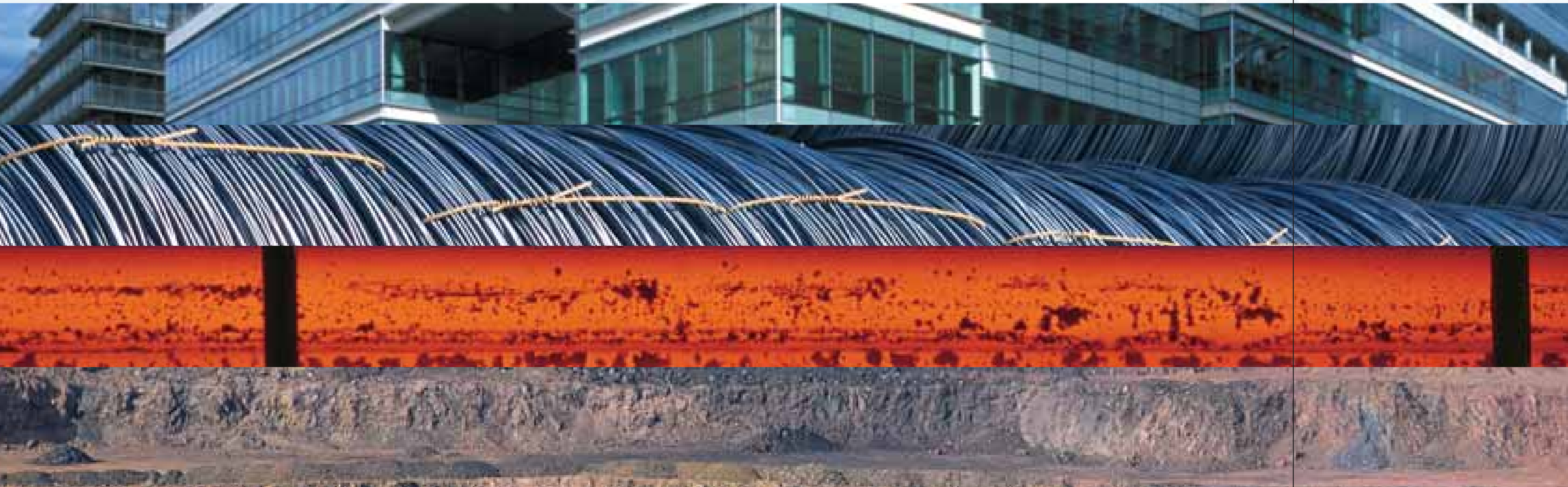
ONESTEEL ANNUAL REVIEW **2005**



TAKING **A LONG VIEW**

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ONESTEEL LIMITED

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

HIGHLIGHTS

- **Fourth consecutive year of improving net profit after tax**
- **Dividend of 13.5 cents per share, up from 12.0 cents**
- **Continued strong gains in OneSteel share price**
- **Double-digit earnings per share growth**
- **Assumed price leadership to recover significantly higher input costs**

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 segments.

OneSteel has approximately 95,000 shareholders, primarily residing in Australia, but with many from around the world.

* The Vision statement is currently under review

Front Cover
The sequence of pictures on the front cover is a photographic representation of OneSteel's vertical integration. Starting from the bottom is a picture of OneSteel's mines in the South Middleback Ranges. The second is of a billet, a semi-finished long steel product. Billet is then rolled into products such as rod (picture three) which is used in reinforcing steel for buildings (picture four).

TAKING **ALONG**

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WHAT'S NEW IN THIS REPORT

This year OneSteel's Managing Director and four commentators provide their perspective on how the steel industry has changed and what they believe the future holds for the steel industry. See Points of View **1-3**

Project Magnet is the largest investment ever undertaken by OneSteel. Background to this $325 million project, how it fits in with OneSteel's strategy and the benefits it will bring are outlined in Project Magnet **4-5**

The section on Key Business Drivers includes two new charts that illustrate the vertical integration of OneSteel's operations and how the revenue drivers of OneSteel's contrast with those of the broader Australian economy. See Key Business Drivers **16-19**

The Directors' Report has been expanded to include a seven-page Remuneration Report that explains the basis for remunerating non-executive directors and the structure of, and rationale behind, OneSteel's remuneration practices. Expanded Directors' Report **39-47**

POINTS OF VIEW

Geoff Plummer

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
ONESTEEL

The theme for this year's Annual Review is "Taking a Long View". In the last five years the steel industry has undergone a transformation. Over the period from the 1970s to the early 2000s the industry was characterised by excess capacity leading to an oversupply of steel and suppressed prices.

Steel companies around the world had difficulty creating value for shareholders and, as such, were not inspiring investments for the financial markets.

In the late 1990's the dynamics of the international steel industry began to change. China's industrial growth had been over 10% for over ten years, the surplus scrap steel associated with the former states of the USSR was drying up and steel companies around the world were beginning to amalgamate.

In Australia over the period 1999 to 2003, three new separate steel companies listed on the Australian Stock Exchange, one of which was OneSteel.

The international steel supply and demand imbalance has shifted as China's thirst for steel to fuel its continued growth draws in steel from around the world. This has pushed up prices for raw materials and finished steel products.

There have been a number of steel company amalgamations with mega-companies producing in excess of 40 million tonnes of steel annually coming into existence.

It is against this backdrop that we have asked four commentators to provide their perspective of what they believe the future holds for the steel industry. I think we would all agree that their view of what is happening in the world of steel indicates that we are in for a very dynamic time which will provide companies such as OneSteel with new degrees of opportunity.

POINTS OF **VIEW**

Warwick Glenn

EXECUTIVE DIRECTOR, INVESTMENT
NEW SOUTH WALES DEPARTMENT OF STATE AND REGIONAL DEVELOPMENT

For over 10 years Australia has sustained a growth rate ahead of the major seven OECD countries. The emergence of China and India as economic forces has increased competition for the investment dollar when technological developments mean investment dollars no longer have borders.

Having long held a global perspective, Australia's steel industry has become one of the most competitive in the world. This has not occurred by accident but through a combination of infrastructure development, a high quality workforce and embracing innovation in product development, technology and management practices.

Success in the coming decades will depend on Australia's ability to continue to develop a skilled and educated workforce to support a dynamic industrial and commercial base and on sustained investment by the public and private sectors in key infrastructure for transport, energy and other economic growth enablers.

For industry, this requires long-term planning and investment in people and assets that make companies more competitive today, and better able to take on the competitive challenges of tomorrow.

Michael Slifirski

DIRECTOR, AUSTRALIAN EQUITIES RESEARCH
CREDIT SUISSE FIRST BOSTON, AUSTRALIA

Australia's steel industry, while vastly superior in structure to the global steel industry, is not immune to the global steel industry's structural weakness. Australian steelmakers benefit from consolidation and vertical integration, structures now aspired to by global producers. What Australia's steelmakers lack in scale, they make up through isolation – transport time, cost and unreliability of importing steel.

Australia's steel industry has matured rapidly since 1999 when the first of its three steel producers listed and became subject to intense management, board and market scrutiny. Over the last two years, sector niches have been established, creating potential for reduced competitive market interactions as each company pursues divergent growth strategies.

Steel's role will continue to grow as the world increasingly focuses on environment sustainability and consumers demand more extreme and innovative design solutions that alternative building materials cannot accommodate. Consumer demand will see steel's properties further understood and exploited and its construction applications expanded to new areas.

Ian Christmas

SECRETARY GENERAL
INTERNATIONAL IRON AND STEEL INSTITUTE, BELGIUM

In 2004 we saw a global shortage of steel. For the first time in a long time, people could not get all the steel they required and, just as the perception of water has changed, there was a changed perception of what steel means in the modern world. Steel is used in every single construction, every bridge and road, every mode of transport, every piece of equipment, and in hospitals and restaurants so it was recognised that steel is absolutely critical to modern life.

I am very optimistic about steel in 10 years time because the industry will still be chasing value rather than volume, and because there are huge opportunities for steel. There are untapped applications for steel in construction and other areas – there are more applications for steel than aluminium and we are running out of suitable timber. Because of steel's flexibility and because it is recyclable, it has many opportunities that have yet to be exploited.

There is no doubt the economic powerhouse of the world is the Asia-Pacific region and Australia is sitting in the right place to take advantage of that.

Jim Lennon

SENIOR COMMODITIES STRATEGIST
MACQUARIE SECURITIES RESEARCH – METALS AND MINING, UK

I expect to see a vastly consolidated industry in 10 years with the leading companies having a global presence. I see an industry totally customer focused, with most steel made directly to order and just-in-time delivery becoming a reality for customers of every size. There will be less production of commodity-grade product and greater product specialisation at particular production sites, plus more flexibility in production response to changing demand requirements. Production cuts will occur more quickly and industry returns will be higher than over the past 30 years.

I expect China to play a dominant role in the global production of steel, perhaps accounting for 45% of global steel demand. I don't expect Chinese steelmakers to be dominant players in the global export markets. There is a greater chance that China will remain a net importer of steel, much like the USA. Sooner, rather than later, Chinese steelmakers will realise it is more efficient to source steel produced nearer the sources of raw material and in areas where energy costs are the lowest.

PROJECT MAGNET

From its inception, OneSteel has taken a long view on its business.

Rather than the traditional mould of steel producers that can be squeezed at both the raw material and the distribution ends of the value chain, OneSteel was spun out as a vertically integrated steel company with its own iron ore mines and a network of distribution outlets. As the global steel industry transforms from one of government-owned companies targeting volume, to one of publicly listed companies that are focused on value, vertical integration is a business model increasingly being considered as a way to ensure potential shareholder value isn't lost through the supply chain to raw material suppliers and distributors.

Over the last five years, OneSteel has made significant investments to ensure the longevity of its business and to extract maximum value from its portfolio of assets and vertical integration. At the distribution end of the business, for example, OneSteel dedicated considerable resources to the rollout of a SAP platform that now provides far more customer and sales information across the business and greater insight into product movements, pricing and margin analysis and customer buying patterns.

At the manufacturing end, last year the blast furnace at Whyalla Steelworks was relined after a successful 23-year campaign, an investment of approximately $110 million, and in May 2005 the OneSteel Board gave final approval for Project Magnet. This $325 million project involves the conversion of Whyalla Steelworks from the hematite iron ore reserve currently used to OneSteel's magnetite iron ore resource that was identified in the 1990s.

Like the blast furnace reline, Project Magnet underpins the Whyalla Steelworks because it deconstrains its life from the current hematite iron ore reserve limitation of 2020 to beyond 2030 by using OneSteel's magnetite iron ore resource as feed for the blast furnace in the steelmaking process.

The conversion to magnetite will also lower the cost of steelmaking at Whyalla by as much as 5%. That is a significant saving and adds to OneSteel's competitive advantage of owning iron ore mines at a time of soaring prices for raw materials. A lower cost structure is critical given the consolidation and rationalisation occuring in the global steel industry. Following the reline of the blast furnace, a new level of confidence exists in the Whyalla community on the back of the Project Magnet investment.

Taking a long view on the business requires operating in an environmentally sustainable way. Not only is steel made from iron ore and scrap highly recyclable, but also Project Magnet will bring significant environmental benefits for a section of the Whyalla community that has been impacted by fugitive dust associated with one of the key processes for steel production.

Currently pellet production is a "dry" process. Under Project Magnet a "wet" process will be used which significantly lowers the potential for fugitive dust. There are other pieces of equipment and process changes associated with the project that will be beneficial to the local environment.

Using the magnetite ore frees OneSteel's hematite reserves for sale, providing cash to help fund the project. The $325 million investment will generate revenue in excess of $1.5 billion over the life of the project through:

- the sale of an extra three million tonnes of hematite iron ore annually for ten years which will generate significant revenue and earnings over that period
- the production and sale of an extra 220,000 tonnes of iron pellets and an extra 100,000 tonnes of slab steel each year over the life of the project, providing significant revenue and earnings
- lowering the cost of steelmaking at Whyalla Steelworks by as much as 5%.

Project Magnet represents the single largest investment undertaken by OneSteel. It secures the long-term future of its largest production facility by extending its life and by lowering the cost of steelmaking, so improving OneSteel's competitiveness at a time of consolidation in the global steel industry and dramatic price increases for raw materials.

The project provides an earnings stream for OneSteel that is less cyclical than that of the current business. It also enables OneSteel to tap into the changing dynamics of the international steel market that are causing prices for steelmaking inputs such as scrap, coking coal and iron ore to depart from their historical levels. OneSteel management has been reviewing Project Magnet for some years, chiefly with a view to extending the life of the steelworks, so while the recent developments in the international steel market add to the attractiveness of the project they are not the drivers.

The project is due to be fully operational for the 2007/08 financial year. With the current higher than average international raw material and steel prices, the project is expected to provide significant value in the early years.

Project Magnet provides the company with a strong growth platform. Against the backdrop of an increasingly dynamic international steel industry, the project builds on OneSteel's business model of a vertically integrated steel company. Project Magnet expands OneSteel's flexibility to produce long products to service its core domestic market and to produce flat products for sale in the export market through increased steel-making capacity.

Pictured
Mining iron ore at the South Middleback Ranges.
Below is a cross-section of a magnetite core sample.

FINANCIAL HIGHLIGHTS

FINANCIALS

- Sales revenue increased 20.5% to $3,938.5 million
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 16.4% to $377.3 million
- Earnings before interest, tax and amortisation (EBITA) increased 18.0% to $279.8 million
- Net profit after tax and minorities (NPAT) increased 22.6% to $132.5 million
- Earnings per share (EPS) up 20.5% to 23.5 cents
- Operating cash flow up 26.0% to $107.0 million
- Return on funds employed (ROFE) based on EBITA increased to 14.2% from 13.2%
- Return on equity (ROE) increased to 10.5% from 9.1%
- The net debt to net debt plus equity ratio, inclusive of securitisation, down to 30.7% from 33.1%
- Net debt increased 37.6% to $645.3 million, reflecting the discontinuation of a $200 million securitisation program in January 2005
- Fully franked final dividend of 7.5 cents, taking total dividends for the year to 13.5 cents

MARKET

- Activity in the segments that impact OneSteel revenues rose 1.1%
- The construction sector that drives 61% of OneSteel's revenue grew 2.9%, with engineering construction (24% of revenue) up 7.5%, non-residential construction (23% of revenue) expanding 1.8%, and residential construction (14% of revenue) down 2.7%
- The segment of Other Manufacturing, which drives 12% of revenue, grew 0.9%
- Mining production, which drives 10% of revenue, expanded 0.1%
- Auto manufacturing, which drives 7% of revenues, fell 7.6%
- Agriculture, the segment that drives 6% of OneSteel's revenue, was down 5.4% reflecting the ongoing drought

OPERATIONAL

- Total Australian steel tonnes dispatched increased 4.1% to 2,247,379
- Domestic tonnes dispatched increased 4.7% to 2,154,968
- Export tonnes dispatched fell 8.6% to 92,411
- After adjusting for one-off projects, domestic tonnes increased 5.7% to 2,090,444
- Underlying price per tonne for domestic steel sales increased 13.7%
- Cost reductions of $47 million and revenue enhancements of $309 million against inflationary and other cost increases of $226 million
- Staff numbers increased 1.7% to 7,395
- Sales per staff member increased 18.5% to $532,600
- The Lost Time Injury Frequency Rate (per million man hours worked) fell 50% to 1.3
- The Medical Treatment Injury Frequency Rate (per million man hours worked) fell 21.1% to 11.2
- Estimated cost of blast furnace production disruptions (EBITDA) was $60 million

1 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.

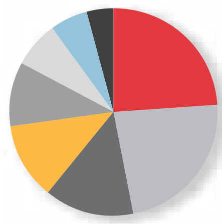
2 The net debt figures include a securitisation program that was discontinued in January 2005.

3 The 2005 funds employed reflect the discontinuation of the securitisation program.

4 2004 NPAT of $108.1 million excludes the one-off tax benefit of $19.8 million from OneSteel's entry into tax consolidation.

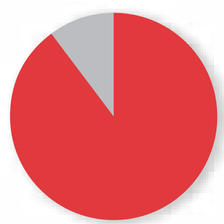
Pro-forma numbers are used for 1999/00 and 2000/01 and include the results of all businesses as if the assets and operations of all businesses spun out from BHP were part of the OneSteel Group from 1 July 2000 to 30 June 2001.

Revenue by Source



- Engineering Construction 24%
- Non–Residential Construction 23%
- Residential Construction 14%
- Other Manufacturing 12%
- Mining 10%
- Automotive 7%
- Agricultural 6%
- Export and Other 4%

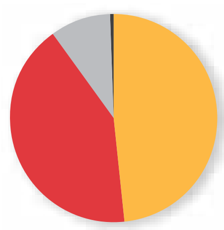
Revenue by Markets



- Australia $3,617.5 million
- International $403.5 million

Inter–Segment $(44.9) million

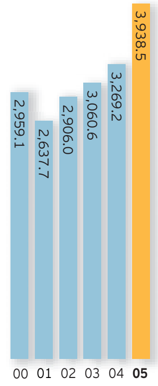
Revenue by Segments



- Manufacturing $2,066.5 million
- Australian Distribution $1,785.3 million
- International Distribution $403.5 million
- Corporate $18 million

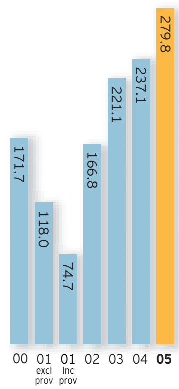
Inter–Segment $(297.2) million

Sales Revenue
$ millions

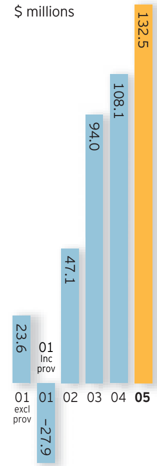


EBITDA[1]
$ millions

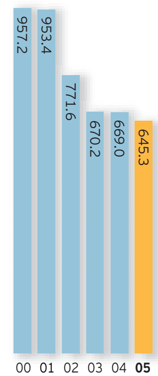
EBITA[1]
$ millions



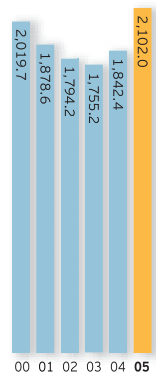
NPAT[1,4]
$ millions



Net Debt[2]
$ millions



Funds Employed[3]
$ millions



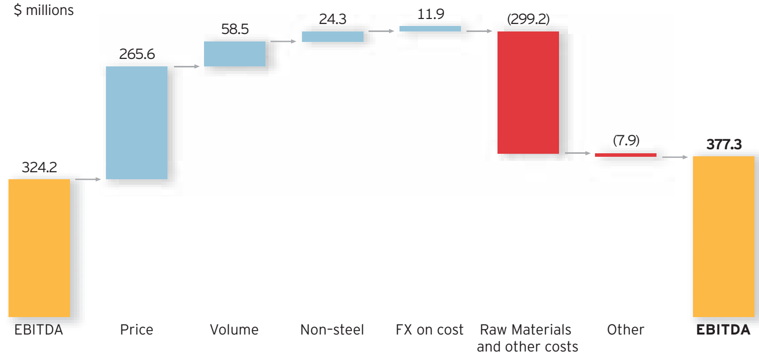
KEY FINANCIALS

12 Months Ending 30 June A$ millions	2005	2004	% Change 05/04
Sales Revenue	3,938.5	3,269.2	20.5
Other Revenue	37.6	70.1	(46.4)
Total Revenue	3,976.1	3,339.3	19.1
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	377.3	324.2	16.4
Earnings Before Interest, Tax and Amortisation (EBITA)	279.8	237.1	18.0
Earnings Before Interest and Tax (EBIT)	258.7	216.1	19.7
Borrowing Costs	53.0	42.2	25.6
Profit Before Tax	205.7	173.9	18.3
Tax Expense	56.7	53.4	6.2
Net Profit After Tax and Minorities (NPAT)[1]	132.5	108.1	22.6
Cash Flow from Operations and Investing	107.0	84.9	26.0
Free Cash Flow	101.9	43.9	132.1
Total Assets	3,119.6	2,803.2	11.3
Funds Employed	2,102.0	1,842.4	14.1
Liabilities	1,662.9	1,429.8	16.3
Net Debt	645.3	469.0	37.6
Capital and Investment Expenditure	126.8	151.4	(16.2)
Inventories	836.7	704.6	18.7
Employees	7,395	7,272	1.7
Sales per Employee $'000	532.6	449.6	18.5
Net Tangible Asset Backing, $ per share	2.07	1.93	
EBITA Margin on Sales %	7.1	7.3	
EBITA Return on Funds Employed %	14.2	13.2	
Return on Equity %	10.5	9.1	
Gearing (net debt:net debt plus equity) %	30.7	25.7	
Gearing (net debt:net debt plus equity incl securitisation) %	30.7	33.1	
Interest Cover, times	4.9	5.1	
Earnings per Share (cents) – based on no. of shares at year end	23.5	19.5	20.5
Full-year Dividend per Share (cents)	13.5	12.0	
Underlying Market Growth %	1.1	3.5	
Cost Increases	226	71	
Cost Reductions	47	50	
Revenue Enhancements	309	28	
Raw Steel Tonnes Produced	1,349,397	1,618,855	(16.6)
Tonnes Dispatched	2,247,379	2,159,536	4.1
Export % of Tonnes Dispatched	4.1	4.7	

2004 NPAT of $108.1 million excludes the one-off tax benefit of $19.8 million from OneSteel's entry into tax consolidation.

FIGURE ONE

2004/05 EBITDA versus 2003/04 EBITDA



CALENDAR OF SIGNIFICANT EVENTS

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

AUGUST 2004
- OneSteel Board approves commencement of 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
- Successful completion of bank debt refinancing facilities
- OneSteel announces retirement of Mr David Meiklejohn as a Director of OneSteel Limited effective February 2005

OCTOBER 2004
- Final dividend of 7.0 cents fully franked paid on 14 October
- OneSteel's fourth anniversary as a publicly listed company
- Production at Whyalla Steelworks blast furnace is disrupted
- Mr Peter Nankervis is appointed as a Director of OneSteel Limited effective 1 December 2004

NOVEMBER 2004
- OneSteel holds its fourth Annual General Meeting in Sydney
- Second disruption to production at Whyalla Steelworks

DECEMBER 2004
- Normal production resumes at Whyalla Steelworks
- OneSteel announces Geoff Plummer as successor to Managing Director and Chief Executive Officer Dr Bob Every
- Mr Bryan Davis appointed as a Director of OneSteel Limited effective 1 December 2004

FEBRUARY 2005
- OneSteel and Steel & Tube NZ announce interim results for six months ended 31 December 2004

MARCH 2005
- OneSteel announces sale of less than a marketable parcel of shares

APRIL 2005
- Interim dividend of 6.0 cents fully franked paid on 22 April

MAY 2005
- Dr Bob Every retires as Managing Director and Chief Executive Officer of OneSteel
- Mr Geoff Plummer assumes role of Managing Director and Chief Executive Officer of OneSteel
- OneSteel announces restructure of business to be effective 1 July 2005
- OneSteel Board gives final approval to $325 million development of magnetite iron ore resource

JUNE 2005
- OneSteel announces details of engineering and trans-shipping contracts for Project Magnet with Thiess and an Australian subsidiary of Canadian Shipping Lines

JULY 2005
- OneSteel 2005 Safety Excellence Awards
- OneSteel announces management changes
- Impact of transition to International accounting standards announced

AUGUST 2005
- Steel & Tube NZ announces full-year financial results
- OneSteel announces net operating profit after tax and minorities of $132.5 million for 2004/05
- Appointment of BHP Billiton as marketing agent for Project Magnet

CHAIRMAN'S **REVIEW**

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

I am pleased to report that the company posted its **fourth consecutive annual profit improvement** in 2004/05. Against a backdrop of strong domestic market conditions, management assumed leadership in implementing price increases to recover significantly higher input costs.

It was a busy year for the company with **changes to key management, the Board and to the business structures of both**. Geoff Plummer succeeded Bob Every as Managing Director and Chief Executive Officer in May 2005 and, on behalf of the Board, I would like to thank Bob for his contribution to building a solid company foundation for OneSteel and creating value for our shareholders.

Peter Nankervis, a skilled finance executive, joined the Board in December 2004 and assumed leadership of the Board's Audit & Compliance Committee. **Bryan Davis** also joined the Board in December, adding strength to our deliberations through his extensive mining experience.

David Meiklejohn retired in February 2005 and on behalf of the Board I would like to thank him for his contribution prior to and since listing.

Changes were made to the management organisation and the Board Committee structure. These are outlined in more detail later in the review and became effective around mid-year.

Project Magnet, which received final Board approval in May 2005, is a $325 million capital investment that brings many benefits to the company, including underpinning the longevity of the Whyalla Steelworks and cutting its cost of steelmaking. It also has significant environmental benefits and is a new source of revenue and profit. The project enables the sale of OneSteel's hematite iron ore reserves over 10 years, as well as the sale of extra pellets and additional steel production over the life of the project. In combination, these will generate in excess of $1.5 billion in revenue.

Up to 30 June 2005, $30.5 million had been spent on the project, of which $24.5 million was spent in the 2004/05 financial year. Construction, trans-shipping and marketing contractors have been appointed, with further contracts to be settled for mining and ancillary operational equipment. Project Magnet will be fully operational by the beginning of the 2007/08 financial year.

As foreshadowed at the Annual General Meeting in November 2004 OneSteel again gave **small shareholders** a convenient opportunity to dispose of their shares. Holders of less than a marketable parcel of shares in the company, namely a holding worth less than $500, were able to sell their shares at the average market price during the selling period in early May at no cost. As a result, 441,778 shares held by 5,756 shareholders were sold.

The Year in Review

Volatility in international steel markets was again a feature of the 2004/05 financial year. In this environment OneSteel took leadership in implementing price increases to help recover the dramatic price rise in key inputs such as scrap and hot rolled coil.

Sales revenue for the 12 months to June 2005 grew 20.5% from $3,269.2 million to $3,938.5 million when compared with the prior corresponding period. The increase reflects price increases to recover higher costs, a pick up in sales volumes, and some recovery in tonnes from imports. **Total Australian tonnes dispatched** increased by 4.1% due to the strong domestic market conditions. Underlying domestic tonnes dispatched increased by 5.7%. Exports for the period totalled 4.1% of tonnes dispatched compared with 4.7% a year earlier. Total raw steel tonnes produced in the year were 269,458 tonnes lower than the previous year as a result of the blast furnace reline project and the production disruptions in the first half of the financial year.

Operating earnings before interest, tax, depreciation and amortisation (EBITDA), increased by 16.4% for the 12 months to $377.3 million.

The EBITDA result was impacted by **disruptions at the Whyalla Steelworks blast furnace** subsequent to the completion of the reline. The estimated cost of the disruption events was approximately $60 million at the EBITDA level. Management activities to maintain deliveries to customers included ramping up production at Sydney Steel Mill to record levels in excess of 500,000 tonnes, rescheduling production runs at the rolling mills and importing approximately 90,000 tonnes of finished and semi-finished product.

Against a backdrop of strong domestic market conditions, **management assumed leadership in implementing price increases** to recover significantly higher input costs.

The **sales margin**, on an operating earnings before interest, tax and amortisation (EBITA) basis, was 7.1%, marginally down from 7.3% in the prior corresponding period. This reflects the impact of the Whyalla Steelworks blast furnace disruptions in the first half of the period.

On an **earnings before tax** basis, profit increased by 18.3% from $173.9 million to $205.7 million.

Net operating profit after tax and minorities increased by 22.6% to $132.5 million from $108.1 million a year earlier (excluding the impact of tax consolidation). The net operating profit equates to earnings of 23.5 cents per share (based on the number of shares at year end), 20.5% higher than the 19.5 cents achieved in the prior year.

The **effective tax rate** of 27.6% reflects an adjustment to the 2004 year due to higher research and development claims in the final 2004 tax return and a continuation of the higher level of research and development claim into the 2005 year.

Staffing levels rose by 1.7% over the 12 months from 7,272 at the end of June 2004 to 7,395 by the end of June 2005. The rise from the prior corresponding period reflects the addition of staff to meet strong market conditions and associated with Project Magnet. Sales per employee rose from $449,600 to $532,600, an increase of 18.5%.

Subsequent to the end of the 2004/05 financial year, OneSteel completed **enterprise bargaining agreements** across its manufacturing business. The agreements are for a 13% increase in wages over a three-year period.

Operating cash flow for the period was $107.0 million, up from $84.9 million the prior year. This was a solid outcome given **higher working capital requirements** associated with price and volume increases in excess of $70 million, on top of capital expenditure funding associated with the blast furnace reline and Project Magnet.

Capital and investment expenditure decreased by 16.2% to $126.8 million. A large proportion of the expenditure was associated with the blast furnace reline project that was completed during the period.

OneSteel's **financial gearing** on a net debt, to net debt plus equity basis (including securitisation), improved from 33.1% to 30.7%. Net debt increased by $176.3 million from $469.0 million to $645.3 million, reflecting the discontinuation of a $200 million securitisation program in January 2005. The securitisation program was replaced by new bilateral financing worth $200 million that was arranged in May 2005.

Adjusting for the discontinued securitisation program, **net debt** was down by $23.7 million. The improvement in gearing was despite relatively high capital expenditure, the 4.1% increase in tonnes dispatched and increased working capital requirements associated with cost and price increases. Interest cover declined slightly from 5.1 times to 4.9 times when comparing the two periods.

Funds employed have risen by 14.1% or $259.6 million to $2,102.0 million, largely reflecting the discontinuation of securitisation. The EBITA return on funds employed has increased from 13.2% to 14.2%.

Inventories increased by 18.7% to $836.7 million when compared with the previous corresponding period, primarily due to cost increases and a more conservative stocking policy in light of volatile international market conditions. Stock weeks remain under 10.

The Final Dividend was declared at 7.5 cents per share fully franked, bringing the total dividend declared for the year to 13.5 cents. This compares with a 12.0 cent fully franked dividend paid for the 12 months to June 2004. It represents a payout ratio of 57.4%. The record date for the dividend will be 16 September 2005, with the dividend due to be paid on 20 October 2005.

A Dividend Reinvestment Plan exists which provides the facility for shareholders in Australia and New Zealand to reinvest their dividends in shares at a price calculated on the arithmetic average of the daily volume weighted average market price during the 10 consecutive trading days commencing on the date which is the second trading day after the Record Date for the relevant dividend.

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.

As mentioned earlier, the former Managing Director, Bob Every, retired in May 2005, prior to the expiry of his contract term. The Board concluded it was advantageous for the company to bring forward the appointment of Geoff Plummer as Managing Director so he could take full responsibility and accountability for Project Magnet and for the 2005/06 financial year.

Focus for the Next Financial Year

Management is devoting considerable resources to the successful delivery of Project Magnet, the company's single largest investment. It is a long-term project and is OneSteel's most attractive, value-creating growth option.

On 1 July 2005 OneSteel's Reinforcing business moved to the Manufacturing segment from the Distribution segment, and the OneSteel Pipe and Tube business, previously part of the Manufacturing segment, became part of OneSteel Distribution. The **business restructure** will allow the company to make improvements in supply chain management, customer service, manufacturing and logistics costs, marketing and related production scheduling, as well as better aligning market activities.

The new **eight-strand ropery plant** was commissioned which allows OneSteel to manufacture heavy mining and conveyor ropes suitable for the latest and largest equipment deployed in mining and other industries. New contracts have been secured as a result of this investment.

OneSteel's **reinforcing mesh facilities** have been rationalised and consolidated in the eastern states to lower the cost of production and improve capacity utilisation. Central to this project was the purchase of new mesh machines providing state-of-the-art manufacture for this product line.

The rollout of a **SAP platform** across the Distribution business and parts of the Manufacturing businesses is 95% complete and operating well. The new system provides far more customer and sales information across the business, allowing greater insight into product movements, pricing and margin analysis and customer buying patterns.

Outlook

Domestic market conditions are expected to remain favourable with expenditure in engineering and non-residential construction forecast to offset the residential slow down. The mining and other manufacturing sectors are expected to grow, offsetting any negative impacts from the automotive and rural sectors.

OneSteel management will maintain focus on price leadership in response to the expected, ongoing volatility in raw material costs and international steel markets. Over the medium term, management will be focused on delivering Project Magnet and the discipline of tight cash management and cost control will be maintained to ensure OneSteel continues to meet its cash and other financial objectives.

I would like to thank my Board colleagues, management and our 7,395 employees for their contribution to this year's record profit.

Peter Smedley
CHAIRMAN

It gives me great pleasure to report to you for the first time as Managing Director and Chief Executive Officer for OneSteel Limited. This is OneSteel's fifth Annual Review and I am pleased to say that the company achieved a further improvement in operating profits for the fourth consecutive year.

But the year was not without significant challenges. As outlined by my predecessor in last year's Annual Review, the international steel markets underwent a dynamic shift in 2003/04 with the momentum continuing into the 2004/05 financial year.

The main impact of the shift was a sustained and unprecedented increase in material input costs, the size and rate of which were unprecedented, and which had to be recovered by management through a broad range of price increases, cost reductions and other initiatives. These began in January 2004 and continued through the 2004/05 financial year.

Furthermore, management had to take actions to offset the impact of production disruptions at the Whyalla Steelworks to ensure the financial impact and disruptions to customers were minimised.

The main highlights of the year were:

- another record profit of $132.5 million
- reduction of net debt (including securitisation) despite funding the blast furnace reline and working capital for higher cost inventory
- strong cash generation with free cash flow of over $100 million
- leadership in adjusting prices to recover substantial increases in material input costs
- continued investment in the business with SAP rollout almost complete, commissioning of a new wire rope making facility and completion of mesh manufacturing rationalisation
- final approval by Board of Project Magnet, a $325 million investment in upgrading Whyalla Steelworks to manufacture steel from magnetite instead of hematite.

Project Magnet

With the Whyalla blast furnace reline completed significantly extending the life of the steelworks, management secured Board approval for Project Magnet.

In essence Project Magnet, through an investment of $325 million, will allow OneSteel to extend the life of the Whyalla facility beyond the current hematite iron ore reserve limitation to beyond 2030 by using the magnetite iron ore resource for steelmaking.

As the steelworks converts to magnetite feed, the hematite ore reserve becomes available for sale providing an incremental three million tonnes of ore for sale per annum for ten years. This, combined with extra slab steel and iron pellet sales which are further benefits of using magnetite ore, will provide in excess of $1.5 billion in new revenue over the next 10 or so years.

Another major benefit of the project is that using magnetite ore lowers the cost of manufacturing steel at Whyalla by approximately five per cent. A saving of this magnitude provides significant value for OneSteel.

The project also brings environmental benefits with a major change in the process of manufacturing pellets for use in the blast furnace. The process will move from a "dry" to a "wet" operation, which will significantly reduce the impact of fugitive dust from the steelworks in the township, an issue the company has been managing since the building of the Pellet Plant in the 1960's.

An Eye to the Future

The theme for this year's Annual Review "Taking a Long View" is appropriate given the steel industry internationally and domestically has undergone a sea change over the last five years.

China has emerged as the world's largest producer and consumer of steel as it rapidly urbanises. It has absorbed any surplus steel or raw materials for making steel that may have existed in the decades running up to the turn of the century.

China now consumes in excess of 300 million tonnes of steel, or almost one third of all global steel consumed,

MANAGING DIRECTOR'S **REVIEW**

In the case of OneSteel, management has already laid the **foundations for the coming decades** through the blast furnace reline and Project Magnet, so providing OneSteel with a **strong competitive advantage** for 60% of its steel production.

compared with 150 million tonnes five years ago. To put this into perspective, Australia's domestic steel market is just in excess of six million tonnes. On any assessment this is a significant shift in the world steel demand and supply balance, and requires steel companies to assess their strategic approach to the industry.

In the case of OneSteel, management has already laid the foundations for the coming decades through the blast furnace reline and Project Magnet, providing OneSteel with a strong competitive advantage for 65% of its steel production.

But to compete effectively in the decades ahead more needs to be done.

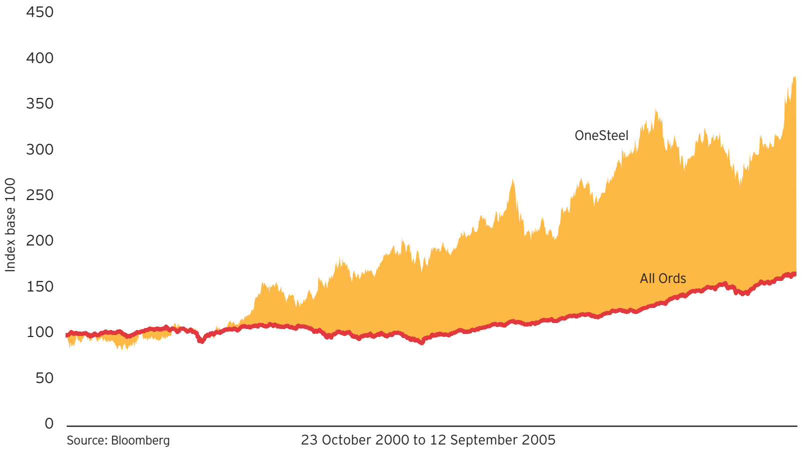
Management Review

OneSteel management is currently reviewing the company's strategy to prepare it for a more competitive environment over the next five years.

A number of strategic themes have been identified that are aimed at further streamlining the OneSteel business and to make our customers more competitive in their markets.

The emphasis for OneSteel is to deliver a platform of growth in earnings that is sustainable over the medium to longer term. We will do this by further developing our current and new market positions in the key markets of construction, resources and industrial, and by building on our existing capabilities in people, manufacturing and distribution.

FIGURE TWO
Total Shareholder Return



Source: Bloomberg

The company has adopted two core values:

1. **Safety** – safety has always been a key value for OneSteel. Safety pervades everything we do in OneSteel, whether that be in a heavy manufacturing or office environment, and it will continue to be a core value, the performance of which we aim to improve every year.
2. **Customer** – we have introduced the customer as a core value. Our customer's competitive environment will increase over the coming decade and we have a role in helping our customers maintain and increase their competitiveness.

To continue to deliver improved performance for shareholders and customers, management is focused on three strategic imperatives encompassing the areas of market and customer insight, supply-chain management and operational excellence.

Management will continue to progress initiatives within these strategic imperatives to further drive improved performance.

The Year Ahead

Domestic trading activity is expected to remain at strong levels over the coming year as expenditure in non-residential and engineering construction continues to increase. As these sectors drive more than 45% of OneSteel's revenues, it will offset the softening that has occurred in the residential sector.

The mining and manufacturing sectors are expected to grow, offsetting the slowdown in the automotive and rural sectors.

The international steel markets are expected to remain robust with volatile pricing within the higher range reached over the last eighteen months.

Management attention will continue to be focused on improving business performance by managing down costs and improving margins and volumes. We will also look to improve our supply-chain management, logistics and customer service levels.

Material input price rises will be managed through further price leadership and operational savings.

A substantial amount of management effort will be applied to Project Magnet during the year, with work already well underway on the construction for this project. Particular emphasis will be given to managing its cost and time objectives during the year.

I would like to thank our shareholders for their continued support. It was a period of significant challenge for the company with the reline and subsequent Whyalla blast furnace incidents combined with an extremely dynamic domestic and international market environment. During this period we have focused on working with our customers to help them work through this period of change.

OneSteel continues to grow and provide improved earnings for shareholders. We can face the challenges of the next five years with a company that is on a sound financial footing.

I would like to thank everyone that works at OneSteel for their efforts during the year and look forward to meeting the challenges of the next 12 months and beyond.

Geoff Plummer
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

STRATEGIC FRAMEWORK **SCORECARD**

Improving Operating Performance

- Net operating profit after tax improved 22.6% to $132.5 million
- Earnings per share increased to 23.5 cents from 19.5 cents
- Free cash flow of $101.9 million
- Return on funds employed (based on EBITA) increased to 14.2% from 13.2%
- Financial gearing reduced to 30.7% from 33.1%
- Sales per employee improved 18.5%.

While profit performance improved, the sales margin was slightly lower as a result of impact of the production disruptions at the Whyalla blast furnace that cost approximately $60 million at the EBITDA level. The Whyalla blast furnace has been producing iron at historic levels since December 2004 and there is a clear program in place to maintain operations. In the coming year the challenge will be to offset substantial increases in coking coal costs and higher average hot rolled coil costs, two major material inputs for OneSteel.

Optimising the Business Portfolio

- On 1 July 2005 the OneSteel Reinforcing business moved from the Distribution segment to the Manufacturing segment. More than half of the material input feed for the reinforcing business is sourced from the Sydney Steel Mill within the Manufacturing segment
- On 1 July 2005 the OneSteel Pipe and Tube business moved from the Manufacturing segment to the Distribution segment. OneSteel purchases the raw materials for the manufacture of this product from external sources and distributes the majority of finished product through a number of OneSteel Distribution businesses including OneSteel Steel and Tube and OneSteel Metaland
- New eight-strand wire rope manufacturing facility at Newcastle commissioned
- Completion of the reinforcing mesh rationalisation and consolidation project in the eastern states to lower the cost of production and improve capacity utilisation
- The rollout of SAP across the Distribution business is complete
- The blast furnace reline at Whyalla was completed in August 2004
- In September 2004 the refinancing of $900 million of expiring four- and five-year debt was completed. It was replaced with $800 million of three-, five- and seven-year facilities that extended the average period of debt at the time from three years and four months to five years and two months
- In May 2005 OneSteel arranged new bilateral financing worth $200 million to replace the discontinued securitisation program.

Moving OneSteel Reinforcing to the Manufacturing segment will allow the company to make improvements in supply-chain management, logistics and costs, and to better align marketing activities. Manufacturing and downstream sales activities will continue to be separated to maintain focus and service levels reflecting different customer and market requirements. In the case of Pipe and Tube, by bringing the manufacturing and channel management function together under OneSteel Distribution, management can derive further benefits in the areas of customer service, manufacturing costs, logistics, marketing and related production scheduling.

Being the Customer's Preferred Supplier

- A major strategic initiative has been established in the area of customer and market insight to develop a coordinated approach across the company to defining, developing and creating customer value
- The realignment of the OneSteel Reinforcing and the OneSteel Pipe and Tube businesses provides more scope to improve customer management, service and delivery
- The higher quality information being delivered by the new SAP system in Distribution provides management with increased insight into customer preferences and buying patterns. The challenge is for management to harness this data to improve customer understanding and service
- To minimise the impact on customers from the production disruptions at Whyalla Steelworks in the latter part of the 2004 calendar year, OneSteel imported approximately 90,000 tonnes of steel products, increased steel production at the Sydney Steel Mill and ran down inventory.

One of the biggest challenges during the year was to continue to supply customers with product following the loss of 140,000 tonnes of steel due to the production disruptions at the Whyalla blast furnace. OneSteel moved quickly to source product to ensure customer dislocation was kept to a minimum. With the customer now elevated to the same level as safety, namely, a core value, considerable resources will be allocated to improving the way that OneSteel defines and deals with customers. This is central to a major push to have OneSteel viewed by customers as one of their competitive advantages.

People Providing a Competitive Advantage

- Safety performance improved during the year with the LTIFR (Lost Time Injury Frequency Rate) improving by 50% to 1.3 and the MTIFR (Medical Treatment Injury Frequency Rate) improving by 21% to 11.2
- Business improvement and change management skills and processes have been a key focus during the year to build OneSteel's capability. The increased emphasis in this area is in part a response to the Whyalla blast furnace incidents and also to ensure that Project Magnet milestones are delivered
- A 360-degree feedback process based on OneSteel's leadership behaviours is currently being developed to reinforce key leadership behaviours and operating styles.

During the year significant attention was given to strengthening the succession planning, performance and reward management processes that were initiated in the 2003/04 financial year. The emphasis was on getting greater clarity across the organisation and making the current process more rigorous and performance-oriented. Significant effort was also devoted to ensuring that the right number and level of resources have been assigned for the delivery of Project Magnet.

Focused Strategic Expansion

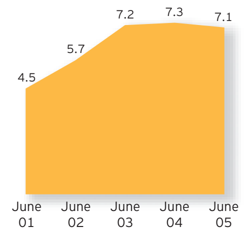
- In May 2005 the OneSteel Board gave final approval for Project Magnet, a $325 million dollar investment to upgrade the Whyalla Steelworks to use magnetite ore rather than converting the current hematite into steel. The investment will extend the life of Whyalla from 2020 to beyond 2030 and generate a further $1.5 billion in revenues over the life of the project
- The new eight-strand wire rope-making facility was commissioned during the year that enables OneSteel to manufacture both six- and eight-strand rope for the latest and largest mining and conveyor equipment. Already new contracts have been secured as a result of this facility
- A new state-of-the-art wire mesh manufacturing facility was built in Sydney as part of the rationalisation of mesh facilities across the eastern states. The new machinery provides for significant productivity gains in mesh manufacture and has applications for the reinforcing business which predominately supplies the construction sector.

There will be significant focus over the next 12 months on delivering the key milestones associated with Project Magnet. The project provides OneSteel with a major growth platform that provides extra revenue from the sale of an incremental 30 million tonnes of ore and ongoing annual sales of 220,000 tonnes of iron pellets and 100,000 tonnes of slab steel over the life of the project. It has the added benefit of lowering the cost of steelmaking at Whyalla Steelworks by 5%. Project Magnet is expected to be fully operational in the 2007/08 financial year.

FIGURE THREE

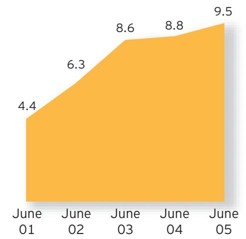
Sales Margin (EBITA)

(Percent)



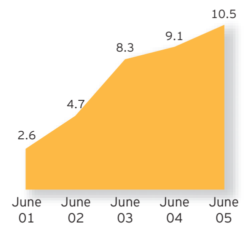
Return on Assets (EBITA)

(Percent)



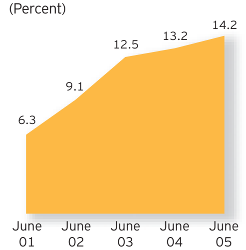
Return on Equity (EBITA)

(Percent)



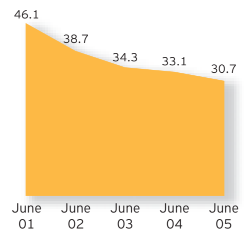
Return on Funds Employed (EBITA)

(Percent)



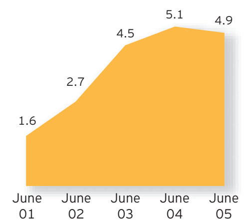
Gearing Ratio

Inc Securitisation (Percent)



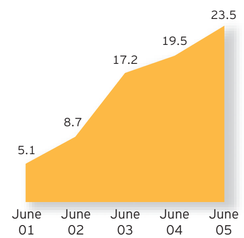
Interest Cover

(Times)

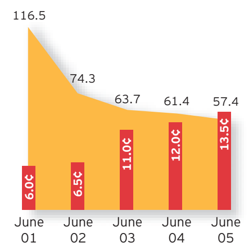


Earnings per share

(Cents)



Dividends and Payout Ratio



ONESTEEL MANAGEMENT

OneSteel Limited Management Structure

GEOFF PLUMMER
Managing Director and Chief Executive Officer

AUSTRALIAN OPERATIONS

MARK PARRY
Executive GM
Whyalla Steelworks

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

CHRIS KEAST
Executive GM Market Mills

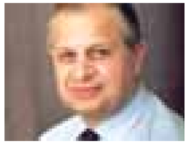
MARKET MILLS
- Sydney Steel Mill
- Rod Mill
- Bar Mills
- Reinforcing
- Wire Mills
- Wire Ropery

TBA
Executive GM Distribution

DISTRIBUTION
- 48 Metaland sites
- 12 Piping Systems sites
- 12 Sheet, Coil & Aluminium sites
- 11 Midalia Steel sites
- 10 Pipe and Tube Mills
- 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

LEO SELLECK
Executive GM Project Magnet

ANDREW ROBERTS
Executive GM Marketing

RAY JARMAN
General Counsel

BILL GATELY
Corporate GM Human Resources & OHS

MARK GELL
GM Corporate Development

MICHAEL DINES
GM E-Commerce & Information Technology

JOHN KRENICH
Company Secretary

Lead Team

MARK PARRY [1]
BComm
Executive GM Whyalla Steelworks

Age 43. Mr Parry joined OneSteel from BHP after working in a number of roles since 1984. Prior to his current role, Mr Parry was GM Manufacturing Pipe & Tube. He has served as General Manager of the joint venture company Bekaert-BHP Steel Cord and held the position of Manager Geelong Wire Mill.

CHRIS KEAST [2]
BComm
Executive GM Market Mills

Age 44. Mr Keast joined OneSteel from BHP where he served in a variety of roles since 1982. Mr Keast was previously General Manager of Wire from 1999 to 2005. Prior to this he ran the Bekaert-BHP Steel Cord joint venture. Mr Keast has also worked in a joint venture with Shell for LNG shipping for the North West Shelf Gas Project, together with secondments to executive roles in the Australian Shipowners Association and the Australian Maritime Employers Association.

LEO SELLECK [3]
BSc
Executive GM Project Magnet

Age 56. Mr Selleck has had 33 years experience in the Australian steel industry, joining OneSteel from BHP where he had served in a variety of roles since 1972. Mr Selleck has significant experience in the integrated steelmaking business. He has also held corporate roles in the fields of safety and environment. Prior to his current role, Mr Selleck was responsible for the Whyalla Steelworks.

ANDREW ROBERTS [4]
BComm
Executive GM Marketing

Age 38. Mr Roberts joined OneSteel from BHP Steel, starting in 1989. He has held a number of roles in marketing, sales and general business management across the Australian Manufacturing and Distribution businesses. His previous position was General Manager Sales - Distribution for OneSteel Market Mills.

TONY REEVES [5]
BEc, MComm, FCPA, FTA
Chief Financial Officer

Age 50. 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 [6]
BSc, LLB
General Counsel

Age 43. Mr Jarman has over 20 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 [7]
BEc
Corporate GM Human Resources & OHS

Age 44. 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 [8]
BEc, GMQ, EMBA, GAICD
GM Corporate Development

Age 44. 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 strategy, public policy, investor relations, marketing and corporate affairs.

JIM WHITE [9]
BApp Sci(Met), CP Eng
GM Technology & Environment

Age 54. Mr White has 31 years experience in the Australian steel industry, joining OneSteel at its formation in 2000, after working for John Lysaght (Aust) and BHP in a variety of product and process development roles. Located in Whyalla since 1995 in technical and operations roles, he now manages Technology and Environment for all of OneSteel.

MICHAEL DINES [10]
DipAirEng (Avionics)
GM E-Commerce & Information Technology

Age 43. 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 [11]
FCIS, CPA
Company Secretary

Age 60. 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.

FINANCE AND RISK **MANAGEMENT**

Transition to Australian Equivalents of International Financial Reporting Standards (AIFRS)

OneSteel is transitioning its accounting policies and financial reporting from current Australian Standards (AGAAP) to AIFRS which will be applicable for the financial year ending 30 June 2006. A Steering Committee has been established to oversee progress and to provide regular updates to the Board's Audit & Compliance Committee which in turn provides advice to the Board.

OneSteel will prepare its first fully AIFRS compliant full financial report for the year ended 30 June 2006. The first set of comparative figures (for the year ended 30 June 2005) will be contained in that first AIFRS compliant financial report.

The transition to AIFRS will have no affect on underlying cash flow and therefore economic value of the company. Nor will the transition affect capital management decisions.

For further detail on the impact of AIFRS on OneSteel refer to Note 5 of the Concise Financial Report.

Debt Management

OneSteel is committed to maintaining an investment-grade profile for its debt and has demonstrated this through reducing debt by $555 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 at the end of June 2005 was 30.7%.

OneSteel's core debt facility was refinanced during the year on attractive terms to the company. A syndicate of domestic banks has provided a facility of $800 million with tranches of three, five and seven years. The receivables securitisation line was retired and replaced with committed bank lines.

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 rate swaps where "fixed" is defined as 12 months or longer.

The average interest rate paid during the year was 6.38%. Duration of debt facilities at 30 June was 3.7 years. The proportion of debt drawn at fixed rates was 57%.

Equity Management

By the end of June 2005, there were 563.8 million shares on issue providing a contributed equity of $1,115.0 million which, when added to retained earnings and outside equity interests, provided total shareholders' equity of $1,456.7 million.

Since listing, the main additions to contributed equity have been a private placement completed in December 2001 of 69.7 million shares and a further 28.2 million shares under the dividend reinvestment plan. There has been healthy participation in the dividend reinvestment plan of 20% to 29% of eligible shareholders. In addition, since listing 5.7 million shares have been issued following the exercise of options by senior management.

During the year shareholders with less than a marketable parcel of shares were given the opportunity to sell their shareholdings without associated costs. There were 5,756 shareholders holding 441,778 shares who disposed of their small holdings through the facility.

Foreign Exchange Exposure

OneSteel is a domestically focused business so 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 predominately in US dollars
- inventory purchases in foreign currency
- purchase of commodity inputs
- capital expenditure denominated in foreign currency, or in Australian dollars with rise and fall clauses related to exchange rate movements
- New Zealand dollar-denominated assets and liabilities associated with Steel & Tube Holdings Limited (50.3%).

The company adopts a centralised approach to foreign exchange risk management with Treasury hedging exposures in excess of US$100,000.

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 April 2003 US private placement of debt. The profit or loss on the hedge directly correlates to the respective loss or profit on the underlying borrowing. Hence no profit or loss impact is recognised in the Statement of Financial Performance.

Dividend Policy

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 sets a dividend after taking a view of a sustainable level of dividends having regard to future expected profit outcomes and cash requirements.

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

Financial Reporting Control Assurance

The company has an established risk-based process for assessing the effectiveness of internal controls. This process provides support for the CEO and CFO statements to the Board on the effectiveness of the system of internal control for ensuring the integrity of financial statements.

In summary, this financial reporting control focused process includes:

- verification of efficiency and effectiveness of controls using a four-step process
  - identify the processes
  - assess the inherent and residual risk of each process
  - where an inherent/residual risk gap indicates significant reliance on control – identify key controls
  - testing of key controls
- 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 CEO and CFO sign-offs
  - one standard 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 and the effectiveness of their implementation.

KPMG works closely with the company's external auditors, 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. 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 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.

Project Magnet

A significant project governance process has been incorporated into Project Magnet to ensure a rigorous approach to risk identification and the development of risk mitigation strategies. A Project Magnet Steering Committee chaired by the CEO comprising senior management of the company has been formed to monitor construction, integration and the transition risks. This Committee meets regularly and is supported by an underlying structure represented by the Project Team, the Integration Team and the Steelworks Operations Team. Each of these teams has a clear charter and objectives that are collectively designed to deliver a project that has both systems and processes capable of producing a complete range of products at the Whyalla Steelworks.

Further, the Board has referred Project Magnet to its recently formed Operational Risk Committee for monitoring and reporting on critical risks associated with the project to the Board.

Whyalla Steelworks Blast Furnace

Following the recommissioning of the blast furnace in August 2004, two significant disruptions to production occurred in the first three months of operation, reflecting a more difficult than anticipated start-up phase. International and Australian expertise, together with OneSteel technical resources, worked to address the issue and the furnace is now operating stably. A Blast Furnace Stability Steering Committee chaired by the CEO comprising senior management and external specialists has been formed to manage the ongoing stability of the blast furnace.

Further, the Board has referred blast furnace stability to its recently formed Operational Risk Committee for monitoring and reporting on critical risks associated with its operation to the Board.

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 that drive OneSteel earnings will never be fully overcome. Since listing, OneSteel has focused on lowering fixed costs to lessen the downside impact of a slowing cycle. Furthermore, Project Magnet is expected to reduce the impact of industry cycles on the company's 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 and the ability to deliver ancillary products and services. In some areas there are opportunities for steel where the product has low intensity compared with substitute products such as in multi-level buildings. While the appreciating dollar can lead to higher imports, it also reduces the cost of some of OneSteel's raw materials.
Dependence on key customer and supply relationships	OneSteel relies on various key customer and supplier arrangements in certain 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, dedicated teams within the sourcing and customer management areas of the business provide management.
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 Steel Limited in 2001.
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, trade practices etc, 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 company's website.
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 annually on repairs and maintenance as well as stay-in-business capital expenditure. The company has agreements in place with leading international manufacturers that help ensure OneSteel is employing world's best practice principles in its operations.
Project risk	The company regularly undertakes large capital and other business improvement projects.	OneSteel has a rigorous capital approval process and recently strengthened processes for continuously monitoring performance against plans and risk mitigation.
Whyalla Mine life	The Whyalla Steelworks produces steel from iron ore sourced at the South Middleback Ranges, 60 kilometres from the steelworks. Current mine life of the hematite reserve is up to 2020, effectively restricting the Whyalla operation.	In May 2005, the OneSteel Board gave final approval to Project Magnet which will convert Whyalla Steelworks from using hematite to magnetite and extend the life of the mine to beyond 2030.
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 materials 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 figures illustrate the trend in some of the major drivers of OneSteel's business such as key sectors of the domestic economy, international and domestic steel prices, prices of key inputs into steelmaking, volumes of steel imports into Australia and OneSteel's project list.

Figure Four demonstrates the interaction between OneSteel's vertically integrated business and the market drivers of the company's revenue.

Figures Five through to Eleven on these two pages represent the major business sector drivers of OneSteel revenues. Overall, all market segments improved by 1.1%, building on the 3.5% increase in activity in the previous year and 11.8% increase in the 2002/03 financial year. The construction sector, which accounts for 61% of OneSteel's revenue, improved 2.9%. The long anticipated softening in residential construction was more than offset by continued growth in the non-residential and engineering segments.

FIGURE FOUR
Vertical Integration of OneSteel's Australasian Operations

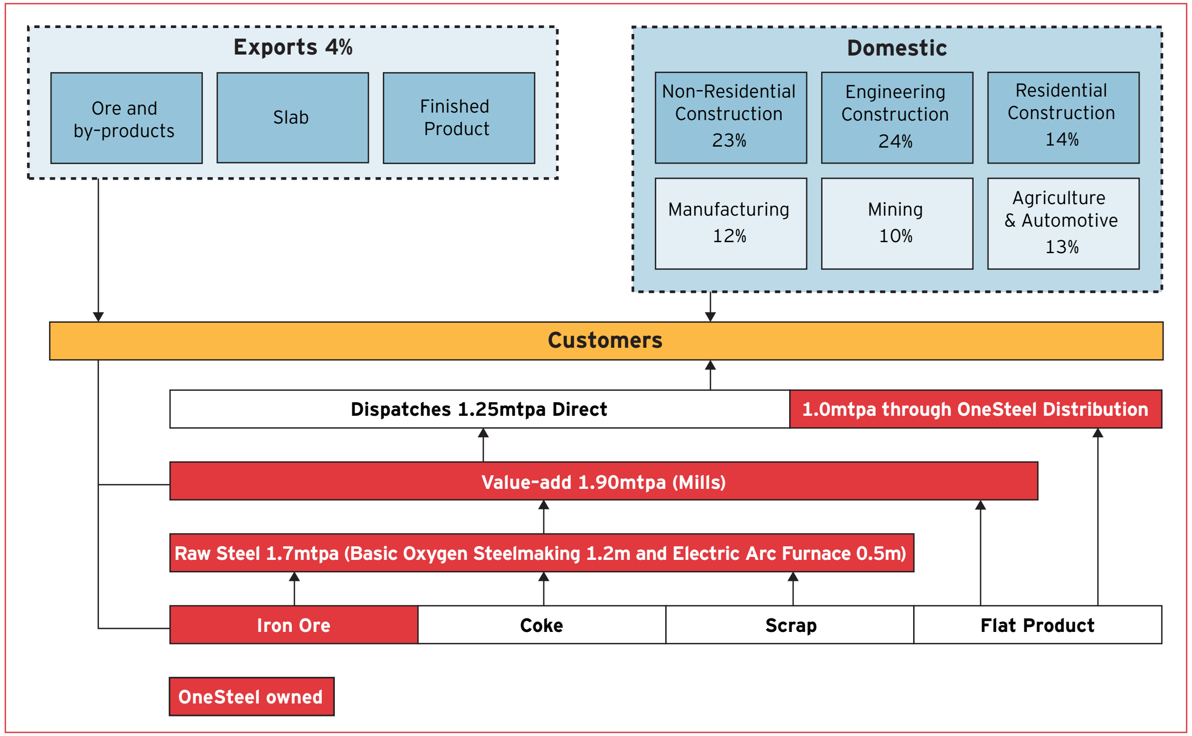
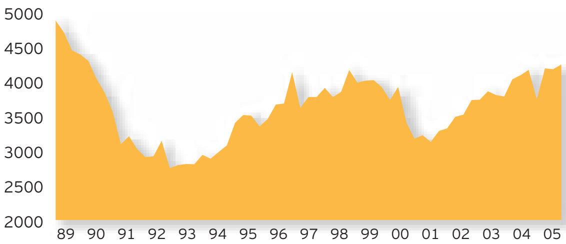
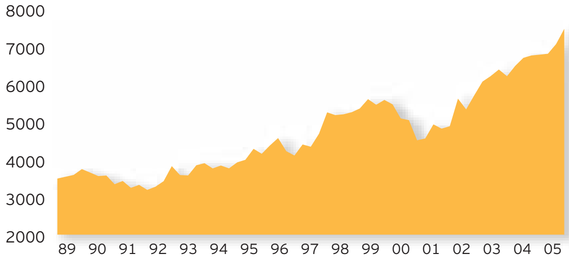


FIGURE FIVE
Non-Residential Construction ($ millions 2002/03)
December quarter 1989 to June quarter 2005



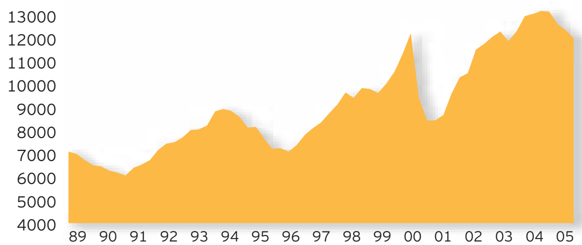
Source: NIEIR

FIGURE SIX
Engineering Construction ($ millions 2002/03)
December quarter 1989 to June quarter 2005



Source: NIEIR

FIGURE SEVEN
Residential Construction ($ millions 2002/03)
December quarter 1989 to June quarter 2005



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 23% of revenue. As Figure Five indicates, the value of activity in this sector increased by 1.8% when comparing the 2004/05 financial year with the prior year.

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 24% of OneSteel's revenues and, as Figure Six indicates, activity in this sector increased by 7.5% when comparing the 2004/05 and 2003/04 financial years.

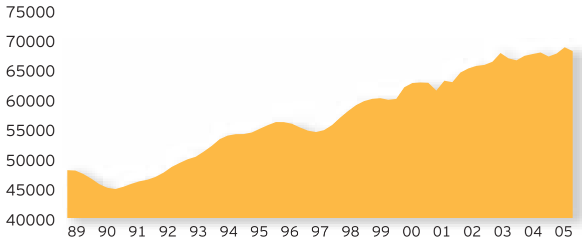
RESIDENTIAL CONSTRUCTION

Residential construction covers investment for building and alteration of private and public units and houses. OneSteel currently derives 14% of its revenues from this segment. As can be seen from Figure Seven, the long anticipated softening in residential construction is occurring. As a consequence, activity decreased 2.7%.

FIGURE EIGHT

Other Manufacturing ($ millions 2002/03)

December quarter 1989 to June quarter 2005



Source: NIEIR

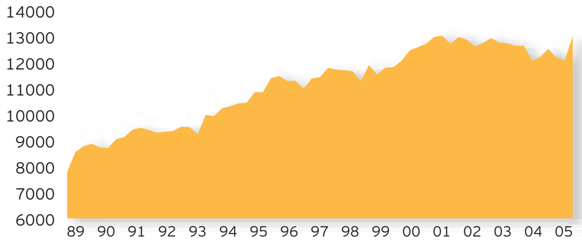
OTHER MANUFACTURING

Other manufacturing represents all manufacturing with the exception of automotive products. This sector represents 12% of OneSteel revenues and improved 0.9% over the year, as outlined in Figure Eight.

FIGURE NINE

Gross Value of Mining Production ($ millions 2002/03)

December quarter 1989 to June quarter 2005



Source: NIEIR

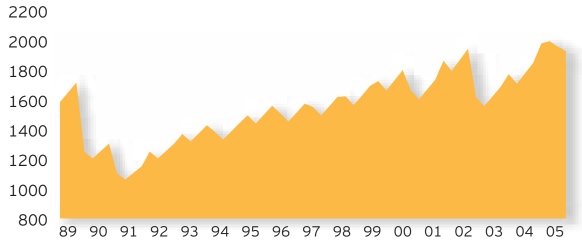
MINING OUTPUT

Mining output encompasses production from mining activities and currently represents approximately 10% of OneSteel revenues. Activity in this sector rose 0.1% (refer to Figure Nine) over the 2004/05 financial year compared with the prior year.

FIGURE TEN

Agricultural Investment ($ millions 2002/03)*

December quarter 1989 to June quarter 2005



Source: NIEIR

AGRICULTURAL INVESTMENT

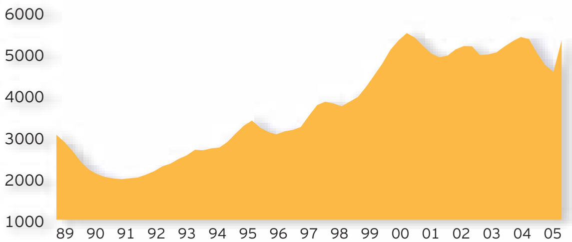
Agricultural investment encompasses expenditure in the rural sector. It represents 6% of OneSteel revenues and declined by 5.4% compared with the prior year as a result of continued drought conditions in many areas (refer to Figure Ten).

* This is a different ABS data series from the one that NIEIR has used in the past.

FIGURE ELEVEN

Automotive Output ($ millions 2002/03)

December quarter 1989 to June quarter 2005



Source: NIEIR

AUTOMOTIVE OUTPUT

Automotive output includes production for domestic automotive manufacturers including component part manufacturers. This sector represents 7% of OneSteel's revenues. Activity declined 7.6% from the prior year (refer to Figure Eleven).

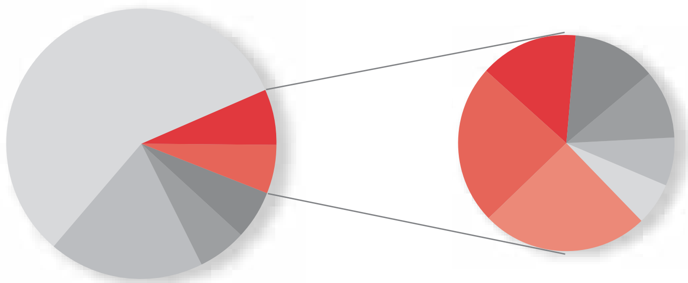
ONESTEEL REVENUE DRIVERS

Figure Twelve illustrates that the drivers of OneSteel's business are quite different from those of the broader Australian economy. Consumer demand makes up almost 60% of Australian gross domestic product while the construction segment accounts for just 13%. In terms of OneSteel's revenue drivers, construction accounts for over 60%. As such OneSteel's revenue is less affected by swings in the level of consumer demand, and more by the construction markets.

FIGURE TWELVE

OneSteel Revenue Drivers versus Broader Economy's Drivers

Australian Gross Domestic Product | **OneSteel Revenue Drivers**



Australian Gross Domestic Product:

- Household Consumption 59%
- Residential 7%
- Non-residential & Engineering 6%
- Equipment Investment 6%
- Other Investment 6%
- Public Demand 19%

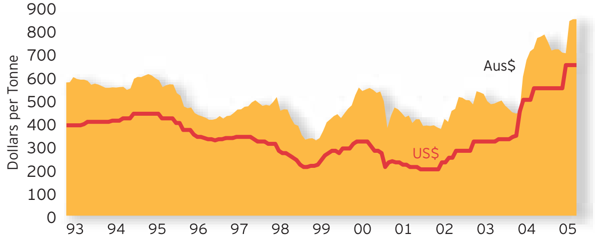
OneSteel Revenue Drivers:

- Residential 14%
- Non-residential 23%
- Engineering 24%
- Agriculture 6%
- Auto 7%
- Mining 10%
- Other Manufacturing 12%

Source: ABS, OneSteel
GDP data for 2004

KEY BUSINESS DRIVERS

FIGURE THIRTEEN
Hot Rolled Coil Price (Japan Export)
July 1993 to June 2005

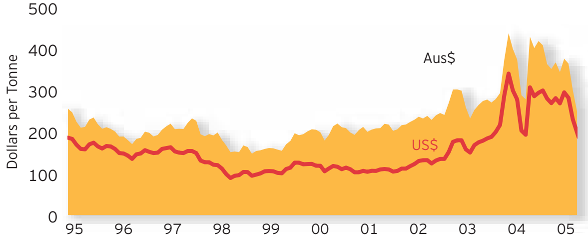


Source: CRU

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, and for sheet and coil in the Distribution business. In any given year, OneSteel purchases between 400,000 and 450,000 tonnes of HRC. Figure Thirteen 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 FOURTEEN
Scrap Price (Asian)
July 1995 to June 2005

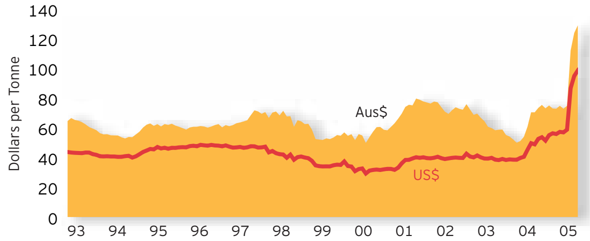


Source: TEX Report

SCRAP PRICE

This graph shows prices for scrap steel in US and Australian dollars. OneSteel uses approximately 500,000 tonnes per annum of scrap feed for its Sydney Steel Mill operation. Figure Fourteen illustrates that although price movements are not as volatile as in the 2003/04 financial year, the price of scrap continued to move in a wider band than has been the case historically and the price remains above its long-term average. Many of the price increases that OneSteel implemented in 2004/05 were to recover the dramatic cost increase in this input over the last two years.

FIGURE FIFTEEN
Total Coking Coal (Average Australian Export Price)
August 1993 to June 2005

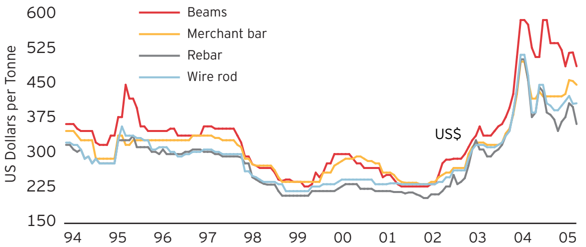


Source: ABARE/Tex Report

COKING COAL PRICE

This graph shows the international movement in coking coal prices in US and Australian dollars. Whyalla Steelworks uses this product in the manufacturing process to make iron. OneSteel purchases approximately 1,000,000 tonnes of coking coal per annum. Figure Fifteen illustrates the sharp price increase in coking coal over the last 18 months that has resulted from very high demand in China.

FIGURE SIXTEEN
Long Products International Prices
January 1994 to June 2005

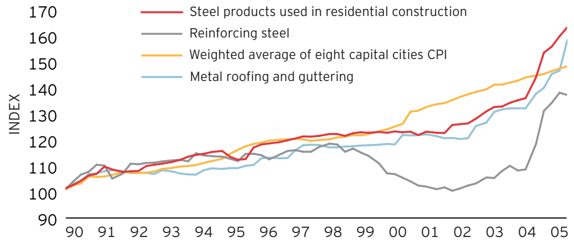


Source: CRU

LONG PRODUCTS INTERNATIONAL PRICES

This graph represents 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. Figure Sixteen shows how volatile steel prices were in the 2004/05 financial year. Prices are off their peaks but remain above their long-term averages, reflecting strong demand and the higher steel-making input costs depicted in Figures Fourteen and Fifteen.

FIGURE SEVENTEEN
Prices for Steel Residential Construction Materials
March quarter 1990 to June quarter 2005

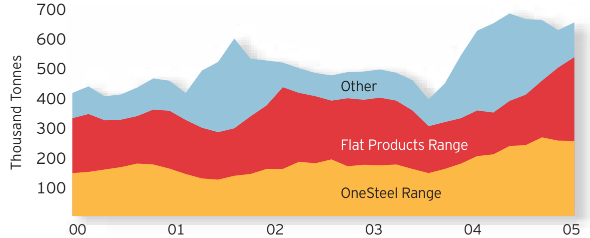


Source: ABS

PRICES FOR STEEL RESIDENTIAL CONSTRUCTION MATERIALS

This graph represents prices of steel products used in Australian residential construction as measured against an index. OneSteel produces structural steel and reinforcing products. Figure Seventeen illustrates that prices in all the product lines increased over the past 12 months, 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 this environment OneSteel has demonstrated price leadership in implementing price increases to recover the increased input costs.

FIGURE EIGHTEEN
Steel Imports Into Australia
January 2000 to June 2005



Source: ABS and OneSteel data 3-month moving average

VOLUME OF IMPORTS INTO AUSTRALIA

The volume of imports in some of OneSteel's product lines remains at higher than historical levels as illustrated in Figure Eighteen. However after subtracting approximately 90,000 tonnes of steel that OneSteel imported to minimise disruption to customers at the time of the production disruptions at the Whyalla blast furnace, and importing by other local manufacturers to meet strong domestic demand, import volumes are moderating. This partly reflects the success of OneSteel's marketing strategy to recapture some of the tonnes lost to imports in selected product lines.

ONESTEEL PRICE INCREASES

In response to the rise in input costs that are depicted in Figures Thirteen, Fourteen and Fifteen OneSteel has announced a number of price increases to recover those higher costs. In the 2004/05 financial year OneSteel achieved a 15.1% increase in the average price of steel per tonne, or 13.7% increase excluding exports and special projects.

Product Line	Price Increase	Effective Date of Price Increase
Steel in concrete (reinforcing)	4%	February 2004
	6%	April 2004
	4.5%	July 2005
Reinforcing bar	16%	May 2004
	5%	October 2004
Whyalla Structurals	7%	April 2004
	10%	July 2004
Merchant bar	10%	March 2004

Product Line	Price Increase	Effective Date of Price Increase
Manufacturers' wires	4%	March 2004
	7.5%	August 2004
	6%	January 2005
	7.5%–10%	April 2005
Structural pipe and rectangular hollow sections	6.5%	April 2004
	9.3%	July 2004
	11.3%	January 2005
	6%	July 2005
Rural products	5%	May 2004

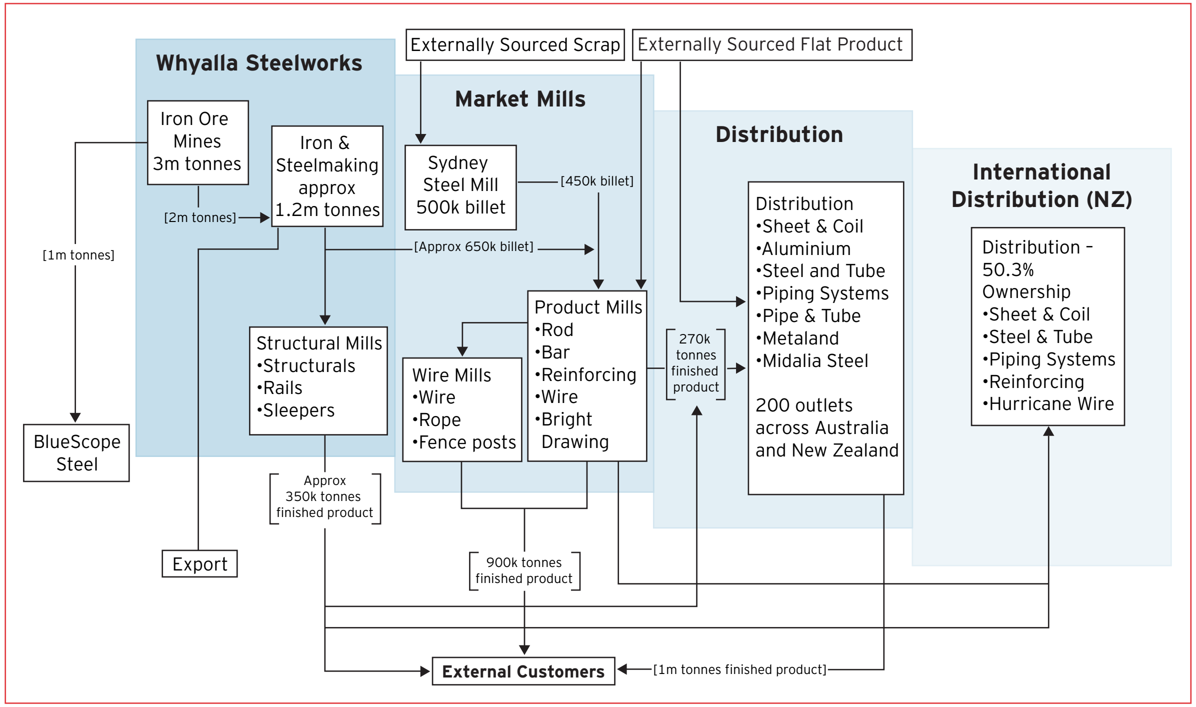
PRODUCT PROCESSES

Typical steel companies tend to be only manufacturers of steel, meaning they have to purchase in raw materials and also sell product through independent distribution networks. As a result such companies get squeezed by both raw material providers and distributors, and some of the value that can be created in the manufacturing process gets transferred. For that reason OneSteel was established with its own iron ore as raw material to feed to the Whyalla Steelworks as well as its own distribution network (refer to Figure Nineteen).

One of OneSteel's competitive advantages is its low-cost, high quality iron ore mines that are situated just 60 kilometres from its main production facility, the Whyalla Steelworks in South Australia. Two thirds of the 1.7 million tonnes of steel OneSteel produces is made at the Whyalla Steelworks using iron ore. OneSteel's other main production facility is an electric arc furnace that makes steel by melting scrap.

At the other end of the chain, OneSteel has a network of 200 outlets through which it distributes its own products, as well as externally-sourced metal products, to its 30,000 customers.

FIGURE NINETEEN
Product Processes



ONESTEEL MAP OF OPERATIONS

OneSteel has 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.

MAJOR PROJECT FLOW

Figure Twenty also depicts the major projects to which OneSteel is supplying steel and related products. Current projects are listed in bold type. The potential projects, listed in plain type, illustrate the underlying strength of the engineering and non-residential construction segment, and give OneSteel confidence in the level of demand from key drivers of its revenue.

FIGURE TWENTY
OneSteel Map of Operations and Major Projects

MAJOR PROJECTS IN NORTHERN TERRITORY
Alcan Gove Expansion
Natural Fuels Australia – Bioprocessing plant

MAJOR PROJECTS IN QUEENSLAND
Clean Fuel Upgrade for BP, Caltex, Mogas in Brisbane
Comalco Weipa Project
Brisbane Airport Carpark
Bucyrus Project
Braemer Gas Pipeline
Comalco Refinery Phase 2 SE Queensland
Comet Coal, Blackwater
Brisbane Water Treatment Plant
Woolworths Distribution Centre
Gladstone Nickel Project, Harwun

MAJOR PROJECTS IN NEW SOUTH WALES
Lane Cove Tunnel, Sydney
Darling Island Park, Sydney
The Village Meriton, Sydney
Meadowbank, Sydney
Macarthur Square Redevelopment, Sydney
Chatswood to Epping Rail Link, Sydney
M7 Western Sydney Orbital
Cowal Gold Mine
Woolworths Minchinbury
Bluescope Steel Erskine Park Coating Line
Westfield, Liverpool
Sydney International Carpark
Holsworthy Industrial
Vopak Botany Terminal
Fantastic Furniture Warehouse

MAJOR PROJECTS IN WESTERN AUSTRALIA
Ravensthorpe Nickel
Rio Tinto Parker Point Upgrade – Dampier Wharf
BHP Billiton Mining Area C
Burrup Fertiliser
Alcoa Pinjarra Upgrade
Worsley Alumina Refinery Upgrade
Alcoa Wagerup
Hope Downs Iron Ore Mine
Newcrest Boddington Gold Mine

MAJOR PROJECTS IN SOUTH AUSTRALIA
OneSteel Project Magnet, Whyalla
IKEA Retail Centre
Coles Myer Distribution Centre, Adelaide
Port River Bridges
ADO Air Warfare Destroyers
ABB Bulk Handling Facility, Adelaide

MAJOR PROJECTS IN VICTORIA
Connect East, East Melbourne Motorway
Eureka Building, Melbourne
Minerva Gas
Convention Centre, Melbourne
Melbourne Showground, Flemington

○ Major Distribution Sites
● Key Manufacturing Facilities

Note the projects in bold are **CURRENT** projects.
The remainder are potential projects.

SEGMENT **SUMMARY**

AUSTRALIAN DISTRIBUTION

	2005 $m	2004* $m	%
Revenue	1,785.3	1,537.0	16.2
EBITDA	164.2	127.1	29.2
EBITA	140.4	104.2	34.7
EBIT	128.2	92.2	39.0
Assets	1,189.2	1,116.2	6.5
Employees	2,483	2,391	3.8
Sales Margin	7.9%	6.8%	16.2
Funds Employed	827.9	820.0	1.0
Return on Funds Employed	17.0%	13.0%	30.8

Market Conditions
Domestic market conditions have been very strong, particularly mining and engineering projects in Queensland and Western Australia which have offset lower activity in the residential market. The rural sector continues to be impacted by the drought.

Performance
Principal drivers of the $248 million growth in revenue were price increases, higher volume of tonnes and new business growth. The biggest increases in tonnage were in merchant bar and steel plate due to strong demand in the construction sector. All major product groups have encountered significant price increases from suppliers during the year. These have been passed across into the market place.

Steel and Tube performed well, with large project activity, particularly in Western Australia, helping to drive higher tonnage in structural steel and plate. Import competition in certain product areas remained reasonably strong although associated prices of imports increased.

Sheet, Coil and Aluminium volumes were boosted by ongoing demand in the commercial construction sector, particularly in New South Wales and Queensland.

Metaland's sales and margins improved as the year progressed with solid demand across all of its main product categories.

Pipe and Tube managed significant challenges during the year in an environment of dramatically rising raw material costs and ongoing volume and price pressure from imports. The market for Pipe and Tube continued to be strong, particularly in the structural sector. The gas transmission pipeline market continues to have strong underlying demand although the deferral of one project resulted in lower volumes than the previous year.

Activity in **Piping Systems** increased over the year stemming from mining-related project activity particularly in Western Australia and Queensland.

Initiatives
The implementation of the SAP system continued during the year with the Metaland rollout completed and the majority of Sheet, Coil and Aluminium undertaken.

Outlook
The outlook remains positive with the general construction market underpinning demand. The residential sector has softened but will be more than offset by growth in engineering and non-residential construction.

* The 2004 results have been restated to reflect the business restructure that came into effect 1 July 2005 whereby the Reinforcing business moved from Australian Distribution to Manufacturing, and the Pipe and Tube business moved from Manufacturing to Australian Distribution. The 2005 results also reflect the business restructure that came into effect 1 July 2005.

AUSTRALIAN MANUFACTURING

	2005 $m	2004* $m	%
Revenue	2066.5	1,700.9	21.5
EBITDA	184.7	187.4	(1.4)
EBITA	119.1	130.3	(8.6)
EBIT	112.1	123.3	(9.1)
Assets	1,671.7	1,555.3	7.5
Employees	3,908	3,872	0.9
Sales Margin	5.8%	7.7%	(24.7)
Funds Employed	1,118.9	1,065.5	5.0
Return on Funds Employed	10.9%	12.3%	(11.4)

Market Conditions
Substantial movements were seen in international steel prices, driven by significant raw material price movements and strong demand for certain steel products amid tight supply. Construction demand continued to be strong, particularly engineering construction.

Performance
Performance improved through continued cost reductions delivered from programs implemented across manufacturing sites and was enhanced by increased pricing. However, production difficulties at the Whyalla blast furnace had flow-on implications including revised manufacturing schedules, lost production and importing product at higher cost to meet customer requirements.

Whyalla Steelwork's operations experienced difficulties with approximately 140,000 tonnes of production lost although very strong prices for steel slab and hot rolled structurals were positives for Whyalla's performance.

Operational improvements enabled the **Sydney Steel Mill** to operate at record levels to build inventory for the reline of the Whyalla blast furnace, maximise recovery of volumes after Whyalla's production disruptions and to optimise opportunities in a period of high slab prices.

Hot rolled structural sales rose amid very strong project activity and increased steel intensity in multi-storey non-residential projects. Despite higher international prices, sales volumes and margins were negatively affected by the blast furnace's production difficulties.

Prices and volumes increased for **Rod and Bar** products, with sales of merchant bar strengthening further in line with marketing strategies and market conditions.

Reinforcing volumes grew, reflecting the continued strong demand for bar and mesh on the back of strong residential and non-residential construction markets. Queensland and Western Australia continue to be key markets, and together with the M7 road project in New South Wales, supported significant growth in bar.

Wire was affected by flat market activity in the rural sector due to severe drought in many areas, but manufacturing activity was stronger in an environment of rising international prices.

Initiatives
Continued effort will be put into manufacturing excellence programs and substantial focus will be placed on extracting greater synergies from the vertically-integrated nature of OneSteel's businesses.

Outlook
Domestic demand is anticipated to remain favourable. Management will maintain price leadership in the face of higher material input costs and dynamic international markets.

INTERNATIONAL DISTRIBUTION

	2005 $m	2004 $m	%
Revenue	403.5	340.3	18.6
EBITDA	61.4	47.6	29.0
EBITA	56.1	42.7	31.4
EBIT	54.2	40.7	33.2
Assets	193.3	172.1	12.3
Employees	804	793	1.4
Sales Margin	13.9%	12.5%	11.2
Funds Employed	159.9	140.2	14.1
Return on Funds Employed	37.4%	31.7%	18.0

Market Conditions
Economic conditions in New Zealand remained strong, recording annual growth of 3.2% over the year. The decline in residential construction during the year was more than offset by the growth in commercial construction and infrastructure spending. Activity in the rural and manufacturing sectors remained subdued.

Performance
Steel & Tube posted a record net profit after tax of NZ$36.06 million, an improvement of 27% or NZ$7.6 million over the previous year. Earnings per share increased by 8.7 cents to 41 cents and ordinary dividends increased by 5 cents to 32 cents. All trading divisions performed well, benefiting from favourable conditions, with the exception of Hurricane Wire Products, which was down on the previous year. There were no lost time injuries during the year.

The **Steel Distribution and Processing** business performed extremely well, led by strong commercial construction, with improved margins across the main product categories. Plate and Coil Processing achieved record production.

The **Roofing Products** business recorded better results over the prior year due to continuing demand for residential and commercial roofing and cladding products.

Reinforcing operations achieved solid volume and margin improvement due to the more favourable type of contracts obtained over the year and growth in infrastructure spending.

The timing and quantum of **Hurricane Wire Products'** raw material price increases caused customers to bring forward some of their requirements which had the effect of reducing the volume of orders placed in the first quarter of the financial year. Additionally, Hurricane Wire Products was unable to fully recover raw material price increases.

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

Outlook
New Zealand economic growth is expected to slow in 2005/06. Consumer spending is still strong and while demand for new housing has eased from recent highs, spending on commercial construction and infrastructure continues at high levels.

Safety measures improved during the year with the Lost Time Injury Frequency Rate (LTIFR) halving to 1.7 and the Medical Treatment Injury Frequency Rate (MTIFR) over 20% lower at 12. A major reason for the improved result was better product handling practices, which resulted in fewer hand and arm injuries.

Revenue increased by 16.2% to $1,785.3 million. In overall terms, the market for our products was strong and the tonnes dispatched increased by 4.6%. Engineering and non-residential construction provided good growth and product was supplied to many of Australia's largest construction projects. Both the housing and rural sectors were weaker, however, in recent years our marketing effort has been targeted at those sectors of the economy that are now showing good growth, such as mining and minerals processing and civil works. This enabled the business to get maximum value from the strong market conditions.

International steel prices increased during the year, the biggest increases being for hot rolled coil and products made from hot rolled coil. Recovery of the price increases in our markets underpinned the business' strong profit for the year.

Return on funds employed improved from 13% to 17%, reflecting not only improved earnings but also more efficient use of working capital. Receivables were very effectively managed throughout the year and the inventory position helped the business to take advantage of the limited availability in the market for some products. By the end of the financial year inventory was at normal levels.

The rollout of the new SAP system in the Distribution businesses is complete. While the implementation phase of this two-year process has caused some distraction, all businesses are now taking advantage of the improved capabilities of the new processes and system. Benefits will be realised in operational productivity, inventory management and customer service.

AUSTRALIAN **DISTRIBUTION**

	2005 $m	2004 $m	2003 $m	2002 $m
Revenue	1,785.3	1,537.0	1,430.9	1,417.6
EBITDA	164.2	127.1	116.4	109.0
EBITA	140.4	104.2	90.6	73.4
Assets	1,189.2	1,116.2	1,004.4	1,010.2
Employees	2,483	2,391	2,286	2,349
Sales Margin	7.9%	6.8%	6.3%	5.2%
Funds Employed	827.9	820.0	785.2	825.7
Return on Average Funds Employed	17.0%	13.0%	11.5%	8.9%
Steel Dispatches – tonnes	981,409	938,157	917,800	900,500

The results have been restated to reflect the business restructure that came into effect 1 July 2005 whereby the Reinforcing business moved from Australian Distribution to Manufacturing and the Pipe and Tube business moved from Manufacturing to Australian Distribution.

The 2005 results also reflect the business restructure that came into effect 1 July 2005.



THE BUSINESS	THE MARKET	PERFORMANCE	DEVELOPMENTS
Steel and Tube Steel and Tube operates from facilities in major metropolitan areas, providing a range of products including structural steel, plate, hollow sections and merchant bar. This product range, together with extensive processing capabilities, provides customers with a leading market offer. The major segments serviced are engineering and non-residential construction and the automotive and manufacturing segments. The major facilities are supported by a network of retail stores focused on providing a complete steel product range to the trade and do-it-yourself (DIY) markets.	Market conditions were characterised by strong demand, particularly in Queensland and Western Australia, significant price increases across most of the key product groups and an increase in import volumes, particularly in Queensland and Victoria. The Steel and Tube division was successful with major projects in all states. While most sectors continued to be strong, manufacturing remained flat and automotive declined. The manufacturing and automotive segments will continue to present a challenge given the growth in imported components.	Sales growth and profitability remained strong through the implementation of targeted product strategies, despite continued pressure from imported products. Operating costs have been tightly controlled and SAP benefits are now flowing through. Processing capability and performance have improved and productivity initiatives throughout facilities have delivered significant improvements to the cost base.	A metropolitan retail expansion strategy has been resourced and a focused program is now in place. Internal initiatives are focused on developing operational capabilities and the upgrade of facilities and equipment. The ongoing improvement in customer service levels offered across facilities remains a key initiative to enable differentiation of Steel and Tube's offer in the market place.
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 remained robust in line with continuing growth in construction activity. Project activity was lower for the oil and gas pipeline segment, but this was partly offset by increased activity in smaller projects and general distributor sales of UltraPipe™. Sales remained steady with continued pressure from import activity on both price and volume. Stronger pricing supported the recovery of escalating feed costs throughout the year.	Various initiatives continued with the focus on driving manufacturing performance through maintenance reliability and process capability. This resulted in decreased overtime and improved profit per employee. Across the business, both productivity and yield improved from the previous year.	There will be continued focus on lifting manufacturing performance through maintenance reliability and process capability. Initiatives will continue in customer satisfaction and market segmentation to target specific segments and manage margins. Global steel demand and the strength of the Australian dollar will remain significant factors, impacting import competition and raw material feed costs.
Sheet, Coil and Aluminium A processor and distributor of three product groups from dedicated metropolitan facilities – carbon steel, sheet and coil, select aluminium and stainless steel products. 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 overall. Good volumes in commercial construction, transport and automotive segments offset some softness in residential construction. Low availability of imported sheet and coil carbon steel in Australian market delivered some volume benefit against competitors that traditionally import most of the product. International supply and demand dynamics also pushed prices substantially higher through the year.	An improved profit result was underpinned by select sales growth, good margin and the continued drive on operational efficiency. Product expansion in stainless steel and aluminium continues, supported by investment in value-added processing capability.	There will be continued expansion of aluminium and stainless steel with increased penetration of all three product groups to the existing customer base. The aluminium routing capability will also continue to be expanded to provide product and service extension to customers. The successful development and rollout of SAP to all operating sites now provides a platform for internal, supplier and customer facing efficiencies.
Metaland Metaland services customers in regional markets of Australia. The network comprises 48 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.	Market conditions in regional Australia were favourable. Sales growth was underpinned by increased infrastructure and mining expenditure in most regional centres. Non-residential construction continues to be solid reflecting confidence in the future outlook of major regional centres.	Sales growth was strong and margins continued to improve throughout the year.	SAP was successfully introduced throughout all regional centres. Upgrades to warehouses have improved competitive position and service to key customers.
Piping Systems OneSteel Piping Systems supplies steel pressure pipes, fittings and valves for liquid and gas conveyance. Customers include construction companies involved in major infrastructure project work, those in the mining and mineral processing industries, oil and gas companies, 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 progressively improved during the year with increased demand from a number of major infrastructure and resource segment projects. The business has been involved in the Epping to Chatswood Rail link, Alcan expansion in Gove, Woodside's Perseus-over-Goodwyn, Alcoa's Pinjarra expansion and clean fuel projects in various states. The building services market, including fire protection, remained strong.	Sales growth and the continued drive on operational efficiency underpinned an improved profit result. Most of the product the division sells comes from overseas suppliers. There were significant price increases in the year that placed pressure on margins while holding market share.	A series of initiatives to improve customer relationships was developed and implementation has commenced. Detailed growth plans for core products and stainless steel were formulated and are being implemented.
Midalia Steel Midalia Steel operates three facilities in Perth and eight in regional locations in Western Australia. Target customers include small builders, metalworkers, farmers, and the DIY sector.	All market segments – engineering, rural and retail – grew in volume terms. This was reinforced by increases in steel prices underpinning revenue growth. Housing – and more importantly – home improvement, showed no sign of slowing in the state and the rural sector had a solid year. Midalia Steel does not have a principal focus on the booming mining and minerals processing segment, however it benefited from the strong market conditions in this sector through demand out of general engineering customers.	The 2004/05 financial year was the first full-year contribution from Midalia. The business enjoyed significant growth over the previous year and delivered a financial result above expectations.	Safety was a major area of change during the year, with the development and implementation of a safety plan throughout the business. Safety will remain a key area for improvement during the coming year. Further expansion of the network is planned for 2005/06 to capitalise on the buoyant market in Western Australia, which is expected to grow because of the strong migration, favourable rural conditions and major statewide investment.

Whyalla Steelworks

The Whyalla Steelworks completed a major rebuild of the blast furnace during the 2004/05 financial year. The furnace was off line for 75 days to allow the replacement and upgrade of major componentry and relining of the internal structure. The furnace was last relined in 1981 and the 23 years of operation since then had resulted in a very successful and highly productive campaign.

Following the recommissioning, two significant disruptions to production occurred in the first three months of operation, reflecting a more difficult than anticipated start-up phase. International and Australian expertise, together with OneSteel technical resources, worked to address the issue and the furnace is now operating stably. The furnace is expected to have a long and productive life in line with previous experience.

The furnace issues resulted in lower output of steel than expected. OneSteel imported product and reduced exports to ensure minimal disruption to domestic customers. Exports of coke and pellets were higher as a result of the disruptions at the blast furnace.

Mines, pellet plant and the structural mill all performed well, with the market for ore products and mill products strengthening further. This was based on the international boom in the resources industry and on high activity in the construction industry and in rail system maintenance.

Project Magnet, the most significant development project undertaken in Whyalla since the construction of the Steelworks, was given final approval by the Board in May 2005 and is now well underway. The project extends the life of the Whyalla Steelworks, lowers the cost of steel production and creates an additional revenue stream via the export of hematite ore.

The core value of safety remains a constant focus, with a record low Lost Time Injury Frequency Rate (LTIFR) of 0.4 achieved. This represents only two lost time injuries by all employees and contractors during the year. More than 2,000 people regularly work on the site with hundreds more involved in temporary activities. The Medical Treatment Injury Frequency Rate (MTIFR) was also a record low of 10.6.

Market Mills

The year was characterised by strong market demand and strengthening prices in most market sectors. The result was driven primarily by global steel shortages, largely caused by China's economic expansion, which exerted dramatic upward pressure on scrap prices. Considerable effort was directed towards recovering these cost increases and to displace imports through the year.

Across the manufacturing operations, a continued focus on increasing reliability and driving process efficiencies has delivered improved cost competitiveness and market responsiveness. During the year there was a continued focus on initiatives to build a better understanding of OneSteel customers and markets with a view to developing plans to grow further value within the segments in which OneSteel competes and thereby improving the competitiveness of OneSteel and its customers.

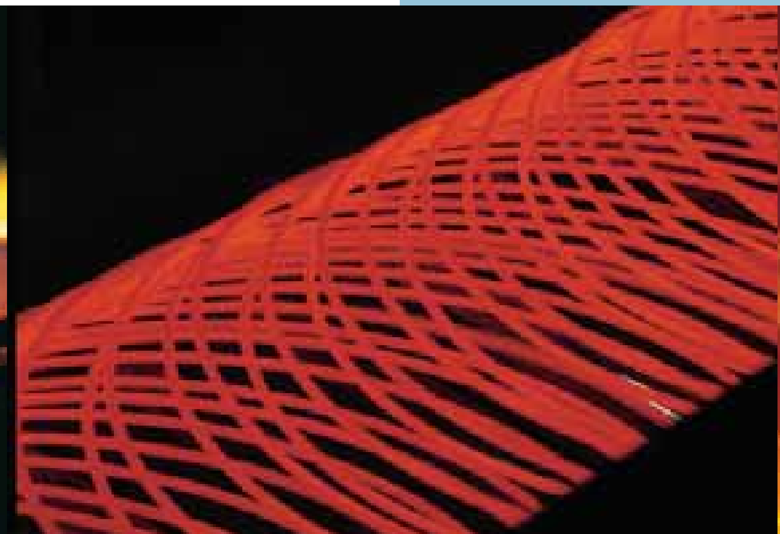
Safety Performance continued to improve, albeit at a lower rate than previous years, with a reduction in the MTIFR of 15.3% to 11.3%, the best performance ever at Market Mills.

AUSTRALIAN **MANUFACTURING**

	2005 $m	2004 $m	2003 $m	2002 $m
Revenue	2,066.5	1,700.9	1,583.1	1,445.8
EBITDA	184.7	187.4	175.7	133.7
EBITA	119.1	130.3	126.0	67.1
Assets	1,671.7	1,555.3	1,439.0	1,398.8
Employees	3,908	3,872	3,818	3,857
Sales Margin	5.8%	7.7%	8.0%	4.6%
Funds Employed	1,118.9	1,065.5	1,056.4	1,062.7
Return on Average Funds Employed	10.9%	12.3	11.9%	6.3%
Steel Dispatches – external tonnes	1,265,970	1,221,379	1,306,346	1,280,875
Steel Dispatches – internal tonnes	270,719	257,266	259,854	252,325
Tonnes Produced	1,349,397	1,618,855	1,624,399	1,576,650

The results have been restated to reflect the business restructure that came into effect 1 July 2005 whereby the Reinforcing business moved from Australian Distribution to Manufacturing and the Pipe and Tube business moved from Manufacturing to Australian Distribution.

The 2005 results also reflect the business restructure that came into effect 1 July 2005.



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 using 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 10% above the previous year. Rail dispatches for the year were also strong, although slightly down on the previous year. However demand for steel sleepers rose by 39%, reflecting high levels of rail track maintenance. International demand for raw materials such as coal, scrap and alloys impacted costs and consequently prices continued to rise in finished products, reflecting these changes. This international demand also continued to positively impact sales of non-steel products such as iron ore, pellets and coke.	The reline of the Whyalla blast furnace was completed early in the financial year, following a 23-year campaign. Furnace performance difficulties later in the 2004 calendar year adversely affected the expected production of iron and steel. The mines, pellet plant and structural mill continued to perform well and impacts to end-customers from production shortages were minimised. The furnace has performed better in the 2005 calendar year and production has been stable.	The pace of development quickened during the 2004/05 year. The Board gave final approval to Project Magnet in May 2005. This project is covered in detail elsewhere in this report, however it represents the largest single development since the construction of the steelworks in the 1960s. A substantial team of OneSteel and contract personnel has been formed to implement the project and the steelworks' organisation has been strengthened to cater for the process changes required.
Rod and Bar Produces approximately 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.	A stronger than expected residential construction market and very high activity in engineering construction combined to create market growth over the previous year. Prices of competing imported product rose, reflecting higher global scrap prices, but continued to place pressure on prices and volumes of products sold through the distribution network. Total sales were up from last year and prices rose considerably as the business endeavoured to recover price increases for raw materials such as scrap and steelmaking alloys.	During the course of the year interruption to operations at the Whyalla Steelworks' blast furnace resulted in the ramp up of Sydney Steel Mill's billet production to maximum capacity (with a 6% improvement in output over the previous year). As a result of the disruptions, the Rod and Bar business also had to purchase some imports to maintain supply to customers. Scrap prices varied significantly through the year, with the average price substantially higher than the previous year and well above historical levels. The rod and bar mills continued to improve production capacity, reliability and labour utilisation, resulting in overall lower conversion costs despite interrupted billet supply.	The market outlook for the 2005/06 financial year suggests strong engineering and non-residential construction and mining sectors will more than offset a slowing residential construction segment. Operating initiatives over the coming year will continue to focus on improving plant reliability and availability and on increasing labour utilisation and flexibility to improve delivery performance and reduce costs.
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 overall market remained strong this year despite weakening in housing commencements, with activity in the non-residential and engineering construction segments remaining strong. A number of major projects were serviced during the year with the largest, the M7 Western Sydney Orbital, being completed. Road developments remain a strong sector for Reinforcing. OneSteel secured the majority of steel for the Mitcham-Frankston motorway in Melbourne.	Profit levels again improved with higher margins from a recovery of scrap input costs and tight cost control. Sales of products in non-core areas also grew significantly as new product and market initiatives came to fruition.	The focus on product development continues with the commercialisation of TRUSSDEK II™, a new structural decking system. Major production restructuring was also completed during the year with mesh production rationalised to Sydney and closed in Melbourne. Also the Melbourne bar shop was relocated to Noble Park for increased productivity. In South Australia two bar shops were merged into one with mesh manufacturing closing. The Perth facility will relocate to a greenfield site later in the 2005 calendar year.
Wire With facilities in Newcastle in New South Wales, and Geelong and Somerton in Victoria, the Wire business services a diverse steel wire, rope and bar market. Major product segments are Rural (fencing, livestock and horticultural wires), Manufacturing (bright, galvanised, bedding, mechanical spring and concrete reinforcing wires, nail wires), Mining (heavy mining rope) and Bright bar (automotive and machining applications).	The overall sales volume in the 2004/05 financial year was similar to the previous year. While a strong Australian dollar allowed an increase in imported finished products that lowered demand for manufacturers' wire and bright bar, there were increased sales of steel reinforcing wires and heavy mining rope due to strong domestic engineering construction and resources sectors. Rural volumes also improved following commissioning of the new electro-galvanised star post plant. The increase was despite continuing drought conditions.	Key safety initiatives implemented in 2005 have resulted in a 77% reduction in the Lost Time Injury Frequency Rate (LTIFR) and a 41% reduction in the Medical Treatment Injury Frequency Rate (MTIFR). The introduction of a fully integrated SAP business system across the Wire Business was successfully completed. A clear focus on the separate Rural, Manufacturing, Mining rope and Bright bar product segments has allowed the business to improve asset returns by closely aligning marketing strategies with manufacturing efficiencies.	The successful commissioning of the $15 million investment in the heavy mining rope machine at the Newcastle Rope plant will further enhance the market offer to this expanding market segment. Funding approval has also been granted for improvements to the production of bedding spring wires that will support domestic quality manufacture in the coming year. Improved business process design and capability has delivered strong productivity and quality gains.

Market Conditions

The New Zealand economy grew by around 3.2% in the year ending June 2005, once again considerably exceeding the expectations of most economists. Low unemployment assisted the strong growth in consumer spending which continued to underpin economic growth.

Although demand for new residential properties abated from recent highs, the commercial construction sector continued to experience strong growth, as did spending on infrastructure projects. Demand from the manufacturing and rural sectors remained at similar levels to the previous year.

Performance

Net profit after tax of NZ$36.06 million is a record for the company and a 26.7% or NZ$7.6 million improvement from the previous year's result. Sales during this period increased by NZ$50.19 million, or 12.9%, to NZ$437.98 million.

Earnings per share increased to NZ$0.41. A final dividend of NZ$0.17 per share was declared, which together with the interim dividend takes total dividends for the year to NZ$0.32.

Operations

Demand for **Steel Distribution and Processing's** goods and services remained relatively strong throughout the year, assisting the division to post a record profit.

Volume however, was comparable with the previous period as disruptions in the supply chain brought about by the rapid increase in world demand for steel products restricted growth. This disruption caused the price of replacement inventory to escalate and lengthened the order lead times, with supply of some products being allocated for part of the year by steel producers in the Australasian and Asian regions.

The effective response was for the division to withdraw from the high volume, low margin export business to the Pacific islands for a period of time and to be more selective in the mix of products sold on the domestic market.

The division increased the revenue for its goods and services from the commercial construction sector. This was offset however by a decline in the manufacturing and rural sectors.

The **Roofing operations** continued to benefit from the strong demand in the housing sector, which was more resilient than expected, and from the continued growth in the light construction sector. These factors, together with the buoyant re-roof market, contributed to the division posting a record profit.

A record forward order commitment at the commencement of the year plus growth in infrastructure spending and a buoyant construction sector allowed the **Reinforcing division** to once again post a profit result, considerably ahead of the previous year.

Hurricane Wire Products was unable to repeat last year's excellent result due in part to the large price increases for its for raw materials towards the end of the 2003/04 financial year. The timing and quantum of these price increases resulted in customers bringing forward some of their requirements which had the effect of reducing the volume of orders placed in the first quarter of the 2004/05 year.

Additionally, Hurricane was unable to fully recover raw material price increases.

Outlook

After four years of strong economic growth averaging approximately 4% annually, the rate of growth for the New Zealand economy is expected to slow to around 2%.

Although net migration has reduced considerably, consumer spending is still strong assisted by the low rate of unemployment. Demand for new housing has softened from its recent high level, however, commercial construction and infrastructure spending remain strong.

The manufacturing and rural sectors have suffered for some time as the appreciating New Zealand dollar adversely affected incomes. However, the currency has weakened recently, which will provide some timely assistance if it stays at current levels or below.

Taking the above factors into consideration, and assuming no significant change to the economy or further volatility in international steel prices, it is expected that the company will be able to post another solid result.

INTERNATIONAL DISTRIBUTION

	2005 $m	2004 $m	2003 $m	2002 $m	2001 $m
Revenue	403.5	340.3	290.8	289.2	312.2
EBITDA	61.4	47.6	36.6	30.7	29.3
EBITA	56.1	42.7	32.0	26.1	23.8
Assets	193.3	172.2	156.1	133.1	174.0
Employees	804	793	765	620	700
Sales Margin	13.9%	12.5%	11.0%	9.0%	7.6%
Funds Employed	159.9	140.2	129.5	107.6	146.8
Return on Average Funds Employed	37.4%	31.7%	27.0%	20.5%	16.2%

HUMAN **RESOURCES**

Adopting a "fit-for-purpose" model, OneSteel Human Resources' personnel work directly with business managers to drive business improvement. This is supported by a small specialist team that is responsible for ensuring consistent company-wide core human resources processes, as well as for the efficient delivery of business support services.

Over the last 12 months, OneSteel Human Resources has continued to support organisational initiatives to improve business performance through the application of OneSteel's leadership framework. There has been continued emphasis on performance management, succession planning, talent management and business process improvement.

Leadership Development and Succession Planning

Building on previous work to define leadership behaviours that drive exceptional performance, there have been significant steps over the last 12 months to integrate these behaviours into core human resources processes such as performance planning and management (PPM). Significant work has gone into applying the framework at all levels of the organisation.

OneSteel Human Resources has been working with internationally recognised researchers to develop a 360-degree feedback instrument, based on the OneSteel Leadership behaviours, which will reinforce OneSteel's expectations of leaders and ensure targeted development.

Other leadership development initiatives over the last year include:

- around 40 key leaders participated in individualised, highly-targeted leadership coaching
- 12 senior OneSteel leaders took part in a program run by the Australian Graduate School of Management in collaboration with Harvard and London business schools. The program aims to build capability in the areas of leadership and strategy development in building a market-focused organisation
- piloting a front-line leadership program within Distribution that defines key leadership expectations in the safety context. The program will be rolled out more broadly in the coming months.

Over the last 12 months more robust and standardised succession planning processes have been developed to better guide the recruitment, selection and development of future leaders. The talent management processes increase sharing across the organisation to better facilitate development activities for OneSteel's next generation of leaders.

Performance Planning and Management

Building on previous years' efforts to create a performance culture, and emphasising the leadership behaviours of "holding self and others accountable" and "engaging people for challenge", OneSteel's PPM system has been further strengthened through:

- greater standardisation and alignment across the business
- greater emphasis on role clarity and ensuring individuals are working at the right level
- tightening the linkages between business plans and employee job goals
- heightened emphasis on not only getting required business results, but on demonstrating leadership behaviours that fit with the organisation's operating style
- recognising good performance and taking action where people are not working to required standards
- calibration processes to ensure consistent standards are applied plus a range of review processes to check that honest, challenging and engaging discussions have occurred
- increased support and resources to assist managers to manage the performance of their employees
- increasing expectations on "two-up" managers to sponsor and review the application of the PPM process.

Reward Management

OneSteel's remuneration systems aim to increasingly differentiate on the basis of performance and demonstration of required leadership behaviours. Rigorous annual review processes are used. Long- and short-term incentives targeting stretch goals and behaviours are used where appropriate. OneSteel's remuneration levels and structures remain contemporary and market competitive, with the proportion of remuneration "at risk" increasing at more senior levels of the organisation.

New superannuation administration arrangements have been instituted as a result of "choice of fund" legislation. Almost 5,000 employees are now eligible for choice of fund. OneSteel Super is being simplified and modernised to improve its competitiveness in the new environment.

Another Employee Share Plan Offer at the beginning of the year saw a 10% increase in take-up rate, with around 40% of employees currently purchasing shares through the program.

Business Improvement and Change Management

Effectively managing significant change is critical to the future. Considerable work has occurred to develop processes and skills to strengthen this capacity. Initially applied to Project Magnet, new understanding of change management methodologies and principles led to deployment of standard systems in the areas of leadership accountability and visibility, governance, review, risk management, resourcing and related human resources processes.

Human Resources has allocated significant resources to Project Magnet, particularly in the areas of project resourcing, project team development and establishment of performance management and appropriate remuneration processes. Human Resources continues its core role of facilitating change across a wide range of business improvement initiatives, including the rollout of SAP across OneSteel Distribution and OneSteel Wire and a major review of skill models for warehousing and logistics employees within OneSteel Distribution and OneSteel Reinforcing.

Workers Compensation

The total liabilities for outstanding workers compensation claims fell by $3.7 million and the number of claims received and outstanding also dropped over the year. The significant improvement is attributable to OneSteel's safety performance, more effective injury management and improved claims management practices.

Compliance audits by the Victorian and New South Wales WorkCover authorities were successfully completed, securing OneSteel's self-insurance status in these jurisdictions for the next three years.

FIGURE TWENTY ONE
Workers Compensation Outstanding Claims Provision

	2005 $m	2004 $m	2003 $m	2002 $m	2001 $m
New South Wales	17.2	18.2	18.2	19.3	20.7
Queensland	1.5	2.0	2.4	4.5	5.5
Victoria	2.5	3.8	4.2	3.2	2.8
South Australia	3.0	4.0	4.2	4.2	4.1
Western Australia	0.7	0.6	0.7	0.9	0.7
Total – Self-insurance Workers Compensation Provision	24.9	28.6	29.7	32.1	33.8

OCCUPATIONAL **HEALTH AND SAFETY**

OneSteel believes that all injuries, incidents and occupational illnesses are preventable. The health and safety of all employees, contractors and customers is a core value for the business. The clear business objective is to achieve zero injuries.

Occupational Health and Safety Outcomes for the Year

OneSteel continued its trend of safety improvement across the business, with a 50% reduction in Lost Time Injury Frequency Rate (LTIFR) to 1.3. Given the falling LTIFR, the Medical Treatment Injury Frequency Rate (MTIFR) is also used as a key performance measure. The MTIFR reduced by 21% for the year to 11.2, a very creditable outcome.

Systems

The effort to improve health and safety performance continued in earnest with greater integration of OneSteel safety systems and the introduction of a number of initiatives across the business.

OneSteel continues to place significant emphasis on behavioural safety to eliminate "at-risk" behaviours in the workplace. The use of DuPont's SMAT safety observation approach to positively influence employees and contractors remains a key focus. This approach to behavioural safety is being extended throughout the business to promote individual safety awareness and to encourage greater accountability for self-safety and that of work colleagues.

To build quality into this approach, a set of OneSteel Leadership Competencies were developed in 2004 to define the required safety leadership skills and capabilities for leaders across the business. This work has placed considerable emphasis on the development of front-line leadership requirements to drive improved operational and safety performance standards.

Significant work has been undertaken to review the OneSteel Safety Framework. The Framework is based on Australian Standard 4801 and allows each business to use the OneSteel Occupational Health and Safety (OHS) Management System to develop systems and procedures to meet their business requirements. The work ahead will focus on greater standardisation across the OneSteel business.

With the approval of Project Magnet, a key component of the upfront work has been aligning all potential contracting companies with OneSteel's safety principles. The contractors will prepare OHS Plans, Incident and Emergency Response Plans, Safety Communication Meetings, Risk Management

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

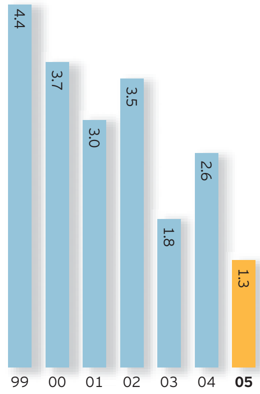
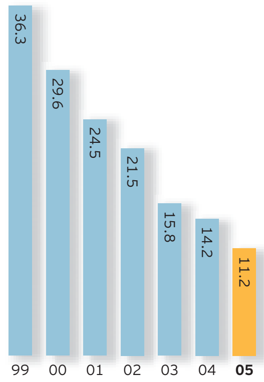


FIGURE TWENTY THREE
Medical Treatment Injury Frequency Rate
Per million hours worked



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.

Picture 1 – Safety Employee of the Year
Pictured: (L to R) Kel Russell, Danny Donovan, Paul Freimanis, Heath Ambler (WINNER) Geoff Plummer, Warren Yates (2004 winner).

Picture 2 – Safety Leader of the Year
Pictured: (L to R) Richard Cass, Dave Gibbs, Kevin Wallace, Tony Duggan (WINNER), Geoff Plummer, Scott O'Connor (2004 winner) Absent: David Knights.

procedures and Training Plans. OneSteel will closely monitor and review contractor performance to ensure safety excellence is maintained throughout the project.

During the year, a number of external agencies audited the integrity of the OneSteel OHS Management System to ensure compliance with the necessary standards. Consultants from DuPont Safety and Environmental Management Services, State Workcover authorities and Pacific ERTS were part of this audit process.

External Environment

To ensure all OneSteel businesses meet their legal obligations, an intranet-based OHS legal directory system has been implemented. This system has been expanded throughout the year to cover all states and territories.

As a result of OneSteel's OHS Systems and Practices, it has been granted self-insurance status in all states where it is eligible. Self-insurance assessments were conducted in New South Wales and Queensland during the year.

OneSteel will continue to utilise DuPont Safety and Environmental Management Systems to identify future improvement initiatives. DuPont continues to conduct annual reviews across a number of OneSteel sites to provide independent feedback on performance and improvement opportunities.

Risk Reduction

The areas of work planned to help OneSteel achieve its goal of zero injuries include:

- Visible, effective leadership and commitment
- Increased accountability for all employees and contractors to behave safely and in accordance with systems and procedures
- Effective use and understanding of OneSteel's OHS Management System across all businesses
- Greater emphasis on operations excellence to promote capable production processes and reliable plant and equipment systems
- Active participation and training of all employees and contractors to achieve zero injuries
- Greater application of Hazard Analysis and Risk Assessment practices across all work activities
- Implementation of a OneSteel Assurance Program to improve standards and to share best practice across the business, with emphasis on Change Management, Lifting Equipment and Load Restraint, Incident Reporting and Investigation.

THE 2005 SAFETY EXCELLENCE AWARDS

OneSteel values the contribution by employees, contractors, suppliers, customers and communities in its safety improvement journey. To recognise this involvement and commitment to safety improvement, and to build upon the platform of sharing best practice across the various businesses, the OneSteel Safety Award Program is an annual event. To reflect the importance of teamwork, an additional category of "Work Team or Department of the Year" has been added to the awards program. The awards categories, finalists and winners for 2005 are shown below:

Safety Employee Of The Year

Heath Ambler, Reinforcing Townsville (Winner)

Kel Russell, Rod Mill Newcastle
Paul Freimanis, Whyalla Steelworks
Danny Donovan, Whyalla Steelworks

Safety Leader Of The Year

Tony Duggan, Bar Mill Newcastle (Winner)

Dave Gibbs, Reinforcing
Kevin Wallace, Piping Systems
David Knights, Sydney Steel Mill
Richard Cass, Whyalla Steelworks

Safety Contractor/Supplier Of The Year

United KG, Whyalla (Winner) represented by Christopher Abbott and Paul Daly

Torbae Engineering, Melbourne represented by Jon Verhaaf
Sinclair Knight Merz Group (SKM), Newcastle represented by Bill Ray
Andrecco Hurll, Whyalla represented by John Grimes

Safety Work Team or Department Of The Year

REMS Group, Newcastle (Winner) represented by Carol Knox and Robert Finlay

BSAFE Team, Wire, Newcastle represented by Craig Baldwin and Brian Keast
Level 5 Day Shift, Coke Ovens, Whyalla represented by Fred Lowes and John McKenna
Trak-Lok, Whyalla represented by Andrew Retallick and Darren Macrow

Workplace Safety Initiative Of The Year

Compliance Model, Bar Mill, Newcastle (Winner) represented by Bruce Bates and George Fonua

Despatch Bucket, Pipe & Tube, Newcastle represented by Trevor Mason and Darren Jackson
Safe Access to Dust Collection Hoppers, Pipe & Tube Somerton represented by Sud Chakrabarti
Caster Scrap Cutter, Brambles Industrial Services, Whyalla represented by Paul Johnston and Richie Burton.

Picture 3 – Safety Contractor/Supplier of the Year
Pictured:(L to R) Bill Ray, Jon Verhaaf, John Grimes, Christopher Abbott & Paul Daly (WINNER), Dean Pritchard, Rod Worden (2004 employee finalist).

Picture 4 – Safety Work Team or Department of the Year
Pictured: (L to R) John McKenna & Fred Lowes, Darren Macrow & Andrew Retallick, Carol Knox & Robert Finlay (WINNER), Dean Pritchard, Scott Orpin, Brian Keast & Craig Baldwin.

Picture 5 – Workplace Safety Initiative of the Year.
Pictured: (L to R) Richie Burton & Paul Johnston, Trevor Mason & Darren Jackson, Sud Chakrabarti, Bruce Bates & George Fonua, (WINNER) Jon Watson (Workcover NSW), Leo Selleck.

ENVIRONMENT

Environmental Policy Statement:

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.

Environmental Policy

OneSteel's environment policy is available on the corporate website at www.onesteel.com.

Communication of the policy to employees is important. For example at the OneSteel Whyalla Steelworks, the policy is communicated to all new employees and contractors, as well as to all managers and supervisors, through environmental awareness training programs.

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.

During the year OneSteel Market Mills completed the certification of its then manufacturing sites against ISO 14001. OneSteel Reinforcing, now reporting within OneSteel Market Mills, is non-certified, while OneSteel Pipe and Tube, now reporting within OneSteel Distribution, is certified. OneSteel Whyalla business operations have maintained certification.

OneSteel Distribution sites are not certified. They are audited internally and, periodically, are independently audited against the requirements of ISO 14001. OneSteel Distribution has developed and launched an Environmental Management System Improvement program in response to outcomes from an external audit in 2004.

Within those systems, maintaining employee environmental awareness is important. At Whyalla Steelworks employees are required to be retrained in the site Environmental Awareness package every three years. OneSteel Market Mills has been delivering Environmental Awareness Training at its sites, with most sites already achieving the objective of greater than 80% of employees trained within the last three years.

Objectives, targets and action plans are also an important component of ISO 14001. For example, OneSteel Whyalla Steelworks is required within its Environment Protection Authority (EPA) licence to submit an Environmental Improvement Plan to the EPA which sets out some key agreed environmental objectives and targets. Whyalla Steelworks runs a comprehensive Environmental Continuous Improvement Program to manage environmental matters and has a public 'Dust Management Discussion Document' that contains a number of commitments and targets to reduce fugitive dust emissions from the site.

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

Environmental Performance

Seven minor sampling non-compliances and five general condition non-compliances were recorded for 2004/05 against environmental regulatory licences or agreements. These non-compliances are trending down under an increased focus. Actions have been either taken or are being progressed to address and prevent recurrence of these non-compliances.

OneSteel has systems to identify and record incidents outside of specific regulatory licence and agreement requirements. The main types of incidents (over 70%) were small chemical spills and oil leaks from equipment and transport vehicles 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. The majority of incidents, being of a very minor nature, did not require reporting to regulatory authorities.

OneSteel also investigates and responds as appropriate to community complaints that may be lodged directly, or through the regulatory authorities. The company also investigates employee and contractor complaints.

Over 70% of complaints related to fugitive dust at Whyalla Steelworks. The Steelworks continues to work on fugitive dust management to reduce its impact on the local community. The relocation of iron ore crushing and screening operations from adjacent to the east end of Whyalla to OneSteel's mines in the South Middleback Ranges about 60 kilometres west of Whyalla will help to reduce fugitive dust levels. The planned conversion to magnetite iron ore will also result in less fugitive dust from the ore processing plant due to using wet processing rather than dry.

OneSteel received no fines or prosecutions in 2004/05. However one fugitive dust-related offence at the Whyalla Steelworks occurred which is not considered a fine, but an 'expiation notice' under the legislation with an associated $310 expiation payment. The Whyalla Red Dust Action Group Inc. (WRDAG) commenced legal action concerning fugitive dust and OneSteel is defending the action while attempting to seek resolution of concerns with the WRDAG. OneSteel has also appealed against certain new EPA licence conditions surrounding fugitive dust and that appeal is pending. OneSteel reached agreement with the South Australian Government for a firm 10-year licence for the Whyalla Steelworks site to provide regulatory certainty for Project Magnet to proceed. The new licence forms part of the Steelworks' Indenture.

Significant Environmental Activities

The major environmental approvals required for Project Magnet are now in place.

OneSteel Whyalla Steelworks continues to work on managing and reducing fugitive dust from the ore processing area adjacent to the east Whyalla township. This includes six ore processing plant process modifications, improvements to clean-up practices and improvements to road sweeping effectiveness. An air quality report is published weekly in the local Whyalla newspaper, sponsored by OneSteel and using South Australian EPA data.

At Wire Ropes Newcastle, the site has a ground vibration monitoring system in place to monitor performance against regulatory limits and internal factory targets. A new eight-strand closer (CM3) machine that has been installed, and the expected decommissioning of the six-strand machine in late 2006, is anticipated to reduce vibration.

Emissions

OneSteel's 2004/05 greenhouse emissions were estimated to be 2.79 million tonnes of CO_2 equivalent greenhouse gases, including accounting for purchased electricity, with 88% of this derived from OneSteel's steelmaking at Whyalla and Sydney. This is lower than prior years due to the Whyalla blast furnace reline project. OneSteel is working on identifying opportunities and implementing further strategies to manage and reduce its greenhouse and energy intensity.

In regard to dioxin emissions, Sydney Steel Mill's Melt Shop bag house has been within its 0.13 nanograms per cubic metre (12-month rolling average) limit. The site marginally exceeds the World's Best Practice target of 0.10 nanograms per cubic metre.

OneSteel continues to report mass emissions from its major sites to the National Pollutant Inventory.

OneSteel Whyalla Steelworks monitors the condition of sea grass adjacent to the site's outflow area. Despite an improvement in sea grass health in the 2002 sea grass survey, the 2004 survey showed a decrease in sea grass cover, the reasons for which are not clear. Surveys and work will continue in this area.

Waste and Land Management

A bioremediation facility was installed at the Iron Baron mine site to clean up a pit contaminated with oil. The bioremediation facility located at the Whyalla Steelworks has also been upgraded and its efficiency has been increased. The facility turns timber from pallets and packaging, green waste, and used hydrogen diffusion sand into low-grade topsoil for use around the site.

The NSW Department of Environment and Conservation (DEC) has officially revoked Market Mills Newcastle Lot 222's Investigation Area declaration for Significant Risk of Harm under the NSW Contaminated Land Management Act. The exception to this revocation is a small area of benzene contamination that is subject to a further groundwater-monitoring program at the DEC's request to further prove previous assessments of no significant risk.

At Whyalla Steelworks, a past diesel spill at the MetServ contractor operations is being recovered from the groundwater. MetServ and their consultants are liaising with the EPA to complete the clean-up to a satisfactory level.

OneSteel's Ardrossan dolomite quarry continues its annual sponsorship of the local Trees for Life organisation and has planted 1,000 trees on the quarry overburden areas. Whyalla Steelworks has continued its on-site regreening projects to visually improve appearance and create a screening affect for fugitive dust. Under the project some lawn areas and plantings have also been changed to reduce long-term water usage and costs.

OneSteel continues to seek appropriate environmental risk reviews in its business and property acquisitions, as well as in its divestments and lease endings.

Resource Minimisation

Sydney Steel Mill has signed a Business Agreement with Sydney Water's "Every Drop Counts" campaign. The long-term objective is to achieve a 15% reduction in water consumption. This equates to around 54,000 kilolitres of water annually. The site has installed additional water metering and is undertaking a water audit to further understand usage and seek potential opportunities. A Water Usage Plan will be agreed with Sydney Water in 2005/06 with implementation likely to be in 2006/07.

Other water reduction activities include a particular product substitution at Newcastle Wire Mill that has reduced annual water consumption and demand on the sewage treatment plant by 1500 kilolitres. Furthermore, a new 5-kilolitre per day sewage treatment plant for the main administration blocks at Whyalla Steelworks will irrigate a new area of trees to be established.

Environmental Expenditure

During 2004/05 just over $1.78 million was authorised for specific environmental related capital projects.

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.

Furthermore, in May 2005, OneSteel committed $325 million to Project Magnet which will provide significant environmental benefit to the Whyalla Steelworks and surrounding community.

Environmental Research

OneSteel remains a supporting participant to a Cooperative Research Centre for Sustainable Resource Processing (CSRP), which is in its third year of operation. 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. To date, OneSteel funds for project support have been in the areas of waste reduction, biomass and water.

Product

OneSteel continues to liaise with various bodies that have, or are developing, building environmental rating tools to identify relevant issues.

Community

OneSteel works to maintain a strong, positive relationship with the local community.

The Whyalla Environmental Consultation Group (ECG) consists of South Australia EPA and OneSteel environment staff, council members, local residents and business and education sector representatives. The ECG issued two newsletters that were delivered to every household in Whyalla. The ECG is involved in the amenity improvement project for the east end of Whyalla.

Three newsletters updating the community on progress of the Whyalla Steelworks Dust Discussion Document commitments were sent to key stakeholders and placed in the local public libraries. Advertisements were placed in the newspaper to publicise the newsletters.

A newsletter updating the Whyalla community on Project Magnet was delivered to all households in Whyalla in April 2005. OneSteel and CAV Power held a community open day to display the new 130-tonne mining trucks that will be used for Project Magnet.

Whyalla Steelworks has organised bus tours for local school teachers as part of a greater "knowledge and expertise sharing scheme" between OneSteel and the local schools. The long-term goal of the scheme is to introduce material about OneSteel processes in areas such as environment, operations and safety, into the local school curriculum.

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.

COMMUNITY

OneSteel continued its support to charities and local community groups across Australia, through its OneCommunity Giving Program. The program has gained strength and momentum with donations totalling $223,936 at the end of June 2005, up from $64,408 at the end of the prior year.

The company's most significant contribution on a national level during the past year was the financial aid given toward the victims of the Asian Tsunami. In January 2005, in conjunction with CARE Australia, OneSteel made arrangements for employees to donate towards the Tsunami relief fund. A total of $90,000 was raised by staff and a further company contribution of $50,000 was donated towards the relief effort.

OneSteel employees, family, friends, customers and contractors also participated in organising relief materials to be sent abroad to assist with vital aid relief. Items included hospital beds and bedding, stretchers for hospitals, wheelchairs and walking aids, medical items, tents, tools for setting up carpentry workshops, and food and clothing. Family and friends of OneSteel staff received the relief items in the respective countries. The items were quickly distributed to areas affected by the disaster.

Another major fundraising event that OneSteel was proud to sponsor this year was Telstra's Corporate Battle of the Bands. "The OneSteelers", consisting of OneSteel employees Mark Gell, John Mustac, Brenton Michaels, Allan Wright, Rosie McArdle, Kiky Hutchinson and Denise McConnell, took great pride in participating in this fantastic rock music event to raise awareness and much-needed funds for Alzheimer's Australia. Over $200,000 was raised by this event.

Over the 2004/05 financial year, OneSteel donated a collective amount of approximately $260,049 to assist local community charities on a regional level, as mentioned in the donations and support table adjacent. OneSteel aims to continue participating in fundraising efforts and donating generously to assist our community in making a worthwhile difference to people's lives.

Representatives of OneSteel also provide management advice and direction for a number of local charities and educational groups, either in an official capacity through Boards and governing council bodies, or through volunteering services.

FIGURE TWENTY FOUR

2004/05 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
Corporate	• Sydney University, The Warren Centre • Sydney University, International Science School	• Cancer Foundation of WA • Bishops Winter Appeal • Australian Steel Institute • CARE Australia, Tsunami Relief		
Hunter Region	• Careflight Bells Line Magic Show • Industrial Relations Health and Safety • Chifley College • Scouts Association • Neighbourhood Watch	• Victorian Neighbourhood Watch Publication • Industry & Health Publication • Police Journal 2004 • Countrywide Media • Community Volunteer News	• Royal Institute for Deaf & Blind Children • Kotara South Primary School • Samaritans Foundation • ASCA Hunter Region • Hunter Valley Research Foundation	• Rotary Club • Newcastle Photographic Society • May East Public School
Whyalla	• Sensis • Whyalla Golf Bowling Club • Ardrossan Bowling Club • Hincks Ave PS • Australian Cranio Facial • Cancer Council SA • Whyalla City Council • Fisk St PS • Create • Japan Karate Assoc Whyalla	• Whyalla Show Society • Team Whyalla World Solar Cycle Challenge • Christmas Party for Special Children • Dave Tarren • Disabled Peoples Whyalla Inc • UniSA • Eagle Club Promotions • Whyalla Singers • Whyalla Junior Hockey	• Blind Sporting Council • Fisk St PS • Palliative Care Whyalla • RSPCA Whyalla • Salvation Army Whyalla • Whyalla Area Cancer Support & Services • Ardrossan Golf Club • Lions Club Whyalla Mt Laura • Cancer Council SA	• Shelley Scott • Royal Flying Doctor Service • Lincoln Gap Driver Reviver • Centacare Blanket Appeal • Spastic Centres of SA • Whyalla City Council • St Theresa's PS • EJEHS • Whyalla Golf Club • St John's Ops Whyalla
Regional Australia	• Hunter Manufacturing Awards • Port Lincoln Bushfire Appeal • Special Children's Christmas party • Banana Coast Life Edu Triathlon • Monadelphous Basketball Team • St Andrew's Hospital • Friendship Champ Soccer • National Champ Dance • "This Rural Life" Photographic Sponsorship	• Community Partnership Program • Co-Sponsor QLD Steel awards transport • Sponsorship for Barry Dadleh – Monaelphous Team • Cottesloe Surf Live-saving Club • Annual Builder Rotary Race Club • Waratah Engineering • Child Athlete WA State	Basketball Squad • Wheelchair sport • VIC Kidsmart book • Group 11 Junior Rugby League • Cancer Fund Raiser • Motorcross Season • Stratco Social Club • Brentwood F/club • Josh Nelson Tennis • Steel Golf Day	• Dalmeny Welding Golf Day • Rotary Club Cairns Children Club • Easter Medley Challenge • Relay Walk for Life • World's Biggest Morning Tea • Emma Flanigan Charity Day • Oxfam Trailwalker • Local Special Needs Childrens • West End Rally
Safety Award Winners 2005	• Hunter Medical Research Institute, Newcastle • Soroptimist International, Whyalla	• Youth Group Programs, Whyalla • Whyalla Hospital Palliative Care • Amaroo Lodge Whyalla	• Riding for the Disabled, Whyalla • RSPCA Whyalla • Humane Society International	• Canteen Hunter Northern NSW Division • Westpac Rescue Helicopter

TECHNOLOGY

Research & Development Overview

The level of research and development activities undertaken across OneSteel increased during the year with more than 300 projects carried out versus around 130 projects in the previous year. About 60% of the 300 projects commenced in the 2004/05 financial year.

More than 70% of the projects were directed towards new or existing processes while approximately 20% of the activities related to product development or product enhancement, with some resulting in release of products to the market. The remaining 10% were focused on the acquisition of knowledge.

Costs incurred in carrying out this work resulted in an eligible expenditure claim under the R&D Taxation Concession Scheme of more than $55 million.

Process Development

Project Magnet

In May 2005, the Board gave final approval to the $325 million Project Magnet, which represents the most significant development project undertaken at Whyalla since the 1960s.

The project provides a range of benefits including lowering steelmaking costs, extending the life of the Whyalla Steelworks, freeing OneSteel's existing hematite iron ore for sale over the next 10 years, as well as additional slab and pellet sales over the life of the project. The project also brings environmental benefits with respect to fugitive dust in the Steelworks, principally by replacing dry with wet processes.

The project will utilise beneficiation technologies to concentrate the magnetite ore. The magnetite concentrate will be conveyed by slurry pipeline for the approximately 60 kilometres between the mine and the Steelworks. Hematite export facilities will be enhanced and a trans-shipping operation will be adopted to enable Cape-sized vessel capability for hematite ore shipments. The project will be fully operational by the beginning of the 2007/08 financial year.

Whyalla Blast Furnace Reline

Following a successful 23-year campaign, the Whyalla blast furnace was relined between June and August 2004. New technologies added to the blast furnace during the reline work included a Paul Wurth burden distribution system and copper and cast iron stave cooling panels to cool the furnace shell.

Following the recommissioning, two significant disruptions to production occurred in the first three months of operation, reflecting a more difficult than anticipated start-up phase. International and Australian expertise, together with OneSteel technical resources, worked to address the issue and the furnace is now operating stably. The furnace is expected to have a long and productive life in line with previous experience.

Reinforcing

The Reinforcing business undertook a program to rationalise and upgrade the reinforcing mesh making operations. This involved consolidating mesh manufacturing activities into New South Wales and Queensland and installing state-of-the-art mesh manufacturing machinery for improved efficiencies.

Product Development

A major redevelopment of the OneSteel Rope Works was completed during the year, with the installation of a 150-tonne capacity eight-strand closer. This new equipment, which extends the product range into eight-strand mining rope and cable haul conveyor belt rope, has now been commissioned and handed over to production. The availability of this equipment has already facilitated the winning of new contracts.

TRUSSDEK II™ was released to market during this year. This product, which is a OneSteel initiative that has been under development for three years, will provide longer spans in the area of permanent formwork in the construction industry.

Research on improved engineering steels has led to a better understanding of the affect of certain variables in OneSteel's operations and therefore where product attributes can be controlled. In the area of fatigue properties, for example, a number of trials have been carried out to assess the affect of these controls. The success for one grade of engineering steel has been such that it is now in routine production using the modified process.

Cross-section of a magnetite core sample.

Detail of mining rope.

BOARD OF **DIRECTORS**

P J (PETER) SMEDLEY [1]
BCom, MBA, FAICD

Chairman

Independent Non-Executive Director

Age 62. Appointed a director and Chairman in October 2000. Peter is Chairman of the Operational Risk Committee that was formed in June 2005 and a member of the Governance & Nominations Committee and the Human Resources Committee. He is Deputy Chairman of CARE Australia and the Colonial Foundation; he is also a director of The Australian Ballet and The Australian Davos Connection. His previous roles included Managing Director and Chief Executive Officer of Mayne Group Limited, Managing Director and Chief Executive Officer of the Colonial Group Limited, 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 director of Austen Butta Limited.

Other listed company directorships held during the period 1 July 2002 to 30 June 2005:
- Mayne Group Limited from June 2000 until September 2002.

G J (GEOFF) PLUMMER [2]
BEc

Managing Director and Chief Executive Officer

Non-Independent Executive Director

Age 49. Appointed a director in December 2004 and became Managing Director and Chief Executive Officer on 2 May 2005. Geoff joined OneSteel in October 2000 from BHP after 22 years with the group. His previous roles with OneSteel were Deputy Managing Director and before that Executive General Manager Market Mills. His roles at BHP included President Rod & Bar Products (BHP Steel), General Manager of the joint venture company Bekaert-BHP Steel Cord, President of Australian Logistics Services in BHP Transport and management positions in BHP wire operations.

R B (BRYAN) DAVIS [3]
BSc(Tech), FAIMM, MAICD

Independent Non-Executive Director

Age 62. Appointed a director in December 2004. Bryan became Chairman of the Occupational Health, Safety & Environment Committee in August 2005 and is also a member of the Operational Risk Committee formed in June 2005. He is Chairman of Bendigo Mining Limited and a non-executive director of Newcrest Mining Limited and Coal and Allied Industries Limited. His previous roles include Executive Director – Mining of Pasminco Limited, director of North Flinders Mine Limited, Chairman of Indophil Resources NL, Executive Director of Australian Consolidated Minerals Group, senior management positions at CRA Limited, Chairman of the NSW Minerals Council and a Member of the NSW State Minerals Advisory Council.

Other listed company directorships held during the period 1July 2002 to 30 June 2005:
- Newcrest Mining Limited since April 1998
- Coal and Allied Industries Limited since September 2000
- Bendigo Mining Limited since September 2004

E J (EILEEN) DOYLE [4]
BMath, MMath, PhD, FAICD

Independent Non-Executive Director

Age 50. Appointed a director in October 2000. Eileen is a member of the Audit & Compliance Committee, the Occupational Health, Safety & Environment Committee and the Governance & Nominations Committee, which she joined in June 2005, as well as Chairman of OneSteel's Superannuation Policy Committee. She is also Chairman of Port Waratah Coal Services, a director of State Super Financial Services, Steel & Tube Holdings Limited (since July 2005) and Ross Human Directions Limited (since July 2005). Her previous roles included a director of Austrade and senior management positions with CSR Timber Products, BHP Steel and Hunter Water Corporation.

C R (COLIN) GALBRAITH AM [5]
LLB (Hons), LLM (Univ of Melbourne)

Independent Non-Executive Director

Age 57. Appointed a director in October 2000. Colin 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 BHP Billiton Community Trust, Trustee of Royal Melbourne Hospital Neuroscience Foundation, Honorary Secretary of Legal Education (Victoria). Previously, he has been a director of Colonial Group and Azon Limited.

Other listed company directorships held during the period 1 July 2002 to 30 June 2005:
- Commonwealth Bank of Australia since June 2000
- GasNet Australia Limited since December 2001

P G (PETER) NANKERVIS [6]
B Ec(Hons), FCPA, MAICD,

Independent Non-Executive Director

Age 55. Appointed a director in December 2004. Peter is Chairman of the Audit & Compliance Committee and a member of the Operational Risk Committee that was formed in June 2005. He is also a member of the Audit, Risk Management and Compliance Committee of Visy Industries Holdings Proprietary Limited. Previously he was Chief Financial Officer of Cadbury Schweppes Asia Pacific and Finance Director of Cadbury Schweppes Australia Limited.

D A (DEAN) PRITCHARD [7]
BE, FIE Aust, CP Eng, FAICD

Independent Non-Executive Director

Age 60. Appointed a director in October 2000. Dean was Chairman of the Occupational Health, Safety & Environment Committee until August 2005 and remains a member of this Committee. He is also a member of the Human Resources Committee, which he joined in August 2005, and the Operational Risk Committee that was formed in June 2005. He was a member of the Audit & Compliance Committee until August 2005. In May 2005 he was appointed Chairman of Steel & Tube Holdings Limited, a New Zealand listed company in which OneSteel holds a 50.3% interest. He is also Chairman of ICS Global Limited, and a director of Zinifex Limited and Eraring Energy. Previously, he was Chief Executive Officer of Baulderstone Hornibrook and a director of Railcorp.

Other listed company directorships held during the period 1 July 2002 to 30 June 2005:
- CS Global limited since June 1999
- Zinifex Limited since March 2004
- Steel & Tube Holdings Limited since May 2005

N J (NEVILLE) ROACH AO [8]
BA (Hons), DSc (HC), FACS

Independent Non-Executive Director

Age 66. Appointed a director in October 2000. Neville is the Chairman of the Human Resources Committee and a member of the Occupational Health, Safety & Environment Committee and the Audit & Compliance Committee which he joined in August 2005. He is also Chairman of Smart Internet Cooperative Research Centre, TAFE Global and Australia India Business Council, a director of Australian Academic and Research Network, Sydney Community Foundation 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, Australian Information Industry Association, National ICT Australia Limited and Intelligent Island Board, and President Asian Oceanian Computing Industry Organisation.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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 & 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 & Nominations Committee and is distributed to all business units to ensure staff are familiar with its contents.

COMPOSITION OF THE BOARD AND ITS COMMITTEES

The Board consists of eight directors. A number of changes were made on 29 June 2005 to the membership of Board Committees with some of these changes taking effect immediately and others during August 2005. These changes were the appointment of Eileen Doyle on 29 June 2005 to the Governance & Nominations Committee, Neville Roach on 29 June 2005 to the Audit & Compliance Committee and Dean Pritchard on 16 August 2005 to the Human Resources Committee. In addition, from 2 August 2005 Bryan Davis became Chairman of the Occupational Health, Safety & Environment Committee that was previously chaired by Dean Pritchard who will remain on the Committee. Dean Pritchard ceased to be a member of the Audit & Compliance Committee from 16 August 2005. Further, in late June 2005 the Board established an Operational Risk Committee and this Committee held its first meeting in August 2005.

The current membership of the Board and its Committees is set out in the table at the bottom of the page.

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

DIRECTOR	BOARD MEMBERSHIP		COMMITTEE MEMBERSHIPS				
			Governance & Nominations	Audit & Compliance	Occupational Health, Safety & Environment	Human Resources	Operational Risk
P J Smedley	Independent Non-executive	*Chairman*	Member			Member	Chairman
G J Plummer	Executive	*Managing Director*					
R B Davis	Independent Non-executive				Chairman		Member
E J Doyle	Independent Non-executive		Member	Member	Member		
C R Galbraith	Independent Non-executive		Chairman	Member			
P G Nankervis	Independent Non-executive			Chairman			Member
D A Pritchard	Independent Non-executive				Member	Member	Member
N J Roach	Independent Non-executive			Member	Member	Chairman	

CORPORATE GOVERNANCE STATEMENT

such dealings they are set out in notes (recording related party dealings) to the company's accounts as required by law.

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
- no director is, or is associated directly with, a substantial shareholder of the company
- no non-executive director has ever been employed by OneSteel or any of its subsidiaries
- no director is, or is associated with, a supplier, professional adviser, consultant to or customer of OneSteel that is material under accounting standards.

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 & Nominations
- Audit & Compliance
- Occupational Health, Safety & Environment
- Human Resources
- Operational Risk

The Human Resources Committee was previously named the Remuneration Committee and the Board in July 2005 changed its name to better reflect the breadth of the Committee's role. The Operational Risk Committee was established by the Board in late June 2005 to focus on particular operational and business risks. This Committee held its first meeting in August 2005.

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 & Compliance Committee, the Occupational Health, Safety & Environment Committee and the Operational Risk Committee have regular quarterly meetings. The matters dealt with by the Committees are set out below.

GOVERNANCE & NOMINATIONS COMMITTEE

The role of the Governance & 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
- assessment of the necessary and desirable competencies of Board members
- review of 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 & Nominations Committee meetings at the discretion of the Committee.

AUDIT & COMPLIANCE COMMITTEE

The role of the Audit & 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 internal and external audit programs, agree fees and recommend to the Board on the appointment or replacement of the internal and external auditors
- monitor the engagement of the external auditors 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 review the independence of external auditors including whether the external auditors have met their obligations to ensure their independence 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 & Compliance Committee meetings at the discretion of the Committee.

OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENT COMMITTEE

The role of the Occupational Health, Safety & 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
- 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.

HUMAN RESOURCES COMMITTEE

The role of the Human Resources 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 Human Resources Committee meetings at the discretion of the Committee.

OPERATIONAL RISK COMMITTEE

The role of the Operational Risk Committee is set out in a charter which has been approved by the Board. The responsibilities of the Committee are to focus on particular operational and business risks referred to the Committee by the Board. These responsibilities include to:

- monitor and report to the Board on critical operational and business risks
- ensure monitoring, review and audit coverage for all operational and business risks are appropriate
- initiate any investigations or review of processes that are deemed appropriate for any specific critical risk.

The Managing Director and relevant senior staff are invited to 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.

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 Board is assisted in this process through the Audit & Compliance Committee, the Occupational Health, Safety & Environment Committee and the Operational Risk Committee.

The Committees assist the Board in implementing this policy by focusing the company on risk oversight and management and on internal control. The Committees oversee the establishment of policies on risk oversight and management.

The Committees provide advice to the Board and report on the status of the company's business risks through integrated risk management programs. These management programs cover areas such as the environment, occupational health and safety, operations, asset protection, financial reporting and internal control. 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 and risk management section of the annual review on pages 14 and 15.

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

CORPORATE **GOVERNANCE STATEMENT**

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATE

During the whole year, OneSteel had processes in place 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 2005, 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 2005 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, in all material respects, based on assessments and reviews performed using the process risk and internal control evaluation methodology approved by the Audit & 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 potentially in conflict with the role of an auditor unless Audit & 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 46 of the Remuneration Report. 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 ASX
- release of the yearly announcement to 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 the 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 our 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 OneSteel's Annual Review and on the company's 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 CEO'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 2005.

DIRECTORS

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

P J Smedley
R B Davis – Appointed 1 December 2004
E J Doyle
R L Every – Resigned 1 May 2005
C R Galbraith
D E Meiklejohn – Resigned 28 February 2005
P G Nankervis – Appointed 1 December 2004
G J Plummer – Appointed 20 December 2004
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 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 $132.5m (2004: $127.9m) with earnings per share of 23.65 cents (2004: 23.2 cents). The net profit for the financial year ended 30 June 2004 included a tax benefit of $19.8m arising from entry into tax consolidation.

DIVIDENDS

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

	$ m
Final dividend 7.5 cents per share payable on 20 October 2005, fully franked at a 30% tax rate on fully paid shares	42.3
Interim dividend 6 cents per share paid on 21 April 2005, fully franked at a 30% tax rate on fully paid shares	33.7
Final dividend 7 cents per share paid on 14 October 2004, fully franked at a 30% tax rate on fully paid shares	39.0

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 2005. 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 and periodically subjected to internal, independent external and government agency audits and site inspections. The environment report is set out on pages 30 and 31 of the Annual Review.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since 30 June 2005 and to the date of this report, no other matter or circumstance has arisen that has significantly affected or may significantly affect:

- the OneSteel Group's operations in future financial years
- the results of those operations in future years
- the 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 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 to 37 of the Annual Review.

TABLE – DIRECTORS' MEETINGS

	Board of Directors	Audit & Compliance Committee	Occupational Health, Safety & Environment Committee	Human Resources Committee	Governance & Nominations Committee
Number of meetings held	12	5	4	3	6
Number of meetings attended					
P J Smedley	12			3	6
R B Davis	6		2		
E J Doyle	12	5	4		
R L Every	10				
C R Galbraith	12	5			6
D E Meiklejohn	9	3		2	
P G Nankervis	6	3			
G J Plummer	6				
D A Pritchard	11	5	4		
N J Roach	12		4	3	

Notes:
1. Dr R L Every and Mr D E Meiklejohn attended all Board and relevant Board Committee meetings held prior to their resignation.
2. Messrs R B Davis, P G Nankervis and G J Plummer attended all Board and relevant Board Committee meetings held since their respective appointments.
3. The Board established an Operational Risk Committee in late June 2005. The Committee held its first meeting in August 2005.

DIRECTORS' **REPORT**

REMUNERATION REPORT

This report outlines OneSteel's philosophy and guiding principles for the remuneration and reward of directors, executives and senior management. The report also details actual remuneration paid to directors and executives during the year ended 30 June 2005.

Remuneration Philosophy
The objective of the company's remuneration framework is to recognise skills and experience, and to reward for performance and results to ensure the achievement of strategic objectives leading to creation of value for shareholders. In achieving this objective a key principle is to provide competitive remuneration that will attract, develop and retain both senior executives and directors.

Human Resources Committee
The Board's Human Resources Committee is responsible for reviewing remuneration policies and practices, including compensation and arrangements for executive directors and senior executives, 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 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 Human Resources Committee. The Human Resources Committee has access to independent advice and comparative studies on the appropriateness of remuneration arrangements. The Human Resources Committee makes recommendations to the Board which makes final remuneration decisions in respect of directors and senior executives.

Remuneration Structure
In accordance with corporate governance best practice, the structure of the company's non-executive director remuneration is separate and distinct from that applicable to executive directors and senior executives.

Non-Executive Directors' Remuneration
The Board, in conjunction with the Human Resources Committee, seeks to establish non-executive director remuneration at a level which enables the company to attract and retain directors of the highest calibre at a cost that is responsible and acceptable to shareholders. The remuneration arrangements now applying are in line with industry practices and guidelines and they affirm the commitment of the company to the principles of good corporate governance.

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

(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 aggregate remuneration under (a) and (b) above must be less than the limit (currently $1,300,000) imposed by Article 9.8 of the Constitution of the company and as approved by shareholders under ASX Listing Rule 10.17.

The amount of aggregate remuneration, and the manner in which it is apportioned amongst directors is reviewed periodically by the Human Resources Committee and the Board. The Board considers advice from independent external consultants and reviews fees paid to non-executive directors from a cross section of comparable companies in making determinations.

Each non-executive director receives a fee for being a director of the company. Additional fees are not paid for additional duties such as sitting on Board Committees. Non-executive directors have not been granted share rights or options, and do not receive any bonus or other compensation linked to the company's performance, apart from the long-term component of remuneration described below.

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 is 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. Dividends in respect of these shares are paid to directors at the time that dividends are paid to shareholders.

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 in existence until 17 November 2003 was approved by shareholders during the 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 foregoing 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 2005 are set out in the Table A on page 44. The table assigns an annualised value to share rights and options allocated to both the current Managing Director, Mr G J Plummer and the previous Managing Director, Dr R L Every. The basis of remuneration of each Managing Director is also included in Table A on page 44.

Senior Executives' Remuneration
The company's remuneration policy for executive directors and senior executives (including the company secretary) 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.

In determining the level and composition of executive director and senior executives' remuneration, the company draws on internal resources and independent external advisers to ensure its practices are market competitive, flexible and in keeping with emerging trends in good corporate governance. Remuneration is reviewed annually in July and changes applied from 1 September. The Human Resources Committee reviews the Managing Director's remuneration arrangements. In the case of senior executives the Managing Director makes recommendations to the Human Resources Committee. The Board approves all remuneration changes for executive directors and senior executives.

For executive directors and senior executives remuneration consists of a fixed annual reward that incorporates consideration for a base salary and other benefits including superannuation and fringe benefits tax, plus an at risk component that comprises:

- a Short-Term Incentive (STI) that rewards the delivering of annual business goals
- a Long-Term Incentive (LTI) that periodically allocates shares and options for achieving sustained performance over a three-year period.

The proportions of fixed and at risk reward are established for each executive relative to their position's job size and in terms of the company's policies. The policy is for the remuneration of the Managing Director to be 50% fixed remuneration and 50% at risk while for senior executives the proportions are 60% fixed remuneration and 40% at risk.

Fixed Annual Reward
The level of base salary is set so as to provide a level of remuneration that is both appropriate to the executive's skills, experience and performance as well as competitive in the market. Salaries are reviewed annually. The process entails review of company, business unit and individual performance, relative comparative remuneration in the market and internal, and as appropriate, independent external advice on policies and practices.

Senior executives are given the opportunity to receive their base or primary remuneration in a variety of forms including cash and fringe benefits such as motor vehicles.

Short-Term Incentive (STI)
The STI is administered over a 12-month period on a financial year cycle. STI aims to reward participating employees for the achievement of agreed financial, safety, business and personal goals.

The performance measures used for STI are established each year by the Board for the Managing Director and the senior executives. The specific measures are derived from OneSteel Budgets and Business Plans and include profit, cash and return on funds employed in addition to agreed personal goals. Using these parameters, the Managing Director and senior executives then set the individual safety, business and personal goals for other senior management. Therefore objectives for STI are based on planned/budgeted performance, incorporate stretch targets and are dependent on the achievement of continuous improvement.

Payments under STI are based on a set percentage of salary for achievement of goals. STI payments are not paid for the maintenance of previously attained performance levels. Payments can range from nil to 200% of the target level of 100%. STI is normally paid in cash but individuals may salary sacrifice for example into superannuation and the purchase of OneSteel shares.

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. The actual payment of STI is subject to final Board approval.

In addition to an annual performance review, there is an ongoing 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.

Long-Term Incentive (LTI)
The LTI Plan is restricted to senior executives, including senior management, and executive directors. The objective of the LTI is to reward the participating executives in a manner which aligns this element of remuneration with the creation of shareholder wealth over a sustained period.

Allocations of rights to shares or options under the LTI Plan are made on a periodic basis as deemed appropriate by the Board. The same vesting requirements are applied to both rights to shares and options.

Options that were issued to executives during the year ended 30 June 2001 and 30 June 2002 were fully vested during the year ended 30 June 2005. No further options have been issued since those referred to above. Rights to shares have been issued periodically since year ended 30 June in 2001. Details of shares that vested in senior executives during the year ended 30 June 2005 are in the tables supporting this Remuneration Report.

When vesting rules are satisfied, one ordinary share in the company may be obtained for each right to shares or options after a qualifying period of three years. These shares are held in trust during this period and vesting of both shares and options is subject to the company achieving specific performance hurdles at the end of this period. If the shares and options do not vest immediately at the end of the three-year qualifying period, provisions exist that enable re-testing of the performance hurdles quarterly for senior executives and six-monthly for the current Managing Director over a two-year period. In addition, all or some of these shares and options may vest to an individual executive on termination when special circumstances apply. At the discretion of the Board these include redundancy, death and permanent disability.

Dividends in respect of rights to shares held by an executive are distributed to executives in accordance with their respective allocations at the time the dividend is paid by the company and before shares vest.

The company granted performance dependent rights to ordinary shares to certain senior executives during the year ended 30 June 2005. Details of the grants made to the five most highly remunerated senior executives including the valuation methodology are shown in Table B on page 45. These executives are identical to the "specified executives" as defined in AASB 1046.

DIRECTORS' **REPORT**

The performance hurdles for the vesting of shares and options allocated under the LTI Plan relate to two comparative groups, namely the Australian Consumer Price Index plus 5% (Base Index) and the S&P/ASX 200 Index excluding banks, media and telecommunications (Comparator Index), that are measured against OneSteel's performance in terms of Total Shareholder Return (TSR) which is broadly share price growth plus dividends. For each instalment, 50% of the shares or options will vest subject to OneSteel's TSR performance to the Base Index and the remaining 50% of shares or options will vest subject to OneSteel's performance to the Comparator Index. The use of a relative TSR hurdle is consistent with market best practice as it ensures an alignment between comparative shareholder return and reward for executives. Prior to the approval of the vesting of shares or options the Board obtains independent external verification that vesting conditions have been satisfied.

The vesting of shares or options allocated under the Comparator Index hurdle applies as follows:

- 50% will vest if OneSteel's TSR performance equates to a 50th percentile ranking with the S&P/ASX200 Index
- if a ranking between the 50th and 75th percentile is achieved, vesting is on a straight-line basis, with all vesting at or above the 75th percentile ranking.

This revised vesting scale was established in 2004 and applied to all rights to shares allocated during the period.

Where rights to shares and options were granted under the LTI Plan prior to 30 June 2004, the performance hurdles then applying were the same measures for the Base Index and the Comparator Index described above. However, the vesting scale applicable for all these shares or options is the same as the vesting scale set out above that currently applies only for the Base Index.

The vesting of shares or options allocated under the Base Index performance hurdle is determined in accordance with the following vesting 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%

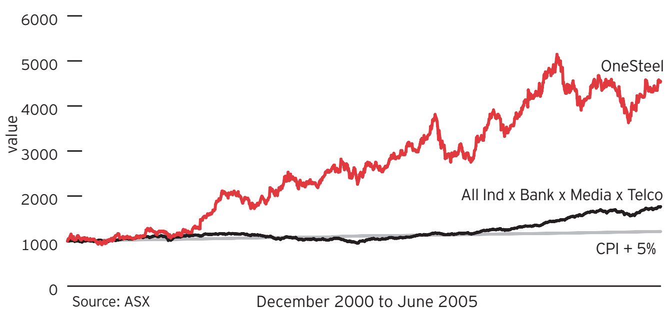
Company Performance

During the period since listing in October 2000 the company has each year progressively delivered profit and dividend growth to members.

Year Ended 30 June	Profit $m	Dividend cents per share	Earnings Per Share cents
2005	132.5	13.5	23.6
2004	127.9	12.0	23.2
2003	94.0	11.0	17.2
2002	47.1	6.5	8.7
2001	(27.9)	6.0	5.1

The graph below clearly demonstrates the out-performance of the designated performance hurdles by the company over the period that the measurement of vesting under the LTI Plan is applicable. The graph compares the OneSteel Total Shareholder Return against the Comparator Index (the S&P/ASX200 Index excluding banks, media and telecommunications) and the Base Index (the Australian Consumer Price Index plus 5%).

OneSteel Total Shareholder Return



Senior Executives' Remuneration Details

The following people comprised the five most highly remunerated executives of, and the executives with the greatest authority for managing, OneSteel and its subsidiaries during all of the financial year:

N Calavrias, Managing Director and CEO, Steel & Tube Holdings Limited

R W Freeman, Executive General Manager – Distribution

W J Gately, General Manager – Human Resources & Safety

G J Plummer, Executive General Manager – Market Mills (until 20 December 2004)

A J Reeves, Chief Financial Officer

L J Selleck, Executive General Manager – Project Magnet.

Details of fixed annual reward payments and short-term incentive payments made to the applicable senior executives for the year ended 30 June 2005 are set out in Table A on page 44. This table also assigns an annualised value to share rights and options allocated under the LTI plan.

The above executives may terminate their employment with three months written notice. The company may terminate the employment of these executives for cause or not for cause. Depending on individual executives' contracts, if the company terminates employment, other than for cause, the company for recently appointed executives (A J Reeves and R W Freeman) may pay up to 1.0 times' annual salary at the time of termination and a pro-rata amount of STI. Other executives are tied to a pre-existing service based company redundancy policy which has a maximum payment of up to 2.0 times' annual salary at time of termination plus a pro-rata amount of STI.

Employment Contract – R L Every

Dr R L Every was the Managing Director and Chief Executive Officer of the company until his retirement on 1 May 2005. His contract of employment was to expire on 20 January 2006. As announced by the company on 20 December 2004, the planned Managing Director and Chief Executive Officer succession process involved the company and Dr Every agreeing that he retire prior to the expiry of his current contract.

Under Dr Every's contract of employment his remuneration comprised a base salary, other benefits, superannuation, a short-term incentive payment (STI) and participation in a long-term incentive plan (LTI) which allocates shares and options from time to time. Both STI and LTI are explained elsewhere in the Remuneration Report.

The Managing Director's contract of employment on renewal in 2002 included a provision for the company to make a grant of 782,319 performance dependent rights to shares under the LTI provisions. At the annual general meeting held on 18 November 2002 shareholders approved the allocation 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 $653,028 has been charged to the Statement of Financial Performance during the year ended 30 June 2005 in respect of the shares acquired during the current financial year. These shares were to become eligible for vesting in December 2005 subject to the performance hurdles outlined on page 42 in the Remuneration Report.

The Managing Director's remuneration package included provision for an early termination payment of the balance of his contract and any pro-rata payment of applicable STI. The terms of the LTI share issue, approved by shareholders at the annual general meeting on 18 November 2002, also provided the Board with discretion to authorise the early withdrawal of shares in circumstances the Board considered appropriate.

Therefore, in accordance with the terms of his employment contract, Dr Every received an agreed payment of $1,390,768, which included a payment representing his base salary for the balance of his contract period and an amount of $600,000 for short-term incentives up until the expiry of his contract on 20 January 2006. In addition to this payment, Dr Every was paid his statutory entitlements of $495,692 that comprised his accrued annual leave and long service leave. Dr Every was a member of the Defined Benefits Division of the OneSteel Superannuation Fund and received a payment from this fund for his 21 years of service with both OneSteel and its previous owner BHP. The Board also agreed with Dr Every to permit, at the time of retirement, the vesting of the 782,319 shares granted under the OneSteel LTI plan referred to above. The Board determined it was appropriate for these shares to fully vest to Dr Every given that all but six months of the three-year vesting period had elapsed and performance hurdles had been and still continue to be met.

Specific details of all payments and share entitlements of Dr Every are included in Table A on page 44.

Employment Contract – Mr G J Plummer

Mr Geoff Plummer was appointed as Managing Director and Chief Executive Officer on 2 May 2005 for a fixed term of five years following a period as Deputy Managing Director from 20 December 2004 until 1 May 2005.

Mr Plummer's remuneration comprises three components. These are base remuneration, short-term incentive and long-term incentives.

He will be paid a base remuneration of $1,200,000 per annum inclusive of superannuation and novated car leases. The base remuneration will be reviewed by the Board's Remuneration Committee each year and may be increased or remain unchanged (but not be decreased) as a result of this review.

The short-term incentive payment in any year will be determined by the Board in consultation with Mr Plummer by assessment of Mr Plummer's performance against financial, business, safety and personal targets set by the Board in consultation with Mr Plummer at the start of each financial year.

For the long-term component of his remuneration, Mr Plummer will be granted two separate allocations of shares during this term. He was allocated the first instalment on 6 May 2005 when 1,058,040 shares were allocated at the prevailing market price representing two times' base remuneration. A second instalment will be allocated on the second anniversary of his commencement as Managing Director and Chief Executive Officer, with a fair market value intended to represent an amount equivalent to one and one-third times' base remuneration. The vesting criteria for these shares are outlined in the section on Long-Term Incentive appearing earlier in this Remuneration Report.

In accordance with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, Mr Plummer's termination entitlements have been agreed in advance. The Board is satisfied, after considering independent advice, that Mr Plummer's termination entitlements that are set out below are reasonable having regard to current employment practices.

If the employment of Mr Plummer terminates at the end of the fixed term or the end of an extension period, by death, illness, incapacity, or by appropriate notice by either party he will be paid his base remuneration and any accrued untaken statutory leave entitlements calculated to the termination date. Mr Plummer will also be entitled to be paid any amount of short-term incentive which has accrued from the previous financial year. The Board, in its absolute discretion, will determine the amount of the short-term incentive payable for the financial year in which termination occurs, if any.

In addition, if the employment of Mr Plummer terminates at the end of the fixed term or the end of an extension period, by death, by illness, by incapacity, by appropriate notice by OneSteel or by notice from Mr Plummer due to a fundamental change in the business the Board, in its absolute discretion, will determine whether Mr Plummer may be able to withdraw some or all of the shares granted under the LTI Share Plan which have not vested.

In addition, if the employment is terminated during any applicable notice period, Mr Plummer will also be entitled to a payment in lieu of notice of up to the aggregate base remuneration paid to Mr Plummer over the previous 12 months.

Mr Plummer is required to provide six months' notice of termination or a lesser period where there is a fundamental change in the business or OneSteel is in breach or default of its obligations under the service contract. If Mr Plummer terminates his employment within six months after the occurrence of a fundamental change, he will be entitled to a payment equivalent to the aggregate base remuneration paid to him over the previous 12 months, in addition to the payments referred to above.

If, during the employment period, Mr Plummer is terminated for cause, OneSteel will have no further obligations other than the amount of base pay due to Mr Plummer through to his termination date plus any unpaid amounts of accrued leave.

Upon termination of Mr Plummer's employment for any reason, Mr Plummer is prohibited from engaging in any activity that would compete with OneSteel for a period of 12 months.

A comprehensive summary of Mr Plummer's employment contract was lodged with the Australian Stock Exchange on 20 December 2004 and a copy of this release is available on the OneSteel website.

Details of Mr Plummer's remuneration and share entitlements of Mr Plummer are included in the tables supporting this Remuneration Report.

DIRECTORS' REPORT

REMUNERATION REPORT

Table A – Remuneration of specified directors and specified executives

		Primary			Post Employment		Equity		Other	
2005		Salary & Fees $	Cash Bonus $	Non Monetary Benefits $	Super-annuation $	Retirement Benefits $	Options $	Shares and share rights $	Termination Benefits $	Total $
Specified directors										
P J Smedley	2005	250,000	–	–	–	–	–	112,500	–	362,500
	2004	250,000	–	–	11,250	91,575	–	67,099	–	419,924
R L Every	2005	1,000,000	600,000	4,272	323,235	–	–	305,104	1,886,460	4,119,071
	2004	1,200,000	1,000,000	–	156,000	–	65,673	768,481	–	3,190,154
G J Plummer	2005	712,588	460,000	4,507	69,065	–	3,000	205,001	–	1,454,161
	2004	–	–	–	–	–	–	–	–	–
R B Davis	2005	49,000	–	–	4,410	–	–	17,640	–	71,050
	2004	–	–	–	–	–	–	–	–	–
E J Doyle	2005	84,000	–	–	7,560	–	–	30,240	–	121,800
	2004	84,000	–	–	7,560	29,319	–	18,765	–	139,644
C R Galbraith	2005	84,000	–	–	7,560	–	–	30,240	–	121,800
	2004	84,000	–	–	7,560	29,319	–	18,765	–	139,644
D E Meiklejohn	2005	61,040	–	–	5,040	–	–	20,160	–	86,240
	2004	84,000	–	–	7,560	29,319	–	18,765	–	139,644
P G Nankervis	2005	49,000	–	–	–	–	–	22,050	–	71,050
	2004	–	–	–	–	–	–	–	–	–
D A Pritchard	2005	84,000	–	–	7,560	–	–	30,240	–	121,800
	2004	84,000	–	–	7,560	29,319	–	18,765	–	139,644
N J Roach	2005	84,000	–	–	7,560	–	–	30,240	–	121,800
	2004	84,000	–	–	7,560	29,319	–	18,765	–	139,644
Total	2005	2,457,628	1,060,000	8,779	431,990	–	3,000	803,415	1,886,460	6,651,272
	2004	1,870,000	1,000,000	–	205,050	238,170	65,673	929,405	–	4,308,298
Specified executives										
N Calavrias	2005	460,774	355,007	7,358	34,949	–	–	–	–	858,088
	2004	417,604	280,803	7,200	31,500	–	–	–	–	737,107
R W Freeman	2005	515,163	249,000	–	46,365	–	3,000	93,907	–	907.435
	2004	463,908	195,000	–	41,751	–	15,384	125,948	–	841,991
W J Gately	2005	326,413	140,000	4,507	44,067	–	1,000	51,234	–	567,221
	2004	–	–	–	–	–	–	–	–	–
G J Plummer	2005	–	–	–	–	–	–	–	–	–
	2004	397,436	267,000	31,322	51,520	–	9,745	90,469	–	847,492
A J Reeves	2005	505,427	219,000	–	45,488	–	2,916	93,739	–	866,570
	2004	460,904	200,000	–	41,940	–	11,665	103,198	–	817,707
L J Selleck	2005	403,013	180,000	70,136	54,457	–	2,500	86,270	–	796,376
	2004	319,505	195,000	112,569	41,360	–	8,313	74,864	–	751,611
Total	2005	2,210,790	1,143,007	82,001	225,326	–	9,416	325,150	–	3,995,690
	2004	2,059,357	1,137,803	151,091	208,071	–	45,107	394,479	–	3,995,908

Notes:

(1) Retirement benefits for directors were discontinued following the annual general meeting on the 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) The share rights have been valued using the Monte Carlo simulation option pricing model, modified to incorporate an estimate of the probability of achieving the TSR hurdle and the number of share rights 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 equity section represents the new long-term component of directors' remuneration commenced after the annual general meeting on the 17 November 2003. This amount has been accrued during the year with the purchase of shares occurring at the trading windows available under OneSteel's policy on dealing in company shares. The value for executive directors and specified executives relates to share rights as per note 3.

(5) Cash bonuses are in respect of short-term incentives except for N Calavrias, whose payments include a long-term component of $96,569.

(6) The termination amount for R L Every includes an eligible termination payment of $1,390,768 and the payment of outstanding annual leave and long service leave balances of $495,692.

(7) Mr G J Plummer was a specified executive in 2004 and was appointed as a director on 20 December 2004. His total remuneration while he was a director was $315,959.

(8) Mr D E Meiklejohn retired as a director on the 28 February 2005. In addition to the above remuneration he was paid a retirement allowance of $247,900 from the retirement plan discontinued on the 17 November 2003.

TABLE B – Remuneration options: granted and vested during the year

Due to the suspension of the Executive Option Plan there were no grants of options during the year. The following options vested during the year, with the vesting equal to 100% of the options granted.

	Vested Number
Specified directors	
G J Plummer	90,000
Specified executives	
R W Freeman	90,000
W J Gately	30,000
A J Reeves	233,300
L J Selleck	75,000
Total	518,300

TABLE C – Shares issued on exercise of remuneration options

	Shares issued Number	Paid $ per share	Unpaid $ per share	Value of Option $
Specified directors				
R L Every	2,462,735	0.9258	–	4,714,167
G J Plummer	140,420	0.9258	–	284,238
Total	2,603,155			4,998,405
Specified executives				
R W Freeman	241,298	0.8848	–	495,916
A J Reeves	233,300	0.9087	–	420,243
Total	474,598			916,159

TABLE D – Option holdings of specified directors and specified executives

	Balance at 1 July 2004	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2005	Vested at 30 June 2005 Exercisable
Specified directors						
R L Every	2,462,735	–	(2,462,735)	–	–	–
G J Plummer	230,420	–	(140,420)	–	90,000	90,000
Specified executives						
R W Freeman	331,298	–	(241,298)	–	90,000	90,000
W J Gately	30,000	–	–	–	30,000	30,000
A J Reeves	233,300	–	(233,300)	–	–	–
L J Selleck	75,000	–	–		75,000	75,000
Total	3,362,753	–	(3,077,753)	–	285,000	285,000

TABLE E – Remuneration shares rights: granted and vested during the year

During the year the following grants of rights to shares under the Long Term Incentive Scheme were made. Details of the scheme and the performance hurdles are explained in the Remuneration Report.

	Granted Number	Grant Date	Value per share at Grant Date ($)	Fair Aggregate Value at Grant Date $	First Exercise Date	Last Exercise Date
Specified Directors						
G J Plummer	85,086	03-Sep-04	2.9382	190,593	3-Sep-07	3-Sep-09
	1,058,040	06-May-05	2.2683	1,999,696	6-May-08	6-May-10
Specified Executives						
R W Freeman	85,086	03-Sep-04	2.9382	190,593	3-Sep-07	3-Sep-09
W J Gately	45,946	03-Sep-04	2.9382	102,919	3-Sep-07	3-Sep-09
A J Reeves	85,086	03-Sep-04	2.9382	190,593	3-Sep-07	3-Sep-09
L J Selleck	85,086	03-Sep-04	2.9382	190,593	3-Sep-07	3-Sep-09

DIRECTORS' REPORT

The following share rights vested during the year based on the achievement of performance hurdles and the expiry of the three year vesting period.

	Vested Number
Specified directors	
R L Every	782,319
G J Plummer	75,000
Specified executives	
R W Freeman	75,000
W J Gately	25,000
A J Reeves	174,975
L J Selleck	60,000
Total	1,192,294

TABLE F – Share rights holdings of specified directors and specified executives

	Balance at 1 July 2004	Granted as remuneration	Vested	Net change other	Balance at 30 June 2005	Vesting Date 13 December 2005	Vesting Date 3 September 2007	Vesting Date 6 May 2008
Specified directors								
R L Every	782,319	–	(782,319)	–	–	–	–	–
G J Plummer	143,998	1,143,126	(75,000)	–	1,212,124	68,998	85,086	1,058,040
Specified executives								
R W Freeman	143,998	85,086	(75,000)	–	154,084	68,998	85,086	–
W J Gately	68,280	45,946	(25,000)	–	89,226	43,280	45,946	–
A J Reeves	243,973	85,086	(174,975)	–	154,084	68,998	85,086	–
L J Selleck	116,453	85,086	(60,000)	–	141,539	56,453	85,086	–
Total	1,499,021	1,444,330	(1,192,294)	–	1,751,057	306,727	386,290	1,058,040

TABLE G – Shareholdings of specified directors and specified executives

	Balance at 1 July 2004	Granted as remuneration	On Exercise of Options	On Vesting of Shares	Net Change Other	Balance at 30 June 2005
Specified directors						
P J Smedley	118,719	41,924	–	–	–	160,643
G J Plummer	302,240	–	140,420	75,000	(247,316)	270,344
R B Davis	–	3,678	–	–		3,678
E J Doyle	92,524	11,269	–	–	–	103,793
C R Galbraith	64,822	11,269	–	–	–	76,091
P G Nankervis	–	4,598	–	–	3,000	7,598
D A Pritchard	55,382	11,269	–	–	–	66,651
N J Roach	180,597	11,269	–	–	–	191,866
Specified executives						
N Calavrias	24,145	–	–	–	1,140	25,285
R W Freeman	180,974	–	241,298	75,000	(241,298)	255,974
W J Gately	7,807	–	–	25,000	844	33,651
A J Reeves	28,449	–	233,300	174,975	(230,388)	206,336
L J Selleck	174,021	–	–	60,000	1,671	235,692
Total	1,229,680	95,276	615,018	409,975	(712,347)	1,637,602

The shareholdings of former directors, at the date they retired, was as follows

	Balance at 1 July 2004	Granted as remuneration	On Exercise of Options	On Vesting of Shares	Net Change Other	Balance at Retirement
R L Every	1,954,845	–	2,462,735	782,319	(3,000,000)	2,199,899
D E Meiklejohn	15,382	8,509	–	–	–	23,891
Total	1,970,227	8,509	2,462,735	782,319	(3,000,000)	2,223,790

COMPANY SECRETARY

Information on the qualification and experience of the company secretary is set out on page 13 of the Annual Review.

NO OFFICERS ARE FORMER AUDITORS

No officer of the OneSteel Group has been a partner of an audit firm or a director of an audit company that is or was an auditor of any entity in the OneSteel Group during the year ended 30 June 2005.

SHARE RIGHTS AND OPTIONS

During the year there were 1,602,255 rights to shares and 1,051,580 options that vested to management under the terms of the Long-Term Incentive Plan. There were 12,000 options forfeited during the year. During, or since the end of the financial year, the company has issued 3,410,111 shares as a result of the exercise of options. Details relating to the exercise of these options are included in Note 24 of the Full Financial Statements. There are no amounts unpaid on the shares issued.

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

Expiry Date	Exercise Price	Number of Shares
15 December 2009	$0.9258	275,435
21 December 2010	$1.0434	617,000

The options do not entitle the holder to participate in any share issue of the company. Shares held in trust under the Long-Term Incentive Plan carry voting rights.

DIRECTORS' INTERESTS

During the financial year, directors acquired ordinary shares in the company at market prices, either directly or indirectly, as set out in the Remuneration Report.

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 other than Dr R L Every and Mr G J Plummer as set out in the Remuneration Report.

The relevant interest of each director in the shares, rights to shares, options or other instruments of the company and related bodies corporate are set out in the Remuneration 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 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 $545,627 (2004: $200,131), exclusive of GST, of which $140,897 was outstanding at 30 June 2005 (2004: nil). Mr Galbraith was not personally involved in the provision of these services.

LOANS TO DIRECTORS AND EXECUTIVES

There were no loans made to or outstanding with directors or executives.

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.

NON-AUDIT SERVICES

During the year, OneSteel's auditors, Ernst & Young, provided non-audit services to OneSteel Group entities.

In accordance with advice from OneSteel's Audit & Compliance Committee, the directors are satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act. Also in accordance with advice from OneSteel's Audit & Compliance Committee, the directors are satisfied that the nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Details of the amounts paid or payable to the auditor, Ernst & Young, for the provision of non-audit services during the year ended 30 June 2005 are as follows:

Tax compliance services	$633,213
Accounting advice	$75,250
Other services	$56,585

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration made under Section 307C of the Corporations Act, set out below, forms part of the Directors' Report.

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 16th day of August 2005 in accordance with a resolution of directors.

Peter Smedley
Chairman

Geoff Plummer
Managing Director

AUDITORS' INDEPENDENCE DECLARATION TO THE DIRECTORS OF ONESTEEL LIMITED

In relation to our audit of the financial report of OneSteel Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Craig M. Jackson
Partner
Sydney, 16 August 2005

CONCISE **FINANCIAL REPORT**

30 JUNE 2005

CONTENTS

The 2005 Concise Financial Report has been derived from OneSteel Limited's 2005 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 2005 Full Financial Report.

2005 Full Financial Report

A copy of OneSteel Limited's 2005 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).

Discussion and Analysis of the Financial Statements

The discussion and analysis is provided to assist readers in understanding the Concise Financial Report, which 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.

Statement of Financial Performance

OneSteel Limited's net profit attributable to members of the parent entity for the financial year was $132.5 million, as compared with a profit of $127.9 million in the previous year. Excluding the effect of the "one-off" tax benefit from entry into the Tax Consolidation regime in the 2004 year, this represents a 22.6% increase.

Sales revenue increased 20.5% to $3,938.5 million, impacted by continued strength in the underlying markets that OneSteel services and the impact of significant price increases across all of OneSteel's major product ranges.

Earnings increased in the Australian Distribution and International Distribution segments, reflecting the strong demand and price recoveries achieved in the year. The Manufacturing segment had a slight drop in earnings compared with 2004 as the strength in the markets and price movements were offset by the impact of the blast furnace incidents at the Whyalla Steelworks.

Statement of Financial Position

Total assets increased by 11.3% to $3,119.6 million, mainly as a result of higher working capital levels associated with higher volumes and price increases, as well as the repayment of the receivables securitisation facility. High levels of capital expenditure for the Blast Furnace Reline and Project Magnet resulted in an increase in Property Plant & Equipment and Deferred Development costs.

Total liabilities increased by 16.3% to $1,662.9 million, reflecting increased trade payables associated with higher volumes and the impact of price increases and higher borrowings, following the repayment of the $200 million receivables securitisation facility.

Contributed equity increased by $18.7 million as a result of the dividend reinvestment scheme ($15.6 million) and the issuing of shares following the exercise of options ($3.1 million).

Statement of Cash Flows

Net cash flow from operating activities increased by $41.2 million from last year to $229.5 million, reflecting the improved profitability in 2005 offset somewhat by increased working capital levels.

Net cash outflow from investing activities of $121.8 million was $18.4 million higher than 2004, mainly due to lower proceeds from property sales.

The net cash outflow from financing activities of $106.9 million ($50.2 million in 2004) reflects an increase in borrowings, due to the repayment of the securitisation facility, and increased dividend payments.

Dividends

The directors have recommended and declared a final fully franked dividend for 2005 of 7.5 cents per share payable on 20 October 2005.

STATEMENT OF **FINANCIAL PERFORMANCE**

FOR THE YEAR ENDED 30 JUNE	Note	CONSOLIDATED 2005 $m	2004 $m
Sales revenue	2	3,938.5	3,269.2
Cost of sales		(3,156.4)	(2,626.6)
Gross profit		782.1	642.6
Other revenues from operating activities	2	29.8	22.9
Other revenues from non-operating activities	2	7.8	47.2
Operating expenses excluding borrowing costs		(561.6)	(496.9)
Borrowing costs		(53.0)	(42.2)
Share of net profit of associate accounted for using the equity method		0.6	0.3
Profit from ordinary activities before income tax expense		205.7	173.9
Income tax expense relating to operating activities		(56.7)	(53.4)
Income tax benefit arising from entering tax consolidation		–	19.8
Total income tax expense from ordinary activities		(56.7)	(33.6)
Net profit from ordinary activities after related income tax		149.0	140.3
Net profit attributable to outside equity interests		(16.5)	(12.4)
Net profit attributable to members of the parent entity		**132.5**	**127.9**
Net exchange difference on translation of financial statements of self-sustaining foreign operations		0.2	2.2
Total revenues and expenses attributable to members of the parent entity and recognised directly in equity		0.2	2.2
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of OneSteel Limited		**132.7**	**130.1**
Basic earnings per share (cents per share)		23.65	23.22
Diluted earnings per share (cents per share)		23.63	23.11
On operating activities before the impact of tax consolidation			
Basic earnings per share (cents per share)		–	19.62
Diluted earnings per share (cents per share)		–	19.54

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	CONSOLIDATED 2005 $m	2004 $m
Current assets		
Cash assets	55.0	54.2
Receivables	643.1	487.8
Inventories	836.7	704.6
Other	8.3	8.5
Total current assets	1,543.1	1,255.1
Non-current assets		
Investments accounted for using the equity method	7.3	7.4
Other financial assets	8.8	0.3
Property, plant and equipment	1,228.4	1,188.2
Exploration and development expenditures	17.1	14.6
Intangibles	226.0	246.9
Deferred tax assets	59.5	61.6
Other	29.4	29.1
Total non-current assets	1,576.5	1,548.1
Total assets	3,119.6	2,803.2
Current liabilities		
Payables	615.7	569.9
Interest-bearing liabilities	48.8	45.7
Tax liabilities	17.4	20.1
Provisions	96.0	88.9
Total current liabilities	777.9	724.6
Non-current liabilities		
Interest-bearing liabilities	651.5	477.5
Deferred tax liabilities	131.8	128.5
Provisions	101.7	99.2
Total non-current liabilities	885.0	705.2
Total liabilities	1,662.9	1,429.8
Net assets	**1,456.7**	**1,373.4**
Equity		
Contributed equity	1,115.0	1,096.3
Reserves	3.0	2.8
Retained profits	277.5	217.6
Parent entity interest	1,395.5	1,316.7
Outside equity interest	61.2	56.7
Total equity	**1,456.7**	**1,373.4**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE	CONSOLIDATED 2005 $m	2004 $m
	Inflows/(outflows)	
Cash flows from operating activities		
Receipts from customers	3,894.0	3,244.9
Payments to suppliers and employees	(3,562.6)	(2,981.8)
Interest received	2.4	2.3
Interest and other costs of finance paid	(50.2)	(43.3)
Operating cash flows before income tax	283.6	222.1
Income taxes paid	(54.1)	(33.8)
Net operating cash flows	**229.5**	**188.3**
Cash flows from investing activities		
Purchases of property, plant and equipment	(123.7)	(141.5)
Exploration and development expenditure	(3.2)	–
Purchases of businesses	(0.6)	(0.5)
Purchases of controlled entities net of their cash	–	(9.4)
Proceeds from sale of property, plant and equipment	4.9	45.3
Proceeds from repayment of preference shares by associate	0.7	–
Repayment of loan by non-related parties	0.1	2.7
Net investing cash flows	**(121.8)**	**(103.4)**
Cash flows from financing activities		
Proceeds from issue of shares	3.1	0.7
Proceeds from borrowings	701.8	232.8
Repayment of borrowings	(635.1)	(226.4)
Settlement of the securitisation program	(201.2)	–
Proceeds from finance leases	105.6	–
Repayment of principal of finance leases	(11.8)	–
Dividends paid	(69.3)	(57.3)
Net financing cash flows	**(106.9)**	**(50.2)**
Net increase in cash and cash equivalents	**0.8**	**34.7**
Cash and cash equivalents at the beginning of the year	54.2	19.5
Cash and cash equivalents at the end of the year	**55.0**	**54.2**

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".

The accounting policies have been consistently applied by the entities within the OneSteel Group and are consistent with those of the previous financial year.

NOTE 2. REVENUE

	CONSOLIDATED	
	2005 $m	2004 $m
Profit from ordinary activities is after crediting the following revenues:		
Revenues from operating activities:		
Product sales	3,934.9	3,265.8
Rendering of services	3.6	3.4
Total sales revenues	3,938.5	3,269.2
Interest revenue from non-related parties	2.4	2.3
Other revenue	27.4	20.6
Other revenues from operating activities	29.8	22.9
Total revenues from operating activities	3,968.3	3,292.1
Revenues from non-operating activities:		
Proceeds from sale of non-current assets	4.9	45.3
Rental income	2.9	1.4
Email management fee	–	0.5
Total revenues from non-operating activities	7.8	47.2

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 $
2005		
Interim fully franked dividend for 2005, paid 21 April 2005	33.7	0.06
Final fully franked dividend for 2004, paid 14 October 2004	39.0	0.07
	72.7	
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	

Dividend Franking
All dividends paid were fully franked. The tax rate at which dividends have been franked is 30%.

	PARENT	
	2005 $m	2004 $m
The amount of franking credits available for the subsequent financial year, represented by the franking account balance at 30% are:	3.5	1.1

The balance of the franking account balance at year-end has been adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

NOTES TO THE CONCISE FINANCIAL STATEMENTS

NOTE 4. SEGMENT REPORTING

	AUSTRALIA					INTERNATIONAL		CONSOLIDATED
2005	Manufacturing $m	Distribution $m	Unallocated $m	Eliminations $m	Total $m	Distribution $m	Eliminations $m	$m
Segment revenues								
Revenues from customers outside the consolidated entity	1,805.4	1,765.0	2.2	–	3,572.6	403.5	–	3,976.1
Inter-segment revenues	261.1	20.3	15.8	(252.3)	44.9	–	(44.9)	–
Total revenues	2,066.5	1,785.3	18.0	(252.3)	3,617.5	403.5	(44.9)	3,976.1
Share of net profit of equity accounted associate	–	–	0.6	–	0.6	–	–	0.6
Other non-cash expenses	(0.9)	(2.3)	–	–	(3.2)	(0.3)	–	(3.5)
EBITDA	184.7	164.2	(19.1)	(1.6)	328.2	61.4	(12.3)	377.3
Depreciation and amortisation	(72.6)	(36.0)	(2.8)	–	(111.4)	(7.2)	–	(118.6)
EBIT	112.1	128.2	(21.9)	(1.6)	216.8	54.2	(12.3)	258.7
Borrowing costs								(53.0)
Income tax expense								(56.7)
Profit after tax before minority interests								149.0
Segment assets	1,638.2	1,174.7	100.1	(47.8)	2,865.2	190.8	(3.2)	3,052.8
Equity accounted investment	–	–	7.3	–	7.3	–	–	7.3
Tax assets								59.5
Consolidated assets								3,119.6
Segment liabilities	423.7	315.8	742.1	(43.1)	1,438.5	75.2	–	1,513.7
Tax liabilities								149.2
Consolidated liabilities								1,662.9
Non-current assets on acquisition	108.7	13.6	16.0	–	138.3	5.2	–	143.5

	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	1,471.8	1,513.7	13.5	–	2,999.0	340.3	–	3,339.3
Inter-segment revenues	229.1	23.3	10.2	(219.1)	43.5	–	(43.5)	–
Total revenues	1,700.9	1,537.0	23.7	(219.1)	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	187.4	127.1	(24.7)	(0.2)	289.6	47.6	(13.0)	324.2
Depreciation and amortisation	(64.1)	(34.9)	(2.2)	–	(101.2)	(6.9)	–	(108.1)
EBIT	123.3	92.2	(26.9)	(0.2)	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	1,519.6	1,102.6	89.0	(142.1)	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	334.3	258.2	675.0	(48.3)	1,219.2	62.0	–	1,281.2
Tax liabilities								148.6
Consolidated liabilities								1,429.8
Non-current assets on acquisition	99.4	39.7	7.6	–	146.7	4.9	–	151.6

NOTES TO THE CONCISE FINANCIAL STATEMENTS

NOTE 4. SEGMENT REPORTING (CONTINUED)

Segment activities – Australia

Due to a change in the management structure of OneSteel in the current year, the composition of the segments has changed, with the Pipe & Tube business moving from Manufacturing to Australian Distribution and the Reinforcing business moving from Australian Distribution to Manufacturing. The 2004 comparative numbers have also been restated to reflect this change.

Manufacturing

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

Sydney Steel Mill produces steel billets 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 which are used in a range of applications such as manufacturing, construction mining and automotive industries.

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

The Reinforcing business manufactures and distributes reinforcing products around Australia.

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

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 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. TRANSITION TO AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

OneSteel is in the process of transitioning its accounting policies and financial reporting from current Australian Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ending 30 June 2006. A Steering Committee has been established to oversee progress and to provide regular updates to the Board Audit & Compliance 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 AIFRS. 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 the preparation of the opening balance sheet in accordance with AIFRS as at 1 July 2004. This will form the basis of accounting under AIFRS in the future and is required when OneSteel prepares its first fully AIFRS compliant full financial report for the year ended 30 June 2006. The first set of comparative figures (for the year ended 30 June 2005) will be contained in that first AIFRS compliant financial report.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the best estimate of the quantitative impact of the changes on total equity as at the date of transition (1 July 2004) and at 30 June 2005, on net profit for the year ended 30 June 2005 and a restated 30 June 2005 balance sheet. The values disclosed are management's best estimate of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from these estimates due to:

(a) potential amendments to AIFRS's and interpretations being issued by the standard-setters and International Financial Reporting Interpretations Committee (IFRIC)

(b) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations

(c) ongoing work being undertaken by the OneSteel AIFRS project teams.

The OneSteel New Zealand subsidiary, Steel & Tube Holdings Limited, will early-adopt NZIFRS to coincide with the timing of Australian adoption. Adjustments that will be made to that subsidiary's accounts are included in the Group's numbers as estimated below.

NOTES TO THE CONCISE FINANCIAL STATEMENTS

NOTE 5. TRANSITION TO AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (CONTINUED)

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

		CONSOLIDATED	
	Notes	30 June 2005 $m	1 July 2004 $m
		**	*
Total Equity under AGAAP		1,456.7	1,373.4
Adjustments to Retained Profits (net of tax)			
Recognition of impairment loss (including goodwill)	(i)	(58.1)	(103.7)
Adjustment to depreciation due to impairment at 1 July 2004	(i)	4.1	–
Reversal of goodwill amortisation	(ii)	21.1	–
Recognition of defined benefits superannuation fund deficit	(iii)	(7.7)	(8.1)
Recognition of "make good" and other provisions	(iv)	(1.0)	(0.7)
Recognition of deferred tax on revalued assets and other items	(v)	(20.7)	(21.2)
Recognition of revised amortisation of share-based payments expense	(vi)	1.6	0.9
		(60.7)	(132.8)
Adjustments to other equity items (net of tax)			
Recognition of share-based payment expense	(vi)	1.8	1.0
Elimination of Treasury shares held in Share Plan Trusts	(vii)	(8.7)	(2.3)
		(6.9)	(1.3)
Total Equity under AIFRS		1,389.1	1,239.3

* This column represents the adjustments as at the date of transition to AIFRS.
** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

Notes:

(i) Under AASB 136 *Impairment of Assets*, the recoverable amount of assets is determined as the higher of net selling price and value in use. OneSteel's accounting policy is to determine the recoverable amount of assets on the basis of discounted cash flows arising from identifiable cash-generating units (CGU's). The CGU (or groups of CGU's) assets including goodwill allocation, were tested for impairment on transition and at each subsequent reporting date. This revised calculation would result in impairment losses (and subsequent partial reversals), together with reduced depreciation expense, being recognised under AIFRS.

(ii) Under AASB 3 *Business Combinations*, goodwill would not be permitted to be amortised but would be subject to impairment testing on an annual basis or whenever the occurrence of triggers indicate potential impairment. Currently, OneSteel amortises goodwill over its useful life but not exceeding 20 years. OneSteel has elected not to apply AASB 3 retrospectively, so prior year amortisation would not be written back as at the date of transition.

(iii) Under AASB 119 *Employee Benefits*, OneSteel would recognise the net deficit in its employer-sponsored defined benefit superannuation fund as a liability on the balance sheet. Actuarial calculations were completed at 30 June 2004 and 30 June 2005. OneSteel has elected to adopt the "corridor approach" to the recognition of future actuarial gains/losses.

(iv) Under AASB 116 *Property, Plant and Equipment*, OneSteel would be required to include as part of the cost of its leasehold improvements, an estimate of the costs associated with lease make-good clauses upon termination of certain leased premises within its property portfolio, where such an obligation exists to the lessor. These costs are not currently recognised under AGAAP. A corresponding liability would also be recognised under AIFRS in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

(v) Under AASB 112 *Income Taxes*, OneSteel would be required to adopt a balance sheet approach to the calculation of deferred tax assets/liabilities. This method recognises deferred tax balances where there is a difference between the accounting carrying value of assets/liabilities and their tax base. This would result in the recognition of deferred tax balances in relation to previously revalued assets. Under AGAAP, the tax effect of asset revaluations are not recognised.

(vi) Under AASB 2 *Share based Payments*, OneSteel would recognise the fair value of shares and/or options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the Income statement with a corresponding adjustment to equity. While share-based payments are not recognised under AGAAP, OneSteel's policy has been to purchase on-market any shares granted to senior executives under the long-term incentive plan and to expense the cost of these shares in the Statement of Financial Performance. Under AIFRS, this past expensing of the shares would need to be reversed and only the amounts applicable under the new standard to each reporting period would be recognised in the Income Statement with a corresponding entry in Equity.

(vii) Under AASB 127 *Consolidated and Separate Financial Statements*, OneSteel would be required to consolidate the OneSteel Share Plan Trusts. This would result in the elimination of the Treasury shares held in the Trusts.

(viii) OneSteel has elected to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, which permits entities not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. The Financial Instruments project team is in the process of determining the impact that adopting the standards will have on the financial statements.

NOTES TO THE CONCISE FINANCIAL STATEMENTS

NOTE 5. TRANSITION TO AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (CONTINUED)

(b) Reconciliation of net profit as reported under AGAAP to that under AIFRS

		CONSOLIDATED
FOR THE YEAR ENDED 30 JUNE 2005	Notes	$m
Net profit under AGAAP		132.5
Reversal of amortisation of goodwill	(i)	21.1
Adjustment to depreciation due to impairment at 1 July 2004	(ii)	4.1
Reversal of impairment losses on PP&E	(iii)	45.6
Charge under the 'corridor approach' associated with the recognition of the defined benefits superannuation fund deficit	(iv)	0.4
Adjustment to the expense recognised for share-based payments	(v)	0.7
Charge for the recognition of additional provisions	(vi)	(0.3)
Adjustment to income tax expense	(vii)	0.5
Net profit under AIFRS		204.6

Notes:

(i) Under AASB 3 *Business Combinations*, goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Currently, OneSteel amortises goodwill over its useful life (not exceeding 20 years). Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent that it becomes impaired.

(ii) Adjustment to depreciation expense in relation to the property, plant and equipment written down on transition as at 1 July 2004.

(iii) Under AASB 136 *Impairment of Assets*, property, plant and equipment assets previously written down can be subsequently written up when the recoverable amount of the assets increases. Impairment testing completed at June 2005 has shown an increased recoverable value of some assets due to improved cash flows, allowing a write-back to occur.

(v) Under AASB 2 *Share based Payments*, OneSteel would recognise the fair value of shares granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the Income Statement. The difference between this approach and the current method of amortising the purchase cost of shares granted, results in an increase in profit under AIFRS.

(vi) Under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, OneSteel would recognise an additional provision associated with the rehabilitation of the iron ore mine site. The liability is offset by an additional asset on the balance sheet. The increase in provisions will decrease the profit under AIFRS.

(vii) The adjustment to income tax expense relates to the reversal of the deferred tax liability which would be recognised on the date of transition under AIFRS in relation to revalued assets.

NOTES TO THE CONCISE FINANCIAL STATEMENTS

NOTE 5. TRANSITION TO AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (CONTINUED)

(c) Estimated Balance Sheet under AIFRS

AS AT 30 JUNE 2005		CONSOLIDATED 2005 $m
Current assets		
Cash assets		55.0
Receivables		643.1
Inventories		836.7
Other		6.6
Total current assets		1,541.4
Non-current assets		
Investment accounted for using the equity method		7.3
Other financial assets		8.8
Property, plant and equipment	(i),(ii)	1,156.6
Exploration and development expenditures		19.1
Intangibles	(iii)	264.8
Deferred tax assets		64.0
Other		26.5
Total non-current assets		1,547.1
Total assets		3,088.5
Current liabilities		
Payables		615.7
Interest-bearing liabilities		48.8
Tax liabilities		17.3
Other provisions		96.7
Total current liabilities		778.5
Non-current liabilities		
Interest-bearing liabilities		651.5
Deferred tax liabilities		154.4
Other provisions		104.0
Defined benefit superannuation liability		11.0
Total non-current liabilities		920.9
Total liabilities		1,699.4
Net assets		**1,389.1**
Equity		
Contributed equity		1,108.1
Reserves		3.0
Retained profits		216.8
Parent entity interest		1,327.9
Outside equity interest		61.2
Total equity		**1,389.1**

Note:
The actual effects of transition to AIFRS may differ from these estimates due to:
(a) ongoing work being undertaken by the OneSteel AIFRS project teams;
(b) potential amendments to AIFRS's and interpretations being issued by the standard-setters and IFRIC; and
(c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

NOTES TO THE **CONCISE FINANCIAL STATEMENTS**

NOTE 5. **TRANSITION TO AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (CONTINUED)**

(d) Additional balance sheet recognition items under AIFRS

In addition to the effects on equity and net profit as reported previously in this note, the following items are required to be recognised or reclassified under AIFRS as indicated in the balance sheet above:

(i) Under AASB 116 *Property, plant and equipment*, there is a requirement to include as part of the cost of any leasehold improvements, an estimate of the costs to remove those improvements at the end of the lease term, where such an obligation clearly exists with the lessee. OneSteel will recognise approximately $0.5m of such costs on transition to AIFRS as an additional item of property, plant and equipment with a corresponding charge to Retained Profits as indicated in Note (a)(iv) above. Following transition, when any such assets are identified and capitalised, a corresponding liability would then be recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

(ii) Under AASB 116 *Property, plant and equipment*, future site remediation costs are required to be capitalised and depreciated over the life of the asset. A corresponding liability would then be recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. A net present value calculation is to be used in the determination of the asset and liability. On transition to AIFRS OneSteel has re-assessed the rehabilitation asset associated with the iron ore mine site and capitalised an additional $2m for remediation offset by a corresponding liability. The asset/liability will be reviewed at each reporting period.

(iii) Under AASB 138 *Intangible Assets*, separately identifiable intangible assets need to be disclosed in the balance sheet. OneSteel will need to reclassify software development costs of approximately $35m, currently capitalised as plant and equipment, into a separate finite life intangible asset class. It is expected that the amortisation of this asset class over its useful life would be equivalent to the current plant and equipment depreciation charge on the assets involved.

(e) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

DIRECTORS' **DECLARATION**

In the opinion of the directors of OneSteel Limited, the Concise Financial Report and the additional disclosures in the Directors' Report designated as audited, of the company and of the consolidated entity, comprising OneSteel Limited and its controlled entities, for the year ended 30 June 2005:

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

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

Signed in accordance with a resolution of the directors.

Peter Smedley
Chairman

Geoff Plummer
Managing Director

Sydney
16 August 2005

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 2005. 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 and the additional disclosures (Human Resources Committee; Remuneration Structure; Non-Executive Directors' Remuneration; Long-Term Component of Non-Executive Directors' Remuneration; Retirement Benefit – Discontinued Scheme; Directors' Remuneration Details; Senior Executives' Remuneration; Fixed Annual Reward; Short-Term Incentive (STI); Long-Term Incentive (LTI); Senior Executives' Remuneration Details; Employment Contract – R.L. Every and G.J. Plummer and Tables A to G) included in the Remuneration Report pages 44 to 46 designated as audited ('the additional disclosures') that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standard AASB1039 '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 and the additional disclosures.

Audit approach

We conducted an independent audit on the concise financial report and the additional disclosures in order to express an opinion on them 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 and the additional disclosures 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 and the additional disclosures are 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 and the additional disclosures are 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 and the additional disclosures 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 2005. Our audit report on the full financial report was signed on 16 August 2005, 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. We have given to the directors of the company a written Auditors' Independence Declaration, signed on 16 August 2005, a copy of which is included in the Directors' Report. In addition to our audit of the full and concise financial reports and the additional disclosures, 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 and the additional disclosures included in the Directors' Report designated as audited, of OneSteel Limited comply with Accounting Standard AASB 1039 "Concise Financial Reports".

Ernst & Young

Craig M Jackson
Partner

Sydney
16 August 2005

SHAREHOLDER **INFORMATION**

NUMBER OF SHAREHOLDERS

There were 93,649 shareholders at 12 September 2005. 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 12 SEPTEMBER 2005

Range of Holdings	Number of Shareholders	% of Total Holders	Number of Shares	% of Total Shares
1 – 1,000	45,605	48.70	22,560,924	4.00
1,001 – 5,000	35,491	37.90	79,166,515	14.03
5,001 – 10,000	7,271	7.76	53,958,241	9.57
10,001 – 100,000	5,110	5.46	105,298,266	18.66
100,001 and over	172	0.18	303,132,611	53.74
Total	**93,649**	**100.00**	**564,116,557**	**100.00**

UNMARKETABLE PARCELS

There were 5,112 members holding less than a marketable parcel of shares in the company as at 12 September 2005.

LISTING

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

TWENTY LARGEST SHAREHOLDERS AT 12 SEPTEMBER 2005

Shareholder	Number of Shares	% of Total Shares
J P Morgan Nominees Australia Limited	42,966,676	7.62
National Nominees Limited	37,454,126	6.64
Westpac Custodian Nominees Ltd	37,243,327	6.60
RBC Global Services Australia Nominees Pty Limited	30,386,486	5.39
OneSteel Share Plans Pty Ltd	20,001,767	3.55
Citicorp Nominees Pty Ltd	19,706,319	3.49
ANZ Nominees Limited	17,913,689	3.18
Queensland Investment Corporation	13,486,706	2.39
AMP Life Limited	8,564,913	1.52
Cogent Nominees Pty Limited	8,243,132	1.46
UBS Nominees Pty Ltd	4,516,850	0.80
HSBC Custody Nominees (Australia) Limited	4,052,046	0.72
Tasman Asset Management Ltd	3,504,100	0.62
Argo Investments Limited	3,150,000	0.56
IAG Nominees Pty Limited	3,025,048	0.54
Warbont Nominees Pty Ltd	1,959,089	0.35
Milton Corporation Limited	1,432,561	0.25
Promina Equities Limited	1,393,258	0.25
Merril Lynch (Australia) Nominees Pty Ltd	1,002,882	0.18
SCJ Pty Ltd	1,000,000	0.18
Total	261,002,975	46.29
Total Issued Shares	**564,116,557**	**100.00**

SUBSTANTIAL SHAREHOLDERS

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

Maple-Brown Abbott Limited	32,589,212	5.78%

UNQUOTED EQUITY SECURITIES

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

• Number of employees participating	35
• Number of securities	892,435

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 9415 4026. 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 company has moved to the payment of dividends by direct credit only for Australian and New Zealand shareholders with effect from the first dividend payment in the 2006 year. The following options will then be 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
- for shareholders registered outside of Australia and New Zealand who do not have an Australian or New Zealand bank account by 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

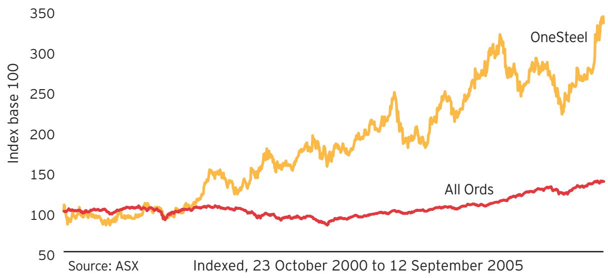
Shareholders who change their name should notify the OneSteel Share Registry, in writing, and attach a certified copy of a relevant marriage certificate or deed poll.

STATISTICAL **SUMMARY**

This report has been prepared by comparing the 12 months to June 2002, 2003, 2004 and 2005 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.

OneSteel Share Price



KEY FINANCIAL STATISTICS

12 Months Ended 30 June A$ millions	2005 Statutory	2004 Statutory	2003 Statutory	2002 Statutory	2001 Inc Prov Pro-forma	2000 Pro-forma	% Change 05/04
Sales Revenue	3,938.5	3,269.2	3,060.6	2,906.0	2,637.7	2,959.1	20.5
Other Revenue	37.6	70.1	39.5	80.5	141.5	17.4	(46.4)
Total Revenue	3,976.1	3,339.3	3,100.1	2,986.5	2,779.2	2,976.5	19.1
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	377.3	324.2	307.6	251.0	181.7	268.0	16.4
Earnings Before Interest, Tax and Amortisation (EBITA)	279.8	237.1	221.1	166.8	74.7	171.7	18.0
Earnings Before Interest and Tax (EBIT)	258.7	216.1	201.3	147.9	37.7	155.2	19.7
Borrowing Costs	53.0	42.2	44.5	54.4	61.8		25.6
Profit (Loss) Before Tax	205.7	173.9	156.8	93.5	(24.1)		18.3
Tax Expense (Benefit)	56.7	53.4	53.3	39.0	(2.1)		6.2
Net Operating Profit (Loss) After Tax and Minorities (NPAT)[1]	132.5	108.1	94.0	47.1	(27.9)		22.6
Cash Flow from Operations and Investing	107.0	84.9	142.5	143.9	170.1		26.0
Free Cash Flow	101.9	43.9	154.9	28.5	220.8		132.1
Total Assets	3,119.6	2,803.2	2,577.0	2,582.0	2,710.8	2,628.4	11.3
Funds Employed	2,102.0	1,842.4	1,755.2	1,794.2	1,878.6	2,019.7	14.1
Total Liabilities	1,662.9	1,429.8	1,292.0	1,359.4	1,594.6	1,465.9	16.3
Net Debt	645.3	469.0	470.2	571.6	762.4	857.2	37.6
Capital and Investment Expenditure	126.8	151.4	130.9	70.8	108.4	167.6	(16.2)
Inventories	836.7	704.6	591.0	574.1	540.3	608.0	18.7
Employees	7,395	7,272	7,054	6,989	7,379	7,271	1.7
Sales per Employee $'000	532.6	449.6	433.9	415.8	357.5	407.0	18.5
Net Tangible Asset Backing, $ per share	2.07	1.93	1.77	1.69	1.81	2.03	
EBITA Margin on Sales %	7.1	7.3	7.2	5.7	4.5	5.8	
EBITA Return on Funds Employed %	14.2	13.2	12.5	9.1	6.3	7.7	
Return on Equity %	10.5	9.1	8.3	4.7	2.6		
Gearing (net debt:net debt plus equity) %	30.7	25.5	26.8	31.9	40.6	42.4	
Gearing (net debt:net debt plus equity incl securitisation) %	30.7	32.8	34.3	38.7	46.1		
Interest Cover, times	4.9	5.1	4.5	2.7	1.6		
Earnings per Share (cents) – based on no. of shares at year end	23.5	19.5	17.2	8.7	5.1		20.5
Full-year Dividend per Share (cents)	13.5	12.0	11.0	6.5	6.0		
Underlying Market Growth %	1.1	3.5	11.8	4.9	(8.3)		
Cost Increases	226	71	68	57	37		
Cost Reductions	47	50	56	59	50		
Revenue Enhancements	309	28	51	20	15		
Raw Steel Tonnes Produced	1,349,397	1,618,855	1,624,399	1,576,650	1,438,770	1,835,822	(16.6)
Tonnes Dispatched	2,247,379	2,159,536	2,224,139	2,176,413	2,125,073	2,667,654	4.1
Export % of Tonnes Dispatched	4.1	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 2005 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 2004/05 Hematite Reserve represents an increase of 1.5 Mt after depletion of 3.6 Mt due to mining. This attributed to above budget recoveries and redesign of the Iron Duke/Magnet Pit accessing further hematite resources. The 2004/05 Iron Magnet Reserve represents an increase of 37.3 Mt due to further resource delineation and increase in resource confidence.

Whyalla (Middleback Range) Hematite Reserves								As at end June 2005			Compared with 2004				
		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	26.3	62.6	0.06	9.4	61.7	0.06	35.8	62.4	0.06	34.3	62.2	0.06	100	P. Carter

Whyalla (Middleback Range) Magnetite Reserves						As at end June 2005		Compared with 2004			
		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	42.4	42.6	67.6	41.0	110.0	41.6	72.7	42.7	100	Harry Warries

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 2004/05 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 2005								Compared with			
		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2005		Total Resources 2004		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	32.2	62.5	30.1	60.7	20.6	57.4	83.0	60.2	83.0	59.0	100	P. Leevers
Quantity excluded from Ore Reserves	Hematite, Goethite, Limonite, Minor Magnetite	4.7	60.1	15.3	59.3	18.4	57.4	38.4	58.1	33.8	56.5	100	P. Leevers

The Iron Magnet Deposit is adjacent to and below the Iron Duke and Iron Duchess Deposits. The 2004/05 Resource represents an increase of 31.2 Mt due to infill drilling during the 2004/05 period.

Whyalla (Middleback Range) Magnetite Resource		As at end June 2005								Compared with			
		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2005		Total Resources 2004		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	50	40.5	98	38.6	117	37.5	265	38.5	234	39.0	100	P. Leevers
Quantity excluded from Ore Reserves	Magnetite	4.3	37.8	22.6	38.4	105.0	38.1	132.7	38.4	161.3	38.4	100	P. Leevers

IRON BARON AND SOUTH MIDDLEBACK RANGE ORE BENEFICIATION STOCKPILES

These are resources currently held in historically built stockpiles that will be beneficiated to yield usable ore. Ore Beneficiation commenced 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 2005. The 2004/05 Resource represents an increase of 0.9 Mt due to the addition of further ore from mining of the Iron Duke, Iron Duchess and Iron Knight Hematite deposits.

OneSteel Ore Beneficiation Stockpiles				As at end June 2005									
		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2005		Total Resources 2004		OneSteel Interest	Competent Person
Category	Type	Tonnes (Mt dry)	Fe Grade (% uncalcinated)	Tonnes (millions)	Fe Grade (% uncalcinated)	Tonnes (Mt dry)	Fe Grade (% uncalcinated)	Tonnes (Mt dry)	Fe Grade (% uncalcinated)	Tonnes (Mt dry)	Grade (% uncalcinated)	%	
Total Quantity	Hematite, Goethite, Limonite, Minor Magnetite	5.1	53.6	3.1	52.1	13.0	52.0	21.7	53.5	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.

CRU
A London-based consulting group that provides business information and market analysis in the areas of non-ferrous metals, steel and ferro-alloys and wire and cable.

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 Steel Limited and OneSteel.

HEMATITE
An iron oxide with the chemical formula of Fe_2O_3.

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.

MAGNETITE
An iron oxide with the chemical formula of Fe_3O_4.

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.

TEX REPORT
A daily newspaper published in Japan that reports news on trade in steel products, coal and coke, iron ore, pig iron and ferrous scrap and ferro-alloys.

ABBREVIATIONS

ABS	Australian Bureau of Statistics
ABARE	Australian Bureau of Agriculture and Resource Economics
ASIC	Australian Securities & Investments Commission
ASX	Australian Stock Exchange
DEC	Department of Environment of Health and Safety
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 Authority
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

Geoffrey J Plummer
Appointed Deputy Managing Director 20 December 2004
Appointed Managing Director 2 May 2005

R Bryan Davis
Appointed 1 December 2004

Eileen J Doyle

Robert L Every
Retired 1 May 2005

Colin R Galbraith

David E Meiklejohn
Retired 28 February 2005

Peter G Nankervis
Appointed 1 December 2004

Dean A Pritchard

Neville J Roach

COMPANY SECRETARY

John M Krenich

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

OneSteel Limited
ACN 004 410 833
ABN 63 004 410 833

Level 23, 1 York Street
Sydney NSW 2000 Australia

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

Internet: www.onesteel.com

SHARE REGISTRY

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

Telephone: 1300 364 787 or +61 3 9415 4026
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 2005 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™	Gripple™	Star™
500PLUS™	Growire™	Star® Partner
Anchor-Fast™	HANDIMESH®	Star® Posts
BAMTEC™	HAUNCHMESH™	Stocklock®
DECKMESH™	IRONBARK™	Stocktite™
DuraGal™	Longlife™	STUDMESH™
Duramesh™	MarineMesh™	TEMPCORE™
Ezycommerce™	Metaland	Tempelec®
EzySteel™	Metalcard	Tenser Senser®
FIBRECRETE®	Metpol	Tensulator®
FIBRESTEEL®	MINEMESH™	TRUSSDEK™
FirePlus Pipe™	Northgard	TRUSSDEKII™
Flexabel®	ONEMESH500™	Tyeasy®
Galstar®	ONESLAB™	UltraPipe™
Galtube™ Plus	Permelec®	Victaulic™
George Ward	Permaseal™	Waratah™
Gripfast®	POOLSTEEL™	Wedgelock® Clamp
Gripfast™	ROMTECH®	Wizard® Wire Strainers
		Zalcote®

FINANCIAL CALENDAR

(subject to change)

Date	Event
16 August 2005	Annual results and final dividend announced
12 September 2005	Ex-dividend share trading commenced
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
31 December 2005	Financial half-year ends
21 February 2006	Half-year results and interim dividend announced
13 March 2006	Ex-dividend share trading commences
17 March 2006	Record date for interim dividend
20 April 2006	Interim dividend paid
30 June 2006	Financial year ends
22 August 2006	Annual results and final dividend announced
11 September 2006	Ex-dividend share trading commences
15 September 2006	Record date for final dividend
19 October 2006	Final dividend paid
19 October 2006	Annual Review mailed to shareholders
20 November 2006	Annual general meeting for 2006

NOTICE OF ANNUAL GENERAL MEETING

The 2005 Annual General Meeting of OneSteel Limited will be held at 2.30 pm, Monday 21 November 2005 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

ONESTEEL LIMITED
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