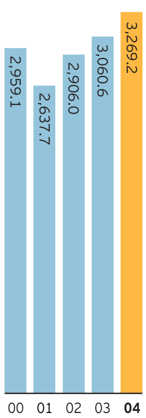
2003/04 EBITDA versus 2002/03 EBITDA

$ millions



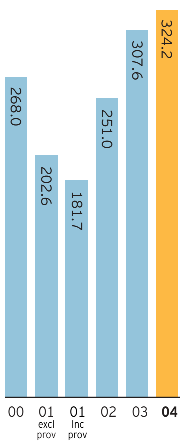
Sales Revenue

$ millions



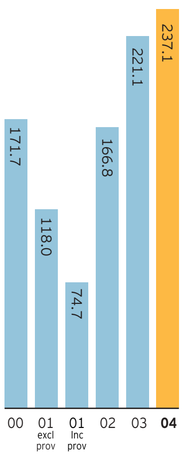
EBITDA*

$ millions



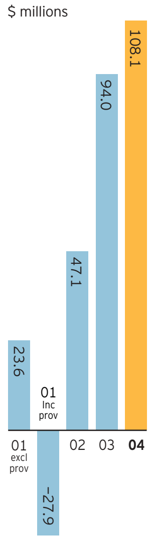
EBITA*

$ millions



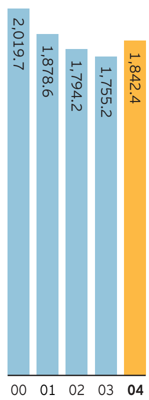
NPAT*

$ millions



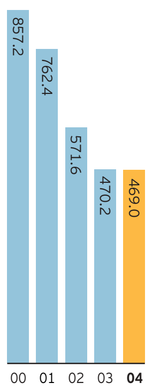
Funds Employed

$ millions



Net Debt

$ millions



* In the EBITDA, EBITA and NPAT graphs, the 2001 numbers are represented both before and after a restructuring charge is taken into account. The restructuring charge refers to the closure of the Brisbane Bar Mill and other items.

Pro-forma numbers are used for 1999/00 and 2000/01 and include the results of all businesses as if the assets and operations of all businesses spun out from BHP were part of the OneSteel Group from 1 July 2000 to 30 June 2001.

KEY FINANCIALS

12 Months Ending 30 June A$ millions	2004	2003	% Change 04/03
Sales Revenue	3,269.2	3,060.6	6.8
Other Revenue	70.1	39.5	77.5
Total Revenue	3,339.3	3,100.1	7.7
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	324.2	307.6	5.4
Earnings Before Interest, Tax and Amortisation (EBITA)	237.1	221.1	7.2
Earnings Before Interest and Tax (EBIT)	216.1	201.3	7.4
Borrowing Costs	42.2	44.5	(5.2)
Profit Before Tax	173.9	156.8	10.9
Tax Expense	53.4	53.3	0.2
Net Operating Profit After Tax and Minorities (NPAT)[(1)]	108.1	94.0	15.0
Cash Flow from Operations	84.9	142.5	(40.4)
Free Cash Flow	43.9	154.9	(71.7)
Total Assets	2,803.2	2,577.0	8.8
Funds Employed	1,842.4	1,755.2	5.0
Liabilities	1,429.8	1,292.0	10.7
Net Debt	469.0	470.2	(0.3)
Capital and Investment Expenditure	151.4	130.9	15.7
Inventories	704.6	591.0	19.2
Employees	7,272	7,054	3.1
Sales per Employee $'000	449.6	433.9	3.6
Net Tangible Asset Backing, $ per share	1.93	1.77	
EBITA Margin on Sales %	7.3	7.2	
EBITA Return on Funds Employed %	13.2	12.5	
Return on Equity %	9.1	8.3	
Gearing (net debt:net debt plus equity) %	25.5	26.8	
Gearing (net debt:net debt plus equity incl securitisation) %	32.8	34.3	
Interest Cover, times	5.1	4.5	
Earnings per Share (cents) – based on no. of shares at year end	19.5	17.2	13.4
Full-year Dividend per Share (cents)	12.0	11.0	
Underlying Market Growth %	3.5	11.8	
Cost Increases	71	68	
Cost Reductions	50	56	
Revenue Enhancements	28	51	
Raw Steel Tonnes Produced	1,618,855	1,624,399	(0.3)
Tonnes Dispatched	2,159,536	2,224,139	(2.9)
Export % of Tonnes Dispatched	4.7	3.8	

[(1)] 2004 NPAT of $108.1 million excludes the one-off tax benefit of $19.8 million from OneSteel's entry into tax consolidation – total profit including this adjustment was $127.9 million

CALENDAR OF SIGNIFICANT EVENTS

JULY 2003
- OneSteel 2003 Safety Excellence Awards

AUGUST 2003
- OneSteel announces net profit after tax and minorities of $94.0 million for 2002/03
- Steel & Tube NZ announces full-year financial results
- OneSteel and Portman Limited announce two-year exclusive agreement whereby Portman will market OneSteel's export bulk iron ore and iron ore pellets into the Asian region
- OneSteel announces it is finalising contractual details of four projects worth approximately $100 million in revenue terms
- Last rails dispatched for Alice Springs to Darwin rail project
- OneSteel and Smorgon Steel jointly announce the sale of Email Metering business formerly owned by Email

OCTOBER 2003
- Final dividend of 6.0 cents fully franked paid on 16 October
- OneSteel's third anniversary as a publicly listed company

NOVEMBER 2003
- OneSteel holds its third Annual General Meeting in Melbourne

DECEMBER 2003
- Lodgement of anti-dumping application for certain pipe and tube products with Australian customs

JANUARY 2004
- Production at Whyalla Steelworks is suspended for 36 hours because of Moomba gas supply disruption

FEBRUARY 2004
- OneSteel completes acquisition of Midalia Steel
- OneSteel and Steel & Tube NZ announce interim results for six months ended 31 December 2003
- Completion of broker sales in connection with the small shareholder facility allowing small shareholders to top up their shareholdings or exit their holdings without paying brokerage
- First of a series of price increases announced by OneSteel to recover increased raw material costs comes into effect

APRIL 2004
- Interim dividend of 5.0 cents fully franked paid on 22 April

JUNE 2004
- Blast furnace at Whyalla Steelworks shut down for reline after one of the world's longest campaigns of 23 1/2 years

JULY 2004
- OneSteel 2004 Safety Excellence Awards
- OneSteel announces profit upgrade
- Steel & Tube NZ announces profit upgrade

AUGUST 2004
- OneSteel Board approves commencement of approximately $250 million development of magnetite iron ore resource
- Steel & Tube NZ announces full-year financial results
- OneSteel announces net operating profit after tax and minorities of $108.1 million for 2003/04

SEPTEMBER 2004
- Blast furnace at Whyalla Steelworks fully commissioned and ramped-up.

CHAIRMAN'S REVIEW

Welcome to OneSteel's Annual Review, our fourth since listing in October 2000.

The company achieved a pleasing result in 2003/04. Notwithstanding extreme volatility in the foreign exchange and international steel markets, OneSteel posted a **record profit** on the back of buoyant market conditions combined with good operating outcomes.

Safety performance was mixed during the year with the medical treatment injury frequency rate improving 10% to 14.2, the lowest ever, while the lost time injury frequency rate increased from 1.7 to 2.6. Although 2.6 is considered to be low, OneSteel sets stretch safety targets that seek to improve the safety performance by 30% per annum. In measuring safety performance, OneSteel includes safety outcomes for contractors as well as employees.

As foreshadowed at the 2003 Annual General Meeting, during the year OneSteel offered a **Share Facility** that enabled certain small shareholders to sell or top up their shareholdings without incurring brokerage or handling costs. There was a very pleasing response to the Share Facility with 28.4% of the eligible shareholders taking up the offer. The majority of shareholders who took part in the Share Facility elected to top up their shareholding, resulting in over 12,900 shareholders taking up an additional $11.8 million of shares. The response is indicative of solid interest from small shareholders in OneSteel.

OneSteel continues to position itself to add shareholder value. During the year it completed the **acquisition of Midalia Steel**, a Western Australian distribution business that will provide a channel into the retail markets.

OneSteel completed the **reline of its blast furnace** at the Whyalla Steelworks. The blast furnace had been running for 23 1/2 years, making it one of the longest running campaigns in the world. It is instrumental to around two-thirds of OneSteel's steel production, therefore the reline was a major project for the company.

The company recently advised the market that the final cost of the project is currently expected to be about $110 million. The increased cost will not be material to OneSteel's profit or cash performance in the 2004/05 financial year.

Another major initiative, which was announced subsequent to year-end, is the decision to develop for a total cost of approximately $250 million, OneSteel's **magnetite iron ore resource** that sits below and adjacent to its existing iron ore reserves. This decision follows the completion of the $6 million feasibility study that was commissioned in April 2003. By developing the magnetite ore resource, known internally as Project Magnet, OneSteel will extend the life of the Whyalla Steelworks by at least seven years to beyond 2027. It will also lower the cost of steelmaking at Whyalla and generate revenue in excess of $1 billion over the next 10 years through the sale of the hematite iron ore, pellets and slab steel. There are also significant environmental benefits including expected fugitive dust reductions at the City of Whyalla.

On 17 August 2004, the Board approved the commencement of the project, committing $30 million for the initiation of detailed design work, securing long lead-time items, further drilling and test work and preparation for initial mine cut back. All elements of the project are due to be operational in the 2006/07 financial year.

The Year in Review

During the year, international steel markets underwent some of the most turbulent activity experienced in many years with prices for semi-finished and finished steel products increasing to unprecedented levels. The driving force behind this activity is the growth in the Chinese economy that is fuelling demand for steel. China now accounts for almost a third of international steel demand. As a result of the rapid price increases, some of OneSteel's input costs such as scrap steel and hot rolled coil increased significantly, requiring the company to also increase its finished

THE CONVERSION OF THE WHYALLA STEELWORKS OVER TO MAGNETITE IS AN EXCITING PROJECT FOR THE COMPANY AND WILL HELP ENSURE THAT ONESTEEL WILL HAVE A SUSTAINABLE FUTURE.

Ben Kocsis is an operator at the Whyalla Pellet Plant located within the steelworks. He has been with OneSteel for five months and his main hobby is collecting model cars. Ben says his most interesting experience was when he went flying in a Tiger Moth bi-plane.

product prices during the six months to June 2004. The higher cost for some inputs contributed to a $71 million increase in OneSteel's cost base. Management offset this through cost reductions of $50 million and revenue enhancements of $28 million.

Sales revenue for the 12 months to 30 June 2004 grew 6.8% from $3,060.6 million to $3,269.2 million. This increase reflects continued robust underlying market conditions particularly in the construction sector which drives 62% of OneSteel's revenues. **Total tonnes dispatched**, when adjusted for large projects such as oil and gas projects and the Alice Springs to Darwin railway, increased 5%, with domestic tonnes rising 4.3% and export tonnes increasing 21%. The underlying domestic price per tonne increased by 2.4%, while export prices decreased by 12.6%, with the total underlying price per tonne increased by 1.7%.

Operating earnings before interest, tax and amortisation (EBITA), increased by 7.2% for the 12 months, for a sales margin of 7.3%, compared with 7.2% in the prior corresponding period. On an **earnings before tax** basis, profit increased by 10.9% from $156.8 million to $173.9 million. Borrowing costs were $42.2 million, down 5.2% from $44.5 million in the previous year.

Operating net profit after tax and minorities was $108.1 million, 15% up from the $94.0 million result a year earlier. Tax expensed totalled $53.4 million. The operating net profit equates to earnings of 19.5 cents per share (based on number of shares at year end), 13.4% higher than the 17.2 cents achieved in the prior year.

On entry to **tax consolidation**, OneSteel has been able to gain an uplift in depreciable plant and equipment of $66 million, resulting in a one-off tax benefit of $19.8 million being booked against tax expense. Total profit attributable to members after this adjustment was $127.9 million.

Staffing levels rose by 3.1% over the 12 months from 7,054 as at the end of June 2003, to 7,272 by the end of June 2004, as a result of small "bolt-on" acquisitions, notably the acquisition of Midalia Steel. Underlying staff numbers rose 1.7% to 7,171 employees.

Operating cash flow for the period was $84.9 million. This was lower than last year mainly as a consequence of funding the blast furnace reline which required $76.1 million in inventory (as at year-end) and capital expenditure. Another major impact on cash flow was the funding of the price increases undertaken towards the end of the financial year. The estimated impact of these increases was a $30 million increase in inventory.

As a consequence of the blast furnace reline project and the acquisition of Midalia Steel, **capital and investment expenditure** increased by 15.7% to $151.4 million. Stay-in-business capital expenditure remained lower than depreciation at $80.4 million.

OneSteel's **financial gearing** on a net debt, to net debt plus equity basis, continued to improve, falling from 26.8% to 25.5% with net debt decreasing from $470.2 million to $469.0 million. OneSteel's gearing ratio including $200 million of securitisation fell from 34.3% to 32.8%. Interest cover has improved to 5.1 times from 4.5 times.

Funds employed rose 5.0% or $87.2 million to $1,842.4 million. The EBITA return on funds employed has increased from 12.5% to 13.2%.

Inventories increased by 19.2% to $704.6 million when compared with the same corresponding period, reflecting $59.3 million of inventory associated with the furnace reline and an increase in the value of inventory associated with price increases. However, underlying inventory stock weeks continue to run under 10.

The Final Dividend was declared at 7.0 cents per share fully franked, bringing the total dividend declared for the year to 12.0 cents which compares with an 11.0 cent fully franked dividend paid for the 12 months to June 2003. This represents a payout ratio of 61.4% of the $108.1 million net operating profit.

A Dividend Reinvestment Plan exists which provides the facility for shareholders in Australia and New Zealand to reinvest their dividends in OneSteel shares at a price calculated on the arithmetic average of the daily volume weighted average market price during the 10 consecutive trading days commencing on the date which is the second trading day after the record date for the relevant dividend. The record date for the dividend will be 17 September 2004 with the dividend due to be paid on 14 October 2004.

Focus for the Next Financial Year

The main focus for the coming year is to continue to deliver improvements across the business and to optimise the opportunities presented to OneSteel through the blast furnace reline and the magnetite project. The conversion of the Whyalla Steelworks over to magnetite is an exciting project for the company.

Work has begun on the construction of the new **eight-strand ropery facility** in Newcastle that will enable OneSteel to provide both six- and eight-strand wire rope for the mining and manufacturing sectors. Work has also begun on a new **mesh manufacturing facility** in Sydney that consolidates OneSteel's mesh manufacturing capability to the one site. The facility will provide significant operational efficiencies in this product line. Management is also conducting a **facilities and logistics review** to examine and assess product movement through the full vertically-integrated business.

OneSteel's sales and distribution, and business support information systems are being streamlined on a **SAP platform**. The rollout to Steel and Tube and Piping Systems businesses within Distribution was completed during the last financial year. Work is underway on the Metaland and Sheet, Coil & Aluminium businesses, and the Market Mills' Wire business.

The **iron ore beneficiation plant to access lower-grade hematite ore accumulations** began preliminary commissioning at the end of June.

Outlook

The current strong construction activity is expected to continue into the 2004/05 financial year. Residential housing activity (15% of OneSteel revenues) has slowed as expected. However, non-residential and engineering construction activity (47% of OneSteel revenues) is offsetting this downturn.

To date, management's discipline of operational efficiencies, generating cash and tight working capital control have produced a succession of solid outcomes. Attention to these disciplines will be increased over the next 24 months as the company embarks on its single largest organic growth opportunity since listing – Project Magnet. This project will provide a sustainable future for the Whyalla Steelworks, and hence OneSteel, and a source of revenue, profit and cash generation.

I would like to thank my Board colleagues, Bob Every and the management team, and all our 7,272 employees for the contribution that they made to this year's record profit.

The challenge for the 2004/05 financial year will be continuing to improve OneSteel's safety outcomes, operational efficiencies and long-term business performance.

Peter Smedley
Chairman

MANAGING DIRECTOR'S REVIEW

I am delighted to report to you OneSteel's results for the 2003/04 financial year. Again OneSteel achieved a record profit despite one of the most tumultuous and turbulent years I have experienced in my 25 years in the steel business.

The year was really a story of two halves. The first six months was hindered by the sudden appreciation in the Australian dollar to 80 cents against the US currency. This led to a considerable flow of imports coming into the country placing downward pressure on Australian steel prices.

The second six months saw raw material input costs such as scrap steel and hot rolled coil reach levels not evidenced in recent history, driven by industrial demand from China. During this period, we continued to focus on making the business more efficient. We also spent considerable energy realigning our business for the challenges ahead of us.

The highlights of the year's result are:

- record profit of $108.1 million
- stable net debt despite funding the blast furnace reline project and higher raw material cost inputs
- solid growth in the construction sector which drives 62% of OneSteel revenues
- continued strong cost reductions and business improvement initiatives
- completion of the magnetite resource feasibility study
- successful run up to the blast furnace reline project which was completed subsequent to year end.

Safety
Safety is a core value for the company and as the Chairman commented, the results were mixed. The main measure of Medical Treatment Injury Frequency Rate improved 10% to 14.2, its lowest ever, but the Lost Time Injury Frequency Rate increased slightly (refer figures Twenty Two and Twenty Three on page 28).

Dynamic Shift in International Markets
The 2003/04 financial year represented one of the most dynamic steel industry environments witnessed over the last 30 years. During the year, a major sea change in the international steel markets driven by the continuing growth in China led to unprecedented price increases in steel products (refer to Figure Fourteen on page 14). The impact of the international steel price increases became evident to the domestic steel industry by January 2004.

However, for the first six months of the financial year, OneSteel had to contend with a rising Australian dollar which led to increased steel imports into the country (refer to Figure Sixteen on page 14). The increase in imports placed significant downward pressure on domestic steel prices while input costs such as scrap steel and hot rolled coil continued to rise. The result was a squeeze on OneSteel's sales margins.

In January 2004, significant increases in international steel prices were being recorded, to the extent that such price increases were outstripping the impact of the higher Australian dollar.

For OneSteel, this meant it was paying significantly more for its raw materials such as scrap steel and hot rolled coil in the second six months of the year compared with the first. However, it also meant that the volume of imports began to slow which allowed management to begin adjusting prices to recover the increasing costs.

A number of price increases were announced (summarised in the table on page 15) to realign the business to the higher input costs regime and to capture some of the volume OneSteel had lost to imports.

Figure One on page 2 demonstrates the impact of both the significant cost increases and how much OneSteel was able to recover during the year through price increases.

The shift in the international steel dynamic driven by the China demand could lead to a situation where for the first time in 30 years international demand for steel could outstrip supply. This could produce a reversal of the long-term trend of declining steel prices.

ONE FOCUS FOR THE YEAR AHEAD IS TO FULLY HARNESS THE OPPORTUNITIES PRESENTED TO ONESTEEL THROUGH THE BLAST FURNACE RELINE AND THE MAGNETITE PROJECT.

Jodie Perkins is a recent OneSteel addition who works in the quality control area of the Newcastle Rod Mill. Jodie enjoys her holidays with the most memorable moment, dancing at the 1997 National Rugby League Grand Final match between the Newcastle Knights and the Manly Sea Eagles (of course the Knights won).

Activity in the Domestic Steel Industry
Activity in those segments that drive OneSteel revenues remained at high levels during the year. The construction sector which generates 62% of OneSteel's revenues remained robust despite a slowing in residential building activity. Infrastructure projects and revenues from non-residential construction projects more than offset the slowdown in residential construction. OneSteel's forward order book continues to look strong with a significant number of projects still on the company's books (refer to Figure Eighteen on page 15).

The mining sector which drives 11% of OneSteel's revenues remains buoyant on the back of the current resources boom, again driven by the industrial boom in China.

The rural sector (6% of OneSteel revenues) began to recover from the drought however spending continued to be subdued. Activity in the automotive and manufacturing sectors (17% of OneSteel revenues combined) increased over the year.

Sustainability
The theme for this year's Annual Review is sustainability. A number of factors provide a business with a sustainable future, the first being people. Throughout the Annual Review, we feature some portraits of OneSteel people who have helped make OneSteel a successful company. They represent people of all ages and from all walks of life, who together with all the other people of OneSteel, are shaping the company for the future.

Decisions in companies such as ours require 20-year plus horizons. Two of the groups of people highlighted in this year's Review on pages 16 to 19 represent the drivers of projects, which through a culmination of years of planning, ensure OneSteel's operations are sustainable well beyond the year 2020.

The Whyalla Steelworks **blast furnace** reline, commissioning and ramp-up was completed in mid September 2004. The furnace was last relined in 1981, making it one of the longest running campaigns in the world.

The construction phase of the project, which was originally scheduled to take 65 days, took 74 days to complete. The total project cost is currently expected to be approximately $110 million.

The blast furnace ramp-up rate was ahead of schedule. The furnace is now producing at normal operating levels, underwriting 65% of the company's steelmaking capability. The current campaign life of the new reline is expected to go beyond the year 2020. I would like to take this opportunity to thank all those involved in the project for their dedication and persistence in seeing this project through to completion with excellent safety performance.

In August 2004, OneSteel embarked on an approximately $250 million expansion of its iron ore mining operations which will allow the company to extend the life of Whyalla Steelworks beyond 2020, lower the cost of making steel and increase exports of iron ore and related products and slab steel. In total the project is worth in excess of $1 billion in additional future revenue over 10 years. This initiative is expected to be fully operational in the 2006/07 financial year.

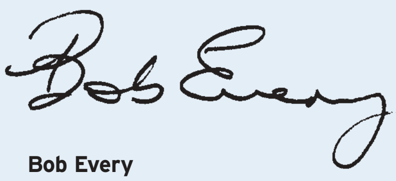
The Year Ahead
The main focus for the year ahead is to continue to deliver improvements across the business and to fully harness the opportunities presented to OneSteel through the blast furnace reline and the magnetite project. Management will continue to work on reducing costs, improving operational performance, generating cash and managing capital projects on time and on budget.

General domestic market conditions are expected to remain robust with the exception of the residential sector which is forecast to continue to slow over the year. As residential activity drives only 15% of OneSteel activity, the softening will be more than compensated for by growth in the other sectors.

Management will continue to monitor international developments very closely to ensure the company is best placed to take advantage of international trends through pricing and cost adjustments. Considerable energy was expended in the second six months of the financial year to realign the business to the new challenges facing international markets and it is expected that over the coming 12 months further challenges and opportunities will arise.

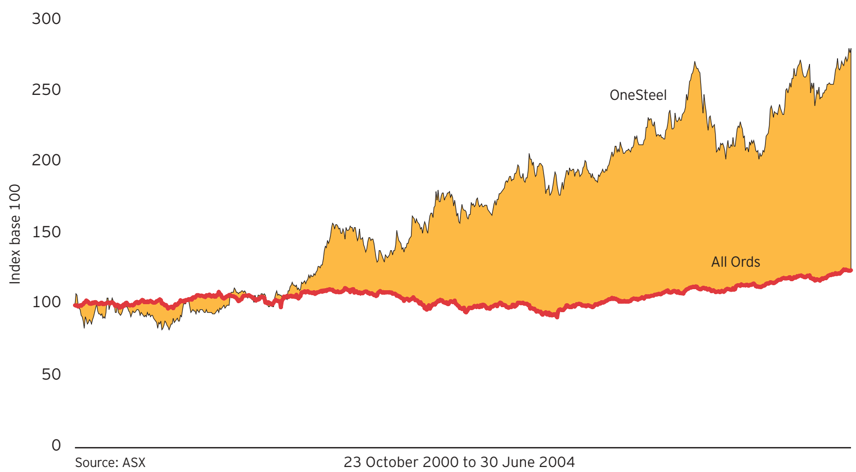
I would like to thank everyone in the company for their efforts during the year which marked one of the most dynamic steel markets in decades. I believe the company is strongly positioned for the future with the reline project completed and the magnetite project underway.

I would also like to thank our shareholders for their support during the year. OneSteel management is committed to continuing to improve and grow the business, placing it in a much stronger position financially and competitively than when it was listed in 2000.



Bob Every
Managing Director and
Chief Executive Officer

FIGURE TWO
Total Shareholder Return



STRATEGIC FRAMEWORK – ONESTEEL SCORECARD

Improving operating performance

- Net operating profit after tax improved 15% to $108.1 million
- Earnings per share increased from 17.2 cents to 19.5 cents
- Return on funds employed (based on EBITA) increased from 12.5% to 13.2%
- Sales per employee improved 3.6%
- Interest cover increased from 4.5 to 5.1 times
- Financial gearing (including securitisation) reduced from 34.3% to 32.8%
- Blast furnace reline project funded without increasing net debt.

There was a further year of performance improvement despite strong gains in the Australian dollar and sharp increases in raw material costs. The challenge is to continue to take advantage of a strong domestic market in the face of an extremely dynamic international steel market. There are still further improvements that can be made to OneSteel's operating performance.

Optimising the business portfolio

- Relined the Whyalla blast furnace with copper stave technology
- Introduced flexible shift patterns at Newcastle Mills
- Commissioned new galvanising fence post operation in Newcastle
- Commenced construction of a new eight-strand wire rope facility in Newcastle
- Acquired Midalia Steel, a Western Australian distribution business
- Initiated facilities and logistics reviews to maximise product flow through the business
- The rollout of a SAP information systems platform for sales, distribution and business support continued with the Steel and Tube and Piping Systems businesses completed during the year
- Further to the US$128 million private placement of debt that was completed in April 2003, OneSteel is refinancing $700 million of expiring four- and five-year bank facilities with three-, five- and seven-year debt.

The Whyalla blast furnace was successfully relined and recommissioned over June to September 2004. The furnace operated for 23½ years, one of the longest running furnace campaigns in the world. With the project complete, OneSteel can focus on maximising efficiencies across other areas of the business. The facilities and logistics review will provide further insight into the areas of the business where further gains can be made.

Being the customer's preferred supplier

- With the introduction of the SAP system into the Steel and Tube and Piping Systems businesses, the new interface provides customer-facing staff more comprehensive and detailed information to better serve customer requirements
- The Distribution business built on its strategic account program during the year, securing national preferred supplier agreements with a number of key customers
- OneSteel successfully built inventory levels to ensure there was enough product on the ground in a very buoyant market to supply customers during the shutdown period for the blast furnace reline. Inventory in excess of $90 million was required. Stock peaked in May 2004, with approximately $60 million in stock available at the end of June.

The stronger Australian dollar contributed to an increase in import activity over the last 12 months in particular product areas. OneSteel has focused on realigning its product and service offering in those areas to enable it to compete more successfully. A detailed program has been implemented to improve OneSteel's responsiveness to the market and its overall offering. Recovery of market share has been made in those areas where OneSteel was impacted most heavily by imports.

People providing a competitive advantage

- Safety performance, as measured by Medical Treatment Injury Frequency Rate (MTIFR) improved 10% to 14.2, the lowest rate ever recorded for the company. The Lost Time Injury Frequency Rate (LTIFR) increased from 1.7 to 2.6 during the year
- A OneSteel Leadership Competency Model was developed during the year to identify expectations for the behaviours of leaders at all levels
- The number of staff increased during the year primarily as a result of business acquisitions. OneSteel employs 97.5% full-time workers, with turnover running at 9%, below the manufacturing sector average of 13%
- Extensive work was focused on building new capabilities in the marketing and sales areas
- A common platform for performance planning was completed during the year.

The key focus areas over the next 12 months will be continuing to improve the company's safety performance and deployment of the OneSteel Leadership Competency Model to provide increased focus on talent management and succession planning.

Focused strategic expansion

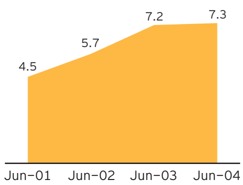
- On completion of a feasibility study, the OneSteel Board announced the commencement of the approximately $250 million development of OneSteel's magnetite resource in the South Middleback Ranges. The development, known as Project Magnet, will extend the life of Whyalla Steelworks beyond the current 2020 life to beyond 2027 and generate further sources of revenue and earnings for the group through incremental sales of iron ore, iron pellets and slab steel. It will also lower the cost of producing steel
- In February 2004, OneSteel acquired Midalia Steel in Western Australia. The acquisition widens the company's geographical base in that State and gives OneSteel a larger presence in retail
- Construction of an eight-strand wire rope facility will be completed during the first six months of the 2004/05 financial year providing OneSteel with the ability to manufacture both six- and eight-strand rope for sale in Australia and overseas.

Over the next two years primary focus will be on delivering Project Magnet which will be funded from internal sources. This project will add revenues in excess of $100 million per annum for 10 years with a material earnings impact. It will also provide the ability to lower steelmaking costs at the Whyalla Steelworks by as much as 5%, providing a further long-term competitive advantage for the company.

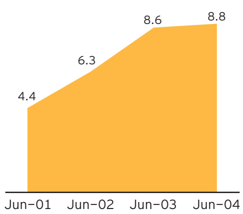
OneSteel will continue to maintain its discipline of tight management of working capital and cash generation to ensure OneSteel meets its financial objectives.

FIGURE THREE

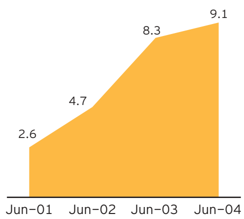
Sales Margin (EBITA)
(Percent)



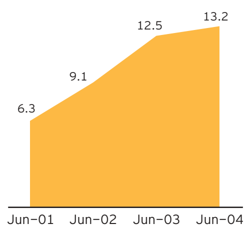
Return on Assets (EBITA)
(Percent)



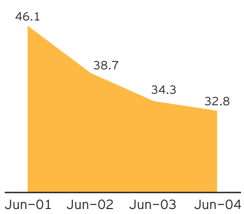
Return on Equity
(Percent)



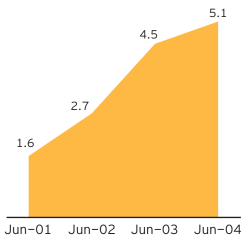
Return on Funds Employed (EBITA)
(Percent)



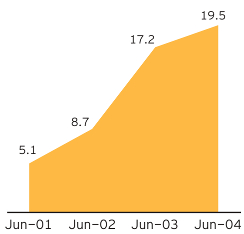
Gearing Ratio
Incl Securitisation (Percent)



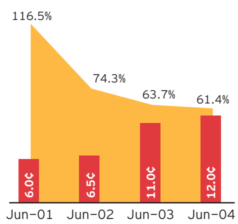
Interest Cover
(Times)



Earnings per Share
(Cents)



Dividends and Payout Ratio



LEAD TEAM

LEO SELLECK
BSc
Executive GM Steelmaking & Technology

Age 55. Mr Selleck joined OneSteel from BHP where he had served in a variety of roles since 1972. Mr Selleck has significant experience in the integrated steelmaking process. He has also held corporate roles in Safety and Environment fields. Mr Selleck has been responsible for Whyalla Steelworks since 1999. His current role also embraces Environment and Technology.

GEOFF PLUMMER
BA (Econ)
Executive GM Market Mills

Age 48. Mr Plummer joined OneSteel from BHP after 22 years with the group. Prior to his current role, Mr Plummer was President Rod & Bar Products (BHP Steel). He was GM of the joint venture company Bekaert-BHP Steel Cord and also held the position of President of Australian Logistic Services in BHP Transport. Mr Plummer has also managed BHP wire operations.

ROBIN FREEMAN
BA, FCA
Executive GM Distribution

Age 51. Mr Freeman joined OneSteel in April 2001 from Email where he was Chief Financial Officer. He joined Email in 1999 from CSR where he worked in commercial and financial roles for four years. Prior to that, Mr Freeman worked in financial services with Deloitte Touche Tomatsu where he was Managing Partner for the firm's NSW operations.

TONY REEVES
BEc, MComm, FCPA, FTA
Chief Financial Officer

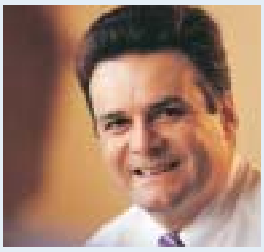
Age 49. Mr Reeves joined OneSteel in October 2001, responsible for accounting, risk management, treasury, business planning, legal and strategic sourcing. Previous roles include finance, marketing and IT positions in Australia, UK and USA with ICI and Orica, and finance and commercial positions with Allied Mills, Vinidex and Unilever.

RAY JARMAN
BSc, LLB
General Counsel

Age 42. Mr Jarman has over 15 years corporate legal experience and joined OneSteel from BHP where he was Lead Counsel, BHP Steel. Mr Jarman joined BHP in 1995 as Legal Manager for the Port Kembla Steelworks. Prior to joining BHP, he worked as a corporate lawyer for Unilever and has also worked for several Sydney law firms including Baker & McKenzie.

BILL GATELY
BEc
GM Human Resources

Age 43. Mr Gately joined OneSteel from BHP where he had worked since 1979 in a range of human resource and employee relations positions. During that period he worked for BHP Minerals and in the Newcastle and Port Kembla Steel operations, where he played a key role in significant change and business improvement initiatives.



MARK GELL
BEc, GMQ, MBA
GM Corporate Affairs & Marketing

Age 43. Mr Gell joined OneSteel in January 2001 following over 20 years in the government, banking and business sectors for companies such as Citibank, ANI, TNT, Boral and Telstra. He has held senior general management positions in public policy, investor relations, marketing and corporate affairs.

MICHAEL DINES
DipAirEng (Avionics)
GM E-Commerce & Information Technology

Age 42. Mr Dines joined OneSteel from BHP where since 1990 his career spanned many operational and management areas focusing on the IT aspects of manufacturing and distribution functions. Prior to joining BHP, Mr Dines worked for the Royal Australian Air Force (RAAF) in airborne avionics support and logistics.

JOHN KRENICH
FCIS, CPA
Company Secretary

Age 59. Mr Krenich joined OneSteel in April 2002 as Company Secretary after working in the aluminium industry for his entire career. He was Company Secretary for Alcan from 1980 and then Capral from 1995 prior to joining OneSteel.

ONESTEEL LIMITED MANAGEMENT STRUCTURE

Bob Every
Managing Director and Chief Executive Officer

AUSTRALIAN OPERATIONS

Leo Selleck
Executive GM
Steelmaking & Technology

WHYALLA STEELWORKS
- Mining
- Integrated Steelworks
- Structural Rolling Mills
- Rail Products Facilities

Geoff Plummer
Executive GM Market Mills

MARKET MILLS
- Sydney Steel Mill
- Rod Mill
- Bar Mills
- Wire Mills
- Wire Ropery
- Pipe and Tube Mills
- Oil and Gas Pipe Mill

Robin Freeman
Executive GM Distribution

DISTRIBUTION
- 46 Metaland sites
- 39 Reinforcing sites
- 12 Piping Systems sites
- 12 Sheet, Coil & Aluminium sites
- 11 Midalia Steel sites
- 11 Steel and Tube sites

INTERNATIONAL OPERATIONS

Nick Calavrias
Chief Executive Officer (NZ)

STEEL & TUBE HOLDINGS (NZ)
- 50.3% Shareholding
- 17 Steel Distribution and Processing sites
- 14 Roofing Products and Reinforcing sites
- 4 Piping Systems sites
- 6 Fastening Systems sites
- 2 Hurricane Wire Products sites

CORPORATE STAFF

Tony Reeves
Chief Financial Officer

Ray Jarman
General Counsel

Bill Gately
GM Human Resources

Mark Gell
GM Corporate Affairs & Marketing

Michael Dines
GM E-Commerce & Information Technology

John Krenich
Company Secretary

FINANCE AND RISK MANAGEMENT

Debt Management

OneSteel is committed to maintaining an investment-grade profile for its debt and has demonstrated this by reducing debt by $530 million since it peaked at $1.2 billion in 2001.

The targeted range for debt considered appropriate in normal circumstances is 30% to 40%, on a net debt/net debt plus equity basis (including securitisation). OneSteel's gearing level (as shown in Figure Three on page 8) at the end of June 2004 was 32.8%.

OneSteel's core debt facility of $900 million is made up of two tranches of $450 million, the first of which expires in October 2004. The replacement of this entire facility began with a US Private Placement of US$128 million in April 2003. Arrangements for the replacement of the remainder of the facility are well advanced with completion expected in the September 2004 quarter.

Interest Rate Management

OneSteel's objective in managing interest rate risk is to minimise interest expense while ensuring an appropriate level of flexibility exists to accommodate changes in funding requirements. To achieve this OneSteel uses a mix of "fixed" and "floating" interest rates where "fixed" is defined as 12 months or longer.

The average interest rate paid during the year was 7.04%. Duration of drawn debt at 30 June was 4 years 2 months. The amount of debt drawn at fixed rates was 49%.

Equity Management

By the end of June 2004, there were 554.9 million shares on issue providing a contributed equity of $1,096.3 million which, when added to retained earnings and outside equity interests, provided total shareholders' equity of $1,373.4 million.

Since listing, the main additions to contributed equity have been a private placement completed in December 2001 of 69.8 million shares and a further 22.7 million shares under the Dividend Reinvestment Plan. There has been a healthy participation in the Dividend Reinvestment Plan of 24% to 38% of eligible shareholders.

During the year, a share facility was established to allow certain small shareholders to sell or top up their shareholdings without associated costs. In total, 28.4% of eligible shareholders took up the offer with the majority electing to top up their facility, with 12,900 shareholders taking up an additional $11.8 million in shares.

Taxation

As part of the tax simplification proposal, the Australian Government introduced the Tax Consolidation Regime. In effect it allows an Australian group of companies to submit one, consolidated tax return instead of one for each company within the group.

OneSteel elected to enter tax consolidation with effect from 1 July 2003. Apart from administrative benefits, OneSteel has booked a one-off gain of $19.8 million in the 2003/04 financial year as a tax credit, thereby reducing tax expense. This will be realised over the coming years as reduced tax payable.

The benefit arises from a revaluation of non-current assets within specified companies. In a number of cases, the resultant values were higher than current accounting book and tax values. Those assets that are depreciable, largely plant and equipment items, will generate additional depreciation over their remaining lives and hence generate a cash benefit through lower tax payable.

Foreign Exchange Exposure

OneSteel is largely a domestically-focused business and therefore direct foreign exchange exposure is not a major driver of Treasury policy. However, the main sources of foreign exchange risk include:

- sale of product in export markets which is predominantly in US dollars;
- inventory purchases in foreign currency;
- purchase of commodity inputs (for example, coal, scrap steel, hot rolled coil and aluminium);
- capital expenditure denominated in foreign currency, or denominated in Australian dollars with rise and fall clauses related to exchange rate movements;
- New Zealand dollar denominated assets and liabilities associated with Steel & Tube Limited (50.3% ownership).

The company adopts a centralised approach to foreign exchange risk management with Treasury providing internal hedges for exposures in excess of US$20,000.

As part of OneSteel Treasury policy, currency risk of foreign borrowings is immediately hedged by swapping the facility into Australian dollars. This policy was applied to the US Private Placement, which was completed in April 2003. The profit or loss on the hedge directly correlates to the respective loss or profit on the underlying borrowing. Hence, there is no profit or loss impact booked in the Statement of Financial Performance.

The Australian accounting standard allows the profit or loss on such a hedge to be booked as either a sundry creditor or as an interest bearing liability. In the 2002/03 financial year, the $17.3 million loss on the hedge as a result of currency movements was booked as a sundry creditor. In the 2003/04 financial year, the hedge was reclassified as an interest bearing liability and was accounted for as a $23.3 million addition to net borrowings. The change was undertaken as it more closely associates the movement in the hedge with the underlying borrowing.

Dividend

In recognition of the cyclicality and seasonality of OneSteel's earnings, combined with the investment market's preference for a smooth and relatively predictable dividend stream, the OneSteel Board has considered expected future profit outcomes and cash requirements when determining dividends.

Dividends have been maintained at a 100% franking level since OneSteel listed in October 2000.

Financial Reporting Control Assurance

During the year management has implemented and established improvements to the company's risk-based management process. These improvements are designed to provide further support for the Chief Executive Officer and Chief Financial Officer statements to the Board on the effectiveness and efficiency of the system of internal control for ensuring the integrity of financial statements.

In summary, the steps in this improved financial reporting control focused process are:

- verification of efficiency and effectiveness of controls in a four-step process:
  - identification of the processes;
  - assessment of the processes inherent and residual risk;
  - identify key controls when inherent/residual risk gaps indicate significant reliance on control; and
  - internal audit testing of key controls; and
- process basics of:
  - risk based identification of key controls;
  - KPMG verification of the efficiency and effectiveness of key controls;
  - business unit risk owner/management sign-off to support Chief Executive Officer and Chief Financial Officer sign-offs; and
  - standard process across the company.

Internal and External Audit

OneSteel has a full-time risk and internal audit manager, with the balance of the function outsourced to KPMG. The internal audit program is aimed at providing assurance to management and the Board over the effectiveness of the company's risk management and internal compliance and control system.

KPMG works closely with the company's external auditor, Ernst & Young, to minimise any duplication of effort and to maximise knowledge sharing between assurance providers.

Risk Factors Relating to OneSteel

OneSteel has an established business risk profiling system for identifying, assessing, monitoring and managing material risk throughout the company. The system provides ongoing risk review that is capable of responding promptly to new and evolving risk.

The company's risk systems include comprehensive practices that help ensure:

- key risks are identified and mitigating strategies are put in place
- management systems are monitored and reviewed to achieve high standards of performance and compliance in areas such as occupational health, safety and environment
- capital expenditure and revenue commitments above a certain size obtain prior Board approval
- financial exposures are controlled, including the use of derivatives
- business transactions are properly authorised and executed.

Key OneSteel Risks

In relation to long-term risks associated with OneSteel's underlying business, the following key risks have been identified as having the potential to impact both positively and negatively on the company's earnings stream.

Nature of Risk	Description	Management of Risk
Cyclical nature of industries	OneSteel's revenues and earnings are sensitive to the level of activity in the cyclical Australian construction, manufacturing, mining and agricultural industries and, to a lesser extent, the same industries in Asia and New Zealand.	The cyclical nature of the industries which drive OneSteel earnings will never be fully overcome. OneSteel, since listing, has focused on lowering fixed costs to lessen the downside impact of a slowing cycle. Furthermore, the recently announced Project Magnet will also reduce the impact of the cycle on company earnings.
Competition	Competition in the steel long products markets in Australia and in New Zealand is based primarily on price, timely customer service, distribution capabilities, and the ability to provide value-adding products and services. In most of its markets, OneSteel also faces competition from imports. In addition, globalisation is resulting in increased competition from imported fabricated steel for some large engineering projects. In general, an appreciating Australian dollar is favourable to imports. A number of OneSteel's products also compete with other forms of building products.	OneSteel constantly reviews its market offer in terms of pricing structures, channel to market, product uniqueness, value-adding services, the ability to deliver and ancillary products and services. In some areas there are opportunities for steel where the product has low intensity comparable with substitute products such as in multi-level buildings. While an appreciating dollar can lead to higher imports, it is somewhat offset by lower costs for some of OneSteel's raw materials.
Dependence on key customer and supply relationships	OneSteel relies on various key customer and supplier arrangements in certain parts of its businesses.	Generally the greater percentage of OneSteel's business is driven by higher-volume low-tonnage transactions. In areas where the company has large customers and suppliers, relationships are managed by dedicated teams within the customer and sourcing management areas of the business.
Changes in steel industry structure	Changes to the structural dynamics of the steel industry through acquisitions, joint ventures and other alliances between, or by OneSteel, its competitors or other participants in the steel industry.	OneSteel has stated that it will be a participant in industry restructuring should it occur. The most recent example of this was the joint takeover of Email Metals with Smorgon Limited.
Compliance	OneSteel's operations are subject to numerous laws and regulations including occupational health and safety, environmental, trade practices, taxation and corporations law.	OneSteel has detailed programs internally to monitor, train and educate OneSteel people to ensure they are aware of relevant laws, regulations and company obligations and standards. In many areas, such as safety, environment and trade practice, best practice principles are applied. The over-arching framework for OneSteel's approach is the company's Code of Conduct which is on display on the website onesteel.com.
Plant performance and operational risk	The production of iron and steel products involves a number of inherent risks relating to the operation of, in particular, OneSteel's key manufacturing facilities.	OneSteel spends approximately $150 million per annum on repair and maintenance as well as stay-in-business capital expenditure. The company has a number of agreements in place with international manufacturers to assist OneSteel ensure it is employing world's best practice principles in its operations.
Mine life	The Whyalla Steelworks produces steel from iron ore sourced at the South Middleback Ranges, 80 kilometres from the steelworks. Current mine life of the hematite reserve is up to 2020, effectively restricting the Whyalla operation.	In August, the OneSteel Board committed to the commencement of Project Magnet which effectively converts Whyalla Steelworks from using hematite to magnetite and extends the life of the mine and the steelworks to beyond 2027.
Contracts	OneSteel provides steel products under contract to various external parties in a number of industries including major building contractors and government bodies. It is not uncommon for these contracts to include a requirement that OneSteel indemnifies the customers concerned and their employees and agents against any loss or liability which they may incur in connection with the performance of the work under the contract by OneSteel.	OneSteel adheres to strict product quality control measures in its manufacturing process to minimise the potential of any loss or liability arising from faulty products or services.
Product risk	Due to the nature of its operations, claims against OneSteel could arise from defects in material or products manufactured and/or supplied by OneSteel.	OneSteel maintains an internal risk management process and also follows quality assurance procedures in relation to the manufacture of its materials and products.

KEY BUSINESS DRIVERS

The following graphs illustrate the trends in some of the major drivers of OneSteel's business such as key sectors of the domestic economy, domestic steel prices, prices of international steel and key inputs into steelmaking, OneSteel's project list and the volumes and pricing of steel imports into Australia.

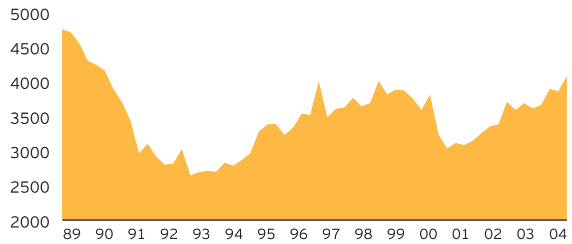
The graphs on these two pages represent the major business sector drivers of OneSteel revenues. Overall, all market segments improved by 3.5%, continuing to build on the 11.8% increase in activity in the previous year and 4.9% increase in the 2001/02 financial year. The construction sector, which accounts for 62% of OneSteel's revenue, improved 5.0%, following growth of 15.7% in the previous year. The decline in residential construction that has been expected for some time did not materialise, although the pace of growth slowed from the previous year. This sector, which accounts for 15% of OneSteel's revenue, rose 5.4%, compared with the 15.3% increase in the previous financial year.

Activity in the other two construction sector segments, non-residential and engineering construction, which together account for 47% of OneSteel's revenue, continued to rise, with 6.2% and 3.2% increases respectively. The strength of these two segments is evident from the number of major projects on which OneSteel is currently working. A graphic illustrating these projects is also provided in this section on page 15.

Two other market segments, automotive and other manufacturing, also improved during the 2003/04 financial year, while the remaining two segments, agricultural investment and mining production, contracted slightly.

Momentum in the non-residential and engineering construction segments is expected to continue to offset forecast slowing activity in the residential sector. The remaining sectors are expected to remain relatively stable.

FIGURE FOUR
Non-Residential Construction ($ millions 2000/01)
December quarter 1989 to June quarter 2004



Source: NIEIR

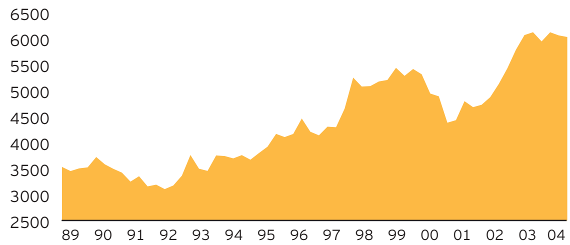
NON-RESIDENTIAL CONSTRUCTION

The non-residential construction sector represents the value of work done in building and altering hotels, offices, shopping centres, factories, and education, health and other social facilities.

This sector makes up a significant proportion of OneSteel sales in any given year and currently accounts for 26% of revenue.

As Figure Four indicates, the value of activity in this sector increased by 6.2% when comparing the 2003/04 financial year with the prior year. In the 2002/03 financial year the sector was up 11.1%.

FIGURE FIVE
Engineering Construction ($ millions 2000/01)
December quarter 1989 to June quarter 2004



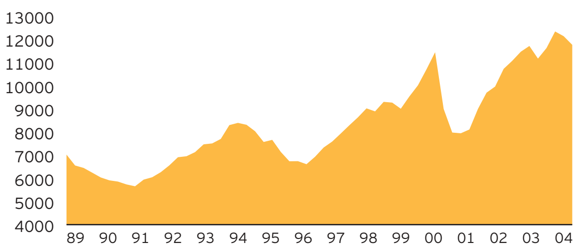
Source: NIEIR

ENGINEERING CONSTRUCTION

Engineering construction encompasses the value of building or upgrading major infrastructure such as roads, bridges, railways, highways, pipelines, telecommunications, harbour and marine facilities, water and sewerage, and electricity.

This sector provides approximately 21% of OneSteel's revenues, and as Figure Five indicates, activity in this sector increased by 3.2% when comparing the 2003/04 and 2002/03 financial years. In the 2002/03 financial year, this segment increased by 20.6%.

FIGURE SIX
Residential Construction ($ millions 2000/01)
December quarter 1989 to June quarter 2004

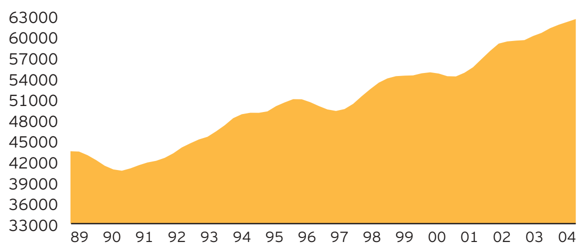


Source: NIEIR

RESIDENTIAL CONSTRUCTION

Residential construction covers investment for the building and altering of private and public units and houses. OneSteel currently derives 15% of its revenues from this segment. As can be seen from Figure Six, the long anticipated slowdown in residential construction did materialise in the final months of the 2003/04 financial year but over the entire 12 months, activity increased 5.4%, building on the 15.3% gain of the previous year.

FIGURE SEVEN
Other Manufacturing ($ millions 2000/01)
December quarter 1989 to June quarter 2004



Source: NIEIR

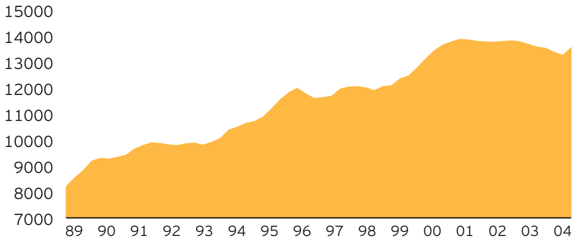
OTHER MANUFACTURING

Other manufacturing represents all manufacturing with the exception of automotive products. This sector represents 12% of OneSteel revenues and improved 3.4% over the year, as outlined in Figure Seven.

FIGURE EIGHT

Gross Value of Mining Production ($ millions 2000/01)

December quarter 1989 to June quarter 2004



Source: NIEIR

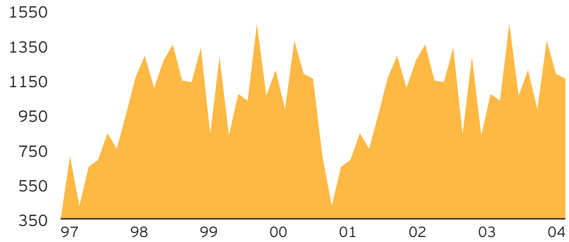
MINING OUTPUT

Mining output encompasses production from mining activities and currently represents approximately 11% of OneSteel revenues. Activity in this sector fell 2.0% (refer to Figure Eight) over the 2003/04 financial year compared with the prior year.

FIGURE NINE

Agricultural Investment ($ millions 2000/01)

September quarter 1997 to June quarter 2004



Source: NIEIR

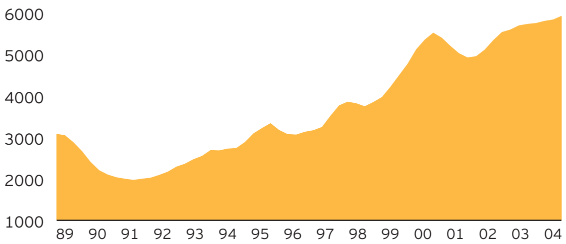
AGRICULTURAL INVESTMENT

Agricultural investment encompasses expenditure in the rural sector. It represents 6% of OneSteel revenues and declined by 1.5% compared with the prior year as a result of continued drought conditions in many areas (refer to Figure Nine).

FIGURE TEN

Automotive Output ($ millions 2000/01)

December quarter 1989 to June quarter 2004



Source: NIEIR

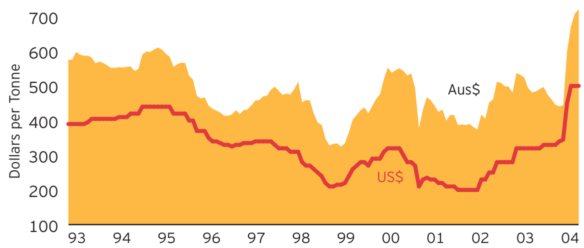
AUTOMOTIVE OUTPUT

Automotive output includes production for domestic automotive manufacturers including component part manufacturers. This sector represents 5% of OneSteel's revenues. Activity increased 3.4% from the prior year (refer to Figure Ten).

FIGURE ELEVEN

Hot Rolled Coil Price (Japan Export)

July 1993 to June 2004



Source: CRU/ABS

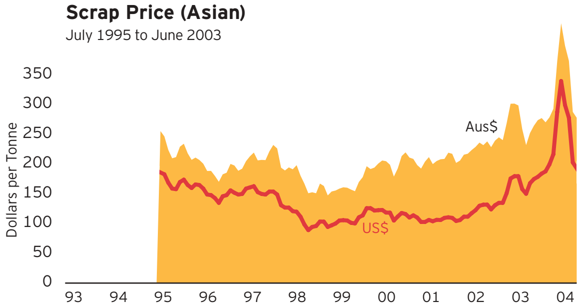
HOT ROLLED COIL (HRC) PRICE

The graph represents prices in US and Australian dollars for HRC, a major semi-finished steel flat product that is used primarily by OneSteel in the manufacture of pipe and tube. In any given year, OneSteel purchases between 400,000 and 450,000 tonnes of HRC. Figure Eleven depicts the continued escalation in HRC prices over the past 12 months. OneSteel has responded to the rising input cost by increasing prices for its pipe and tube products.

FIGURE TWELVE

Scrap Price (Asian)

July 1995 to June 2003



Source: TEX Report/ABS

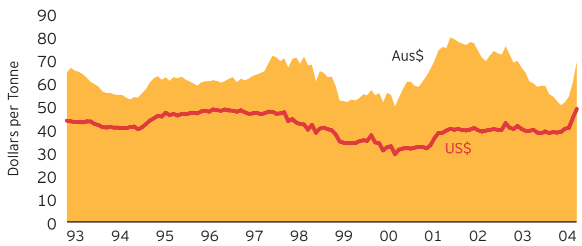
SCRAP PRICE

This graph shows trend prices for scrap steel in both US and Australian dollars. OneSteel uses approximately 500,000 tonnes per annum of scrap feed for its Sydney Steel Mill operation. The other 1.2 million tonnes of steel produced by OneSteel is predominantly converted from iron ore at Whyalla Steelworks. Figure Twelve illustrates the extremely sharp price movements in scrap which, as in the case of the rise in the price of HRC, has led OneSteel to adjust its prices to reflect the increased input costs.

FIGURE THIRTEEN

Total Coking Coal (Average Australian Export Price)

July 1993 to June 2004



Source: ABARE/ABS

COKING COAL PRICE

This graph shows the international movement in coking coal prices in both US and Australian dollars. Whyalla Steelworks uses this product in the manufacturing process to make iron. OneSteel purchases approximately 900,000 tonnes of coking coal per annum. Figure Thirteen illustrates that the Australian dollar price rose towards the end of last financial year on the back of demand from China.

KEY BUSINESS DRIVERS

FIGURE FOURTEEN
Long Products International Prices
January 1994 to June 2004

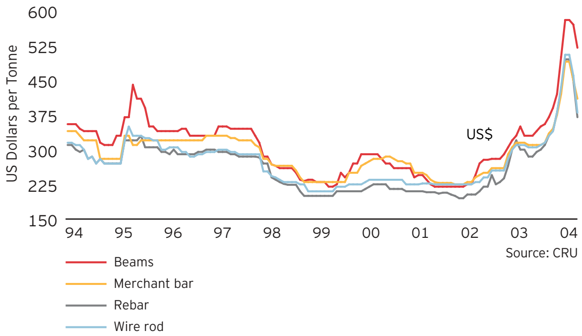
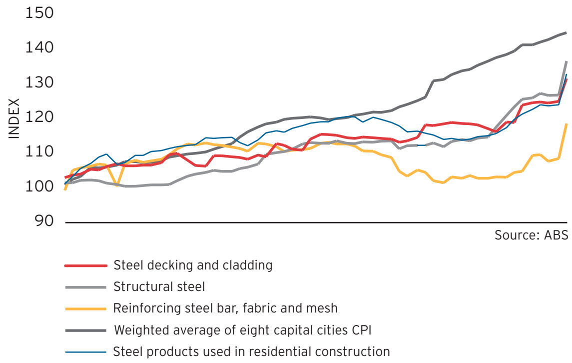


FIGURE FIFTEEN
Prices for Steel Construction Materials
March quarter 1990 to June quarter 2004



LONG PRODUCTS INTERNATIONAL PRICES

This graph represents the international prices for long products such as structural beams used for construction, merchant bar which is used in a wide range of applications including machinery and manufacturing equipment, rebar which is used as reinforcing for concrete, and lastly wire which is used for everything from springs to fencing. The graph is in US dollars.

Figure Fourteen shows how steel prices continued to rise for much of the 2003/04 financial year. Prices corrected somewhat towards the end of the financial year after the Chinese government implemented measures to slow down the pace of growth in industrial production. Prices of steel and inputs to steelmaking began rising once more early in the 2004/05 financial year.

PRICES FOR STEEL CONSTRUCTION MATERIALS

This graph represents prices of steel products used in Australian construction as measured against an index. OneSteel produces structural steel and reinforcing products.

The graph (Figure Fifteen) illustrates that prices in all the product lines increased over the past 12 months, and more particularly in the final quarter, exceeding the inflation rate in the broad economy. The sharp rise in steel prices reflects strong international demand for steel, which pushed up prices for steelmaking inputs such as scrap steel, iron ore and coking coal. In the second half of the 2003/04 financial year OneSteel announced several price increases to recover the increased input costs.

FIGURE SIXTEEN
Steel Imports Into Australia
January 2000 to June 2004

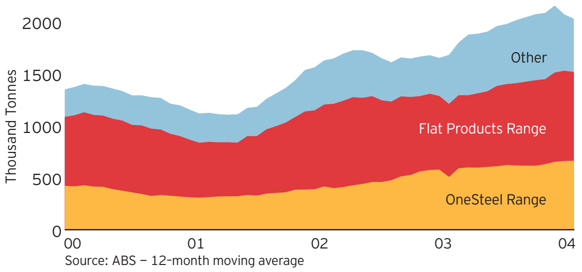
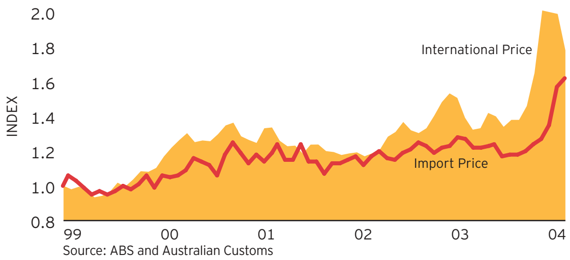


FIGURE SEVENTEEN
Import versus International Prices
January 1999 to June 2004



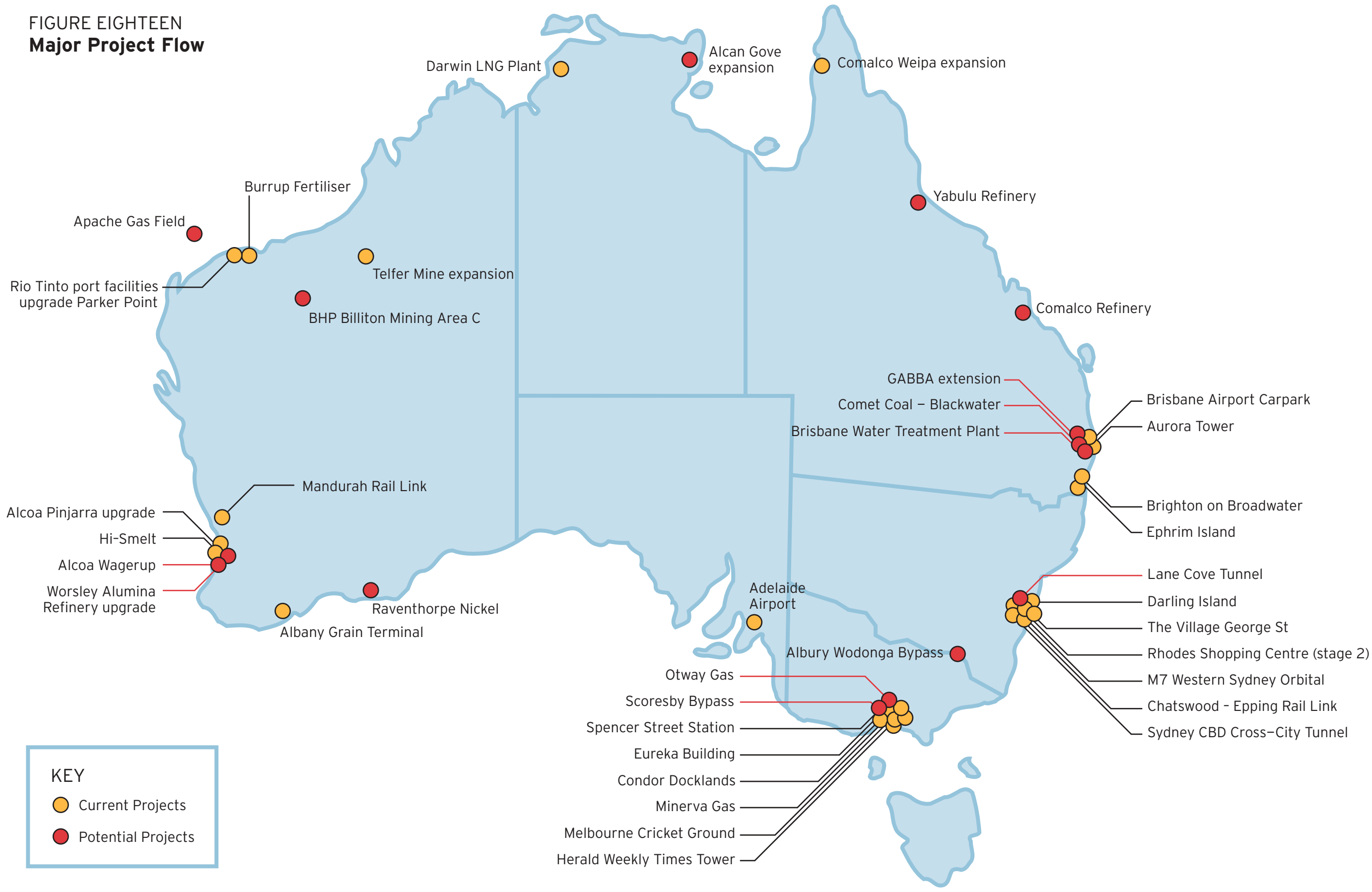
VOLUME OF IMPORTS INTO AUSTRALIA

In the first six months of the 2003/04 financial year, the Australian dollar appreciated sharply, creating a window of opportunity for steel imports. This graph shows that the volume of imports in OneSteel's product range has increased from an average of around 350,000 tonnes per annum in 2001, to over 600,000 tonnes per annum last year. As illustrated in Figure Sixteen, import volumes have stabilised at relatively high levels. As importers adjust their prices to reflect the increased input costs, and with the Australian dollar exchange rate at lower levels, the volume of imports is expected to taper off. The pick-up in import volumes constrained OneSteel's ability to increase its prices to cover rising input costs. The reason for this is explained in the next graph, Figure Seventeen.

PRICES OF IMPORTED STEEL VERSUS INTERNATIONAL PRICES

The orange outline on this graph (Figure Seventeen) represents an index of international steel prices in the product categories of rebar, merchant bar and structural beams. Prices escalated significantly, particularly in early 2004. Yet the red line, representing an index of import prices for the same basket has not increased to the same extent. There is a clear gap between the two lines as a result of the impact of the rapidly appreciating Australian dollar and the three- to six-month delay in importing product. Given the increase in prices of inputs such as hot rolled coil, scrap steel and coking coal (Figures Eleven, Twelve and Thirteen), the only conclusion is that import prices, at some stage, will need to adjust to levels similar to international prices.

FIGURE EIGHTEEN
Major Project Flow



MAJOR PROJECT FLOW

Figure Eighteen depicts the major projects to which OneSteel is supplying steel and related products. The potential projects depicted, denoted in red, illustrate the underlying strength of the construction segments. There are several large projects being considered by Australia's leading mining and mineral processing organisations and these represent a significant opportunity for OneSteel over the next two to three years.

ONESTEEL PRICE INCREASES

In response to the rise in input costs that are depicted in Figures Eleven, Twelve and Thirteen, OneSteel has announced a number of price increases to recover those higher costs.

Product Line	Price Increase	Effective Date of Price Increase
Steel in concrete (reinforcing)	4%	February 2004
	6%	April 2004
Reinforcing bar	16%	May 2004
Whyalla structural beams	7%	April 2004
	10%	July 2004
Merchant bar	10%	March 2004
Manufacturers' wires	4%	March 2004
Structural pipe and rectangular hollow sections	6.5%	April 2004
	9.3%	July 2004
Rural wire	5%	May 2004
Fence posts	8%	April 2004

Denise McConnell joined OneSteel's corporate head office six months ago. Denise enjoys skiing, keeping fit, reading and singing. One of Denise's most memorable moments is learning to ski at the age of 22 at Perisher and asking herself why she had waited so long to try it.

Whyalla Blast Furnace Reline Project

SUSTAINING OUR ASSETS

OneSteel undertook two major projects in the year, both of which centre around the integrated steelworks at Whyalla in South Australia. The steelworks manufactures steel from OneSteel's own iron ore located at mines 80 kilometres from the steelworks. The Whyalla Steelworks manufactures around 65% of OneSteel's annual raw steel production of 1.7 million tonnes.

Pictured L to R: Sid Wilson, Wayne Dawson, John Baggs, the lead team responsible for delivering the blast furnace reline project.

At the heart of the steelworks is the Whyalla blast furnace. The Whyalla blast furnace had been running for $23\frac{1}{2}$ years when it was decommissioned in June 2004 for the reline. The $23\frac{1}{2}$ year campaign is one of the longest running in the world. The long campaign life is due to the high standard of maintenance and the high-quality iron ore that feeds the furnace.

Planning for the shutdown commenced two years earlier. Complex models were used to identify and quantify the main risks of the furnace reline project and measures were put in place to manage those risks. An experienced team of OneSteel personnel and external consultants from around the world ran the project.

In addition to replacing the old brick refractory lining of the furnace with newer technology copper and cast iron staves, a new top was installed that enables the iron ore, coal and alloys to be fed and distributed in the furnace more efficiently. There are also some small potential improvements in terms of energy savings and lower greenhouse gas emissions.

While the furnace was shut down, OneSteel continued to manufacture finished products to meet customers' requirements. It did this by building inventory of semi-finished and finished products over an 18-month period.

OneSteel's iron ore mines are located 80 kilometres from the Whyalla Steelworks which manufactures around 65% of the company's annual raw steel production. OneSteel currently mines hematite iron ore and has sufficient quantities to take it through to 2020. However, below and adjacent to the hematite reserve is a magnetite resource. OneSteel is commercialising this resource to further secure its competitive advantage of low cost, high quality iron ore.

Magnetite has several advantages over the hematite in the way it processes to make steel. The net result is the potential to make up to 100,000 more tonnes of steel per annum, combined with lower production costs.

Furthermore, by converting Whyalla's steelmaking to magnetite, OneSteel's current hematite reserve becomes available for sale. The estimated annual sales of hematite will increase from the current one million tonnes to four million tonnes. It will generate approximately $100 million extra in revenue per annum, when combined with sales of additional pellets and steel slab.

The switch to magnetite iron ore is expected to be complete in the 2006 calendar year. Therefore, the first full year of benefit from the savings in use and sales of additional iron ore fines, pellets and steel slab will be in the 2006/07 financial year. However, OneSteel will incrementally increase its sales of hematite iron ore in 2005, generating cash to assist in the funding of the approximately $250 million in capital and stripping over two years.

Magnetite Feasibility Study

SUSTAINING OUR RESOURCES

In August 2004, OneSteel announced an investment in the order of $250 million to develop OneSteel's magnetite iron ore resource in the South Middleback Ranges. The project secures the life of the Whyalla Steelworks well beyond 2020, while also generating in excess of $1 billion in revenues over 10 years, hence its significance to the company.

Pictured L to R: Paul Leevers, Garry Eygenraam, Nigel Forsyth, Simon Parsons, Gavin Hobart, Don Dart, John Clark, the core team associated with the magnetite opportunity.

FIGURE NINETEEN
Vertical Integration of OneSteel's Australasian Operations

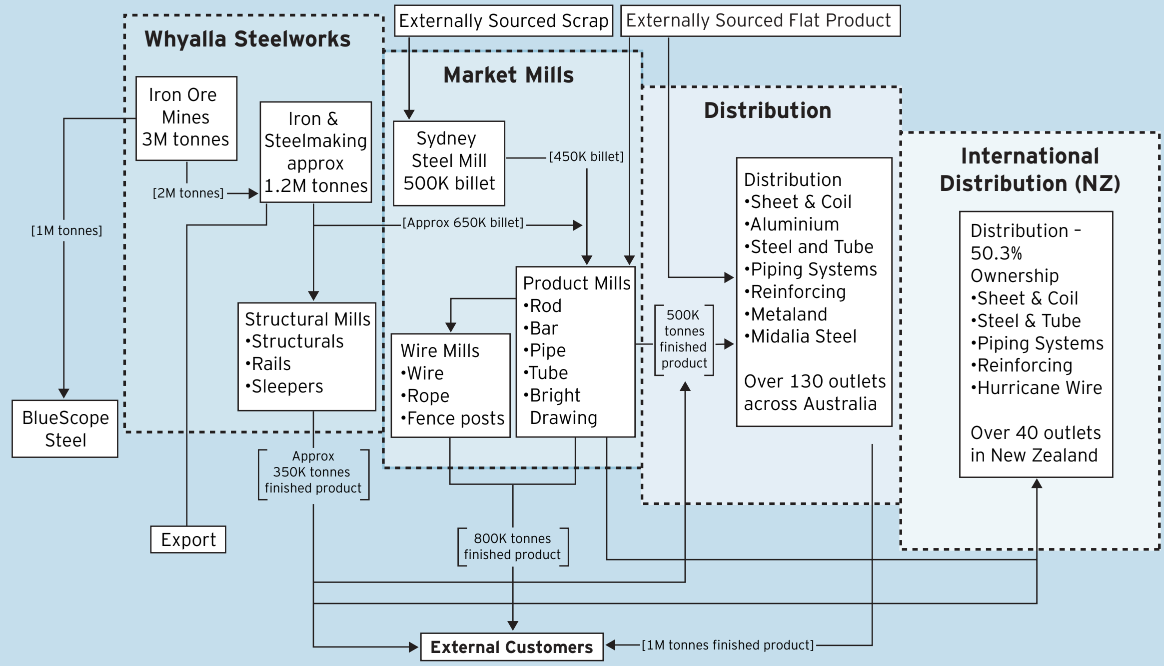


FIGURE TWENTY
Map of Operations

OneSteel has well over 170 operating locations throughout Australia and New Zealand servicing many large regional communities. Major manufacturing facilities are located in Whyalla, Newcastle and Western Sydney in Australia, with the remaining smaller manufacturing and distribution facilities located throughout Australia and New Zealand.

SEGMENT SUMMARY

AUSTRALIAN DISTRIBUTION

	2004 $m	2003 $m	%
Revenue	1,835.6	1,649.6	11.3
EBITDA	117.0	101.4	15.4
EBITA	99.1	84.7	17.0
Assets	1,094.6	998.0	9.7
Employees	2,712	2,501	8.4
Sales Margin	5.4%	5.1%	
Funds Employed	803.9	755.2	6.4
Return on Funds Employed	12.7%	10.9%	

Market Conditions

The construction segment continued to grow and the rural sector improved although drought-affected areas remained difficult. The Australian dollar's appreciation in the first half of the year resulted in increased imports of hollow sections and structural steel. However, in the second half the currency came off its peak and international steel prices increased rapidly.

Performance

Revenue increased by $186 million. Effective working capital management and property divestments, combined with margin improvements, resulted in an improved return on funds employed of 12.7%. Programs were introduced to recover market share in the face of rising imports. With input costs increasing to historically high levels, prices were lifted to maintain profitability.

The **Steel and Tube** business faced increased import competition and was stretched by the introduction of the new SAP system but stable margins and good cost control enabled delivery of a similar result to the previous year.

Reinforcing's profit improved as positive market conditions led to solid revenue growth. The challenge is to realise the price increases implemented to cover increased input costs while holding market share.

Sheet, Coil & Aluminium increased profit, underpinned by sales growth and a continued drive on operational efficiency.

Metaland's sales growth was good, despite the pressure from imports of hollow sections. However, profit was adversely affected by the consequent reduction in margins.

Piping Systems' profit result was affected by the cancellation or deferral of a number of projects.

Midalia Steel's financial performance exceeded forecasts, supported by strong market conditions in Western Australia that were led by the housing and engineering construction segments.

Initiatives

Commissioning of the new expanded reinforcing mesh-making facility in Sydney is underway and the facility will be fully operational in the first half of the 2004/05 financial year. The SAP platform will be introduced in the remaining Metaland and Sheet, Coil & Aluminium businesses during the financial year, with benefits being realised in operational productivity, inventory management and customer service.

Outlook

Strong demand is expected to continue in the construction sector from project activity, offsetting expected lower residential and rural activity. Relatively stable conditions are expected in other sectors.

AUSTRALIAN MANUFACTURING

	2004 $m	2003 $m	%
Revenue	1,841.9	1,753.8	5.0
EBITDA	202.3	193.0	4.8
EBITA	140.2	128.5	9.1
Assets	1,632.7	1,519.6	7.4
Employees	3,562	3,604	(1.2)
Sales Margin	7.6%	7.3%	
Funds Employed	1,088.1	1,090.6	(0.2)
Return on Funds Employed	12.9%	11.8%	

Market Conditions

A strong order book coming into the year from projects, combined with increased project activity during the year, provided a good platform to build improved performance.

Performance

Performance improved through targeted programs aimed at regaining market share from imports and on the back of cost cutting and price increases that were put in place to offset cost increases.

Whyalla's operations continued to set new records in the run-up to the blast furnace reline project.

Sydney Steel Mill operated at almost maximum capacity with production up 15% from the previous year, partly due to building billet for inventory associated with the reline of Whyalla's blast furnace.

Rail and Structural sales were lower, reflecting the completion of the Alice Springs to Darwin rail project in August 2003. Underlying activity was robust on strong demand from the construction sector.

Rod and Bar sales rose marginally, with healthy construction activity helping to offset the impact of imports on volumes and prices in the manufacturing and distribution sectors and continued soft rural and regional sales. The mills' production capacity, reliability and labour utilisation further improved, resulting in lower conversion costs.

Pipe and Tube sales were up slightly as prices and volumes recovered from the impact of increased imports in the first half of 2003/04. The market grew in line with underlying growth in construction activity and the oil and gas sector was also strong. Conversion costs fell on productivity and yield improvements, assisted by workplace reform that lowered manning and overtime costs.

Wire's diverse product range and a buoyant mining sector enabled the business to improve results despite the drought's severe impact on rural wire sales. A focus on manufacturing excellence improved the return from assets.

Initiatives

A new fence post plant has been commissioned and a new eight-strand heavy mining rope machine will be commissioned by the end of calendar 2004. Operating initiatives in Rod and Bar will continue to focus on improving plant reliability and availability, increasing labour utilisation and flexibility to proactively seek market opportunities.

Outlook

Strong global steel demand and a softer Australian dollar are putting upward pressure on import prices, assisting recovery of higher feed costs. Strong engineering and commercial construction activity is expected to offset slowing residential.

INTERNATIONAL DISTRIBUTION

	2004 $m	2003 $m	%
Revenue	340.3	290.8	17.0
EBITDA	47.6	36.6	30.1
EBITA	42.7	32.0	33.4
Assets	172.2	156.1	10.3
Employees	793	765	3.7
Sales Margin	12.5%	11.0%	
Funds Employed	140.2	129.5	8.3
Return on Funds Employed	31.7%	27.0%	

Market Conditions

Economic growth at around 5% for the year ending June 2004 was driven by strong growth in consumer spending, record demand for new residential properties and a recovery in earnings from the rural sector. After a slow start, demand in the commercial construction sector reached record levels by year-end.

Performance

Steel & Tube posted a record net profit after tax of NZ$28.46 million, up 32% from the previous year's result. Earnings per share at NZ$0.32 for the year, also increased by 32%. Dividends paid increased by 61% to NZ$0.37 due to the NZ$0.10 special dividend declared in October 2003.

Operations

Steel Distribution and Processing's volume of steel sold increased slightly compared with last year. However, total sales revenue was adversely affected in the first half as the average selling price of steel products reduced due to appreciation of the New Zealand currency. This trend reversed in the second half of the year as prices increased substantially on the back of strong growth in world demand for steel products led by China. Due to the lift in volume and margins in the second half of the year, earnings improved substantially when compared with the previous year.

Roofing Operations recorded substantially improved results from increased sales of roofing, cladding and rainwater products brought about by record demand for new housing and a buoyant re-roof market. Increased requirements for products from the construction sector to build light commercial structures, factories and farm buildings also helped this division to post improved results.

Hurricane Wire Products benefited from strong demand from the construction and rural sectors for its core products of farm fencing systems, nails and reinforcing mesh. This, together with obtaining synergy benefits from other divisions enabled Hurricane Wire Products to post improved results.

Initiatives

Steel & Tube will continue to focus on generating excellent returns.

Outlook

The New Zealand economy has outperformed most other OECD countries these past few years and is continuing to exceed consensus economic forecasts. Although the reduction in migrant growth is expected to slow consumer spending and the demand for new housing, commercial construction and infrastructure, is gaining momentum. The rural sector is also expected to benefit from the increase in world commodity prices.

Taking the above into consideration and with the assistance of a growing world economy, our expectation is for a similar result next year, but with some potential for upside.

AUSTRALIAN DISTRIBUTION

Revenue increased $186 million to $1,835.6 million. Effective working capital management and property divestments, combined with margin improvements, resulted in an improvement in return on funds employed to 12.7%.

Market activity continued to be healthy. The residential, non-residential and engineering construction sectors were all ahead of the previous year. The rural sector improved although areas of New South Wales and Victoria were affected by drought.

In the first half of the financial year, the rising Australian dollar created a favourable environment for importers, resulting in increased imports of hollow sections and structural steel. Price pressure in this period was significant. Programs were introduced to re-establish our competitive position relative to imports and recover market share. There was a marked change in the second half of the 2003/04 financial year, with the Australian dollar coming off its peak and a rapid increase in international steel prices. With input costs increasing to levels not seen for many years, we increased prices to maintain profitability.

In this dynamic environment we continued implementation of OneSteel's SAP systems platform. The implementation involves substantial process change and this created some distraction. The Steel and Tube and Piping Systems implementations were successfully completed by September 2003 and March 2004 respectively. The system is being introduced in the remaining Metaland and Sheet, Coil & Aluminium businesses and will be completed during this financial year. Benefits are being realised in operational productivity, inventory management and customer service.

An important element of future earnings growth is the targeted entry into new markets or new products and services. In February 2004, we acquired a Western Australian business, Midalia Steel, to provide business extension into the smaller customer/retail channel.

Leveraging the success of our strategic account program, we secured national preferred supplier agreements with a number of key customers. Our business continues to enjoy success in winning supply arrangements to Australia's major infrastructure projects.

Robin Freeman
EXECUTIVE GM DISTRIBUTION

Victor Dimovski commenced with the company in 1987 and is currently a slitter operator at the OneSteel George Ward Sheet and Coil operation. He is very proud to say that he has been the site's first aid officer for the past 10 years. Outside of work Victor enjoys going to the gym and playing soccer and he was a professional soccer player in his home country of Macedonia.

AUSTRALIAN DISTRIBUTION	2004 $m	2003 $m	2002 $m	2001 $m
Revenue	1,835.6	1,649.6	1,531.8	1,245.0
EBITDA	117.0	101.4	94.5	70.7
EBITA	99.1	84.7	77.7	54.6
Assets	1,094.6	998.0	999.0	926.4
Employees	2,712	2,501	2,446	2,531
Sales Margin	5.4%	5.1%	5.1%	4.4%
Funds Employed	803.9	755.2	795.1	718.1
Return on Average Funds Employed	12.7%	10.9%	10.3%	7.6%
Steel Dispatches – tonnes	1,193,774	1,121,051	1,050,608	903,491

THE BUSINESS	THE MARKET	PERFORMANCE	DEVELOPMENTS
Steel and Tube			
Steel and Tube operates from warehouses in metropolitan centres, providing a range of products including structural steel, plate, hollow sections and merchant bar. Extensive processing capabilities provide a competitive market offer. The major markets serviced are engineering and non-residential construction and the automotive and manufacturing segments.	Import volumes were significant, particularly for hollow sections, and most prevalent on the eastern seaboard. Strong market activity continued, especially in Western Australia. The business enjoyed success with large orders placed for major projects, including Telfer Mines, Darwin LNG, Adelaide Airport and Comalco.	The business faced increased import competition and was stretched by the introduction of the new SAP system, however stable margins and good cost control enabled delivery of a similar result to the previous year.	The new warehouse at Scoresby in Melbourne was completed on time. With the SAP platform now implemented, the business is well positioned to deliver improvements both in operational and customer-facing areas.
Reinforcing			
Reinforcing steel is used for concrete reinforcement, mining strata control, agricultural and industrial mesh products and reinforcing steel fibres. Reinforcing has 39 centres located throughout Australia, manufacturing wire and mesh, processing bar and selling related accessories. Customers include large and small builders, concreters, pool builders, formworkers, precasters and mining companies.	The market was strong, underpinned by the continued high level of housing commencements and apartment construction. Engineering construction demand also increased. Major projects secured include: M7 Western Sydney Orbital, Meriton Sunland development, Ephrim Island, Eureka Building, Telfer Mines and Darwin LNG projects.	Profit improved with solid revenue growth reflecting positive market conditions. There were significant increases in steel input costs in later months, resulting in the implementation of three sales price increases during February, April and May 2004. The challenge is to realise these increases in the marketplace while holding market share.	The focus on product development continues with the release of TRUSSDEK II™, a structural decking system. Commissioning of the new expanded reinforcing mesh-making facility in Sydney is underway and will become fully operational in the first half of the 2004/05 financial year. Following this, mesh-making in Melbourne will cease.
Sheet, Coil & Aluminium			
A processor and distributor of steel sheet and coil and selected aluminium products from dedicated metropolitan facilities. Product is sourced from major Australian and offshore manufacturers and used to service customers in the construction and manufacturing sectors. Major markets are metal roofing and accessories, steel building sections, road and marine transport equipment, metal cabinets and whitegoods.	Market conditions were strong, particularly in the commercial construction markets and transport and automotive segments.	An improved profit result was underpinned by sales growth and the continued drive on operational efficiency. Product expansion has continued in stainless steel and aluminium, supported by investment in processing and skills.	The new service centre in Adelaide, incorporating a new slitter, is complete. Expansion of the Perth facility was undertaken, providing additional storage and processing capability for aluminium. Installation of aluminium routers continues, providing product and service extension to customers.
Metaland			
Metaland services customers in regional markets of Australia. The network comprises 46 outlets complemented by an extensive franchise network throughout Australia. Local managers are empowered to provide a full range of metal products and solutions relevant to their local market conditions.	Availability of imported product resulted in rigorous competition in regional areas. Construction and mining activity was buoyant throughout the year. Rural areas of the drought-affected states of New South Wales and Victoria were difficult trading environments.	Sales growth was good, notwithstanding the pressure from imports of hollow sections. Profit was adversely affected by the consequent reduction in margins. A similar profit result was delivered to the previous year.	Initiatives to address increased competition in hollow sections delivered improvements late in the year. Organic growth plans continue to provide an increased diversity in product breadth.
Piping Systems			
OneSteel Piping Systems supplies steel pressure pipes, fittings and valves for liquid and gas conveyance. It has facilities in metropolitan centres and strategic regional locations. Customers include construction companies involved in major infrastructure project work, mining companies and mechanical contractors and export customers principally in the Pacific Rim. The division also services the fire prevention market through specialist businesses in metropolitan centres.	Market conditions were softer than expected with a number of anticipated projects being cancelled or deferred during the year. Of the major projects undertaken, the business secured orders for: Sydney Cross-City Tunnel; Chatswood – Epping Rail link; Hi-Smelt; and Telfer Mines. The building services market, which includes fire protection, remained strong.	Profit was lower than the previous year, mostly attributable to the cancellation and deferral of a number of projects.	During the year, the Melbourne business relocated to a new facility at Lyndhurst. OneSteel's SAP platform was implemented and fully operational in all Piping Systems businesses by March 2004.
Midalia Steel			
Midalia Steel was acquired in February 2004. It operates three facilities in Perth and eight in regional locations. Target customers include small builders, metalworkers, farmers, and the do-it-yourself sector.	The Western Australian market was strong, with housing and engineering construction segments leading the way. Regional areas also experienced good growth.	Financial performance was ahead of the assumptions made in the acquisition business case.	A priority is to further develop the safety model for the businesses.

AUSTRALIAN MANUFACTURING

Whyalla Steelworks

The Whyalla Steelworks performed strongly in the 2003/04 financial year. The domestic and international markets for finished steel products were buoyant and, in turn, demand for raw materials was positive for sales of iron ore, pellets and coke.

All major operating units performed well, with several monthly, six-monthly and annual production records achieved. The blast furnace operated very well up to 4 June when it was shut down for its reline. The blast furnace campaign of 23½ years was one of the longest in the world. It is also one of the world's most productive, hence it was a world-class performance. Cost control remained a strong focus and although some input costs increased significantly, productivity, careful cost control and the supply of our own iron ore contributed to a sound cost performance.

Safety remains a core value of the business. A record low level Medical Treatment Injury Frequency Rate (MTIFR) of 12 was achieved with a Lost Time Injury Frequency Rate of 2.1 also being recorded. Considerable work is underway to further improve on these results.

Two key contracts were entered into during the period. A five-year contract for the provision of sea transport for coal and iron ore between Whyalla and Wollongong was finalised with the Canada Steamship Line. Contracts were also finalised for the supply of coal for a two-year period, with the predominant amount being supplied by BHP Billiton.

A feasibility study into the development of magnetite resources located adjacent to and under the existing Iron Duke hematite mine in the South Middleback Ranges was completed during the year. The aim of the project is to convert the Whyalla Steelworks to using magnetite iron ore as a feed, thereby lowering the cost of steel produced and allowing the sale of existing hematite resources to export customers.

Market Mills

The first half of the year was characterised by softening volumes and prices in several key segments, principally driven by a rapidly appreciating Australian dollar that fuelled the competitiveness of imports. Combined with rapidly escalating feed costs (scrap and hot rolled coil), there was a significant margin squeeze. In the second half of the year, global steel shortages, largely caused by China's economic expansion, limited supply and exerted dramatic upward pressure on scrap and hot rolled coil prices. Considerable effort was directed towards recovering these cost increases and to displace imports.

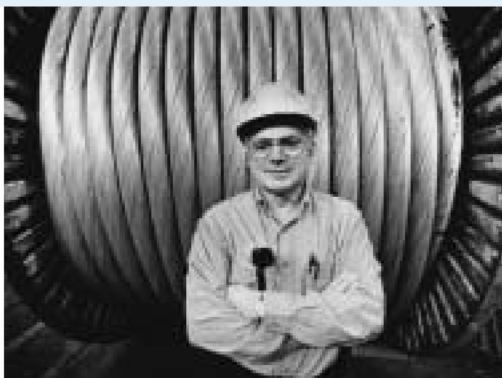
Across the manufacturing operations, a continued focus on increasing reliability and driving process efficiencies has delivered improved cost competitiveness and market responsiveness. Throughout the mills we were able to achieve improved operating and cost performance, reaching new records and milestones, most notably producing over 500,000 tonnes of steel at the Sydney Steel Mill. During the year, initiatives were launched to build a better understanding of our customers and markets, with a view to developing plans to grow further value within the segments in which we compete and thereby improving the competitiveness of OneSteel and our customers.

Safety performance continued to improve albeit at a lower rate than previous years with a reduction in the MTIFR of 17.7 to 15.3, the best performance ever at Market Mills.

Leo Selleck
EXECUTIVE GM STEELMAKING & TECHNOLOGY

Geoff Plummer
EXECUTIVE GM MARKET MILLS

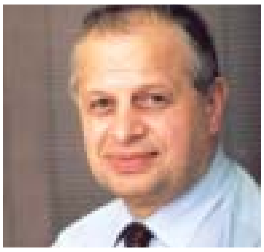
John Creagh has been with OneSteel in a number of roles, with his present position being Systems Manager at OneSteel Wire Rope. John has been married to Bev for 31 years, and has two children and four grandchildren – Maddison, Jack, Ben and Cameron. John's interests are his grandchildren, anything powered by a V8 and four-wheel driving.



AUSTRALIAN MANUFACTURING	2004 $m	2003 $m	2002 $m	2001* $m
Revenue	1,841.9	1,753.8	1,727.9	1,555.8
EBITDA	202.3	193.0	148.8	127.2
EBITA	140.2	128.5	86.3	65.0
Assets	1,632.7	1,519.6	1,498.3	1,575.9
Employees	3,562	3,604	3,760	4,066
Sales Margin	7.6%	7.3%	5.0%	4.2%
Funds Employed	1,088.1	1,090.6	1,094.0	1,160.9
Return on Average Funds Employed	12.9%	11.8%	7.7%	5.6%
Steel Dispatches – external tonnes	965,762	1,103,088	1,125,805	1,221,582
Steel Dispatches – internal tonnes	785,579	711,370	707,328	572,515
Tonnes Produced	1,618,855	1,624,399	1,576,650	1,438,770

* Profit numbers are prior to restructuring provision

THE BUSINESS	THE MARKET	PERFORMANCE	DEVELOPMENTS
Whyalla Steelworks			
Whyalla Steelworks is located in Whyalla, South Australia. It is an integrated steelworks producing up to 1.2 million tonnes of steel per annum from iron ore sourced from OneSteel's mines. Whyalla produces billet for OneSteel's Market Mills operations and manufactures rail products, structural steel and slab for external re-rolling. Besides steel products, substantial amounts of iron ore, pellets and other non-steel products are produced.	The domestic and New Zealand structural steel markets continued to be very strong. Sales of structural steel were 11% above the previous year. Rail dispatches for the year were also strong, although down on the previous year, reflecting the completion of the Alice Springs to Darwin rail line. International demand for raw materials such as coal, scrap and iron ore impacted costs and consequently prices rose in finished products reflecting these changes. This international demand also impacted sales of non-steel products such as iron ore pellets and coke.	Excellent production performances were recorded by all major operating units. The pellet plant operated at record rates for the year, producing 1.67 million tonnes of pellets. The blast furnace and steelmaking plants operated at full capacity for the 11 months to June, when the blast furnace was shut down on schedule for relining and modernisation, following a 23$^{1}/_{2}$ year campaign life. This 23$^{1}/_{2}$ years of continuous operation represents a near world record level. The rolling mill also performed well in response to the strong market demand. A substantial inventory build was completed on schedule to support markets during the blast furnace reline.	This year represented the largest development program undertaken in Whyalla for some time. A dedicated team completed on schedule the preparation for the blast furnace reline. The reline was well underway by the end of June. In a strong raw materials market, ore and pellet sales were expanded. An iron ore beneficiation project to increase hematite ore reserves was nearing completion by year end. The feasibility study into using magnetite ore was completed. In August the Board committed $30 million to take the project to the next stage.
Rod and Bar			
Produces up to 500,000 tonnes per annum of commercial grade billet at the Sydney Steel Mill (scrap-fed electric arc furnace and billet caster). Together with approximately 650,000 tonnes supplied by Whyalla Steelworks, the billet are rolled into a wide range of selected rod and bar products in the Newcastle Rod Mill and Bar Mill, and Sydney Bar Mill, for supply to downstream OneSteel businesses and to external domestic and export customers.	Continuing strong residential construction and improving non-residential and engineering construction created market growth over the last year. Rural and regional sales continued to be adversely affected by the drought. Strong import competition and a stronger Australian dollar in the first half of the year resulted in increased pressure on price and volume in the manufacturing and distribution sectors. Total sales were marginally up on last year, largely reflecting higher demand in the steel in concrete sector.	Sydney Steel Mill operated at near maximum capacity throughout the year, increasing production 15% over the previous year. Some of this production was used to build billet stock to cater for the Whyalla blast furnace reline. Scrap prices varied significantly through the year, with the average price substantially higher than a year earlier and well above historical levels. The rod and bar mills continued to significantly improve production capacity, reliability and labour utilisation, resulting in lower conversion costs.	The market outlook for the 2004/05 financial year suggests strong engineering and commercial construction offsetting an otherwise slowing domestic construction segment. Operating initiatives for the immediate future will continue to focus on improving plant reliability and availability and on increasing labour utilisation and flexibility so as to proactively seek new market opportunities.
Pipe and Tube			
Manufactures pipe and tube for the construction, mining and manufacturing segments for application in oil and gas pipelines, reticulation pipe, buildings, fencing, machinery, furniture, shop fittings, automotive production, agricultural implements and outdoor and material handling equipment.	The pipe and tube market grew in line with underlying growth in construction activity. Projects such as the Enertrade and Telfer pipelines helped underpin yet another solid year in the oil and gas business. During the first half of the year, import activity created significant price pressures and softened sales volumes. Overall, sales were up slightly on the previous year, reflecting stronger prices and volumes in the second half of the year.	Various initiatives continued throughout the period to improve costs and productivity. Continued workplace reform allowed decreased manning and overtime costs. Year-on-year improvements in conversion costs were achieved through a combination of productivity and yield improvements.	There will be continued focus on driving manufacturing performance through maintenance reliability and process capability. Initiatives will continue in customer and market segmentation to improve competitiveness and manage margins. Strong global steel demand and a weaker Australian dollar continue to put upward pressure on import prices, assisting in the recovery of escalating feed costs.
Wire			
Manufactures wire for use in the construction, manufacturing, mining and agricultural industries with products including springs, concrete reinforcing, strand and wire, industrial fine mesh, fence and trellis posts, netting, mining rope and wire for fasteners, nails, shop fittings and shopping trolleys. The OneSteel Martin Bright business is the largest domestic manufacturer of bright bar for automotive and machining applications.	While drought conditions have continued, severely impacting rural wire sales, the diverse product portfolio of rural and manufacturing wires, mining rope and bar products has enabled the wire business to deliver an improved result over the previous period. Sales of mining rope have been buoyant based on strong market conditions for coal in Australia together with increased export sales. During the year the business completed supply of 14,000 tonnes of wire for reinforcement of concrete sleepers for the Alice Springs to Darwin rail line. OneSteel Martin Bright continued to regain market share post a major restructuring of operations in 2003.	A strong focus on manufacturing excellence has improved the return from existing assets and the quality of product to customers. In addition, a significant business process redesign was undertaken, supported by the rollout of integrated SAP business systems. The Newcastle Wire Mill also saw the commissioning of a new fence post plant. The new electro-galvanised Star posts have replaced the traditional tar coated posts and have been well accepted in the market.	It is anticipated that sales will increase in 2004/05 due to increased rural activity as drought conditions recede, continued strong mining demand, improved reliability of supply in bright bar and strong demand for steel products. A new eight-strand heavy mining rope machine will be commissioned by the end of calendar 2004 and will further enhance the market offer to the mining sector.



Nick Calavrias
CEO STEEL & TUBE HOLDINGS (NZ)

INTERNATIONAL DISTRIBUTION

Market Conditions
Economic growth at around 5% for the year ending June 2004 considerably exceeded the expectations of most economists who were predicting about 3.5%. Low unemployment, strong growth in consumer spending and record demand for new residential properties all contributed to this growth as did a recovery in earnings from the rural sector. The commercial construction sector started the year slowly however by year end demand had reached record levels.

Performance
Steel & Tube marked its 50th year with a record net profit after tax of NZ$28.46 million, an improvement of 32% or NZ$6.94 million when compared with the previous year's result.

Earnings per share at NZ$0.32 for the year, also increased by 32%. Dividends paid however increased by 61% to NZ$0.37 due to the NZ$0.10 special dividend declared in October 2003.

Operations
Demand for **Steel Distribution and Processing's** goods and services remained relatively steady compared with last year on a national basis. There was a weakening in some parts of the country which was offset by growth in the Auckland region.

Although the volume of steel sold increased slightly compared with last year, total sales revenue was adversely affected in the first half as the average selling price of steel products reduced. This was due to the New Zealand currency appreciating faster than the increases in steel prices which are traded on the world markets in US dollars.

In the second half of the year however, this trend reversed as prices for replacement stock increased substantially. The catalyst for this was strong growth in world demand for steel products led by China.

This sudden increase in demand coupled with substantial increases for scrap steel and other input costs resulted in prices for reinforcing steel and structural sections increasing by about 50% in the space of a few months. This does however need to be put into perspective as in many cases this brings prices back to the levels prevalent in 1996.

Energy and infrastructure projects assisted the Piping Systems operations to increase earnings compared with last year, while our Fastening Systems business which is more reliant on the manufacturing sector ended the year with similar results to the previous period.

Due to a lift in volume and margins in the second half of the year, earnings improved substantially when compared with the previous year.

Roofing Operations benefited from increased sales of roofing, cladding and rainwater products brought about by record demand for new housing and a buoyant re-roof market. In addition to this, increased requirements for products from the construction sector to build light commercial structures, factories and farm buildings, helped this division to post improved results.

A buoyant construction sector, led by a growing demand from infrastructure spending and a favourable mix of large contracts spread through out the country assisted the **Reinforcing and Fabrication** operations to post substantially improved results.

Hurricane Wire Products benefited from strong demand from the construction and rural sectors for its core products of farm fencing systems, nails and reinforcing mesh. This, together with obtaining synergy benefits from other divisions enabled Hurricane Wire Products to post improved results. This year's contribution to the result was for a 12-month period compared with three months last year.

Initiatives
Steel & Tube will continue to focus on generating excellent returns.

Outlook
The New Zealand economy has outperformed most other OECD countries these past few years and is continuing to exceed consensus economic forecasts. Although the reduction in migrant growth is expected to slow consumer spending and the demand for new housing, commercial construction and infrastructure is gaining momentum. The rural sector is also expected to benefit from the increase in world commodity prices.

Taking the above into consideration and with the assistance of a growing world economy, our expectation is for a similar result next year, but with some upside.

John Prestidge retired in 2004 after being in the steel industry for 40 years, undertaking roles around the globe prior to becoming General Manager of the Sydney Steel Mill, one of OneSteel's key operations. His hobbies include riding a Harley Davidson with the Ulysses Club and completing a Bachelor of Arts in History and Politics in August 2004 after six years of study. His most memorable moment was walking the battlefield at Gettysburg and retracing General George Pickett's charge against the Union line.

INTERNATIONAL DISTRIBUTION	2004 $m	2003 $m	2002 $m	2001 $m
Revenue	340.3	290.8	289.2	312.2
EBITDA	47.6	36.6	30.7	29.3
EBITA	42.7	32.0	26.1	23.8
Assets	172.2	156.1	133.1	174.0
Employees	793	765	620	700
Sales Margin	12.5%	11.0%	9.0%	7.6%
Funds Employed	140.2	129.5	107.6	146.8
Return on Average Funds Employed	31.7%	27.0%	20.5%	16.2%

HUMAN RESOURCES

OneSteel employs 7,272 people throughout its operations in Australia and New Zealand. The number of staff increased during the year, primarily as the result of business acquisitions, notably that of Midalia Steel. OneSteel's staff comprises predominantly full-time workers with only 2.5% of employees employed on either a fixed term or casual basis.

About 60% of the OneSteel workforce is engaged under awards or enterprise agreements. The balance of staff is salaried or non-award employees. Approximately 10% of OneSteel's workforce are female.

OneSteel has relatively low and healthy staff turnover compared with the manufacturing sector. Turnover is 9%, well below the manufacturing sector average of 13%.

OneSteel employs graduates, cadets, apprentices and trainees throughout its businesses and across a number of disciplines including finance, marketing, operations and engineering. These openings offer an excellent opportunity to establish and advance careers within their chosen fields, gaining a high level of exposure to all business functions while developing and growing their commercial and professional skills.

In particular, OneSteel's Finance Graduate program has been running for three years. All the graduates who completed were placed in permanent positions throughout the business. In recognition of the importance of apprenticeship training, OneSteel's Market Mills and Whyalla businesses currently support electrical and mechanical apprentices. Based on the success of the inaugural paid Vacation Work Experience over December 2003 to February 2004, OneSteel will again offer final-year engineering students paid Vacation Work Experience at the Whyalla Steelworks over the December 2004 to February 2005 period.

Partnering with Business Leaders

In the context of increasingly complex and sophisticated domestic and global markets, OneSteel's Human Resources team remains focused on building a high performance culture that assists business leaders to meet their immediate and long-term objectives.

OneSteel's Human Resources function operates on a business partner basis, with human resources located within the business supported by a small, central human resources services team. Emphasis is placed on responding to the significant opportunities for business improvement and continuing to raise the performance bar for both individuals and teams. Increasingly, efforts are being directed to ensuring processes are in place to support future sustainability and growth. Under this "fit-for-purpose" approach, the energies of dedicated human resources services are directed toward deliverable business outcomes only, with functional excellence targeted only where justified.

Maintaining the Emphasis on Business Improvement

In the preceding year, prominence was given to establishing a common platform of performance planning across the business, while at the same time implementing significant business improvement initiatives. This work was consolidated in 2003/04.

Some examples of recent business improvement activities involving significant human resource implications include: the blast furnace reline at Whyalla; the SAP rollout in manufacturing and distribution; the rationalisation of mesh manufacturing across OneSteel Reinforcing; and various initiatives relating to improved operational and warehouse efficiency. Extensive work has also been directed toward building new capabilities in manufacturing and marketing and sales.

OneSteel Leadership Competency Model

Over the last 12 months, considerable work was done to identify expectations for the behaviours of leaders at all levels of the business.

Based on an evaluation of the differentiating competencies of benchmark leaders across the company, and incorporating leading research into behavioural leadership, the OneSteel Leadership Competency Model provides a foundation for performance planning and management as well as leadership development. Key among these competencies are those related to: being proactive in a rapidly changing external environment; leading significant organisational change; and, enlisting all employees in driving high performance. Across the business, front-line leader training programs have been developed and piloted.

Identified gaps in management capability are being addressed on a case-by-case basis, appropriate to business needs. Over the coming period, this will be supported and accelerated by an increased focus across the business on talent management and succession planning.

Current Priorities

In the 2004/05 financial year there will be increased focus on talent management and succession planning. This will be done by strategic deployment of the OneSteel Leadership Competency Model through the Performance Management and Planning process and a range of other forums.

The company will also continue to apply remuneration arrangements in a way that supports business alignment while attracting and retaining talent.

Streamlining Support Processes

Supporting this embedded human resources approach, small corporate human resources services and workers compensation teams deliver cost-effective business-wide services, as well as individualised support against specific business projects and initiatives. Recent initiatives aimed at cost-effective delivery of quality human resources services include: the continued development and promotion of self-serve human resources solutions through OneSteel's extensive intranet; implementation of online recruitment and testing systems; development of a range of database systems to support routine administration; and online administration of the annual salary review.

FIGURE TWENTY ONE
Workers Compensation Outstanding Claims Provision

	2004 $m	2003 $m	2002 $m	2001 $m
New South Wales	18.2	18.2	19.3	20.7
Queensland	2.0	2.4	4.5	5.5
Victoria	3.8	4.2	3.2	2.8
South Australia	4.0	4.2	4.2	4.1
Western Australia	0.6	0.7	0.9	0.7
Total – Self-insurance Workers Compensation Provision	28.6	29.7	32.1	33.8

OCCUPATIONAL HEALTH AND SAFETY

Safety is a core value of OneSteel as exemplified by the company's Vision to be the safest and most profitable manufacturer and distributor of steel and other industrial products in Australasia, focused on delivering value to shareholders, customers and employees. As such, safety underpins all of OneSteel's activities.

OneSteel's Occupational Health and Safety Policy sets the foundation for our approach and commitment to Occupational Health and Safety (OHS).

To put the Policy into action, OneSteel's strategic approach to safety improvement focuses on the following key areas:

- Leadership
- Systems
- People
- Risk Reduction
- External Environment.

Leadership
A cascading structure for managing OHS throughout the company from Board level through to Operations is in place. Key features of this structure include:

- OneSteel Board OHS&E Committee
- OneSteel Lead Team Central Safety Committee
- OneSteel Safety Network – across all OneSteel businesses
- Individual business safety committee structures.

DuPont Safety and Environmental Management Services has been retained to provide ongoing evaluation and safety leadership training and mentoring to key personnel.

In 2003, the OneSteel Lead Team commissioned a group of OneSteel personnel to conduct a benchmarking visit to a number of DuPont's North American sites. One of the key recommendations of the group was:

"Develop a process which will equip OneSteel leaders with clear expectations, skills and the motivation to further increase the impact and effectiveness of safety leadership across OneSteel."

A key initiative in the past year has been the development of the OneSteel Leadership Competencies. The objective of the project was to drive safety improvement by further developing safety leadership skills and capabilities, by defining the differentiating competencies for leaders at all business levels. These leadership competencies are being utilised across the business to define what is required of leaders. Teams and individuals are assessing current gaps and developing agreed strategies for both group and individual development needs.

Systems
OneSteel's OHS management system is designed to cater for business units of varying sizes, from an integrated steelworks to a small distribution centre.

The OneSteel Safety Framework is based on Australian Standard 4801. This approach allows each business unit to have systems and procedures in place that take into account the complexity of their operation.

FIGURE TWENTY TWO
Lost Time Injury Frequency Rate
Per million hours worked

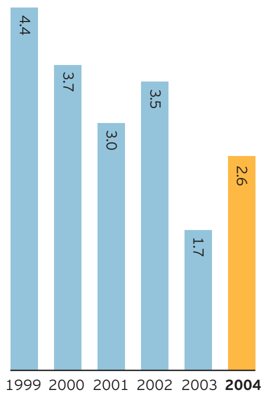
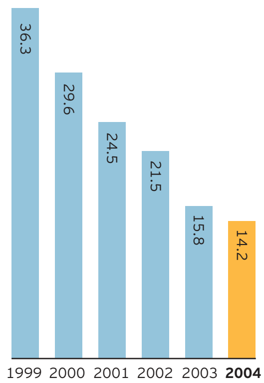


FIGURE TWENTY THREE
Medical Treatment Injury Frequency Rate
Per million hours worked



OCCUPATIONAL HEALTH AND SAFETY POLICY

OneSteel is committed to achieving the highest performance in occupational health and safety with the aim of creating and maintaining a safe and healthy working environment throughout its businesses.

Consistent with this the Company will:

- Establish measurable objectives and targets aimed at continuous improvement in its occupational health and safety performance taking into account evolving community expectations, management practices, scientific knowledge and technology;
- Comply with all applicable laws, regulations and standards and where adequate laws do not exist, adopt and apply standards that reflect the Company's commitment to health and safety;
- Consult with and involve employees and contractors in the improvement of occupational health and safety performance;
- Train and hold individual employees accountable for their area of responsibility;
- Manage risk by implementing management systems to identify, assess, monitor and control hazards and by reviewing performance;
- Ensure that OneSteel employees, contractors and visitors are informed of and understand their obligations in respect of this policy;
- Communicate openly with employees, government and the community on occupational health and safety issues; and contribute to the development of relevant occupational health and safety policy, legislation and regulations;
- Support relevant occupational health and safety research; and
- Regularly audit the occupational health and safety management systems to ensure effective implementation.

An important ingredient to maintain the integrity of OneSteel's OHS management system is the undertaking of external assessment of progress against defined goals. During this financial year, DuPont Safety and Environmental Management Services, State Workcover authorities, Aston Banks and Pacific ETRS carried out independent occupational health, safety and injury management audits and evaluations.

A major review of the OneSteel injury management system was conducted in the past year. A number of system improvements are currently being implemented as a result of the review.

People

OneSteel understands that if employees are positive and confident about their jobs and lives, then their overall wellbeing will be higher. To ensure that employees facing difficult times have access to confidential counselling and support services, OneSteel has introduced a company-wide Employee Assistance Program. The program is available to all employees and their direct family members.

Risk Reduction

OneSteel businesses have active risk reduction programs in place. These programs involve a wide range of risk reduction processes, from the planning of major projects to day-to-day activities.

A number of specific risk reduction activities have been conducted in OneSteel in the past year, aimed at strengthening existing systems and planning for emerging risks. These activities include:

- isolation Systems Audit and Review
- truck Loading and Unloading
- process Safety and Risk Management
- international Travel Risk Assessment.

The OneSteel Crisis Management Plan was reviewed and revised during the year with the assistance of an experienced international consultant. Training has been provided to the Crisis Management Team and an exercise has recently been carried out. Emergency management plans at a business level have also been reviewed and revised.

External Environment

To ensure all OneSteel sites are aware of their legal obligations and have ready access to legislation, an intranet-based OHS legal directory system has been implemented. The system provides OHS legislation for each State and an update service providing details of any changes.

As a result of OneSteel's OHS practices, it has been granted self-insurance status in all States where it is eligible: New South Wales, Victoria, South Australia, Queensland and Western Australia.

Occupational Health and Safety Outcomes for the Year

OneSteel achieved a combined employee and contractor Lost Time Injury Frequency Rate (LTIFR) of 2.6. Given the relatively low rate of lost time injuries, Medical Treatment Injury Frequency Rate (MTIFR) is used as a key safety performance indicator. This year the combined employee and contractor MTIFR has reduced by 10% to 14.2.

THE 2004 SAFETY EXCELLENCE AWARDS

The 2004 Safety Excellence Awards have continued to recognise the contributions made by employees and contractors in working to build a safety culture of the highest standard. The awards once again demonstrated the enthusiasm and dedicated effort being made across the business to build such a safety culture. Particular emphasis has been placed on safety throughout the last year, as we strive to maintain a clear focus on Goal Zero.

To touch on OneSteel's safety performance over the last year, it can be said that while the overall business did not achieve its target of 30% reduction in MTIFR, we have continued to improve. The 2004 MTIFR result was the lowest on record and the performance in the second half of the year was especially pleasing. The 2004 winners and finalists are listed below:

Safety Employee of the Year

- Warren Yates, Sydney Steel Mill (Winner)
- Dave Quinlan, Wire Newcastle
- Paul Allen, Steel and Tube Port Adelaide
- Rod Worden, Whyalla Steelworks

Safety Leader of the Year

- Scott O'Connor, Rod Mill Newcastle (Winner)
- Nigel Williamson, Sheet Coil & Aluminium Perth
- Richard Clement, Whyalla Steelworks
- Dave Knights, Sydney Steel Mill

Safety Contractor/Supplier of the Year

- Skilled Engineering Kwinana WA (Winner), represented by Mike Shakespeare
- Multiserv Whyalla, represented by Trevor Case
- Brambles Industrial Services Whyalla, represented by Paul Johnston
- United KG Whyalla, represented by Simon Cameron

Workplace Safety Initiative of the Year

- Truck Headboard "Sheet Stop" – Sheet & Coil Hemmant (Winner), represented by Rod Arrold
- Steelmaking Refractories – Whyalla Steelworks, represented by Jock McLauchlan
- Tundish Loading – Whyalla Steelworks, represented by Paul Freimanis
- Bending Software – Reinforcing Acacia Ridge, represented by Andrew Wakefield
- Scale Dump Bins – Sydney Steel Mill, represented by Geoff Pout and Craig Warren.

Picture 1 – Safety Employee Category

Pictured: (L to R) Dave Quinlan; Paul Allen; Warren Yates (Winner); Rod Worden, Bob Every

Picture 2 – Safety Leader Category

Pictured: (L to R) Dave Knights; Scott O'Connor (Winner); Nigel Williamson; Richard Clement; Bob Every

Picture 3 – Safety Contractor/Supplier Category

Pictured: (L to R) Simon Cameron; Paul Johnston; Trevor Case; Mike Shakespeare (Winner); Dean Pritchard

Picture 4 – Workplace Safety Initiative Category

Pictured: (L to R) Geoff Pout; Andrew Wakefield; Paul Freimanis; Rod Arrold (Winner); Jock McLauchlan; Dean Pritchard

COMMUNITY

Throughout the 2003/04 year, OneSteel continued to support charities and local community groups across Australia and launched the OneCommunity Giving Program.

With the introduction of the OneCommunity Giving Program in December last year, one of the main goals was to broaden participation in community-based programs in regions that support OneSteel operations.

OneSteel employees were actively involved in the set-up phase by participating in the charity nomination process. Staff selected causes and charities which they believed to be important contributors to their local communities.

With the program well underway in 2004, and along with the company's dollar-for-dollar matching contributions, employees are now pledging financial support and providing assistance to local charities.

Employees are provided with regular summaries on how OneSteel donations are helping each charity. Employees are provided with key dates and volunteer information, giving them an opportunity to become involved in volunteer days and special fundraising activities.

Representatives from OneSteel also provide management advice and direction to a number of local charities and educational groups in an official capacity through Board and governing council bodies.

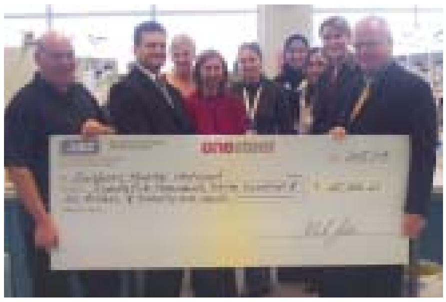
Since its launch, the program has gone from strength to strength with donations by the end of June 2004 totalling $64,408. The 12 charities benefiting from donations are detailed in Figure Twenty Four below.

Aside from the OneCommunity Giving Program, OneSteel is continuing to support various causes that have significant importance in a local regional sense across Australia. These causes also listed in Figure Twenty Four.

A major donation this year was OneSteel's support for the Children's Cancer Research Fund in Sydney from funds accumulated from dividend fractions that remained in the OneSteel Dividend Reinvestment Plan in accordance with the rules of the Dividend Reinvestment Plan. The OneSteel Board chose Westmead Children's Hospital because of its significant role in children's cancer research and treatment. This donation also falls in line with OneSteel's support of the Cancer Council as part of the OneCommunity Giving Program.

OneSteel, through the OneCommunity Giving Program, is currently giving something back to the very worthwhile causes located in the communities in which OneSteel operates. The funds will make a positive difference.

Collectively, OneSteel donated $358,406 in 2003/04, to the various support groups mentioned in Figure Twenty Four.



Pictured: OneSteel representatives (Mark Gell, GM Corporate Affairs & Marketing, John Krenich, Company Secretary and Rachel Lane, External Affairs Manager) presenting donation cheque to the Westmead Children's Hospital Research Laboratory.

FIGURE TWENTY FOUR
2003/04 Donations and Support

One Community Giving Program	• Alzheimer's Australia • The Cancer Council Australia • The Smith Family	• CARE Australia • The Salvation Army • Westpac Rescue Helicopter Service	• Royal Flying Doctor Service • Guide Dogs Australia • Hunter Medical Research Institute	• RSPCA • Lifeline • Landcare Australia
Hunter Region	• Hunter Valley Research Foundation • Young Achievement Australia • WorldSkills Australia Hunter Competition • WorldSkills Australia National Competition	• Hooka Park Community Arts project • Principal Sponsor Hard Work Exhibition (Newcastle April 04) • Media, Entertainment & Arts Alliance PRODI Awards – OneSteel Cadet Journalist of the Year	• OneSteel Australia Day Beach Volleyball Challenge • Newcastle Petanque World Record attempt • Workplace Safety for Hunter Industry • Mater Hospital Wig Week	• Newcastle & Hunter 2003 Business Chamber Awards • Samaritans Christmas Lunch in the Park • Maitland Triathlon – Leg Sponsor
Whyalla	• 21st Annual Conference of the Australian Institute of Occupational Hygienists • International Soccer Challenge 2003 (Whyalla) • Whyalla Road Safety and Bicycle Education Centre • Whyalla Counselling Service • Whyalla Aged Care Facilities • The Whyalla Players • Whyalla Surf Life Saving Club (program for disadvantaged young people) • Whyalla Hospital Ladies Auxiliary	• Whyalla Driver Reviver Centre • Spina Bifida & Hydrocephalus Association of South Australia • Elouera House (Women's and Children's Shelter) • Kiwanis Club Annual Toy Wrap for Disadvantaged Children • Juvenile Diabetes Research Foundation • OneSteel Academic Excellence Awards 2003 • Crippled Children's Association Outback Odyssey • Errappa Blue Light Camp	• OneSteel Matriculation Prize 2003 • Whyalla Blue Light Committee • Centacare's Interest-free Loans Scheme • Whyalla Maritime Museum • Rotary Club of Whyalla • University of South Australia Whyalla Campus • Whyalla Economic Development Board • Australian Institute of Building Surveyors (SA Chapter) • LifeFM Christmas Party for Special Children	• Anglicare's Emergency Relief Program • Australian Cranio Facial Unit Easter Appeal • Blind Sporting Council • Whyalla Art Group/D Faces of Youth Arts • University of Whyalla Campus OneSteel Prize 2004 • Whyalla City Council (Drug Action Team's 'Parents Aware' Program) • Whyallina Heritage Aboriginal Corporation
Regional Australia	• Australian Rugby Union • Cowboys Rugby League FC • Dirranbani Junior Rugby league • Dubbo City Junior Rugby League • Dubbo Rugby Club • Friends of Rugby NT • Magpies Rugby League FC	• NT Rugby Union • Old Collegians RFC • Orara Valley Rugby League FC • Parkes Rugby Union FC • North Tamworth Rugby League FC • St Kilda RFC	• Tamworth RFC • UWA RFC • South Dubbo Junior Rugby League • Cancer & Bowel Research Trust • Cancer Foundation of WA Inc • Blind Sporting Council	• Speedway Recovery Vehicles • Youth Suicide • Children's Safety Forum • Special Children's Xmas Party • Xmas Film Festival • Regional Rotary Clubs
Safety Award Winners 2004	• The Cancer Council Australia • The Malibu Schools Safety Bay	• The Starlight Children's Foundation	• Wynnum Police Citizens Youth Club, Queensland	

ENVIRONMENT

OneSteel's vision for the environment is to achieve a high standard of environmental care by complying with current legislation and seeking continuous improvement in performance by taking account of evolving scientific knowledge and community expectations.

Environmental Management Systems
In assessing the integrity of the company's environmental management systems, OneSteel benchmarks itself against the international environmental management system standard ISO 14001. This is undertaken through the external certification of seven sites, and the external and internal review processes for other sites.

All of OneSteel's Whyalla business operations are now certified, with the inclusion of the iron ore mines management and Ardrossan dolomite quarry during the year. OneSteel also employs an ISO 14001 certified company as the iron ore mining contractor.

Within OneSteel Market Mills, the oil and gas pipelines plant at Kembla Grange achieved certification, with OneSteel's Sydney Steel Mill and Altona tube processing plant being certified in previous years. Plans are in place to extend site certification within OneSteel Market Mills during the 2004/05 financial year.

OneSteel continues to have in place key environmental risk identification and management processes, as well as business unit managed compliance auditing processes.

Environmental Performance
Ten minor non-compliances were recorded for the 2003/04 financial year against specified sampling requirements in our environmental regulatory licences or agreements. There has been a slight reduction in the sampling non-compliances, compared with 12 in the previous year. OneSteel's goal for licence non-compliances is zero.

There were also 10 non-compliances against the general conditions of these licences and agreements, of which four incurred fines. OneSteel's Geelong Wire Mill was fined $5,000 for a spillage of waters from a cooling tower due to equipment failure, which contained one to two litres of oil. OneSteel's Newcastle Pipe and Tube Works received a $1,500 fine in relation to a spill of up to 900 litres of acidic process water containing zinc. Also OneSteel's Steel and Tube site at Wetherill Park (Sydney) had received two fines, each of $1,500, for the late submission of two annual licence returns to the NSW Department of Environment and Conservation (DEC).

Actions either have been taken, or are being progressed, to address and prevent recurrence of these licence non-compliances.

OneSteel also has systems to identify and record incidents outside of specific regulatory licence and agreement requirements. This includes recording, for example, certain large forklift hydraulic hose leaks to ground. During 2003/04, the main types of incidents continued to be small chemical spills and oil leaks from plant equipment that were contained on-site and easily addressed. The causes for incidents have been investigated and preventative actions either have been or are being put in place as appropriate. OneSteel Market Mills has completed a chemical handling audit at its Newcastle sites with plans to extend this to other Market Mills sites during 2004/05. It is anticipated that once corrective actions are completed for any issues identified from these audits, there will be a reduction in spill-related incidents in that business unit.

The majority of incidents are of a very minor nature and hence do not require reporting to regulatory authorities. However, OneSteel's Newcastle Wire Mill was fined $1,500 in relation to a process effluent sump overflow of 6,700 litres of water containing alkali to a stormwater drain. A contractor working at OneSteel's Sydney Steel Mill was also fined $1,500 for spillage of 600 litres of oil from a transformer to a drain.

OneSteel also responds to community complaints that may be lodged directly, or through the regulatory authorities.

The majority of complaints related to dust at OneSteel's Whyalla Steelworks. The site continues to work on dust management projects, spending over $750,000 in capital expenditure in 2003/04 on various projects. This follows $5.3 million in capital authorised on dust management projects over the previous two years. OneSteel also announced that it would be relocating its iron ore crushing and screening operations from adjacent to the Whyalla township to its iron ore mines at a cost of approximately $11 million.

Significant Environmental Activities
At OneSteel's Whyalla Steelworks, a report containing recommendations to reduce dust emissions was discussed and finalised with the South Australian Environment Protection Agency. Copies of the report were distributed to Council, the local Environmental Consultation Group, the Department of Human Services and other interested parties. A newsletter was also delivered to all households in Whyalla informing the residents of the content of the report. Regular updates on the commitments made in this report are issued every three months, and these updates are placed in Whyalla's libraries. An Air Quality Report is published weekly in the local newspaper, sponsored by OneSteel using SA EPA data.

ENVIRONMENTAL POLICY

It is OneSteel's policy to achieve a high standard of environmental care by complying with current legislation and seeking continuous improvement in performance by taking account of evolving scientific knowledge and community expectations.

Specifically, it is OneSteel's policy to:

- comply with all applicable laws, regulations and standards; uphold the spirit of the law; and where laws do not adequately protect the environment, apply standards that minimise any adverse environmental impacts resulting from its operations, products and services;
- communicate with government and the community on environmental issues, and contribute to the development of policies, legislation and regulations that may affect OneSteel;
- ensure that its employees and suppliers of goods and services are informed about this policy and aware of their environmental responsibilities in relation to OneSteel's business; and
- ensure that it has management systems to identify, control and monitor environmental risks arising from its operations.

The OneSteel environment policy is available on our website at www.onesteel.com.

Also at Whyalla Steelworks, the commissioning of decanters at the lime kiln scrubber system has achieved a significant reduction in solids discharged.

During 2003/04, OneSteel Distribution contracted a consultant to complete a site contamination remediation project at its Chiswick (Sydney) site prior to the sale of the property. The remediation work cost approximately $5.8 million. This remediation was validated by a NSW DEC Accredited Site Auditor for suitability for intended land use. The OneSteel site has now been sold.

As part of post-divestment obligations, a OneSteel Distribution site at Port Melbourne had a localised diesel plume from a previous underground storage tank leak remediated at contract cost of approximately $1.7 million. An environmental consultant's certificate of remediation has been provided.

OneSteel's Sydney Steel Mill has reduced its average dioxin emissions, and is meeting its licence limit of 0.13 nanograms per cubic metre of emission (a nanogram is a millionth of a milligram). A program of works has been agreed with the NSW DEC with the aim to further reduce dioxin emissions towards 0.1 nanograms per cubic metre, which is considered "world's best practice". The DEC, the local council and the community forum are being informed of progress.

During 2003/04, OneSteel's Newcastle Wire Mill installed an electro-galvanising plant for fence posts at a cost of $11.5 million. This replaces the use of a tar coating process, and met the requirements of a licence condition in regard to tar air emissions.

Greenhouse Gas Emissions

OneSteel's annual greenhouse gas emissions inventory estimated that OneSteel's 2003/04 greenhouse emissions were 3.24 million tonnes of CO_2 equivalent greenhouse gases, including accounting for purchased electricity.

This represented about 0.6% of Australia's national emissions. OneSteel's integrated Whyalla Steelworks, with coke ovens and iron ore preparation, accounted for approximately 78% of OneSteel's greenhouse emissions. OneSteel's Sydney Steel Mill scrap steel-fed electric arc furnace operation accounted for approximately 11% of OneSteel's greenhouse emissions.

OneSteel is working on identifying further strategies and opportunities to manage and reduce its greenhouse gas and energy intensity.

The Victorian sites of Martin Bright, Geelong Wire Mill and Pipe and Tube Somerton, submitted consultant-prepared energy audit reports and energy reduction action plans to the Victorian EPA as required.

OneSteel's Pipe and Tube plant at Newcastle also participated in a Newcastle City Council program on cleaner production where the site was audited to identify opportunities to save energy, waste and water. The majority of potential savings identified came from energy.

Environmental Expenditure

During 2003/04, just over $3.2 million has been authorised for specific environmental-related capital projects, apart from the approximate $11 million earmarked for relocation of the Whyalla iron ore crushing and screening operations. Of this, $2.9 million was authorised at the Whyalla Steelworks on items such as seawall embankment rock armouring, various dust management projects, various tank and process bunding, and Ardrossan dolomite quarry stormwater management. At OneSteel's Newcastle Wire Mill, expenditure authorised included the installation of a cooling tower on a galvanising line to control effluent temperature. In addition to providing integrity in meeting effluent discharge temperature requirements, it resulted in annual site fresh water savings of 30 million litres.

OneSteel also has made financial provisions for potential environmental costs, mainly related to certain site contamination management and mine site rehabilitation in accordance with provisioning guidelines.

Environmental Research

OneSteel Market Mills has commissioned a study by Newcastle University into the mechanisms leading to the spontaneous combustion of zinc dust in baghouses. This research is being applied to a small baghouse used at the Pipe and Tube works in Newcastle.

OneSteel also became a supporting participant with other industries to a Co-operative Research Centre for Sustainable Resource Processing (CSRP). The CSRP's mission is to find technological solutions for progressively and systematically eliminating waste and emissions in the minerals and metals processing cycle, while at the same time enhancing business performance and meeting community expectations.

Community

In 2002/03, OneSteel helped to establish the Whyalla Environment Consultation Group, which consists of SA EPA and OneSteel environment staff, council members, local residents and business and education sector representatives. The group was established to communicate more broadly with the community about dust issues, and environmental issues in general.

During 2003/04, this consultation group was expanded to include representatives from the Department of Human Services. It meets bi-monthly. The consultation group issued three newsletters during the year that were delivered to every household in Whyalla. The group is involved in an amenity improvement project for the East End of the Whyalla Township.

Free tours of Whyalla Steelworks were offered to Whyalla residents for a month in January 2004. These proved to be very popular and were fully booked.

A newsletter updating the community on activities that would be occurring during the Whyalla blast furnace reline, including an article on the environmental impacts of the reline, was delivered to all households in Whyalla prior to the start of the reline. Tours of the blast furnace site during the reline also took place.

OneSteel also continues to be involved in a local council, NSW DEC and community forum at the Sydney Steel Mill. This forum currently focuses on progress with dioxin emission reduction.

Newcastle Wire Rope management continues to regularly liaise with local council on vibration management, as well as investigating and responding to community complaints on vibration and noise. Local council continues to be satisfied with the site's management of the issue.

Pictured: During the year OneSteel launched the new environmentally friendly Waratah™ Galstar® fence post range.

TECHNOLOGY

Research and Development Projects Overview
During the year, more than 130 research and development projects were initiated or being progressed in OneSteel's businesses. Of these, some 70% relate to new process development or process improvement, about 25% relate to new product development or product enhancement, and around 5% are associated with the acquisition of new knowledge. However, in terms of expenditure more than 50% is associated with product development (new or improved). This latter work was primarily involved with the "billet value chain" that runs from the Whyalla Steelworks through to customers. In the past two years, the identification, co-ordination and integration of the research and development activities have led to improved products in a number of key areas.

Research has continued on metal coatings and organic finishes for the Pipe and Tube and Wire businesses. This involves both application and control technologies to enhance OneSteel's product offers and to further differentiate its products.

The result of this activity is an increase in the level of eligible expenditure under the Australian Government's Research and Development Taxation Concession Scheme from about $25 million in 2002/03 to about $30 million in 2003/04.

Process Development
The Whyalla blast furnace was shut down in June 2004 to be relined after a campaign life of 23 1/2 years, during which it established consistent low fuel rates and high productivity. Detailed planning for this major event was the focus of the year. Upgraded technologies fitted to the furnace include a Paul Wurth burden-feed system and the latest generation of stave cooling panels for the furnace shell.

A feasibility study into the development of magnetite resources located adjacent to and under the existing Iron Duke hematite mine in the South Middleback Ranges was completed during the year. The aim of the project is to convert the Whyalla Steelworks to using magnetite iron ore as a feed, thereby lowering the cost of steel produced and allowing the sale of existing hematite resources to export customers.

Sydney Steel Mill implemented changes in process controls and practices in the melt shop to accommodate significant changes in cold ferrous feed mix, due to high domestic scrap demand and high operating levels, which achieved a record throughput.

Wire rolling technology was introduced on one of the lines in Newcastle during the year to replace conventional wire drawing operations. It has given significant benefits, such as higher operating speeds and enhanced consistency in wire tolerances, in producing a range of products.

Product Development
A major redevelopment of the OneSteel Rope Works was undertaken with the installation of a 150-tonne capacity eight-strand closer. This unit will allow OneSteel to retire the existing large rope machine. The new machine will extend the company's product range into eight-strand mining rope and cable haul conveyor belt rope in excess of 120 tonnes.

The research and development activities being undertaken as a result of the focus on the "billet value chain" are now delivering improved products to OneSteel's customers. During the year, significant improvements were realised in feed material for tyre cord, a key input to the company's joint venture operation in Geelong. Fracture rates are at what is accepted as world's best practice. OneSteel's high carbon wire products in particular have improved properties and consistency as a result of the process changes implemented.

Vince Ivancic is Metallurgical Services Co-ordinator for the Sydney Steel Mill. He has worked for OneSteel for 28 years. His life revolves around his family, however Vince's most memorable moment is doing hot laps in a V8 Supercar at Oran Park. He reached speeds of 230 kilometres per hour while racing against three other cars.

THE BOARD

P J (PETER) SMEDLEY
BCom, MBA, FAICD

Chairman
Independent Non-Executive Director

Age 61. Appointed a director and Chairman in October 2000 and is a member of the Governance & Nominations Committee and the Remuneration Committee. He is a director of CARE Australia, The Australian Ballet and the Colonial Foundation. His previous roles include Managing Director and Chief Executive Officer of Mayne Group Limited, Managing Director and Chief Executive Officer of the Colonial Group, Chairman of the State Bank of New South Wales, Executive Director, Downstream Oil and Chemicals and Executive Director, Coal and Metals for Shell Australia Limited, Deputy Chairman of Newcrest Mining Limited and a director of Austen Butta Limited.

R L (BOB) EVERY
BSc, PhD, FTSE, FIE Aust, CP Eng

Managing Director and Chief Executive Officer

Age 59. Appointed a director in July 2000. Managing Director and Chief Executive Officer of OneSteel Limited and Chairman of Steel & Tube Holdings Limited. He is a director of Iluka Resources Limited and the International Iron and Steel Institute, a member of the Business Council of Australia, the Australian Institute Company Directors and the President's Council of the Art Gallery of New South Wales and a Fellow of the Institution of Engineers and Australian Academy of Technological Sciences and Engineering. He is a director of CARE Australia and Chairman of CARE Australia Corporate Council. His previous roles include President of BHP Steel, Managing Director of Tubemakers of Australia Limited and Chief Executive Officer of Steel & Tube Holdings Limited.

E J (EILEEN) DOYLE
BMath, MMath, PhD, FAICD

Independent Non-Executive Director

Age 49. Appointed a director in October 2000 and is a member of the Audit & Compliance Committee and Occupational Health, Safety & Environment Committee as well as Chairman of OneSteel's Superannuation Policy Committee. She is Chairman of Port Waratah Coal Services and Hunter Valley Research Foundation, a director of Austrade, State Super Financial Services and the Hunter Medical Research Institute and Conjoint Professor, Graduate School of Business, University of Newcastle. Her previous roles include senior management positions with CSR Timber Products, BHP Steel and Hunter Water Corporation.

C R (COLIN) GALBRAITH AM
LLB (Hons), LLM (Univ of Melbourne)

Independent Non-Executive Director

Age 56. Appointed a director in October 2000 and is Chairman of the Governance & Nominations Committee and a member of the Audit & Compliance Committee. He is a partner at law firm Allens Arthur Robinson specialising in commercial law. He is a director of Commonwealth Bank of Australia, GasNet Australia Limited and CARE Australia, Chairman of BHP Billiton Community Trust, Trustee of Royal Melbourne Hospital Neuroscience Foundation and Honorary Secretary for the Council of Legal Education (Victoria). Previously, he has been a director of the Colonial Group and Azon Limited.

D E (DAVID) MEIKLEJOHN
BCom, DipEd, FCPA, FAIM, FAICD

Independent Non-Executive Director

Age 62. Appointed a director in October 2000 and is the Chairman of the Audit & Compliance Committee and a member of the Remuneration Committee. He is Chairman of PaperlinX Limited and SPC Ardmona Limited, and a director of WMC Resources Limited. Previous roles include an Executive Director and Chief Financial Officer of Amcor Limited, Chairman of Kimberly-Clark Australia Limited, Deputy Chairman of GasNet Australia Limited, and a director of the Colonial Group and Treasury Corporation of Victoria.

D A (DEAN) PRITCHARD
BE, FIE Aust, CP Eng, FAICD

Independent Non-Executive Director

Age 59. Appointed a director in October 2000 and is the Chairman of the Occupational Health, Safety & Environment Committee and a member of the Audit & Compliance Committee. He is Chairman of ICS Global Limited and a director of Zinifex Limited, Eraring Energy and RailCorp. Previously, he was Chief Executive Officer of Baulderstone Hornibrook.

N J (NEVILLE) ROACH AO
BA (Hons), DSc (HC), FACS

Independent Non-Executive Director

Age 65. Appointed a director in October 2000 and is the Chairman of the Remuneration Committee and a member of the Occupational Health, Safety & Environment Committee. He is Chairman of Smart Internet Cooperative Research Centre, National ICT Australia Limited, Intelligent Island Board and Australia India Business Council, a director of TAFE Global, Australian Academic and Research Network and UNSW Foundation. His previous roles include Chairman and Chief Executive Officer of Fujitsu Australia Limited, director of Fujitsu Asia, Deputy Chairman of SBS, Chairman of Council for Multicultural Australia, Business (Migration) Advisory Panel and Australian Information Industry Association and President Asian Oceania Computing Industry Organisation.


Peter Smedley


Bob Every


Eileen Doyle


Colin Galbraith


David Meiklejohn


Dean Pritchard


Neville Roach

CORPORATE GOVERNANCE STATEMENT

OneSteel Limited listed on the Australian Stock Exchange on 23 October 2000. This statement outlines the corporate governance practices adopted by the Board which were in place throughout the financial year and at the date of this report.

ROLE OF BOARD OF DIRECTORS

The primary role of the Board is the protection and enhancement of shareholder value. The Board has the responsibility for corporate governance of the company. It oversees the business and affairs of the company, establishes the strategies and financial objectives with management and monitors the performance of management directly and through Board committees.

The Board has established a framework for the management of the consolidated entity, including a system of internal control and business risk management and appropriate ethical standards.

The agenda for Board meetings is prepared in conjunction with the Chairman and the Managing Director and submissions are circulated in advance. The Board reviews the company's performance and considers other important matters such as strategic issues, plans, major investment decisions, human resources matters, governance and compliance, and significant management presentations. Executives are regularly involved in Board discussion and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

BOARD CHARTER AND CORPORATE GOVERNANCE GUIDELINES

The Board has established a Board Charter and Corporate Governance Guidelines. These constitute a reference point for directors, employees and investors in understanding OneSteel's approach to the processes, performance measures, values and ethical standards which govern directors and employees. They are designed to facilitate an evaluation of the company's framework and procedures in the context of ensuring accountability and transparency.

The Guidelines are reviewed at least annually by the Governance and Nominations Committee and then the Board, in the light of the company's experience, the expectations of its shareholders, changes in the law and the requirements and recommendations of regulatory and other public bodies, including the ASX Corporate Governance Council. The Board Charter and Corporate Governance Guidelines, together with other governance documents, are published on the OneSteel website at **www.onesteel.com**.

CODE OF CONDUCT

The directors embrace the need for and continued maintenance of the highest standards of ethical conduct by all directors and employees of the consolidated entity. The Board has adopted a code of business conduct which formalises the obligation of individuals to act within the law and act honestly and ethically in all business activities. This code of conduct is reviewed by the Governance and Nominations Committee and is distributed to all business units to ensure staff are familiar with its contents.

INDEPENDENCE

The Board regularly assesses the independence of each director. For this purpose, an independent director is a non-executive director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.

In addition to being required to conduct themselves in accordance with the principles for directors' conduct and responsibilities of directors outlined in the Board Charter and Corporate Governance Guidelines, directors must be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act. The disclosure also includes interests of family companies, spouses, etc. Directors must strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and OneSteel policies.

Each director (or interests associated with each director) is a shareholder in the company. Each director may be involved with other companies or professional firms that may from time to time have dealings with OneSteel. Where there are such dealings, they are set out in notes (recording related party dealings) to the company's accounts as required by law.

COMPOSITION OF THE BOARD AND ITS COMMITTEES

The Board consists of seven directors. Membership of the Board and its Committees is set out below:

DIRECTOR	BOARD MEMBERSHIP		COMMITTEE MEMBERSHIP			
			Governance & Nominations	Audit & Compliance	Occupational Health, Safety & Environment	Remuneration
P J Smedley	Independent Non-executive	*Chairman*	Member			Member
R L Every	Executive	*Managing Director*				
E J Doyle	Independent Non-executive			Member	Member	
C R Galbraith	Independent Non-executive		Chairman	Member		
D E Meiklejohn	Independent Non-executive			Chairman		Member
D A Pritchard	Independent Non-executive			Member	Chairman	
N J Roach	Independent Non-executive				Member	Chairman

The Board has assessed that each of the non-executive directors of the company is an independent director. In reaching that determination, in addition to the matters referred to above, the Board has taken into account:

- the specific disclosures made by each director as referred to above
- where applicable, the related party dealings with each director, noting that those dealings are not material under accounting standards
- that no director is, or is associated directly with, a substantial shareholder of the company
- that no non-executive director has ever been employed by OneSteel or any of its subsidiaries
- that no director is, or is associated with, a supplier, professional adviser, consultant to or customer of OneSteel that is material under accounting standards.

Whilst each of the directors only took office in 2000, the Board does not consider that term of service should be considered as a factor affecting the question of independence.

The Board has established a policy limiting directors' tenures to ensure that skill sets remain appropriate in a changing environment The Board has adopted a policy that after non-executive directors have been in office for nine years they should stand for election on an annual basis. The Board has a policy that the maximum term for a non-executive director is 11 years.

BOARD EVALUATION

Each year, the directors conduct a formal review to evaluate their performance in meeting shareholder and stakeholder expectations. It is considered that this matter is appropriately reviewed by the whole Board under the direction of the Chairman and not by a Board committee alone. The Chairman discusses individual director contributions with each director face-to-face annually.

BOARD COMMITTEES

The Board committees are:

- Governance and Nominations
- Audit and Compliance
- Occupational Health, Safety and Environment
- Remuneration.

Ad hoc committees are established from time to time to deal with matters arising. All committees have clear mandates and operating procedures, which are reviewed on a regular basis. The committees operate principally in a review or advisory capacity, except in cases where particular powers are specifically conferred on a committee by the Board.

The Board committees meet as required, although the Audit and Compliance Committee and the Occupational Health, Safety and Environment Committee have regular quarterly meetings. The matters dealt with by the Committees are set out below.

GOVERNANCE AND NOMINATIONS COMMITTEE

The role of the Governance and Nominations Committee is set out in a charter that has been approved by the Board. The responsibilities of the Committee are to:

- review the corporate governance procedures of the company and any statement on corporate governance and recommend changes to the Board as appropriate
- assess the necessary and desirable competencies of Board members
- review Board succession plans
- ensure there is a process for evaluation of the Board
- recommend new nominees for membership of the Board.

The Managing Director and relevant senior staff are invited to Governance and Nominations Committee meetings at the discretion of the Committee.

AUDIT AND COMPLIANCE COMMITTEE

The role of the Audit and Compliance Committee is set out in a charter which has been approved by the Board. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and compliance reporting for the management of the company. The responsibilities of the Committee are to:

- review and report to the Board on half-yearly and yearly financial statements prior to their external release
- review all significant accounting policy changes and where appropriate recommend them to the Board
- monitor and report to the Board on the framework, adequacy and security of internal control and accounting and management information systems
- monitor the working relationship between the internal and external audit functions
- ensure adequate audit coverage for all major financial risks of the business and report to the Board on any issues arising from this coverage
- review internal and external audit reports to ensure that, where significant deficiencies in controls or procedures have been identified, management takes prompt remedial action and reports to the Board as appropriate
- review the annual and half-yearly accounts with the external auditors, review whether audits have been conducted effectively and report thereon to the Board as appropriate
- provide an open communication channel between internal and external auditors and the Board
- review, and in the case of external audit, agree fees and recommend to the Board on the appointment or replacement of the auditors. For internal audit recommend to the Board the appointment of internal auditors
- monitor the engagement of the external auditor to undertake non-audit services where the company will accept the auditor's performance of the engagement in accordance with OneSteel's policy on Audit Independence and Non-Audit Services
- assess the performance and independence of external auditors and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services
- assess the performance and, where appropriate, the independence of internal auditors
- monitor and report to the Board on relevant tax matters including tax compliance procedures
- review major capital project post audits
- monitor funding commitments and availability
- assess and review the business risk process including major customer contracts
- review major non-financial regulatory matters through the use of a compliance monitoring reporting regime which covers the following areas of exposure:

  - asset protection including insurance
  - trade practices
  - conflict of interest
  - discrimination and harassment
  - ethical standards
- approve the internal audit risk assessment and related audit plan.

The Managing Director, relevant senior staff and the internal and external auditors are invited to Audit and Compliance Committee meetings at the discretion of the Committee.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The role of the Occupational Health, Safety and Environment Committee is set out in a charter which has been approved by the Board. The responsibilities of the Committee, which relate to occupational health, safety and the environment, are to:

- review all significant policies and changes thereto and, where appropriate, recommend them to the Board
- monitor and report to the Board as appropriate on adequacy of management systems
- monitor and report to the Board as appropriate on the adequacy of performance and compliance
- ensure adequate internal and external audit coverage for all major risks and report to the Board on any issues arising from this coverage, in particular the management of environmental risks and post-divestment liabilities
- report to the Board as appropriate on any other significant health, safety and environment issues.

The Managing Director and relevant senior staff are invited to Committee meetings at the discretion of the Committee.

REMUNERATION COMMITTEE

The role of the Remuneration Committee is set out in a charter which has been approved by the Board. The responsibilities of the Committee are to:

- review the remuneration of non-executive directors and recommend any changes to the Board
- advise the Board on remuneration policies and practices relating to employees
- make specific recommendations to the Board on remuneration packages, policies and procedures applicable to senior management, including recruitment, retention and termination
- advise the Board in relation to share plans, incentive performance packages and succession planning
- review processes relating to the identification and development of key high-potential employees
- ensure adequate succession planning is in place
- review and recommend superannuation arrangements.

The Managing Director and the General Manager Human Resources are invited to the Remuneration Committee meetings at the discretion of the Committee

REMUNERATION

A detailed Remuneration Report is contained in the Directors' Report of this Annual Review. The report explains the basis for remunerating non-executive directors. The report also explains the structure of, and rationale behind, OneSteel's remuneration practices and the link between the remuneration of employees and OneSteel's performance. Remuneration details of each director and relevant senior management are set out in the Remuneration Report. Additional remuneration information is also included in Notes 23 and 29 of the Full Financial Statements.

RISK MANAGEMENT

OneSteel is committed to managing risk to protect our people, the environment, company assets and our reputation as well as realise opportunities. This risk-based system of internal control helps us to operate effectively and efficiently, achieve business objectives, ensure reliable reporting and comply with applicable laws and regulations.

The Board implements this policy by overseeing the establishment and implementation of the risk management system, reviewing the effectiveness of the company's implementation of that system and ensuring investors are informed of material changes to the company's risk profile.

The Audit and Compliance Committee implements this policy by focusing the company on risk oversight and management and on internal control. The Committee oversees the establishment of policies on risk oversight and management.

The Audit and Compliance Committee provides advice to the Board and reports on the status of the company's business risks through integrated risk management programs. Except for financial reporting and treasury risk, which are handled centrally, each business operational unit is responsible and accountable for implementing and managing to the standards required by risk management programs.

Management implements this policy by establishing and implementing a system for identifying, assessing, monitoring and managing material risk throughout the company. A description of the risk management system and the nature of the risks are included in the finance section of the Annual Review on pages 10 and 11.

A copy of the OneSteel Risk Policy is available at the company's website.

During the year, OneSteel put in place processes for reviewing the effectiveness of the company's controls and procedures for the public disclosure of financial and related information. These processes enabled the Board, before approving the company's financial statements for the year ended 30 June 2004, to consider the certificate provided by the Chief Executive Officer and the Chief Financial Officer stating that, in their opinion:

- the integrity of OneSteel's financial statements and notes thereto for the year ended 30 June 2004 are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board
- OneSteel's risk management and internal compliance and control systems to the extent they relate to financial reporting are operating effectively and efficiently, in all material respects, based on assessments and reviews performed using the process risk and internal control evaluation methodology approved by the Audit and Compliance Committee.

EXTERNAL AUDIT

The external audit of OneSteel is governed by the following principles:

- the external auditors must clearly demonstrate their independence
- the external auditors must not provide services which are in conflict with the role of an auditor unless Audit and Compliance Committee approval is obtained for the service
- the quality of the audit is reviewed annually
- the lead audit partner is to be rotated at the end of a period no longer than seven years
- the appropriateness of putting the audit to tender is reviewed at the end of a period no longer than seven years
- the services and fees provided by the external auditors are fully disclosed.

OneSteel's external auditor attends the company's annual general meeting each year to be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

DEALING IN COMPANY SHARES

Current shareholdings of directors are shown on page 42. Directors and senior management are precluded from trading in OneSteel shares at any time if they are aware of price sensitive information that has not been made public. Subject to that overriding rule, company policy permits directors and senior management to deal in company shares in the four week periods from the:

- date of the company's annual general meeting
- release of the half-yearly announcement to the ASX
- release of the yearly announcement to the ASX
- release of a disclosure document offering equity securities in the company.

Directors and senior management are cautioned of the ruling regarding buying or selling OneSteel shares at any time if they are aware of price sensitive information that has not been made public.

Directors and senior management may also acquire shares on-market under company share plans. The amount to be invested must be specified at least six months ahead. The amount is invested in equal monthly instalments with payment being made by way of deduction from the participant's remuneration. The plans are administered by an independent trustee.

Executive directors have entitlements to shares and options under the Executive Directors' Long Term Incentive Plan, subject to performance hurdles being met.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

For the purposes of the proper performance of their duties relating to the company, directors are entitled to obtain independent professional advice at the company's expense following approval by the Chairman. The advice is treated as advice to the Board.

DISCLOSURE

OneSteel has in place comprehensive policies and procedures for the purpose of compliance with our continuous and periodic disclosure obligations under the ASX Listing Rules and the Corporations Act, including a Continuous Disclosure Policy. The policy is published on the OneSteel website. The company secretary has primary responsibility for ASX and ASIC disclosure requirements.

COMMUNICATIONS TO SHAREHOLDERS

The Board aims to ensure that shareholders are informed, in a timely and readily accessible manner, of all major developments affecting the consolidated entity's state of affairs.

Information is provided to shareholders through:

- releases to the ASX in accordance with continuous disclosures obligations
- the annual review
- the annual general meeting
- media coverage of significant announcements
- extensive use of OneSteel's website.

Shareholders may choose to receive company information electronically by registering their email address online with the company's shareholder registry. The procedure for registering is explained in the Shareholder Information section of the annual review and on the OneSteel website.

The company's website at **www.onesteel.com** includes:

- statements lodged with the ASX
- the half-yearly and yearly results statements
- the annual review and notice of annual general meeting
- the Chairman's and Chief Executive Officer's address to the annual general meeting
- webcasts of annual general meetings
- webcasts of half-yearly/annual results presentations to fund managers and financial analysts
- other presentations and briefings given to fund managers and financial analysts including those during site visits
- general information on the company and its activities.

The company's website also has a Corporate Governance section where Board and Committee charters are published as well as other company policies that are likely to be of interest to shareholders and potential investors.

The annual general meeting provides an important opportunity for shareholders to express views and respond to Board proposals. Shareholders are encouraged to attend the annual general meeting.

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2004.

DIRECTORS

The following persons were directors of OneSteel Limited during the whole of the financial year and up to the date of this report:

P J Smedley
R L Every
E J Doyle
C R Galbraith
D E Meiklejohn
D A Pritchard
N J Roach.

Details of the qualifications, experience and responsibilities of directors are set out on page 34 of the Annual Review.

PRINCIPAL ACTIVITIES

The principal activities of the OneSteel Group are mining, steel manufacture, and steel and metal products distribution. Further details are set out on pages 1 to 33 of the Annual Review. There were no significant changes in the nature of the principal activities of the OneSteel Group during the financial year under review.

REVIEW OF OPERATIONS

A review of the operations of the OneSteel Group during the financial year and the results of those operations is contained in pages 1 to 33 of the Annual Review.

Net profit after income tax attributable to members of the parent entity, for the financial year was $127.9m (2003: $94.0m) with earnings per share of 23.2 cents (2003: 17.3 cents). The net profit for the financial year has recognised a tax benefit of $19.8m (2003: nil) arising from entry into tax consolidation.

DIVIDENDS

Dividends paid or declared by the company since the end of the previous financial year were:

	$m
Final dividend 7 cents per share payable on 14 October 2004, fully franked at a 30% tax rate on fully paid shares	38.8
Interim dividend 5 cents per share paid on 22 April 2004, fully franked at a 30% tax rate on fully paid shares	27.6
Final dividend 6 cents per share paid on 16 October 2003, fully franked at a 30% tax rate on fully paid shares	32.8

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the OneSteel Group that occurred during the financial year ended 30 June 2004. Commentary on the overall state of affairs of the OneSteel Group is set out on pages 1 to 33 of the Annual Review.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The OneSteel Group is subject to significant environmental regulation in respect of its mining and manufacturing activities. Environmental performance obligations are monitored by management and the Board of directors ("the Board") and subjected, periodically, to internal, independent external and government agency audits and site inspections. The environment report is set out on pages 31 and 32 of the Annual Review.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since 30 June 2004 and to the date of this report, no other matter or circumstance has arisen that has significantly affected or may significantly affect:

- OneSteel Group's operations in future financial years; or
- the results of those operations in future financial years; or
- OneSteel Group's state of affairs in future financial years.

FUTURE DEVELOPMENTS

Certain likely developments in the operations of the OneSteel Group known to the date of this report have been covered generally within the Annual Review.

DIRECTORS' MEETINGS

The number of directors' meetings held, including meetings of committees of directors, and number of meetings attended by each of the directors of the company during the financial year are listed at the bottom of the page. The roles and membership details of each of the committees are described on pages 35, 36 and 37 of the Annual Review.

DIRECTORS AND SENIOR EXECUTIVES' REMUNERATION

The Board's Remuneration Committee is responsible for reviewing remuneration policies and practices, including compensation and arrangements for executive directors and senior management, the company's superannuation arrangements and, within the aggregate amount approved by shareholders, the fees for non-executive members of the Board. This role also includes

TABLE – DIRECTORS' MEETINGS

	Board of Directors	Audit & Compliance Committee	Occupational Health, Safety & Environment Committee	Remuneration Committee	Governance & Nominations Committee
Number of meetings held	11	5	4	2	2
Number of meetings attended					
P J Smedley	11			2	2
R L Every	11				
E J Doyle	11	5	4		
C R Galbraith	11	5			2
D E Meiklejohn	11	5		2	
D A Pritchard	11	5	4		
N J Roach	11		4	2	

responsibility for the company's share and option plans. Executive and senior management performance reviews and succession planning are matters referred to and considered by the Committee. The Committee has access to independent advice and comparative studies on the appropriateness of remuneration arrangements.

Additional remuneration information is also included in Notes 23 and 29 of the Full Financial Statements.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The company implemented new remuneration arrangements for non-executive directors from 17 November 2003 when the existing retirement benefits arrangements were discontinued and replaced with a new long-term component to the payment of directors' remuneration. The changes introduced were detailed in our last Annual Review and explained to shareholders at our annual general meeting last year. The new remuneration arrangements are in line with emerging industry practices and guidelines and they affirm the commitment of the company to the principles of good corporate governance.

Under the arrangements now applying, non-executive directors of the company are entitled to:

(a) the payment of directors' fees in cash and statutory superannuation contributions

(b) for service from 17 November 2003, a long-term component of non-executive director fees, to be received by a non-executive director on retirement from the Board, that is linked to the market performance of the company

(c) for directors who held office on 17 November 2003, a cash benefit under the discontinued retirement benefit scheme fixed by reference to length of service up to this date, which is to be paid upon the retirement of the director from the Board.

The total amount of the directors' entitlements under (a) and (b) must be within the limit (currently $1.3m per annum) imposed by Article 9.8 of the Constitution of the company and ASX Listing Rule 10.17.

LONG-TERM COMPONENT OF NON-EXECUTIVE DIRECTORS' REMUNERATION

From 17 November 2003, non-executive directors became entitled to a long-term component of fees that forms part of the total amount of annually declared directors' remuneration. This long-term component is not paid directly to the director but applied, excluding any mandatory statutory superannuation contributions, to the on-market purchase of shares in the company. The shares purchased are then held on behalf of each respective director under the terms of the company's non-executive director share plan until the retirement from the Board of the director.

Thus, the value of the entitlements under the long-term component of non-executive director fees, to be received by a non-executive director upon retirement, is tied directly to the market performance of the company.

The cost of acquiring shares is expensed at the time of purchase in the accounts of the company. This ensures that the cost of providing the long-term component impacts the company's accounts annually rather than at the time of the retirement of the non-executive director.

RETIREMENT BENEFIT – DISCONTINUED SCHEME

The retirement benefit scheme, that was in existence until 17 November 2003, was approved by shareholders as part of the process for public listing of the company in 2000. This retirement benefit was an additional and separate arrangement to the payment of directors' fees.

The transition to the new arrangements involved the amount of the retirement benefit accrued by each non-executive director up to 17 November 2003 being fixed by reference to length of service up to this date and those directors forgoing the balance of their benefits under that scheme in return for participation in the new arrangements.

DIRECTORS' REMUNERATION DETAILS

Details of remuneration paid to directors for the year ended 30 June 2004 are set

TABLE – DIRECTORS' REMUNERATION DETAILS

Directors	Fees/ Salary $	Other Benefits $	Retirement Benefit/ Superannuation $	Short-Term Incentive $	Options Value $	Shares and Share Rights Value $	Total 2003/04 $	Total 2002/03 $
P J Smedley	250,000	–	102,825	–	–	67,099	419,924	500,000
R L Every	1,200,000	–	156,000	1,000,000	65,673	768,481	3,190,154	3,565,154
E J Doyle	84,000	–	36,879	–	–	18,765	139,644	164,666
C R Galbraith	84,000	–	36,879	–	–	18,765	139,644	164,666
D E Meiklejohn	84,000	–	36,879	–	–	18,765	139,644	164,666
D A Pritchard	84,000	–	36,879	–	–	18,765	139,644	164,666
N J Roach	84,000	–	36,879	–	–	18,765	139,644	164,666
Total	1,870,000	–	443,220	1,000,000	65,673	929,405	4,308,298	4,888,484

Notes:

(1) Retirement benefits for directors were discontinued following the annual general meeting on 17 November 2003 and replaced with a new long-term component of remuneration via share purchase (see note (4)).

(2) Options have been valued, at grant date, using the Black Scholes option pricing model. The value of the options has been apportioned over the three-year vesting period.

(3) Share rights have been valued, at grant date, using the Black Scholes option pricing model, assuming a zero exercise price, no dividends and incorporating a probability of vesting. The value of the share rights has been apportioned over the three-year vesting period.

(4) The value recorded for non-executive directors in the Shares and Share Rights Value column represents the new long-term component of directors' remuneration that commenced after the annual general meeting on 17 November 2003. This amount has been accrued during the financial year with the purchase of shares occurring at the trading windows available under OneSteel's policy on dealing in company shares.

(5) The value recorded for the executive director in the Shares and Share Rights Value column relates to share rights valued per note (3).

out in the table at the bottom of page 40. The table assigns an annualised value to share rights and options allocated to the Managing Director. The basis of remuneration of the Managing Director is in the following note.

MANAGING DIRECTOR'S REMUNERATION

The Managing Director is engaged under a contract of employment that was renewed in 2002 and expires on 20 January 2006. The Managing Director's remuneration comprises a base salary, other benefits, superannuation, a short-term incentive plan payment (STIP) and participation in a long-term incentive plan (LTIP) which allocates shares and options from time to time. Both STIP and LTIP are explained later in the Directors' Report.

During the financial year, 1,847,052 share rights and 2,462,735 options vested to the Managing Director under the LTIP when performance hurdles were achieved at the end of the three-year vesting period. These share rights and options were granted to the Managing Director in the year 2000 at the time of listing of the company.

The Managing Director's contract of employment on renewal in 2002 included a provision for the company to make a further grant of 782,319 performance-dependent share rights under the LTIP. At the annual general meeting held on 18 November 2002, shareholders approved the allocation of the share rights to the Managing Director and the on-market acquisition of these shares over three years at the rate of 260,773 shares per annum. An amount of $0.5m has been charged to the Statement of Financial Performance during the year ended 30 June 2004 in respect of the shares acquired during the current financial year. These shares become eligible for vesting in December 2005 subject to the performance hurdles outlined later in the Directors' Report.

The Managing Director's remuneration includes provision for an early termination payment of the balance of his contract and any pro-rata payment applicable under STIP.

SENIOR EXECUTIVES' REMUNERATION

The company's remuneration policy for senior executives aims to:

- attract, develop and retain executives with the capabilities required to lead the company in the achievement of business objectives
- have a significant proportion of executives' pay at risk to ensure a focus on delivering annual financial, safety and business objectives
- reward executives for maintaining sustained returns to shareholders.

Remuneration packages for executives therefore comprise:

- a fixed annual reward which includes a base salary, other benefits including fringe benefits tax and superannuation
- a variable component. This involves both a STIP payment that rewards delivering of annual business goals and a LTIP which allocates shares and options.

Executives participate in an annual performance review process that assesses performance against key accountabilities and job goals. Performance against these goals impacts directly on short-term incentive payments and salary movements.

SENIOR EXECUTIVES' REMUNERATION DETAILS

Details of fixed annual reward payments and short-term incentive payments made to the most senior executives for the year ended 30 June 2004 are set out at the bottom of the page. This table also assigns an annualised value to share rights and options allocated under the LTIP.

SHORT-TERM INCENTIVE PLAN (STIP)

The STIP is administered over a 12 month period on a financial year cycle. STIP aims to reward participating employees for the achievement of agreed financial, safety, business and personal goals.

The key financial and safety performance measures used for STIP are established by the Board. Using these parameters, the Managing Director and senior management then set the individual safety, business and personal goals. Objectives for STIP are based on planned/budgeted performance, incorporate stretch targets and are linked with continuous improvement.

TABLE – SENIOR EXECUTIVES' REMUNERATION DETAILS

Senior Executives	Salary $	Other Benefits $	Super-annuation $	Incentives $	Options Value $	Share Rights Value $	Total 2003/04 $	Total 2002/03 $
N Calavrias	417,604	7,200	31,500	280,803	–	–	737,107	596,407
R W Freeman	463,908	–	41,751	195,000	15,384	125,948	841,991	822,018
G J Plummer	397,436	31,322	51,520	267,000	9,745	90,469	847,492	821,143
A J Reeves	460,904	–	41,940	200,000	11,665	103,198	817,707	814,852
L J Selleck	319,505	112,569	41,360	195,000	8,313	74,864	751,611	776,328
Total	2,059,357	151,091	208,071	1,137,803	45,107	394,479	3,995,908	3,830,748

Notes:

(1) All officers were employed by subsidiaries of OneSteel Limited for the full year.
(2) Incentive payments are in respect of short-term incentives except for N Calavrias whose payments include a long-term component of $46,800.
(3) Options have been valued, at grant date, using the Black Scholes option pricing model. The value of the options has been apportioned over the three-year vesting period.
(4) Share rights have been valued, at grant date, using the Black Scholes option pricing model, assuming a zero exercise price, no dividends and incorporating a probability of vesting. The value of the share rights has been apportioned over the three-year vesting period.

STIP payments are not paid for the maintenance of previously attained performance levels.

Payments under STIP are based on a set percentage of salary for achievement of goals with a maximum payment equivalent to 200% of target percentage for exceptional performance.

In addition to an annual performance review, there is an on-going process for regular performance review during the financial year. The review process ensures that there is clarity in the communication and understanding of key business drivers and targets. These performance discussions also serve to provide feedback, to plan development initiatives and to aid succession planning.

SHARES AND OPTIONS – LONG-TERM INCENTIVE PLAN (LTIP)

The LTIP is restricted to executives, including senior management and OneSteel executive directors.

The company did not grant performance dependent rights to ordinary shares or options during the year ended 30 June 2004.

In previous years, share rights and options have been granted in accordance with the rules of the company's LTIP. One ordinary share in the company may be obtained for each share right or option after a qualifying period of three years. These shares and options are held in trust during this period and vesting is subject to the company achieving specific performance hurdles at the end of this period. All or some of these shares and options may vest to an individual executive on termination when special circumstances apply.

Dividends in respect of share rights are distributed to participants in accordance with their respective allocations.

The performance hurdles relate to two comparative groups (the Australian Consumer Price Index plus 5% and the S&P/ASX200 Index excluding banks, media and telecommunications) that are measured against OneSteel's performance in terms of Total Shareholder Return (TSR). OneSteel's ranking against these measures will determine whether a participant may draw share rights. For each allocation of shares and options, half are subject to ranking OneSteel's TSR performance to the Base Comparator and the other half to the S&P/ASX200 Index.

The withdrawal of shares or the exercise of options is determined in accordance with the following table:

Performance Ranking Range	% of Shares and Options Available
Up to and including 60%	Nil
61% to 80%	60%
81% to 99%	80%
100% and over	100%

A revised vesting scale for the Base Comparator Index only will be applied to any future allocations of shares and options. Under the change, 50 percent of shares and options will vest if OneSteel's TSR performance equates to a 50th percentile ranking within the S&P/ASX200 Index. The residual shares and options will then progressively vest if a ranking of greater than the 50th percentile is achieved, with all vesting at a 75th percentile ranking. This revised arrangement is in line with emerging industry practice.

During the financial year, there were 2,983,337 share rights, 3,736,478 options at an exercise price of $0.9258 and 241,298 options at an exercise price of $0.8848 that vested to management under the terms of the LTIP. There were 726,810 of these options exercised.

At the date of this report, exercisable options and potential options over ordinary shares of the company are:

Expiry Date	Exercise Price	Number of Shares
Exercisable		
15 December 2009	$0.9258	3,009,668
9 April 2010	$0.8848	241,298
Not exercisable		
2 September 2010	$1.0350	35,749
23 September 2010	$0.9143	29,531
30 September 2010	$0.9087	233,300
21 December 2010	$1.0434	765,000

The options do not entitle the holder to participate in any share issue of the company.

During, or since the end of the financial year, the company has issued shares as a result of the exercise of options as follows:

Number of Shares	Amount Paid on Each Share	Market Value Per Share on Date of Exercise
726,810	$0.9258	$1.83 to $2.33

Further details relating to the exercise of these options is included in Note 23 of the Full Financial Statements. There are no amounts unpaid on the shares issued. Shares held in trust under the LTIP carry voting rights.

DIRECTORS' INTERESTS

During the financial year, ordinary shares in the company were acquired at market prices, either directly or indirectly, by directors as follows:

Director	Ordinary Shares
P J Smedley	18,719
E J Doyle	13,380
C R Galbraith	5,381
D E Meiklejohn	5,382
D A Pritchard	5,382
N J Roach	15,207

No director, either directly or indirectly, disposed of any ordinary shares, exercised an option over ordinary shares or was granted rights to further shares and options during the financial year.

The relevant interest of each director in the shares, options or other instruments of the company and related bodies corporate are:

	OneSteel Limited		
	Shares	Share Rights(1)	Options(1)
P J Smedley	118,719		
R L Every	1,954,845	782,319	2,462,735
E J Doyle	92,524		
C R Galbraith	64,820		
D E Meiklejohn	15,382		
D A Pritchard	55,382		
N J Roach	180,597		

(1) Refer details of share rights and options on this page.

Dr R L Every also holds 6,000 shares in Steel & Tube Holdings Limited.

DIRECTORS' REPORT

INTERESTS OF NON-EXECUTIVE DIRECTORS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

Directors of OneSteel Limited have declared their interests in contracts or proposed contracts that may result from their directorships of other corporations, as listed in their personal profiles set out on page 34 of the Annual Review.

Members of the OneSteel Group had normal business transactions with directors (or director-related entities) of the parent entity and its controlled entities during the financial year, including payments to Allens Arthur Robinson, solicitors, of which firm Mr C R Galbraith is a partner, in respect of legal costs and advice amounting to $200,131 (exclusive of GST), of which no amount was outstanding at 30 June 2004. Mr Galbraith was not personally involved in the provision of these services.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The company has agreements with each of the directors of the company in office at the date of this report, and certain former directors, indemnifying these officers against liabilities to any person, other than the company or a related body corporate, that may arise from their acting as officers of the company, notwithstanding that they may have ceased to hold office, except where the liability arises out of conduct involving a lack of good faith.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

TAX CONSOLIDATION

Effective 1 July 2003, for the purpose of income taxation, OneSteel Limited and its wholly-owned Australian subsidiaries have formed a tax consolidation group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

ROUNDING OF AMOUNTS

The company is of the kind referred to in the ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest one hundred thousand dollars or, where the amount is $50,000 or less, zero, unless specifically stated to be otherwise.

Signed in Sydney this 17th day of August 2004 in accordance with a resolution of directors.

Peter Smedley

Chairman

Robert Every

Managing Director

CONCISE FINANCIAL REPORT

CONTENTS

The 2004 Concise Financial Report has been derived from OneSteel Limited's 2004 Full Financial Report. The financial statements included in the Concise Financial Report cannot be expected to provide as full an understanding of OneSteel Limited's performance, financial position and financing and investing activities as the 2004 Full Financial Report.

2004 FULL FINANCIAL REPORT
A copy of OneSteel Limited's 2004 Full Financial Report, together with the Independent Audit Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The financial statements can be requested by telephone, by internet or by email (refer to contact details in the Corporate Directory on the inside back cover).

Discussion and Analysis of the Financial Statements
The discussion and analysis is provided to assist readers in understanding the Concise Financial Report. The Concise Financial Report has been derived from the Full Financial Report of OneSteel Limited.

The OneSteel Limited consolidated entity ("the OneSteel Group") consists of OneSteel Limited and its controlled entities.

The principal activities of the OneSteel Group during the financial year comprised:

- Mining of iron ore
- Production of steel
- Manufacture and distribution of steel products

OneSteel Limited ("the company") prepares its consolidated financial statements on the basis of historical cost, applying generally accepted accounting principles. The accounting policies adopted are consistent with those of the previous year except for the changes set out in note 1 of the Notes to the Concise Financial Report.

Statement of Financial Performance
OneSteel Limited's net profit attributable to members of the parent entity for the financial year was $127.9m, as compared with a profit of $94.0m in the previous year. Excluding the effect of the one-off tax benefit from entry into the Tax Consolidation regime, the after-tax profit for this financial year was $108.1m.

Sales revenue increased 6.8% to $3,269.2m, mainly reflecting the continued strength in OneSteel's major markets, particularly the construction sector which accounts for 62% of OneSteel's revenues. While the first six months of the financial year was a particularly difficult period with increasing import competition and extremely dynamic international steel and currency market activity, the second half of the year was favourably impacted by price increases across all of OneSteel's major product ranges.

Earnings again increased across all of the three main businesses. The Manufacturing business benefited from increased strong demand from the construction sector, the Australian Distribution business continued to post improved sales margins reflecting the general improvement in market conditions, while the International Distribution business again continued to produce outstanding results.

Statement of Financial Position
Total assets increased by 8.8% to $2,803.2m, mainly as a result of the inventory build associated with the Whyalla Steelworks blast furnace reline, the acquisition of Midalia Steel in February and a general increase in working capital due to price increases in the second half of the year.

Total liabilities increased by 6.8% to $1,373.4m, reflecting increased trade payables associated with the Whyalla Steelworks blast furnace reline, extended terms negotiated with suppliers, the impact of price increases and higher borrowings, offset by higher cash levels.

Contributed equity increased by $16.7m mainly as a result of the dividend reinvestment scheme ($16m).

Statement of Cash Flows
Net cash flow from operating activities decreased by $69.4m from last year to $188.3m, reflecting the improved profitability in 2004 being offset by increased working capital levels, particularly inventories.

Net cash outflow from investing activities of $103.4m was $11.8m less than 2003, with higher capital expenditure (predominantly for the Whyalla Steelworks blast furnace reline) and the acquisition of Midalia Steel, being largely offset by property sales in 2004.

The net cash outflow from financing activities of $50.2m ($134.4m in 2003) reflects stable net debt levels in 2004 and increased dividend payments.

Dividends
The directors have recommended and declared a final fully franked dividend for 2004 of 7.0 cents per share payable on 14 October 2004.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE	Note	CONSOLIDATED 2004 $m	2003 $m
Sales revenue	2	3,269.2	3,060.6
Cost of sales		(2,626.6)	(2,434.4)
Gross profit		642.6	626.2
Other revenues from operating activities	2	22.9	14.1
Other revenues from non-operating activities	2	47.2	25.4
Operating expenses excluding borrowing costs		(496.9)	(464.4)
Borrowing costs		(42.2)	(44.5)
Share of net profit of associate accounted for using the equity method		0.3	–
Profit from ordinary activities before income tax expense		173.9	156.8
Income tax expense relating to operating activities		(53.4)	(53.3)
Income tax benefit arising from entering tax consolidation		19.8	–
Total income tax expense from ordinary activities		(33.6)	(53.3)
Net profit from ordinary activities after related income tax		140.3	103.5
Net profit attributable to outside equity interests		(12.4)	(9.5)
Net profit attributable to members of the parent entity		**127.9**	**94.0**
Net exchange difference on translation of financial statements of self-sustaining foreign operations		2.2	0.5
Decrease in retained profits on adoption of revised accounting standard: AASB 1028 "Employee Benefits"		–	(0.7)
Total revenues and expenses attributable to members of the parent entity and recognised directly in equity		2.2	(0.2)
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of OneSteel Limited		**130.1**	**93.8**
Basic earnings per share (cents per share)		23.22	17.34
Diluted earnings per share (cents per share)		23.11	17.27
On operating activities before the impact of tax consolidation			
Basic earnings per share (cents per share)		19.62	N/A
Diluted earnings per share (cents per share)		19.54	N/A

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Current assets		
Cash assets	54.2	19.5
Receivables	487.8	436.6
Other financial assets	–	3.3
Inventories	704.6	591.0
Other	8.5	8.6
Total current assets	1,255.1	1,059.0
Non-current assets		
Investments accounted for using the equity method	7.4	7.1
Other financial assets	0.3	–
Property, plant and equipment	1,202.8	1,167.4
Intangibles	246.9	260.1
Deferred tax assets	61.6	55.7
Other	29.1	27.7
Total non-current assets	1,548.1	1,518.0
Total assets	2,803.2	2,577.0
Current liabilities		
Payables	569.9	467.7
Interest bearing liabilities	45.7	40.0
Tax liabilities	20.1	1.5
Provisions	88.9	113.1
Total current liabilities	724.6	622.3
Non-current liabilities		
Interest bearing liabilities	477.5	449.7
Deferred tax liabilities	128.5	141.6
Provisions	99.2	78.4
Total non-current liabilities	705.2	669.7
Total liabilities	1,429.8	1,292.0
Net assets	**1,373.4**	**1,285.0**
Equity		
Contributed equity	1,096.3	1,079.6
Reserves	2.8	0.6
Retained profits	217.6	150.1
Parent entity interest	1,316.7	1,230.3
Outside equity interest	56.7	54.7
Total equity	**1,373.4**	**1,285.0**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE	CONSOLIDATED 2004 $m	2003 $m
	Inflows/(outflows)	
Cash flows from operating activities		
Receipts from customers	3,244.9	3,076.5
Payments to suppliers and employees	(2,981.8)	(2,753.7)
Interest received	2.3	2.6
Interest and other costs of finance paid	(43.3)	(43.7)
Operating cash flows before income tax	222.1	281.7
Income taxes paid	(33.8)	(24.0)
Net operating cash flows	**188.3**	**257.7**
Cash flows from investing activities		
Purchases of property, plant and equipment	(141.5)	(101.5)
Purchases of businesses	(0.5)	(29.4)
Purchases of controlled entities net of their cash	(9.4)	–
Proceeds from sale of property, plant and equipment	45.3	16.4
Loan to non-related parties	–	(1.0)
Repayment of loan by non-related parties	2.7	–
Proceeds from sale of investments	–	0.3
Net investing cash flows	**(103.4)**	**(115.2)**
Cash flows from financing activities		
Proceeds from issue of shares	0.7	0.1
Proceeds from borrowings	232.8	275.4
Repayment of borrowings	(226.4)	(368.7)
Dividends paid	(57.3)	(41.2)
Net financing cash flows	**(50.2)**	**(134.4)**
Net increase in cash and cash equivalents	**34.7**	**8.1**
Cash and cash equivalents at the beginning of the year	19.5	11.4
Cash and cash equivalents at the end of the year	**54.2**	**19.5**

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

NOTES TO THE CONCISE FINANCIAL STATEMENTS

NOTE 1. BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The Concise Financial Report has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 1039 "Concise Financial Reports".

Changes in accounting policies
With the following exception, the accounting policies are consistent with those applied in the previous financial year:

Hedge accounting for US Private Placement debt
In the June 2003 financial statements, the US$ debt was carried in the Statement of Financial Position at the spot rate current at the reporting date, with the corresponding loss on the hedge carried as a sundry creditor.

The loss on the hedge has been reclassified as an interest-bearing liability in the June 2004 Statement of Financial Position to better reflect the economic substance of the transaction. The value of the loss on the hedge as at 30 June 2004 was $23.3m (30 June 2003: $17.3m).

NOTE 2. REVENUES

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Profit from ordinary activities is after crediting the following revenues:		
Revenues from operating activities:		
Product sales	3,265.8	3,051.0
Rendering of services	3.4	9.6
Total sales revenues	3,269.2	3,060.6
Interest from non-related parties	2.3	2.6
Other	20.6	11.5
Other revenues from operating activities	22.9	14.1
Total revenues from operating activities	3,292.1	3,074.7
Revenues from non-operating activities:		
Proceeds from sale of non-current assets	45.3	16.7
Rental income	1.4	1.9
Email management fee	0.5	6.8
Total revenues from non-operating activities	47.2	25.4

NOTE 3. DIVIDENDS

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

	On ordinary shares $m	Dividend per ordinary share $
2004		
Interim fully franked dividend for 2004, paid 22 April 2004	27.6	0.05
Final fully franked dividend for 2003, paid 16 October 2003	32.8	0.06
	60.4	
2003		
Interim fully franked dividend for 2003, paid 24 April 2003	27.1	0.05
Final fully franked dividend for 2002, paid 17 October 2002	18.9	0.035
	46.0	

Dividend franking
All dividends paid were fully franked. The tax rate at which dividends have been franked is 30% (2003: 30%).

	PARENT 2004 $m	PARENT 2003 $m
The amount of franking credits available for the subsequent financial year, represented by the franking account balance at 30% are:	1.1	6.2

On 1 July 2003, OneSteel Limited and its wholly-owned Australian subsidiaries adopted the Tax Consolidation legislation which requires a tax consolidated group to keep a single franking account. The amount of franking credits available to shareholders of the parent entity (being the head entity in the tax consolidated group) disclosed at 30 June 2004 has been measured under the new legislation as those available from the tax consolidated group.

The comparative information has not been restated for this change in measurement.

NOTES TO THE CONCISE FINANCIAL STATEMENTS

NOTE 4. SEGMENT REPORTING

	AUSTRALIA					INTERNATIONAL		CONSOLIDATED
2004	Manufacturing $m	Distribution $m	Unallocated $m	Eliminations $m	Total $m	Distribution $m	Eliminations $m	$m
Segment revenues								
Revenues from customers outside the consolidated entity	1,159.4	1,826.2	13.4	–	2,999.0	340.3	–	3,339.3
Inter-segment revenues	682.5	9.4	10.6	(659.0)	43.5	–	(43.5)	–
Total revenues	1,841.9	1,835.6	24.0	(659.0)	3,042.5	340.3	(43.5)	3,339.3
Share of net profit of equity accounted associate	–	–	0.3	–	0.3	–	–	0.3
Other non-cash expenses	(0.1)	(1.2)	–	–	(1.3)	(0.2)	–	(1.5)
EBITDA	202.3	117.0	(24.7)	(5.0)	289.6	47.6	(13.0)	324.2
Depreciation and amortisation	(64.0)	(35.0)	(2.2)	–	(101.2)	(6.9)	–	(108.1)
EBIT	138.3	82.0	(26.9)	(5.0)	188.4	40.7	(13.0)	216.1
Borrowing costs								(42.2)
Income tax expense								(33.6)
Profit after tax before minority interests								140.3
Segment assets	1,598.6	1,082.1	96.0	(207.6)	2,569.1	168.9	(3.8)	2,734.2
Equity accounted investment	–	–	7.4	–	7.4	–	–	7.4
Tax assets								61.6
Consolidated assets								2,803.2
Segment liabilities	372.1	269.7	677.6	(100.2)	1,219.2	62.0	–	1,281.2
Tax liabilities								148.6
Consolidated liabilities								1,429.8
Non-current assets on acquisition	88.2	50.9	7.6	–	146.7	4.9	–	151.6

	AUSTRALIA					INTERNATIONAL		CONSOLIDATED
2003	Manufacturing $m	Distribution $m	Unallocated $m	Eliminations $m	Total $m	Distribution $m	Eliminations $m	$m
Segment revenues								
Revenues from customers outside the consolidated entity	1,154.7	1,645.9	8.7	–	2,809.3	290.8	–	3,100.1
Inter-segment revenues	599.1	3.7	11.7	(576.3)	38.2	–	(38.2)	–
Total revenues	1,753.8	1,649.6	20.4	(576.3)	2,847.5	290.8	(38.2)	3,100.1
Share of net profit of equity accounted associate	–	–	–	–	–	–	–	–
Other non-cash expenses	(0.1)	(2.9)	(1.9)	–	(4.9)	(0.4)	–	(5.3)
EBITDA	193.0	101.4	(7.0)	(7.8)	279.6	36.6	(8.6)	307.6
Depreciation and amortisation	(66.5)	(33.4)	(0.7)	–	(100.6)	(5.7)	–	(106.3)
EBIT	126.5	68.0	(7.7)	(7.8)	179.0	30.9	(8.6)	201.3
Borrowing costs								(44.5)
Income tax expense								(53.3)
Profit after tax before minority interests								103.5
Segment assets	1,486.4	988.4	61.1	(171.4)	2,364.5	153.2	(3.5)	2,514.2
Equity accounted investment	–	–	7.1	–	7.1	–	–	7.1
Tax assets								55.7
Consolidated assets								2,577.0
Segment liabilities	270.8	229.6	659.4	(61.3)	1,098.5	50.4	–	1,148.9
Tax liabilities								143.1
Consolidated liabilities								1,292.0
Non-current assets on acquisition	60.8	32.4	15.4	–	108.6	19.9	–	128.5

NOTE 4. SEGMENT REPORTING (CONTINUED)

Segment activities – Australia

Manufacturing

Whyalla Steelworks produces steel billet as feedstock for OneSteel's Market Mills operations together with rail products, structural steels and slabs for external sale.

Sydney Steel Mill produces steel billet for the manufacture of reinforcing and bar products on its own rolling mills as well as steel billet to be used as feed in OneSteel's other rolling facilities.

Rod & Bar manufactures products in its Bar Mill and Rod Mill at Newcastle used in a range of applications such as manufacturing, construction mining and automotive industries.

Pipe & Tube manufactures product for the construction, mining, oil & gas and manufacturing industries from its mills in Newcastle, Melbourne, Port Kembla and Perth.

Wire manufactures wire and steel rope for use in the construction, mining, manufacturing and agricultural industries from its mills in Newcastle and Geelong.

Distribution

OneSteel's Distribution business has centres located throughout Australia in capital cities and regional areas, providing a wide range of products to resellers and end users. Products include structural steel, steel plate, angles, channels, flat steel, reinforcing steel, steel sheet and coil, a range of aluminium products, pipes, fittings, valves and other industrial products.

Segment activities – International

Distribution

Comprises the 50.3% shareholding in Steel & Tube Holdings Ltd, a public listed company in New Zealand, which processes and distributes a comprehensive range of steel and associated products in the construction, manufacturing and rural industries.

Intra/inter segment transfers

The Australian Manufacturing segment sells manufactured products such as structural steel, angles, channels, flats, reinforcing bar and mesh, pipe and tube products to the Australian and New Zealand Distribution segments.

Transfer pricing arrangements

All sales between the segments are conducted on an arms length basis, with terms and conditions no more favourable than those which it is reasonable to expect when dealing with an external party.

NOTE 5. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Transition to Australian equivalents of IFRS

OneSteel has commenced the transition of its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). A Steering Committee has been established to oversee progress and to provide regular updates to the Board Audit Committee. Resources have been allocated and expert consultancy advice sought in order to identify those key areas that will be impacted by the transition to IFRS. The individual Standards have been ranked based on their impact on OneSteel, and project teams have been established to address each of the areas in order of priority.

As OneSteel has a 30 June balance date, priority has been given to considering the preparation of the opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting under IFRS in the future and is required when OneSteel prepares its first fully IFRS compliant full financial report for the year ended 30 June 2006. The first set of comparative figures (for the year ended 30 June 2005) which will be contained in that first IFRS compliant financial report, will be impacted by the opening IFRS balance sheet as at 1 July 2004.

Impact of IFRS on significant accounting policies

The following list indicates the primary areas where OneSteel's accounting policies will be impacted by IFRS adoption. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Goodwill

Lower expense as amortisation of goodwill will cease

Amortisation of goodwill incurred in business acquisitions will cease and will be replaced by annual impairment testing, which may impact future earnings (see Impairment of assets). There will be a change to the Group's current accounting policy which amortises goodwill over a maximum of 20 years.

Impairment of assets (including goodwill)

Potential for impact on retained profits as at 1 July 2004

Volatility in future earnings in the event of any impairment

Changes to the Group's accounting policy will be required to conform with the new requirements for impairment testing under IFRS using value in use calculations based on discounted cash flows. The change in the policy could result in earnings volatility reflected in the income statement.

Financial instruments and hedging

Volatility in future earnings

New assets/liabilities to be recognised

There will be a change to the Group's accounting policy as many of the current hedge contracts are of a general nature and do not meet the IFRS requirements that would enable them to qualify for hedge accounting.

The change to the policy will result in earnings volatility reflected in the income statement associated with the mark-to market of certain derivative financial instruments, as well as the ineffective portion of any qualifying hedges. New processes around the identification of, effectiveness testing and tracking of hedges are currently being considered.

The derecognition of trade receivables under the debtors securitisation program may not qualify for derecognition under IFRS. If so, this would cause the recognition of trade receivables and borrowings.

Post-employment benefits

Impact on retained profits as at 1 July 2004

Volatility in future earnings

New assets/liabilities recognised

Under IFRS, employer sponsors are required to recognise the net surplus or deficit in their defined benefit superannuation funds, as an asset or liability, respectively. This will result in a change to the Group's accounting policy which does not currently recognise the net assets/liabilities of the defined benefit fund. The initial adjustment will be through retained profits with subsequent adjustments to the income statement for the period.

Share-based payments

Possible volatility in future earnings

There is a requirement under IFRS to recognise an expense for all share-based remuneration (shares and options).

The OneSteel option plan has been discontinued and current OneSteel policy, for shares, is to purchase on-market and expense the cost as employment costs in the Statement of Financial Performance. As a result, there will be no anticipated material impact on total future earnings on adoption of IFRS.

Income tax

New assets/liabilities recognised

Under IFRS there will be a requirement to adopt a balance sheet approach to income tax accounting, under which temporary differences are identified for each asset and liability rather than accounting for the effects of timing and permanent differences arising between taxable income and accounting profit.

Extractive industries

Under IFRS exposure drafts, entities can elect to "grandfather" their existing accounting policy in relation to exploration and development expenditure. Therefore, OneSteel can continue to capitalise these costs in accordance with current accounting policy. However, the capitalised expenditure and development costs will be subject to annual impairment testing, which may impact on future earnings (see Impairment of assets). If the existing accounting policy is not grandfathered, this will result in the expensing of most of the future exploration and development costs. In addition, there may be changes to the manner in which restoration and rehabilitation costs are accounted for.

DIRECTORS' DECLARATION

In the opinion of the directors of OneSteel Limited, the accompanying Concise Financial Report of the consolidated entity, comprising OneSteel Limited and its controlled entities, for the year ended 30 June 2004:

(a) has been derived from or is consistent with the Full Financial Report for the financial year; and

(b) complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Signed in accordance with a resolution of the directors.

Peter Smedley
Chairman

Robert Every
Managing Director

Sydney
17 August 2004

CONCISE FINANCIAL REPORT AUDIT OPINION

Independent audit report to members of OneSteel Limited

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity for the year ended 30 June 2004.
The consolidated entity comprises both OneSteel Limited (the company) and the entities it controlled during the year.

The directors of the company are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 "Concise Financial Reports", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach

We conducted an independent audit on the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement.
The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports". We formed our audit opinion on the basis of these procedures, which included:

- testing that the information in the concise financial report is consistent with the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2004. Our audit report on the full financial report was signed on 17 August 2004, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the full and concise financial reports, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the concise financial report of OneSteel Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Ernst & Young

Craig M Jackson
Partner

Sydney
17 August 2004

SHAREHOLDER INFORMATION

NUMBER OF SHAREHOLDERS

There were 97,750 shareholders at 6 September 2004. There is only one class of share, ordinary fully paid shares. All issued shares carry voting rights on a one-for-one basis.

DISTRIBUTION OF SHAREHOLDINGS AT 6 SEPTEMBER 2004

Range of Holdings	Number of Shareholders	% of Total Holders	Number of Shares	% of Total Shares
1 – 1,000	53,550	54.78	24,043,241	4.31
1,001 – 5,000	33,415	34.18	71,824,266	12.88
5,001 – 10,000	6,217	6.36	45,516,016	8.16
10,001 – 100,000	4,408	4.51	89,125,935	15.98
100,001 and over	160	0.17	327,112,066	58.67
Total	**97,750**	**100.00**	**557,621,524**	**100.00**

UNMARKETABLE PARCELS

There were 11,467 members holding less than a marketable parcel of shares in the company as at 6 September 2004.

LISTING

The company's shares are quoted on the Australian Stock Exchange.

TWENTY LARGEST SHAREHOLDERS AT 6 SEPTEMBER 2004

Shareholder	Number of Shares	% of Total Shares
Westpac Custodian Nominees Ltd	50,347,125	9.03
National Nominees Limited	49,410,316	8.86
J P Morgan Nominees Australia Limited	46,748,074	8.38
RBC Global Services Australia Nominees Pty Limited	39,508,161	7.08
OneSteel Share Plans Pty Ltd	20,576,474	3.69
Citicorp Nominees Pty Ltd	17,426,586	3.13
Queensland Investment Corporation	11,918,986	2.14
IAG Nominees Pty Limited	9,792,146	1.76
AMP Life Limited	8,177,207	1.47
Cogent Nominees Pty Limited	8,134,291	1.46
Tasman Asset Management Ltd	6,799,332	1.22
ANZ Nominees Limited	6,453,038	1.16
HSBC Custody Nominees (Australia) Limited	5,655,102	1.01
Promina Equities Limited	2,712,611	0.49
Argo Investments Limited	2,286,758	0.41
IOOF Investment Management Limited	1,817,403	0.33
PSS Board	1,396,830	0.25
Milton Corporation Limited	1,223,000	0.22
CSS Board	1,176,790	0.21
Invia Custodian Pty Limited	1,105,521	0.20
Total	292,665,751	52.48
Total Issued Shares	**557,621,524**	**100.00**

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as defined by the Corporations Act 2001 (holding at least 5% of shares):

Maple-Brown Abbott Limited	42,956,177	7.70%

UNQUOTED EQUITY SECURITIES

Options over ordinary shares issued pursuant to the OneSteel executive share/option plan:

- Number of employees participating 37
- Number of securities 1,575,624

SHARE REGISTRY

Shareholders with queries about anything related to their shareholding should contact the OneSteel Share Registry on telephone 1300 364 787 or +61 3 9649 5026. Alternatively, shareholders may wish to write to:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Australia

or on facsimile: +61 2 8234 5050.

SHAREHOLDER INFORMATION

Details of individual shareholdings can be checked conveniently and simply through visiting our Share Registrar's website at www.computershare.com and clicking on the Investor Centre button. For security reasons, you then need to key in your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) plus family name and postcode, to enable access to personal information.

DIVIDENDS

The company proposes to pay dividends in October and April. Shareholders should retain for taxation purposes full details of dividend payments.

The following options are available to shareholders regarding payment of dividends:

- direct deposit to an Australian bank, building society or credit union account
- direct deposit to a New Zealand bank account
- cheque payable to the shareholder. Lost or stolen cheques should be reported immediately to the OneSteel Share Registry, in writing, to enable stop payment and replacement.

Where shareholders choose to have their dividends paid by direct deposit, payments are electronically credited on the dividend date and confirmed by a payment advice sent to the shareholder. Request forms for this service are available from the OneSteel Share Registry or by visiting www.computershare.com. OneSteel encourages its shareholders to avail themselves of the direct deposit facility.

DIVIDEND REINVESTMENT PLAN

As an alternative to receiving cash dividends, eligible shareholders may elect by notification to the OneSteel Share Registry, in writing, to participate in the Dividend Reinvestment Plan ("DRP"). The DRP enables shareholders to use cash dividends to purchase fully paid OneSteel ordinary shares.

TAX FILE NUMBERS

OneSteel is required to withhold tax at the rate of 48.5% on any unfranked component of dividends or interest paid to investors resident in Australia who have not supplied the company with a tax file number ("TFN") or exemption form. Investors are not required by law to provide their TFN if they do not wish to do so.

STOCK EXCHANGE LISTING

OneSteel is listed on the Australian Stock Exchange. All shares are recorded on the principal share register, which is located in New South Wales.

INTERNET ADDRESS

Shareholder information may be obtained from the shareholder information section of the OneSteel website: **www.onesteel.com**

BUY-BACK

There is no current on-market buy-back in place.

PUBLICATIONS

The company's Annual Review is the main source of information for investors and is mailed to shareholders in October. Other sources of information, which will be available on the internet, are:

- the Chairman's address to the annual general meeting
- the half-year financial report reviewing the July-December half year
- the announcement of the full year's results
- statements lodged with the ASX
- webcasts of annual general meetings
- webcasts of half-yearly/annual results presentations to fund managers and financial analysts
- other presentations and briefings given to fund managers and financial analysts including those during site visits
- board and committee charters as well as other company policies that are likely to be of interest to shareholders and potential investors
- general information on the company and its activities.

Shareholders wishing to receive company information electronically via email, instead of by mail, may register their email address with the company's online shareholder registry as follows:

- visit www.computershare.com
- click on Investor Centre
- click on Registry Service
- click on Your Shareholding
- next, type the company name, OneSteel Limited, or simply the company code, OST
- then, next to Check Your Securities, click the 'Go' button. You will then need to enter your personal security information; Holder Identification Number (HIN) or Securityholder Reference Number (SRN); family or company name and postcode; and click 'Go'
- from there, click on 'Go' for Communication Details and follow the prompts.

After you have entered your email address and selected which publications you wish to receive, an email will be sent to you for confirmation purposes.

When you receive it, just click on 'Reply' to confirm your details, then 'Send'.

CHANGE OF ADDRESS

Issuer sponsored shareholders should notify the OneSteel Share Registry immediately, in writing, signed by the shareholder(s), of any change to their registered address. For added security, shareholders should quote their previous address and Securityholder Reference Number (SRN). CHESS uncertificated shareholders should advise their sponsoring broker or non-broker participant.

REMOVAL FROM MAILING LIST

Shareholders who do not wish to receive the Annual Review should advise the OneSteel Share Registry, in writing, noting their SRN or HIN.

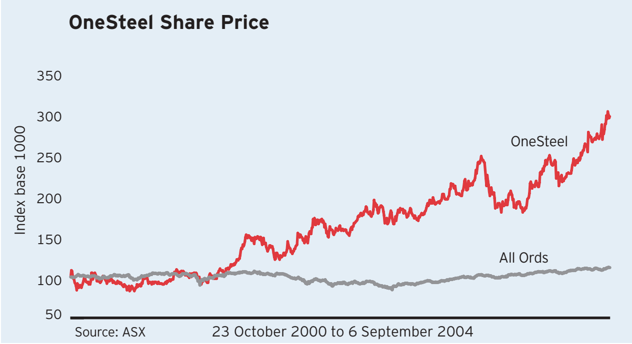
CHANGE OF NAME

Shareholders who change their name should notify the OneSteel Share Registry, in writing, and attach a certified copy of a relevant marriage certificate or deed poll.

STATISTICAL SUMMARY

This report has been prepared by comparing the 12 months to June 2002, 2003 and 2004 Statutory Accounts with the pro-forma numbers for the corresponding periods in 2001 and 2000. The Statutory Accounts for the 12 months to June 2001 do not include the trading of all the OneSteel Group for the 12 months as the purchase of assets was completed at different times between July and October 2000.

The pro-forma numbers include the results of all businesses as if the assets and operations of all businesses spun out from BHP were part of the OneSteel Group from 1 July 2000 to 30 June 2001.



KEY FINANCIAL STATISTICS

12 Months Ended 30 June A$ millions	2004 Statutory	2003 Statutory	2002 Statutory	2001 Inc Prov Pro-forma	2000 Pro-forma	% Change 04/03
Sales Revenue	3,269.2	3,060.6	2,906.0	2,637.7	2,959.1	6.8
Other Revenue	70.1	39.5	80.5	141.5	17.4	77.5
Total Revenue	3,339.3	3,100.1	2,986.5	2,779.2	2,976.5	7.7
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	324.2	307.6	251.0	181.7	268.0	5.4
Earnings Before Interest, Tax and Amortisation (EBITA)	237.1	221.1	166.8	74.7	171.7	7.2
Earnings Before Interest and Tax (EBIT)	216.1	201.3	147.9	37.7	155.2	7.4
Borrowing Costs	42.2	44.5	54.4	61.8		(5.2)
Profit (Loss) Before Tax	173.9	156.8	93.5	(24.1)		10.9
Tax Expense (Benefit)	53.4	53.3	39.0	(2.1)		0.2
Net Operating Profit (Loss) After Tax and Minorities (NPAT)[1]	108.1	94.0	47.1	(27.9)		15.0
Cash Flow from Operations and Investing	84.9	142.5	143.9	170.1		(40.4)
Free Cash Flow	43.9	154.9	28.5	220.8		(71.7)
Total Assets	2,803.2	2,577.0	2,582.0	2,710.8	2,628.4	8.8
Funds Employed	1,842.4	1,755.2	1,794.2	1,878.6	2,019.7	5.0
Total Liabilities	1,429.8	1,292.0	1,359.4	1,594.6	1,465.9	10.7
Net Debt	469.0	470.2	571.6	762.4	857.2	(0.3)
Capital and Investment Expenditure	151.4	130.9	70.8	108.4	167.6	15.7
Inventories	704.6	591.0	574.1	540.3	608.0	19.2
Employees	7,272	7,054	6,989	7,379	7,271	3.1
Sales per Employee $'000	449.6	433.9	415.8	357.5	407.0	3.6
Net Tangible Asset Backing, $ per share	1.93	1.77	1.69	1.81	2.03	
EBITA Margin on Sales %	7.3	7.2	5.7	4.5	5.8	
EBITA Return on Funds Employed %	13.2	12.5	9.1	6.3	7.7	
Return on Equity %	9.1	8.3	4.7	2.6		
Gearing (net debt:net debt plus equity) %	25.5	26.8	31.9	40.6	42.4	
Gearing (net debt:net debt plus equity incl securitisation) %	32.8	34.3	38.7	46.1		
Interest Cover, times	5.1	4.5	2.7	1.6		
Earnings per Share (cents) – based on no. of shares at year end	19.5	17.2	8.7	5.1		13.4
Full-year Dividend per Share (cents)	12.0	11.0	6.5	6.0		
Underlying Market Growth %	3.5	11.8	4.9	(8.3)		
Cost Increases	71	68	57	37		
Cost Reductions	50	56	59	50		
Revenue Enhancements	28	51	20	15		
Raw Steel Tonnes Produced	1,618,855	1,624,399	1,576,650	1,438,770	1,835,822	(0.3)
Tonnes Dispatched	2,159,536	2,224,139	2,176,413	2,125,073	2,667,654	(2.9)
Export % of Tonnes Dispatched	4.7	3.8	7.9	13.1		

[1] 2004 NPAT of $108.1 million excludes the one-off tax benefit of $19.8 million from OneSteel's entry into tax consolidation – total profit including this adjustment was $127.9 million.

RESOURCE STATEMENT

ORE RESERVES AND MINERAL RESOURCES

OneSteel's estimates of Ore Reserves and Mineral Resources presented in this report have been produced by Competent Persons in accordance with the current Australasian Code for reporting of Identified Minerals Resources and Ore Reserves (the JORC Code). Each Competent Person (named in the following tables) consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

All Resource and Reserve figures represent estimates at the end of June 2004 unless otherwise stated. Rounding of tonnes and grade information may result in small differences presented in the totals.

ORE RESERVES

The table below shows OneSteel's Iron Ore Reserves which consist of four operating deposits located in the South Middleback Ranges. Grades are uncalcined, contain 2% moisture, and Life of Mine Recoveries are 95.6%.

The 2003/04 Reserve figures are consistent with expected mining recoveries from the previous year. Iron Duke design was not significantly updated for Iron Magnet.

Whyalla (Middleback Range) Hematite Reserves		As at end June 2004									Compared with 2003				
		Proved Ore Reserves			Probable Ore Reserves			Total Ore Reserves			Total Ore Reserves			OneSteel Interest	Competent Person
Category	Ore Type	Tonnes (millions)	Grade Fe%	P%	Tonnes (millions)	Grade Fe%	P%	Tonnes (millions)	Grade Fe%	P%	Tonnes (millions)	Grade Fe%	P%	%	
Total Quantity	Hematite, Goethite, Limonite, Minor Magnetite	24.6	62.6	0.06	9.7	61.4	0.06	34.3	62.2	0.06	38.1	62.7	0.06	100	P. Carter

Whyalla (Middleback Range) Magnetite Reserves		As at end June 2004						Compared with 2003			
		Proved Ore Reserves		Probable Ore Reserves		Total Ore Reserves		Total Ore Reserves		OneSteel Interest	Competent Person
Category	Ore Type	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	%	
Total Quantity	Magnetite	–	0.0	72.2	42.7	72.7	42.7	–	0.0	100	John Hearne

MINERAL RESOURCES

The table below shows OneSteel's insitu resource base adjacent to existing operations at a cut-off of Fe>50%, SiO_2<10%, Al_2O_3<5% and P<0.2%. The Total Mineral Resource includes all resources, including those used to derive Ore Reserves. Mineral Resources that have not been used for estimation of Ore Reserves are shown separately. The 2003/04 resource increase can be attributed to deep drilling associated with Iron Magnet and reinterpretation of the Iron Duke Deposit.

Whyalla (Middleback Range) Hematite Resource		As at end June 2004								Compared with			
		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2004		Total Resources 2003		OneSteel Interest	Competent Person
Category	Type	Tonnes (millions)	Grade Fe%	Tonnes (millions)	Grade Fe%	Tonnes (millions)	Grade Fe%	Tonnes (millions)	Grade Fe%	Tonnes (millions)	Grade Fe%	%	
Total Quantity	Hematite, Goethite, Limonite, Minor Magnetite	35.1	62.8	34.1	55.4	13.8	58.2	83.0	59.0	71.3	62.2	100	P. Leevers
Quantity excluded from Ore Reserves	Hematite, Goethite, Limonite, Minor Magnetite	4.6	61.4	19.8	55.4	9.4	56.4	33.8	56.5	23.3	59.8	100	P. Leevers

The Iron Magnet Deposit is adjacent to and below the Iron Duke and Iron Duchess Deposits. The 2003/04 Resource represents an increase of 93.7 Mt of indicated Ore and a decrease of 160 Mt of inferred material due to infill drilling and a change in resource classification criteria during the 2003/04 period.

Whyalla (Middleback Range) Magnetite Resource		As at end June 2004								Compared with			
		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2004		Total Resources 2003		OneSteel Interest	Competent Person
Category	Type	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	%	
Total Quantity	Magnetite			94	40.4	140	38.1	234	39.0	300	40.6	100	P. Leevers
Quantity excluded from Ore Reserves	Magnetite			21.3	40.4	140.0	38.0	161.3	38.4			100	P. Leevers

Included in the Annual Review are resources, currently held in historically built stockpiles, that will be beneficiated to yield usable ore. Ore beneficiation will commence in the 2004/05 financial year. The ore beneficiation stockpiles with a mean estimated grade exceeding 45% Fe that can be beneficiated to meet current Whyalla feed specifications comprise the Mineral Resources in the following table. Tonnes are reported before considering beneficiation yield, and grades are reported uncalcined.
The estimates are valid at the end of June 2004.

OneSteel Ore Beneficiation Stockpiles		As at end June 2004									
		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2004		OneSteel Interest	Competent Person
Category	Type	Tonnes (Mt dry)	Fe Grade (% uncalcined)	Tonnes (Mt dry)	Fe Grade (% uncalcined)	Tonnes (Mt dry)	Fe Grade (% uncalcined)	Tonnes (Mt dry)	Fe Grade (% uncalcined)	%	
Total Quantity	Hematite, Goethite, Limonite, Minor Magnetite	5.3	54.4	2.8	52.2	13	54.20	20.8	54.0	100	P. Leevers

GLOSSARY

THE COMPANY
OneSteel Limited and/or its subsidiaries, as the context admits. Also referred to as OneSteel.

THE GROUP
OneSteel Limited and/or its subsidiaries, as the context admits. Also referred to as OneSteel.

BILLET
Billet is a section of cast steel approximately 127mm or 175mm square and 12 metres long which is used to produce rod and bar.

BLAST FURNACE
Furnace used for converting iron ore into pig iron.

BLOOM
Bloom is a section of cast steel usually 350mm square and 12 metres long.

DISPATCHES
Term used for total tonnes sold to end markets.

ELECTRIC ARC FURNACE
Furnace used to convert scrap steel into molten steel.

EMAIL METALS
Email Metals was the component of the Email Limited business jointly acquired by Smorgon Limited and OneSteel.

INTEGRATED STEELWORKS
An integrated steelworks uses blast furnace and basic oxygen steelmaking technology to manufacture steel from iron ore.

LOST TIME INJURY FREQUENCY RATE
A statistical measure of safety performance.

A lost time injury is an injury which is attributable to a workplace incident and which results in at least one full shift of work being lost at some time (not necessarily immediately) after the shift during which the injury occurred.

Lost time injury frequency rate is the number of lost time injuries per million hours worked and is calculated as follows: lost time injury frequency rate equals number of lost time injuries per reporting period times one million, divided by hours worked per reporting period.

MEDICAL TREATMENT INJURY FREQUENCY RATE
A statistical measure of safety performance.

A medical treatment injury is an injury which is attributable to a workplace incident, requires medical treatment (including restricted work) and results in less than a full shift of work being lost. Injuries which result in at least one full shift of work being lost are classified as lost time injuries (refer above).

The medical treatment injury frequency rate is the number of medical treatment injuries per million hours worked and is calculated as follows: medical treatment injury frequency rate equals number of medical treatment injuries per reporting period times one million, divided by hours worked per reporting period.

ORE
Mineral bearing rock.

PELLET PLANT
The pellet plant takes fine iron ore and produces hard balls of iron ore that can be fed into the blast furnace.

PLATE
Large flat sections of steel used for the manufacture of tanks, pressure vessels etc.

PRODUCT MILLS
Product mills take billet and bloom and roll them into rod, bar, reinforcing steels, wire, rail, tube, pipe and structural steel.

PRODUCTION
Term used to define total tonnes produced in particular product.

RAW STEEL
Raw steel is produced at the Whyalla Steelworks and the Sydney Steel Mill and is cast in the form of billet, bloom and slab steel.

REINFORCING STEEL
Used for reinforcing concrete.

ROD AND BAR
Rod and bar is semi-finished product that can be used for further value-added products such as wire, reinforcing steel, grinding media, posts etc.

SHEET AND COIL
Sheet and coil is purchased from outside steel producers and processed and distributed by OneSteel or used in the manufacture of pipe and tube.

SLAB
Slab is a section of cast steel usually 250mm thick and between 600 and 1800mm wide and 12 metres long.

STEEL & TUBE NZ
Steel & Tube Holdings Limited and/or its subsidiaries, as the context admits.

STRUCTURAL STEEL
Large steel sections used for frames for buildings, factories, bridges and other infrastructure.

ABBREVIATIONS

ABS	Australian Bureau of Statistics
ABARE	Australian Bureau of Agriculture and Resource Economics
ASIC	Australian Securities & Investments Commission
ASX	Australian Stock Exchange
DTR	Davies Tube Recovery
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EBITA	Earnings Before Interest, Tax and Amortisation
EBIT	Earnings Before Interest and Tax
EPA	Environment Protection Agency
GDP	Gross Domestic Product
GM	General Manager
GST	Goods and Services Tax
ISO 14001	International Standards Organisation specification for environmental management systems
JORC Code	The 1999 Australasian Code for Reporting of Mineral Resources and Ore Reserves
NIEIR	National Institute of Economic and Industry Research
NPAT	Net Profit After Tax and Minorities
NZ	New Zealand
OECD	Organisation for Economic Co-operation and Development
UK	United Kingdom
USA	United States of America
ng/m^3	Nanograms per cubic metre
CO_2	Carbon Dioxide

CORPORATE DIRECTORY

DIRECTORS

Peter J Smedley
Chairman

Robert L Every
Managing Director and
Chief Executive Officer

Eileen J Doyle

Colin R Galbraith

David E Meiklejohn

Dean A Pritchard

Neville J Roach

COMPANY SECRETARY

John M Krenich

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

OneSteel Limited
ACN 004 410 833
ABN 63 004 410 833

Level 23, 1 York Street
Sydney NSW 2000 Australia

Telephone: +61 2 9239 6666
Facsimile: +61 2 9251 3042

Internet: www.onesteel.com

SHARE REGISTRY

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

Telephone: 1300 364 787 or +61 3 9649 5026
Facsimile: +61 2 8234 5050

Internet: www.computershare.com

AUDITORS

Ernst & Young

STOCK EXCHANGE LISTING

OneSteel Limited shares are quoted on the Australian Stock Exchange.

ANNUAL REVIEW AND FULL FINANCIAL REPORT

Both the 2004 Annual Review and the Full Financial Report are available on the OneSteel website www.onesteel.com or by calling +61 2 9239 6666.

ONESTEEL REGISTERED TRADEMARKS

300PLUS™
500PLUS™
Anchor-Fast™
BAMTEC™
DECKMESH™
DuraGal™
Duramesh™
Ezycommerce™
EzySteel™
FIBRECRETE®
FIBRESTEEL®
FirePlus Pipe™
Flexabel®
Galstar®
Galtube™ Plus
George Ward
Gripfast®
Gripfast™
Gripple™
Growire™
HANDIMESH®
HAUNCHMESH™
IRONBARK™
Longlife™
MarineMesh™
Metaland
Metalcard
Metpol
MINEMESH™
Northgard
ONEMESH500™
ONESLAB™
Permelec®
Permaseal™
POOLSTEEL™
ROMTECH®
Star™
Star® Partner
Star® Posts
Stocklock®
Stocktite™
STUDMESH™
TEMPCORE™
Tempelec®
Tenser Senser®
Tensulator®
TRUSSDEK™
Tyeasy®
UltraPipe™
Victaulic™
Waratah™
Wedgelock® Clamp
Wizard® Wire Strainers
Zalcote®

FINANCIAL CALENDAR

(subject to change)

Date	Event
17 August 2004	Annual results and final dividend announced
13 September 2004	Ex-dividend share trading commenced
17 September 2004	Record date for final dividend
14 October 2004	Final dividend paid
14 October 2004	Annual Review mailed to shareholders
15 November 2004	Annual general meeting for 2004
31 December 2004	Financial half year ends
22 February 2005	Half-year results and interim dividend announced
14 March 2005	Ex-dividend share trading commences
18 March 2005	Record date for interim dividend
21 April 2005	Interim dividend paid
30 June 2005	Financial year ends
16 August 2005	Annual results and final dividend announced
12 September 2005	Ex-dividend share trading commences
16 September 2005	Record date for final dividend
20 October 2005	Final dividend paid
20 October 2005	Annual Review mailed to shareholders
21 November 2005	Annual general meeting for 2005

NOTICE OF ANNUAL GENERAL MEETING

The 2004 Annual General Meeting of OneSteel Limited will be held at 2.30 pm, Monday 15 November 2004 at the City Recital Hall, Angel Place, Sydney, NSW.
A formal Notice of Meeting accompanies this report. Additional copies can be obtained from the company's registered office or downloaded from the company's website at www.onesteel.com

OneCommunity Giving Program

OneSteel, through the OneCommunity Giving Program, proudly supports the following charities:

ONESTEEL LIMITED
Level 23
1 York Street
Sydney NSW 2000
Australia

T. +61 2 9239 6666
F. +61 2 9251 3042

www.onesteel.com