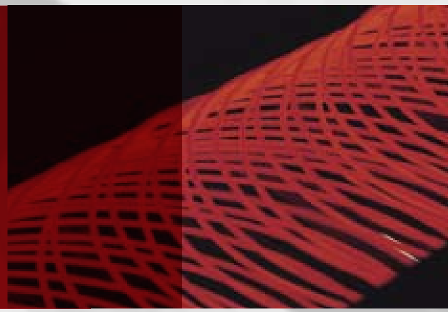
ONESTEEL LIMITED ANNUAL REVIEW **2007**

ONE STEP AHEAD

onesteel



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

The 2006/07 financial year represented a watershed period in the development of OneSteel. The sixth record profit result was complemented by substantial progress on OneSteel's two major growth initiatives that further transform OneSteel into a stronger and more sustainable business. Entering the 2007/08 financial year, OneSteel will be a much larger and more diversified company with a number of unique characteristics that will help the business to harness further growth opportunities and better equip the business for future competitive challenges.

CONTENTS

WHAT'S NEW IN THIS REVIEW

New What We Do – revised to reflect the merger with Smorgon Steel on 20 August 2007 **Inside Front Cover**

Sustainability Report **Pages 24–27**

Cover: The sequence of images on the front and back covers is a photographic representation of how OneSteel's manufacturing facilities and product offering will be broadened and complemented by the merger with Smorgon Steel. Among the additions that the merger brings are railway wheels and LiteSteel™ beam, as well as a recycling business.

HIGHLIGHTS

> **Sixth consecutive year of improving net profit after tax**

> **Dividend of 18.5 cents per share, up from 17.0 cents**

> **Continued gains in OneSteel share price**

> **Sixth consecutive year of double-digit earnings per share growth**

> **Strong operating cash flow allowed gearing to remain in lower end of target range after total investments to 30 June 2007 of $379 million in Project Magnet**

OUR MISSION

OneSteel's current mission is to deliver superior and sustainable returns through leading market positions in the construction, resources and industrial markets, predominantly in Australasia, through our people, and through our manufacturing and distribution capabilities.

WHAT WE DO

OneSteel is a uniquely integrated portfolio of complementary businesses. OneSteel's capabilities include:

- Manufacturing and value-add steel products
- Strong distribution network
- Niche market positions
- Recycling
- Mining and external iron ore sales.

OneSteel will continue to focus on delivering in four key areas:

- Improving returns from existing businesses
- Achieving strong cash generation
- Growing and diversifying earnings
- Building organisational capability, particularly in relation to Supply Chain, Operational Excellence and Customer and Market Insight.

The merger of OneSteel and Smorgon Steel will provide a platform to build on these strategies and areas of focus to deliver greater value to our customers, people and shareholders.

ONE STEP AHEAD

The title of this year's Annual Review is "One Step Ahead". With the Smorgon Steel merger complete and as we move towards the final stages of Project Magnet, OneSteel is becoming a much larger organisation with a broader source of earnings that provides a sustainable platform for the future.

As a company, it is a further step in the evolution of the business towards a long-term, value-creating enterprise. The 2006/07 financial year represented another year of record earnings and operational outcomes. The challenge ahead is to continue to build on our capabilities to further unlock value within the business and to grow during a period of robust demand.

Meeting this challenge requires us to achieve our objectives as set out in our strategic framework, to build on the opportunities that our new business platform provides and to focus on our key values of safety and customer to stay one step ahead.

BEST TOTAL SHAREHOLDER RETURNS ON THE AUSTRALIAN STOCK EXCHANGE OVER FIVE YEARS

Rank	Company	Industry	5yr TSR (% pa)	1yr TSR (%)	Market cap (A$ billion)*
1	Paladin Resources	Resources	229.3	350.6	4,458
2	Caltex Australia	Telco/Utilities	76.9	21.6	6,210
3	Oxiana	Resources	71.3	84.9	4,390
4	Allco Finance Group	Diversified Financials	51.7	63.8	4,275
5	Macquarie Goodman Group	Real Estate/Infrastructure	49.4	68.6	12,614
6	United Group	Industrials/Materials	46.1	25.0	1,930
7	Newcrest Mining	Resources	45.5	8.7	8,805
8	**OneSteel**	**Resources**	**39.8**	**45.7**	**2,684**
9	Sims Group	Industrials/Materials	35.7	22.2	2,536
10	QBE Insurance Group	Insurance	35.1	52.0	23,616
11	Alinta	Telco/Utilities	35.1	12.1	5,833
12	Australian Securities Exchange	Diversified Financials	33.6	23.7	6,515
13	Orica	Industrials/Materials	32.8	22.8	7,550
14	Metcash	Retail	32.0	7.0	3,596
15	Centro Property Group	Real Estate/Infrastructure	29.2	51.0	7,458

Sources: Thomson Financial Datastream; Boston Consulting Group analysis as published in The Boston Consulting Group's "The 2006 Value Creators Report – Australian Supplement" May 2007

*Market capitalisation as at December 2006

Some key facts about the steel industry

The United Nations estimates that the world population had reached 6.5 billion by 2005, more than two and a half times the population in 1950. The world's population is expected to grow by another 2 billion people over the next 25 years, 80% of which is in developing countries. This means there will be a need for 40% more housing and associated basic infrastructure services than currently exists.

This level of demand will require economical and efficient construction that minimises energy, materials and waste. Steel, the world's most recycled product, will have a major role to play in meeting this challenge and providing the desired quality of life for generations to come.

On the following pages we have provided some facts about steel to illustrate the value of steel in the modern day environment. Steel as a material is sometimes symbolised as part of the problem rather than being part of the solution. Yet steel's versatility, strength and recyclability make it a product for a sustainable future.

Iron Ore – an abundant material in the earth's crust

Steel is made from iron, which is the fourth most abundant material in the earth's crust. In the process of converting iron to steel, process gases are used for energy while slag, a by-product, can be used for road base.

Source: "Steel and You", International Iron and Steel Institute

FINANCIAL HIGHLIGHTS

HIGHLIGHTS

Financial

- **Sales revenue increased 7.4% to $4,300.6 million**
- **Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 9.9% to $436.1 million**
- **Earnings before interest and tax (EBIT) increased 12.3% to $339.9 million**
- **Net operating profit after tax and minorities (NOPAT) increased 15.1% to $197.5 million**
- **Net profit after tax and minorities of $207.0 million after including tax benefit**
- **Earnings per share (EPS) up 13.8% to 34.5 cents**
- **Operating cash flow up 10.3% to $276.5 million**
- **Operating sales margin based on EBIT improved to 7.9% from 7.6%**
- **Operating return on funds employed (ROFE) based on EBIT rose to 14.6% from 14.4%**
- **Operating return on equity (ROE) rose to 13.3% from 12.9%**
- **Net debt to net debt plus equity gearing ratio, inclusive of derivatives, up to 33.5% from 31.4%**
- **Net debt, including derivatives, increased 20.8% to $831.1 million**
- **Fully franked final dividend of 10.5 cents, taking total dividends for the year to 18.5 cents**

Market

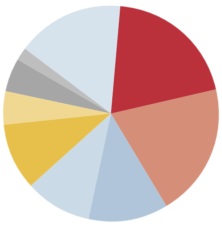
- **Activity in the segments that impact OneSteel revenues rose approximately 2%**
- **The construction sector that accounted for 52% of OneSteel's revenue grew 4.9%, with engineering construction (20% of revenue) up 5.0%, non-residential construction (20% of revenue) expanding 6.5%, and residential construction (12% of revenue) up 2.1%**
- **Mining production, which accounted for 10% of revenue, expanded 3.3%**
- **The segment of Other Manufacturing, that accounted for 10% of revenue, fell 3.6%**
- **Auto manufacturing, which accounted for 5% of revenues, was flat**
- **Agriculture, the segment that accounted for 5% of OneSteel's revenue, was down 17.6% reflecting the ongoing drought**

Operational

- **Total Australian steel tonnes despatched increased 0.1% to 2,278,322 tonnes**
- **Domestic tonnes despatched increased 7.8% to 2,200,545 tonnes**
- **Export tonnes despatched fell 156,392 tonnes to 77,777 tonnes, representing 3.4% of total steel despatches**
- **After adjusting for one-off projects, domestic tonnes increased 5.6% to 2,097,689 tonnes**
- **Underlying price per tonne for domestic steel sales increased 2.6%**
- **Cost reductions of $40 million and revenue enhancements of $150 million together offset inflationary and raw material cost increases of $159 million.**
- **Staff numbers were steady at 7,526***
- **Sales per staff member up 7.3% to $571,000***
- **The Lost Time Injury Frequency Rate (per million man hours worked) improved by 44% to 0.9**
- **The Medical Treatment Injury Frequency Rate (per million man hours worked) improved by 31% to 8.1**

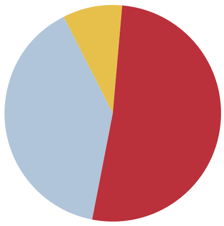
* The staff numbers and sales per staff outcome on pages 2 and 3 do not include staff numbers or sales of the Australian Tube Mills joint venture that was formed in March 2007

Revenue By Source



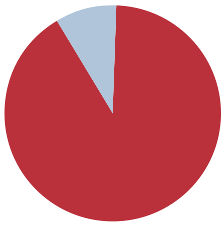
- Engineering Construction 20%
- Non-Residential Construction 20%
- Residential Construction 12%
- Other Manufacturing 10%
- Mining 10%
- Automotive 5%
- Agriculture 5%
- Export Steel 2%
- Non-steel 16%

Revenue By Segment $m



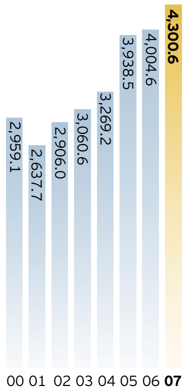
- Manufacturing $2,414.0
- Australian Distribution $1,828.7
- International Distribution $405.2
- Unallocated/Eliminations ($313.4)

Revenue By Markets $m

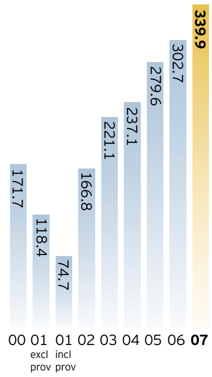


- Australia $3,976.3
- International $405.2
- Unallocated/Eliminations ($47.0)

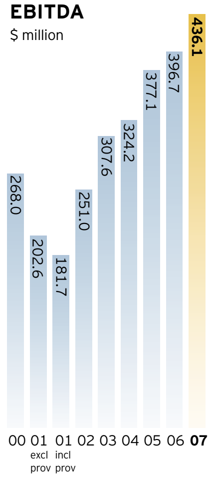
Sales Revenue
$ million



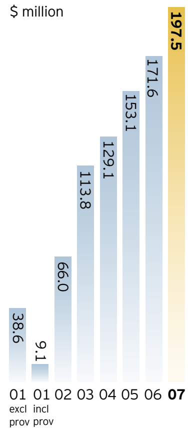
EBIT
$ million



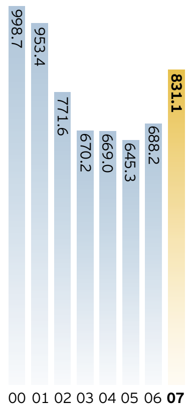
EBITDA
$ million



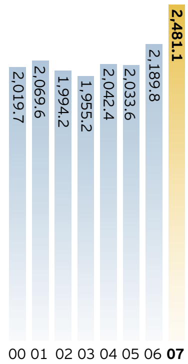
Net Operating Profit after Tax
$ million



Net Debt
$ million



Funds Employed
$ million



The financial information presented for the years 2000 to 2004 on pages 2 to 33 and on page 62 of the 2007 Annual Review is based on information prepared under previous AGAAP and has been adjusted to exclude goodwill amortisation from earnings. Securitisation is included in the debt and funds employed figures. The 2005 figures presented have been restated under Australian equivalents to International Financial Reporting Standards (AIFRS). One-off benefits relating to the reversal of impairment loss on transition to AIFRS in 2005 or arising from tax consolidation in 2004 and 2006 have been excluded from the financial information to enable like-for-like direct comparison between the periods presented.

In 2006 and 2007 net debt includes the cross-currency interest rate swaps that were previously classified as interest-bearing liabilities up until 2005 and interest rate swaps that were not recognised on-balance sheet. This has been done to enable comparison with prior period figures.

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

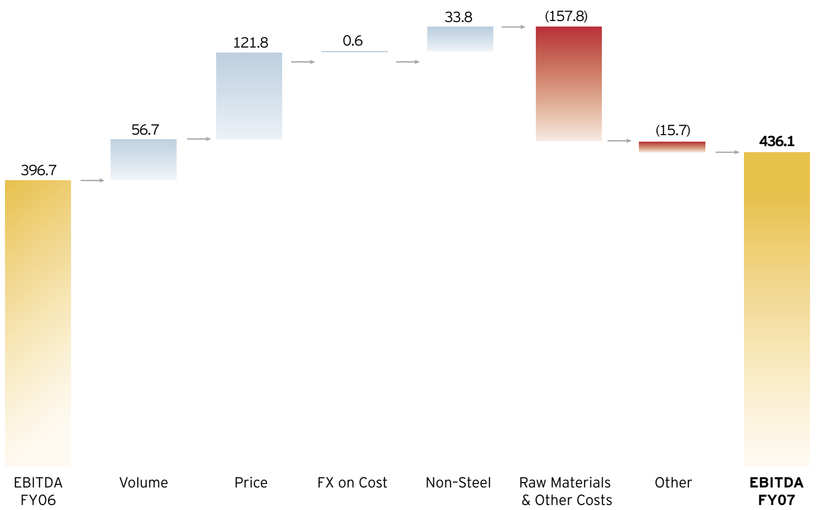
KEY FINANCIALS

12 Months Ending 30 June A$ millions	2007	2006	% Change 07/06
Sales	4,300.6	4,004.6	7.4
Other Revenue	33.9	39.0	(13.1)
Total Revenue	4,334.5	4,043.6	7.2
Operating Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	436.1	396.7	9.9
Operating Earnings Before Interest and Tax (EBIT)	339.9	302.7	12.3
Finance Costs	(55.8)	(56.7)	(1.6)
Operating Profit Before Tax	284.1	246.0	15.5
Tax Expense	(74.7)	(60.8)	22.9
Net Operating Profit After Tax and Minorities (NOPAT)	197.5	171.6	15.1
Net Profit After Tax and Minorities**	207.0	187.5	10.4
Operating Cash Flow	276.5	250.8	10.3
Free Cash Flow	(81.4)	36.4	(323.6)
Total Assets	3,569.5	3,138.8	13.7
Funds Employed	2,481.1	2,189.8	13.3
Total Liabilities	1,919.5	1,637.2	17.2
Net Debt including Derivatives	831.1	688.2	20.8
Capital and Investment Expenditure	360.5	227.6	58.4
Inventories	836.3	758.9	10.2
Employees	7,526	7,527	(0.0)
Sales per Employee $'000	571	532	7.3
Net Tangible Asset Backing, $ per share	2.40	2.16	
Operating EBIT Margin to Sales %	7.9	7.6	
Operating EBIT Return on Funds Employed %	14.6	14.4	
Operating Return on Equity %	13.3	12.9	
Gearing (net debt/net debt + equity) including derivatives %	33.5	31.4	
Interest Cover, times	6.1	5.3	
Operating Earnings per Share (cents) - based on no. of shares at year end	34.5	30.3	13.8
Full-year Dividend per Share (cents)	18.5	17.0	8.8
Underlying Market Growth %	2.0	5.5	
Cost Increases	159	267	
Cost Reductions	40	39	
Revenue Enhancements	150	236	
Raw Steel Tonnes Produced	1,733,406	1,633,696	6.1
Tonnes Despatched***	2,278,322	2,275,780	0.1
Export % of Tonnes Despatched	3.4	10.3	

FIGURE ONE

2006/07 EBITDA versus 2005/06 EBITDA

$ millions



**June 2006 Net Profit After Tax and Minorities includes the one-off tax benefit of $15.9 million arising from finalisation of tax consolidation values.

**June 2007 Net Profit After Tax and Minorities includes the one-off tax benefit of $9.5 million as a result of derecognition of deferred tax liabilities on disposal of shares to a jointly controlled entity.

*** The June 2007 despatch tonnes presented on pages 2 and 3 have been normalised to include the results from the business that OneSteel contributed to the Australian Tube Mills joint venture as if the business had remained part of the Distribution segment for the full year.

CALENDAR OF SIGNIFICANT EVENTS

JULY 2006
- OneSteel 2006 Safety Excellence Awards

AUGUST 2006
- Steel & Tube NZ announces full-year financial results
- OneSteel announces net operating profit after tax and minorities of $171.6 million for 2005/06

OCTOBER 2006
- Final dividend of 10 cents fully franked paid on 19 October
- OneSteel's sixth anniversary as a publicly listed company

NOVEMBER 2006
- OneSteel holds its sixth Annual General Meeting in Sydney

DECEMBER 2006
- OneSteel announces initiatives designed to bring forward the merger with Smorgon Steel and to deliver the benefits to shareholders
- Contract for OneSteel's expanded mining operations awarded to Leighton Contractors' Mining Division

JANUARY 2007
- Whyalla operations impacted by floods

FEBRUARY 2007
- OneSteel and Steel & Tube NZ announce interim results for six months ended 31 December 2006

MARCH 2007
- Australian Tube Mills pipe and tube joint venture with Smorgon Steel implemented
- OneSteel and Smorgon Steel reach agreement in principle with BlueScope Steel that resulted in reverting to a merger by way of scheme of agreement

APRIL 2007
- Interim dividend of 8.0 cents fully franked paid on 19 April
- 10-year export sales agreement for over six million tonnes of iron ore signed with China's Rizhao Steel

MAY 2007
- 10-year export sales agreement for over five million tonnes of iron ore signed with China's Hebei Jinxi Iron & Steel Co. Ltd.
- 10-year export sales agreement signed to supply over six million tonnes of iron ore to China's Shanxi Haixin Iron & Steel Group Co. Ltd

JUNE 2007
- ACCC announces it does not intend to oppose OneSteel/Smorgon Steel/BlueScope Steel transactions

JULY 2007
- OneSteel 2007 Safety Excellence Awards

AUGUST 2007
- Announcement of new management team to come into effect on completion of OneSteel and Smorgon Steel merger
- Steel & Tube NZ announces full-year financial results
- Australian Tube Mills, which became a wholly owned subsidiary of OneSteel on completion of the OneSteel and Smorgon Steel merger on 20 August, announced a restructure of its pipe and tube operations
- Completion of OneSteel and Smorgon Steel merger
- OneSteel announces it is to acquire Fagersta Group, Australia's fourth-largest stainless steel distributor
- OneSteel announces changes to the executive service agreement of Managing Director and Chief Executive Officer Geoff Plummer whereby the agreement will not terminate at the end of the initial five year period that arises on 2 May 2010 but instead will continue on an ongoing basis
- OneSteel announces net operating profit after tax and minorities of $197.5 million for 2006/07

CHAIRMAN'S REVIEW

Welcome to OneSteel's Annual Review, our seventh since listing in October 2000.
I have pleasure in reporting that OneSteel posted its **sixth consecutive annual profit improvement** in 2006/07 with most key financial ratios continuing to improve. The business also performed well operationally, with record steel tonnes produced, a 30% improvement in safety performance and iron ore shipments that exceeded the planned ramp-up in ore sales. Management again achieved cost reductions and price increases to offset inflationary costs and higher costs for raw material inputs. The company also continues to be a strong cash generator, enabling gearing to remain at the lower end of OneSteel's target range after total investments of approximately $379 million on Project Magnet as at 30 June 2007.

Project Magnet, the commercialisation of OneSteel's magnetite ore reserves for producing steel and the sale of surplus hematite ore reserves, achieved major milestones. The hematite export facilities have been successfully commissioned, with six shipments of iron ore in Cape-size vessels made from Whyalla in 2006/07. Three long-term export ore sales agreements have been signed with Chinese steelmakers. The agreements cover over 17 million tonnes of the 30 million tonnes of ore available for export over 10 years.

The remaining focus is now on final commissioning, transition and ramp-up phases as the Whyalla Steelworks progresses the transition from hematite ore feed to magnetite feed through the first half of the 2007/08 financial year.

Project Magnet will provide growth through the export of hematite iron ore, pellets and increased steel production and by lowering the cost of steelmaking at Whyalla Steelworks. As well as being a new source of revenue and profit, Project Magnet has significant environmental benefits.

The other major growth initiative that the company is working on is the **integration of OneSteel and Smorgon Steel**. This follows completion of the merger on 20 August 2007. I am pleased to announce that Mr Graham Smorgon and Mr Laurie Cox have now joined the OneSteel Board.
The company is now focused on the effective integration of the two businesses and on delivering the expected level of benefits and synergies.

To recap the strategic rationale for the merger:

Corporate benefits – a stronger and more financially flexible company with enhanced growth opportunities

Customer and market benefits – increased ability to service customers with new product and service offerings and a greater diversity and scope of operations

Competitive benefits – a more competitive business with lower costs, improved raw material integration and opportunities with diversified revenue streams.

The Year in Review
International pricing for steel and key inputs continued to be volatile while domestic market conditions were mixed in 2006/07. There was solid demand in the resources and infrastructure segments but weakness in manufacturing, automotive and rural segments.

Sales revenue for the twelve months to June 2007 grew 7.4% to $4,300.6 million from $4,004.6 million in the prior corresponding period. The increase reflects price increases to recover higher costs, a more favourable product mix and higher volumes and prices for iron ore exports.

Total Australian tonnes despatched increased by 0.1%, while underlying domestic tonnes despatched increased by 5.6% after adjusting for large one-off projects. Exports of steel during the period fell 156,392 tonnes, to 77,777 tonnes, representing 3.4% of steel tonnes despatched compared with 10.3% a year prior. Total raw steel tonnes produced increased 6.1%, or 99,710 tonnes, from the previous corresponding period. Total raw steel production was a record 1,733,406 tonnes.

Operating earnings before interest, tax, depreciation and amortisation (EBITDA), increased by 9.9% for the twelve months to $436.1 million.

The **sales margin**, based on operating earnings before interest and tax (EBIT), was 7.9%, compared with 7.6% in the prior corresponding period.

On a **profit before tax** basis, profit increased by 15.5% from $246.0 million to $284.1 million.

Operating net profit after tax and minorities increased by 15.1% to $197.5 million for the 12 months, which is equivalent to 34.5 cents per share, 13.8% higher than the prior year. A tax benefit of $9.5 million was booked on derecognition of deferred tax liabilities associated with the formation of the Australian Tube Mills joint venture between OneSteel and Smorgon Steel. **Statutory net profit after tax and minorities** including this benefit was $207.0 million.

Excluding the $9.5 million tax benefit, the **effective tax rate** was 26.3%, which was largely attributable to the impact of claimable research and development expenditure for the current year and higher than expected claimable expenditure for the prior year.

Staffing levels of 7,526 at 30 June 2007 were steady compared with 7,527 at the end of June 2006.

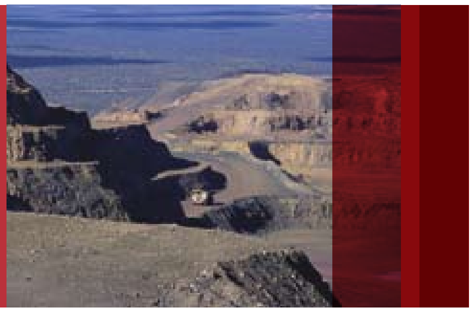
Operating cash flow for the period was $276.5 million, up 10.3% from $250.8 million in the previous corresponding period.

Capital and investment expenditure increased by 58.4% to $360.5 million. Approximately $189 million of the expenditure related to Project Magnet. Project Magnet capital construction work was substantially completed in the 2006/07 financial year, with approximately $379 million spent as at 30 June 2007. The total cost of the project was previously forecast at $390 million, with the current estimate at $395 million.

Floods at Whyalla in January had an impact on EBITDA of around $17 million, compared with initial estimates of $15 million to $30 million. This impact includes the cost of clean up, production disruptions, restoring rail operations, rescheduling steel product deliveries and deferral of iron ore shipments from the 2006/07 financial year.

With around $379 million of the Project Magnet spend complete, **financial gearing** remained at the lower end of the targeted range of 30% to 40%. Financial gearing rose from 31.4% to 33.5% and **net debt** including derivatives rose 20.8% to $831.1 million. Net debt excluding derivatives rose 20.5% to $769.8 million. **Interest Cover** was 6.1 times compared with 5.3 times cover in the prior corresponding period.

In addition to further improvement in most key financial ratios, the business performed well operationally with record steel production, a 30% improvement in safety performance and iron ore shipments that exceeded the planned ramp-up in ore sales.



Funds employed rose by 13.3% or $291.3 million to $2,481.1 million, again reflecting the investment in Project Magnet. The EBIT **return on funds employed** rose to 14.6% from 14.4%.

Inventories increased by 10.2% to $836.3 million when compared with the previous financial year. The increase reflects higher average prices for purchased raw materials and resold materials. Pellet inventories, and those of magnetite and hematite iron ore, were also built in preparation for the Whyalla Steelworks' cutover to magnetite in the first half of the 2007/08 financial year.

It gives me great pleasure to report that the OneSteel Board of Directors declared an increased **Final Dividend** of 10.5 cents per share fully franked, bringing the total dividends declared for the year to 18.5 cents. This is up 8.8% from a 17.0 cent fully franked dividend paid for the 12 months to June 2006 and represents a payout ratio of 69.6%. The increased dividend and payout ratio are being paid to OneSteel's expanded share base following the issue of shares on completion of the merger with Smorgon Steel on 20 August 2007. The record date for the dividend was 14 September 2007, with the dividend due to be paid on 18 October 2007.

The **Dividend Reinvestment Plan** 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. No discount applies to the DRP. The DRP will operate for the final dividend.

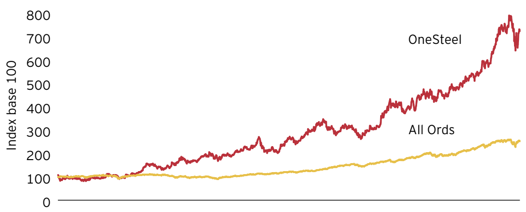
Focus for the Next Financial Year
Management's priorities remain to further improve returns from current businesses, to complete Project Magnet, and to effectively integrate the acquired businesses of Smorgon Steel and to deliver the expected level of benefits and synergies.

Outlook
To date, trading conditions in the 2007/08 financial year are broadly in line with our expectations. The mining and non-residential and engineering construction segments continue to be solid. There is continued weakness in residential construction activity. The manufacturing and automotive component segments remain soft, as are drought-affected rural segments. Factors such as the higher exchange rate and imports are increasing competitive pressures in certain product lines. International prices for steel and key inputs such as hot rolled coil are expected to remain volatile while the medium-term outlook for iron ore prices continues to be positive. The underlying market for recycled products is expected to remain robust however a range of factors continues to drive volatility.

I thank our shareholders for their support over the past year and I would like to thank my non-executive Board colleagues, Geoff Plummer and his management team and our employees for their contribution to this year's profit improvement. I also welcome our new shareholders who have come on board as a result of the merger with Smorgon Steel, as well as those employees who have joined us from Smorgon Steel to lift OneSteel's employee numbers to over 10,000 in the 2007/08 financial year.

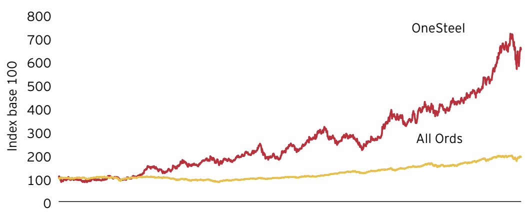
Peter Smedley
CHAIRMAN

FIGURE TWO
Total Shareholder Return
23 October 2000 to 10 September 2007



Source: Bloomberg

FIGURE THREE
OneSteel Share Price
Indexed, 23 October 2000 to 10 September 2007



Source: Bloomberg

Steel is versatile and evolving

Steel is an extremely versatile material that comes in thousands of variations that are designed to meet specific needs of people around the world. Steel engineering, design and specifications are always evolving with many current products developed over the last ten years. Over 75% of the steel we use today did not exist twenty years ago.

Source: "The Measure of Our Sustainability" "The Foundation for a Sustainable Future", International Iron and Steel Institute.

MANAGING DIRECTOR'S REVIEW

The 2006/07 financial year represents a watershed period in the development of OneSteel. The sixth record profit result was complemented by substantial progress on both of OneSteel's major growth initiatives – Project Magnet and the Smorgon Steel merger.

These two initiatives further transform OneSteel into a stronger and more sustainable business. Entering the 2007/08 financial year, OneSteel will be a much larger, more diversified company with a number of unique characteristics that will help the business to harness further growth opportunities and better equip the business for future competitive challenges.

From a management perspective, the continued improvement in OneSteel's results was pleasing against a backdrop of tougher competition from imports, aided by a rising Australian dollar, and delays in some large contracts as the Australian economy hit capacity constraints.

Underlying market conditions continued to remain generally favourable during the year and we continued to build on the company's capabilities in the key strategic initiative areas of customer and market insight, supply chain transformation and operational excellence.

The New OneSteel

From the 2007/08 financial year OneSteel will be a fundamentally different company. OneSteel is one of only a handful of steel companies in the world that has its own iron ore resources from which to manufacture its steel.

With the addition of a recycling business, this will also include integration in scrap steel for our three electric arc furnaces. The recycling business has an international footprint and its activities include non-ferrous as well as ferrous metals recycling.

OneSteel's product and service offering to customers will be broadened with the addition of rail wheels and bogey axles to OneSteel's rails and steel sleepers. In the area of mining, grinding media will be added to products such as mining rope, pipes, valves and fittings and strata control systems. In the construction segment we will have the ability to add LiteSteel™ beam to our offering of large structural beams, reinforcing steels and structural pipe and tube.

Very few steel companies in the world have the range of product, services and capabilities that OneSteel can now offer its customers, relatively high levels of self-sufficiency in key steelmaking inputs, and both integrated steelmaking and scrap-based electric arc furnace steel production. In combination these factors make OneSteel truly unique in the world of steel.

Creating Value from the New OneSteel

OneSteel and Smorgon Steel Merger

The task of combining the two businesses will be a major focus of management over the next 12 months. A number of integration teams have been established to conduct detailed analysis of the combined business and develop plans to achieve business improvements and to successfully harness the wider product and service offering to customers.

The target is to achieve net EBITDA synergies of $70 million per annum from the merger by the end of the 2009/10 financial year. The cost of attaining the synergies is estimated at approximately $35 million in each of the 2007/08 and 2008/09 financial years.

The objectives of the integration plans are to:

- Identify areas of overlap and reconfigure operations to lower the cost base
- Maximise the benefits of the combined supply chains of the businesses to provide more effective capital management
- Improve customer delivery, service and safety outcomes during the restructuring process
- Capitalise on the broader product and service offering
- Harness the more diverse and international footprint of the business to progress opportunities for growth.

Management is also cognisant of the need to remain focused on the day-to-day operations of the business to ensure the integration process is undertaken with minimal impact to OneSteel's operational outcomes.

During August the first major reconfiguration of operations was announced with the restructure of the Australian Tube Mills structural pipe and tube manufacturing operations. The restructure will involve the transfer of a majority of production from Newcastle in New South Wales to Acacia Ridge in Queensland and Somerton in Victoria. It will reduce the number of mills operating in Newcastle from three to one. The change is expected to provide net synergy savings of between $10 million to $20 million.

Project Magnet

The project has two main streams – the first being the conversion from hematite iron ore based steel production to magnetite based steel production and secondly the sale of hematite iron ore at the rate of four million tonnes per annum for 10 years. Capital construction work for the project was effectively completed during the 2006/07 financial year. All major equipment for the transition to magnetite feed for use in our own blast furnace is in place and undergoing commissioning. This stream is planned to be complete within the first half of the 2007/08 financial year.

The second stream, the sales of hematite ore at a rate of four million tonnes per annum, met all its major milestones during the year with six shipments of ore on Cape-sized ships achieved in the second half. During the year 1.8 million tonnes of ore was exported against the target of 1.5 million tonnes.

Very few steel companies in the world have the range of product, services and capabilities that OneSteel can now offer its customers.

This project adds significant value to OneSteel and when complete will bring to a close five years of planning and significant capital programs.

Building Organisational Capability
Over the last two years there has been a focus on building organisational capability around customer and market insight, supply chain transformation and operational excellence. There are a number of programs across the business aimed at identifying new market and customer opportunities, driving efficiencies in freight and product movement and the introduction of concepts such as SIX SIGMA tools and LEAN manufacturing.

The objectives underlying these programs are to enhance OneSteel's capability to deliver products and services to customers and to identify markets and opportunities where OneSteel can improve value propositions to better fulfill customer requirements and needs.

The Market Environment
The domestic market drivers of OneSteel's business continue to be mixed with non-residential and engineering construction sector strength contrasting with softness in the residential market and weakness in the manufacturing and automotive sectors. The rural sector outlook continues to be impacted by the drought.

Growth in China's industrial sector is still driving the international steel market with demand for raw material inputs continuing to be strong. This provides a positive outlook for iron ore pricing which will feed into OneSteel's iron ore sales. However, international prices for other inputs such as coking coal, hot rolled coil and scrap steel are expected to remain volatile.

The strength in the Australian dollar will continue to lead to increased pressure from imports of steel products into Australia. This is why it is essential that OneSteel continues to reduce its cost base. The merger integration process will accelerate this process.

Challenges for the 2007/08 Financial Year
One main challenge ahead of us for the 2007/08 financial year is to successfully complete the conversion to magnetite steelmaking and sell four million tonnes of iron ore in line with our plans for Project Magnet.

The other key challenge is to ensure we capture the synergies and other benefits available to the business from the Smorgon Steel merger. This will need to be achieved while ensuring we continue to deliver results from the rest of the business as the integration and synergy process is implemented.

I would like to thank all OneSteel employees for the contribution they have made during what was a tough year. I would also like to thank our customers for their support and our shareholders for their patience during a prolonged transaction process. Additionally, I extend my thanks to the OneSteel Board for its support during the period.

I would also like to welcome our new shareholders and employees who have joined OneSteel as a result of the merger with Smorgon Steel.

I look forward to meeting the challenges ahead of us as a larger, more diverse and stronger company.

In the 2006/07 financial year we have made good progress on Project Magnet, successfully completed the Smorgon Steel merger and delivered improved financial, safety and operational performance. This establishes the base for further improvement on which management will continue to focus.

Geoff Plummer
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

More steel is recycled than all other recyclable material combined

More steel is recycled than all other recyclable material combined, including aluminium, glass and paper. Steel is easily separated from other materials by using magnets.

Source: "Steel and You", International Iron and Steel Institute

STRATEGIC FRAMEWORK SCORECARD

Improve returns from existing businesses

- Net operating profit after tax improved 15.1% to $197.5 million
- Sales margin improved to 7.9% from 7.6%
- Return on funds employed improved to 14.6% from 14.4%
- Return on equity increased to 13.3% from 12.9%
- Earnings per share improved to 34.5 cents from 30.3 cents, up 13.8%
- Dividend per share increased to 18.5 cents from 17.0 cents.

During the year management initiatives delivered approximately $40 million in cost reductions and revenue enhancements of $150 million which offset inflationary and raw material input costs that lifted total cost increases to $159 million. Building on management's track record of managing margins, OneSteel improved the underlying sales margin to 7.9%.

Most key financial ratios improved in 2006/07, with higher returns from Project Magnet due in the 2007/08 financial year.

Achieve strong cash generation

- Operating cash flow of $276.5 million, up 10.3% for the year
- Excluding Project Magnet capital expenditure, free cash flow was $157.4 million
- As a result of strong cash flow, financial gearing on a net debt to net debt plus equity basis, including derivatives, remained in the lower end of the targeted range at 33.5%.

OneSteel's underlying cash generation continued to support the significant funding of OneSteel's growth initiative Project Magnet while keeping OneSteel's overall gearing level at the lower end of the targeted range. After total investments of $379 million in Project Magnet as at 30 June 2007, OneSteel's gearing on a net debt to net debt plus equity basis is 33.5%, at the lower end of the targeted range of 30% to 40%.

The strong cash generation can be attributed to a solid profit performance combined with good working capital management, and is despite the $159 million of raw material and inflationary costs that the business faced over the year and a 10.2% increase in inventories to $836.3 million. The increase in inventories reflects higher average prices for purchased raw materials and resold materials. Pellet inventories and stocks of magnetite and hematite iron ore were also built in preparation for the Whyalla Steelwork's cutover to magnetite in the first half of the 2007/08 financial year.

Growing and diversifying earnings

- During the year, approximately $189 million was invested in Project Magnet, an initiative which represents the commercialisation of OneSteel's magnetite ore reserves. Total expenditure for this project is currently estimated to be $395 million. Exports of iron ore are on track to achieve the planned three million tonnes in the 2007/08 financial year. The increased iron and steel production associated with the project, as well as the value-in-use benefits of using magnetite ore at the Whyalla Steelworks, will also be ramped up during 2007/08
- The merger between OneSteel and Smorgon Steel was completed on 20 August 2007.

Both Project Magnet and the Smorgon Steel transaction represent growth initiatives that will significantly add to, and diversify, OneSteel's revenue and earnings streams. Project Magnet provides the sale of an additional three million tonnes of iron ore per annum for ten years, and approximately 100,000 tonnes of additional steel per annum for the life of the project, until at least 2027. These sales will provide a significant addition to revenue, earnings and cash, while diversifying OneSteel's income stream.

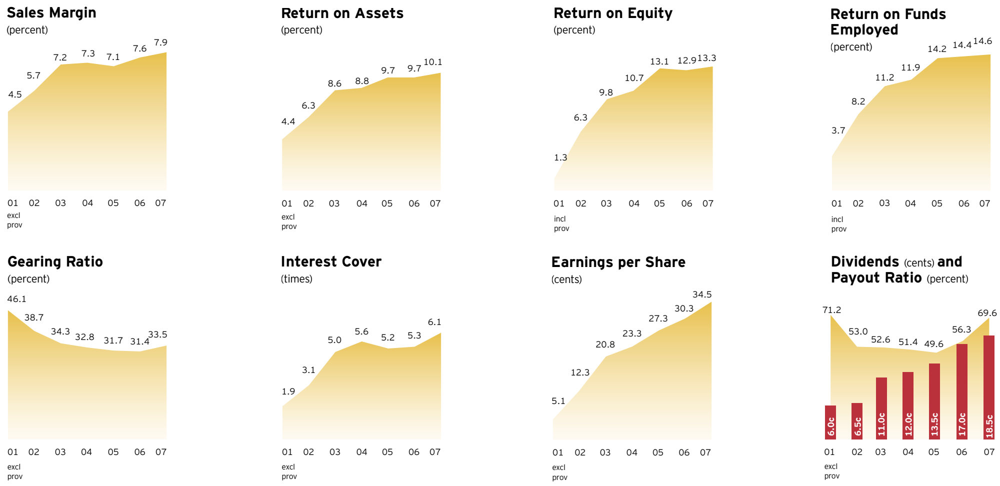
The merger with Smorgon Steel provides further security around raw material supply through the addition of a scrap recycling business. It also provides the opportunity to reduce costs by reconfiguring production facilities, adds complementary products and services and extends the geographical footprint of OneSteel's existing operations.

Building organisational capability

- Three main areas form the basis of building organisational capability:
- Customer and Market Insight
- Supply Chain Transformation
- Operational Excellence.
- During the year a variety of strategies were undertaken to build capabilities in these three areas including:
- Project work
- Development of internal specialists
- Process development.
- A more effective "approach to market" is being developed for the Australian Distribution business, along with the associated business design and processes to deliver it.
- Initiatives in these areas were apparent in a number of outcomes of the 2006/07 financial year:
- Overall efficiencies in Australian Distribution were improved through continuous improvement and supply chain initiatives. This was particularly noticeable in Pipe & Tube's improved working capital results and in Piping Systems where a focus on working capital management via supply chain initiatives resulted in substantial generation of cash
- A SIX SIGMA improvement program was rolled out in Pipe & Tube to improve manufacturing performance. Manning and overtime have been reduced through leveraging productivity improvements
- The Piping Systems division further refined its Building Services, Value, Resources and Process Pipe market plans. Throughout the year an extensive reorganisation of the division's stock range and depth by location was undertaken to support the market plans and working capital initiatives
- In Manufacturing, costs and performance continue to be a focus through the Operational Excellence strategic initiative. SIX SIGMA tools and waste reduction programs are being used to reduce losses and minimise variation. Maintenance reliability practices are also a focus to reduce delays and improve plant availability. There was record steel production at both the Whyalla Steelworks and Sydney Steel Mill in the year.

A high priority in building organisational capability is in the area of occupational health and safety. During the year OneSteel further improved the Lost Time Injury Frequency Rate to 0.9 per million man hours worked, an improvement of 44%, and achieved a 31% improvement in the Medical Treatment Injury Frequency Rate to 8.1.

FIGURE FOUR



ONESTEEL MANAGEMENT

ONESTEEL LIMITED MANAGEMENT STRUCTURE

GEOFF PLUMMER Managing Director and Chief Executive Officer

AUSTRALIAN OPERATIONS

TONY COMBE
Executive GM Distribution

DISTRIBUTION
- 53 Metaland sites
- 11 Piping Systems sites
- 11 Sheet, Coil & Aluminium sites
- 13 Midalia Steel sites
- 18 Steel and Tube sites
- 5 Fagersta sites
- Coil Coaters
- Oil & Gas Pipe Mill
- Precision Tube Mills

MARK PARRY
Executive GM Whyalla Steelworks

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

CHRIS KEAST
Executive GM Rod, Bar & Wire

ROD, BAR & WIRE
- Sydney Steel Mill
- Rod Mill
- Bar Mills
- Wire Mills
- Wire Ropery
- Supply Chain Transformation

LEO SELLECK
Executive GM EAFs & Technology
- Laverton Steel Mill
- Laverton Rolling Mills
- Waratah Steel Mill
- Operational Excellence
- Environment

STEVE HAMER
Executive GM Steel-in-Concrete

STEEL-IN-CONCRETE
- Smorgon Steel Reinforcing
- OneSteel Reinforcing

RICK JANSEN
Chief Executive Officer, Recycling

RECYCLING
- 56 physical sites in nine countries
- Trading offices in six countries

ANDREW ROBERTS
Executive GM Marketing
- Strategic Marketing
- Australian Tube Mills
- Global Grinding Media
- Rail & Forge
- LiteSteel™ beam Technologies
- Marketing of products through the ASI distribution channel

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 and 3 Chain & Rigging sites
- 8 Stainless Steel service centres
- 2 Hurricane Wire Products sites

TONY REEVES
Chief Financial Officer

BILL GATELY
Corporate GM Human Resources & OHS

MARK GELL
GM Corporate Development & Sustainability

MICHAEL DINES
Corporate GM Information Systems

JOHN KRENICH
Company Secretary

Tony Combe[1]
BBus (Mktg)
Executive GM Distribution
Age 45. Mr Combe was appointed Executive GM Distribution on 1 February 2006. Prior to this Mr Combe spent most of his career with A$4 billion consumer packaging company, Huhtämaki Oyi, in a number of management positions in Australia, Spain and Belgium. For the last five years Mr Combe was responsible for Huhtämaki's regional business in Asia, Oceania and Africa, where as Executive Vice President he led and developed the division that employed over 4,000 people across 15 countries.

Leo Selleck[2]
BSc
Executive GM EAFs and Technology
Age 58. Mr Selleck has had 35 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 and then Project Magnet.

Chris Keast[3]
BComm
Executive GM Rod, Bar & Wire
Age 46. 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 previously worked in a number of senior positions in BHP in rail and road freight, shipping, stevedoring and human resources.

Mark Parry[4]
BComm
Executive GM Whyalla Steelworks
Age 45. 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.

Andrew Roberts[5]
BComm
Executive GM Marketing
Age 40. 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.

Steve Hamer[6]
Executive GM Steel-in-Concrete
Age 50. Mr Hamer was appointed Executive GM Steel-in-Concrete on 3 August 2007. He has spent his career in the Australian steel industry in a range of technical, functional and business management positions. Over the last six years Mr Hamer has been responsible for OneSteel's Reinforcing business that employs over 1,100 people across 40 sites in Australia.

Rick Jansen[7]
CEO Recycling
Age 51. Mr Jansen joined OneSteel from Smorgon Steel Recyclers. Prior to the SSR appointment, he held various senior management roles with Sims Group from Trading Manager to Executive GM in the Australian business and the last seven years in the USA as President Sims Metal America and, more recently, as CEO Sims Hugo Neu. He has 34 years industry experience.

Nick Calavrias[8]
CEO and Non-independent Director – Steel & Tube Holdings Limited
Age 58. Mr Calavrias was appointed a Director in September 1990 and Chief Executive Officer in July 1991. He is a director of the group's subsidiary companies, Rangatira Ltd and Contract Resources Ltd. He is a member of the NZ Business Roundtable, Institute of Directors and a fellow of the NZ Institute of Management.

Tony Reeves[9]
BEc, MComm, FCPA, FTA
Chief Financial Officer
Age 52. Mr Reeves joined OneSteel in October 2001, responsible for accounting, tax, risk management, treasury, business planning, legal, company secretarial and strategic sourcing. Mr Reeves is a director of Steel & Tube Holdings Ltd. 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.

Bill Gately[10]
BEc
Corporate GM Human Resources & OHS
Age 46. 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[11]
BEc, GMQ, EMBA, GAICD
GM Corporate Development & Sustainability
Age 46. 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.

Michael Dines[12]
DipAirEng (Avionics)
Corporate GM Information Systems
Age 45. 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[13]
FCIS, CPA
Company Secretary
Age 62. 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

Debt Management
OneSteel is committed to maintaining an investment-grade profile for its debt.

The targeted range for debt considered appropriate in normal circumstances is 30% to 40%, on a net debt to net debt plus equity basis, including derivatives. OneSteel's gearing level at the end of June 2007 was 33.5%.

On completing the merger with Smorgon Steel, OneSteel's core debt facilities now comprise $1,900 million of syndicated loans provided by a group of banks with tranches expiring from 2009 to 2012, a 2005 $200 million bilateral three-year committed loan, a $325 million bridge loan and US$378 million of US privately placed debt with tranches expiring from 2010 to 2015.

Interest Rate Management
OneSteel's objective when managing interest rate risk is to minimise interest expense while ensuring that 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 7%. Duration of non-current debt facilities at 30 June 2007 was 3.4 years. The proportion of debt drawn at fixed rates was 39%.

Equity Management
By the end of June 2007, there were 575.7 million shares on issue providing a contributed equity of $1,153.6 million (including employee compensation shares) which, when added to retained earnings and outside equity interests, provided total shareholders' equity of $1,650.0 million. Following the merger with Smorgon Steel, there were 872.1 million shares on issue.

Since listing, the main additions to contributed equity up to the end of June 2007 have been a private placement of 69.7 million shares completed in December 2001 and a further 39.6 million shares under the dividend reinvestment plan. Since April 2002 there has been healthy participation in the dividend reinvestment plan of 18% to 31% of shares held by eligible shareholders. Additionally, since listing 5.9 million shares have been issued following the exercise of options by senior management.

Foreign Exchange Exposure
OneSteel is predominantly 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 commodity goods and steel product in export markets which is predominantly 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.

The group requires all business units to use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of US$100,000. Committed exposures will be 100% covered when the transaction is contracted.

OneSteel also has foreign currency exposure arising from its US private debt placement. Some of this debt has been hedged using a series of cross-currency interest rates swaps. These qualify as a fair value hedge under AASB 139. The remaining portion of unswapped debt is used to fund investments in US businesses. Changes in the fair value of the cross-currency interest rate swaps and underlying debt obligations are recorded in the Income Statement.

OneSteel also has exposure to foreign exchange translation risk in relation to New Zealand and US dollar-denominated assets and liabilities. These relate to its 50.3% share in Steel & Tube Holdings and investments in offshore businesses previously owned by Smorgon Steel. The group does not seek to hedge this exposure but instead monitors the position to ensure that the movement in the Foreign Currency Translation Reserve does not impact equity so adversely as to place any financial covenants at risk.

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 Chief Executive Officer and Chief Financial Officer 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 effectiveness of controls using a four-step process
  - Identify the processes
  - Assess the inherent and residual risk of each process
  - Identify key controls where an inherent/residual risk gap indicates significant reliance on control
  - Testing of key controls
- Process basics of
  - Risk-based identification of key controls
  - KPMG verification of the effectiveness of key controls
  - Business unit risk owner/management sign-off to support Chief Executive Officer and Chief Financial Officer 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 its implementation.

KPMG works 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, which is based on AS/NZS 4360, 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 above a certain size obtains prior Board approval
• Financial exposures are controlled, including the use of derivatives
• Business transactions are properly authorised and executed.

Project Magnet

The Project Magnet governance process includes a rigorous approach to risk management and the development of risk mitigation strategies. A Project Magnet Steering Committee chaired by the Chief Executive Officer and comprising senior management of the company has been in place since project authorisation and meets approximately monthly. This Committee reviews progress and arising issues for key elements of the project including safety, cost, time, readiness to operate and risk management processes. This Committee is supported by an underlying structure represented by the Project Team, the Integration Team and the Steelworks Operations Team. Each of these teams has clear 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. The Board Operational Risk Committee monitors and reports to the full Board on critical Project Magnet risks.

Whyalla Steelworks Blast Furnace

A Blast Furnace Stability Steering Committee chaired by the Chief Executive Officer and comprising senior management and an external specialist oversees the management of the ongoing operation of the blast furnace.

The Board Operational Risk Committee monitors and reports to the full Board on critical blast furnace stability risks.

Merger with Smorgon Steel

OneSteel has identified key potential risks attached to the implementation of the merger. Risks can be mitigated using appropriate safeguards, controls and systems, but some are outside the control of the merged group and its directors and cannot be mitigated.

Key potential risks include integration risk and realisation of synergies; retaining market share; retention of key personnel; and possible distraction from business as usual.

OneSteel management has established a number of integration teams reporting to a steering committee and the Board Operational Risk Committee with part of their brief being to identify and mitigate potential integration risks.

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. OneSteel focuses 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. OneSteel also faces competition from imports and international steel prices have a direct impact on OneSteel's revenue. 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, such as multi-level buildings, there are opportunities for steel where the product has low intensity compared with substitute products. 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 parts of its businesses.	Generally the greater percentage of OneSteel's business is driven by higher-volume, low-tonnage transactions. In areas where the company has large customers and suppliers, dedicated teams within the sourcing and customer management areas of the business provide management.
Environmental	OneSteel is an emitter of greenhouse gases (GHG). Any introduction of GHG trading schemes or taxes on GHG emissions may, depending on the form any such schemes or taxes take, impact OneSteel's manufacturing costs. Changes in government policy on industrial water allocations given the severe drought conditions in southern and south-eastern Australia. Any restriction on OneSteel's access to water may have a material adverse impact on its business operations.	OneSteel is closely monitoring developments in these areas and is involved in a number of interdepartmental government committees working on the formulation of related policy.
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 significant expenditure on repairs and maintenance. The company also has a significant investment in stay-in-business capital expenditure. The company has agreements in place with leading international manufacturers to help ensure that 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 has strengthened processes for continuously monitoring performance against plans and risk mitigation.
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.
Commodity Price Fluctuations	Hot rolled coil, scrap and coking coal price volatility can affect margins. See pages 13 and 14 for more detailed information.	OneSteel management enters fixed price contracts for coking coal. OneSteel's pricing strategy is predicated on recovery of cost increases for raw material inputs.

KEY BUSINESS DRIVERS

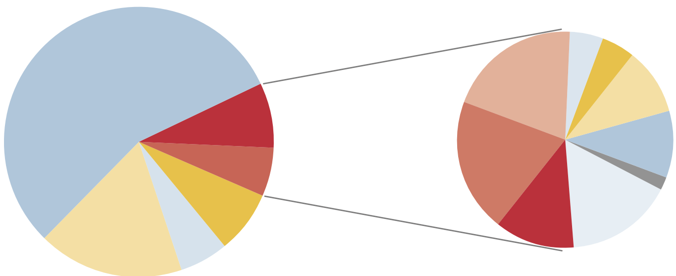
The following graphs illustrate trends in some of the major drivers of OneSteel's business such as key sectors of the domestic economy, domestic steel prices, prices of international steel and key inputs into steelmaking, OneSteel's project list and the volume of steel imports into Australia. There is also a map highlighting the location of OneSteel's major manufacturing, distribution and shredding sites, a diagram that illustrates the product processes of OneSteel's operations and a map that outlines OneSteel's mining tenements.

Figure five compares the revenue drivers of OneSteel's business with those of the broader Australian economy and Figure six charts the growth in activity in OneSteel's domestic revenue drivers.

Figures seven through to thirteen on these two pages represent the major business sector drivers of OneSteel's domestic revenues.

FIGURE FIVE

Australian Gross Domestic Product **OneSteel Revenue Drivers**



- Household Consumption 58%
- Residential 8%
- Non-residential & Engineering 6%
- Equipment Investment 8%
- Other Investment 6%
- Public Demand 18%
- Unallocated/Eliminations (4%)

Source: GDP data: Australian Bureau of Statistics, data for 2006
Revenue Drivers' data: OneSteel management estimates for the 12-months ended June 2007

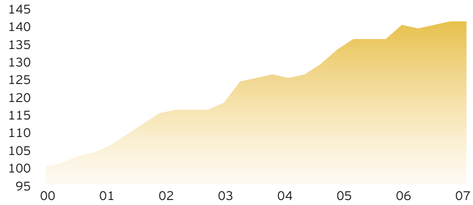
- Residential construction 12%
- Non-residential construction 20%
- Engineering construction 20%
- Agriculture 5%
- Auto 5%
- Mining 10%
- Other Manufacturing 10%
- Steel Exports 2%
- Non-Steel 16%

OneSteel Revenue Drivers

Figure five illustrates that the drivers of OneSteel's business in 2006/07 were quite different from those of the broader Australian economy. Consumer demand makes up 58% of Australian gross domestic product while the construction segment accounts for just 14%. In terms of OneSteel's revenue drivers, construction accounted for 52%. As such, OneSteel's revenue was less affected by swings in the level of consumer demand, and more by the construction markets.

FIGURE SIX

OneSteel Domestic Sales Revenue Drivers
Indexed



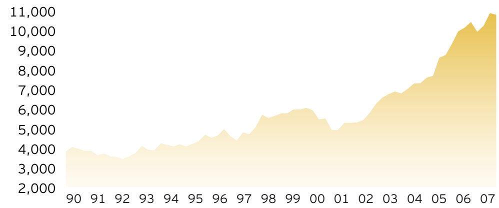
Source: NIEIR, OneSteel

Domestic Revenue Drivers

Figure six is an index of activity in the segments that drove OneSteel's domestic revenue. Overall, all the domestic market segments improved by 2.0%, decelerating from the previous year's pace of 5.5%. The construction sector, which accounted for 52% of OneSteel's revenue, improved by 4.9%, amid continued strength in the non-residential and engineering segments.

FIGURE SEVEN

Engineering Construction ($ millions 2004/05)
June quarter 1990 to June quarter 2007



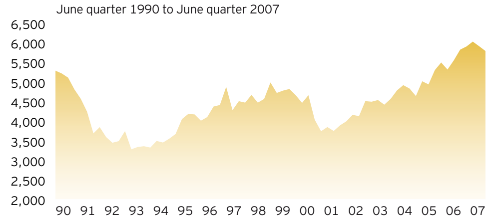
Source: NIEIR

Engineering Construction

Engineering construction encompasses the value of building or upgrading major infrastructure such as roads, bridges, railways, highways, pipelines, telecommunications, harbour and marine facilities, water and sewerage, and electricity. This sector makes up a significant proportion of OneSteel sales in any given year and in 2006/07 provided approximately 20% of OneSteel's revenues. As Figure seven indicates, activity in this sector increased by 5.0% when comparing the 2006/07 and 2005/06 financial years

FIGURE EIGHT

Non-Residential Construction ($ millions 2004/05)
June quarter 1990 to June quarter 2007



Source: NIEIR

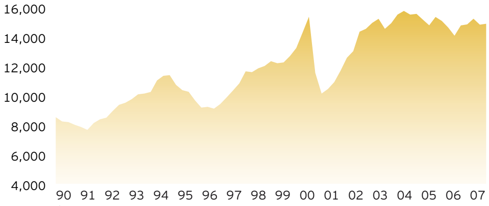
Non-residential construction

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 accounted for 20% of revenue in 2006/07. As Figure eight indicates, the value of activity in this sector increased by 6.5% when comparing the 2006/07 financial year with the prior year.

FIGURE NINE

Residential Construction ($ millions 2004/05)

June quarter 1990 to June quarter 2007



Source: NIEIR

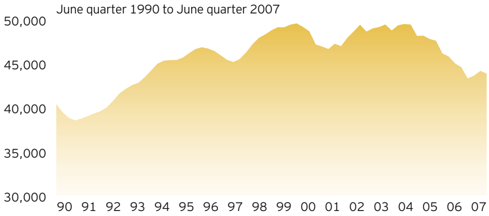
Residential Construction

Residential construction covers investment for the building and altering of private and public units and houses. OneSteel derived 12% of its revenues from this segment in 2006/07. As can be seen from Figure nine, residential construction activity increased 2.1% from the previous year.

FIGURE TEN

Manufacturing Underlying Activity for Steel Products ($ millions 2004/05)

June quarter 1990 to June quarter 2007



Source: NIEIR

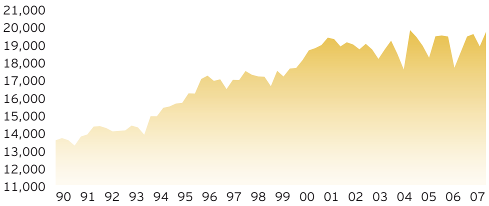
Other Manufacturing

Other manufacturing represents all manufacturing with the exception of automotive products. This sector represented 10% of OneSteel revenues and activity levels declined by 3.6% over the year, as outlined in Figure ten.

FIGURE ELEVEN

Mining Production ($ millions 2004/05)

June quarter 1990 to June quarter 2007



Source: NIEIR

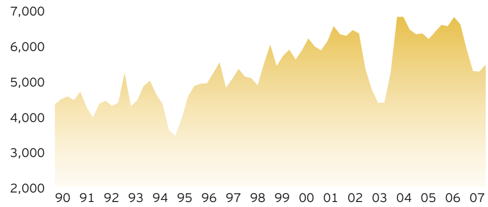
Mining Production

Mining production represented approximately 10% of OneSteel revenues. Activity in this sector rose 3.3% (refer to Figure eleven) over the 2006/07 financial year from the prior year.

FIGURE TWELVE

Agricultural Production ($ millions 2004/05)

June quarter 1990 to June quarter 2007



Source: NIEIR

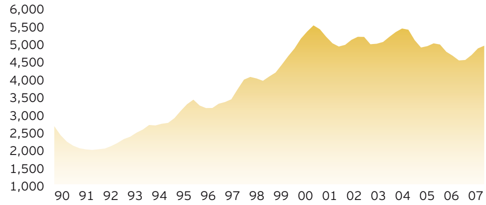
Agricultural Production

Agricultural production represented 5% of OneSteel revenues and declined by 17.6% from the prior year as a result of continued drought conditions in many areas (refer to Figure twelve).

FIGURE THIRTEEN

Automotive Underlying Activity for Steel Products ($ millions 2004/05)

June quarter 1990 to June quarter 2007



Source: NIEIR

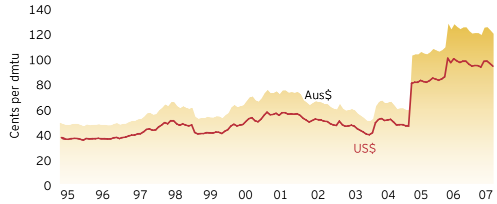
Automotive Output

Automotive output includes production for domestic automotive manufacturers including component part manufacturers.
This sector represented 5% of OneSteel's revenues. Activity was flat compared with the prior year (refer to Figure thirteen).

FIGURE FOURTEEN

Iron Ore Prices
Japan Contract Hamersley Lump fob

July 1995 to June 2007



Source: SBB

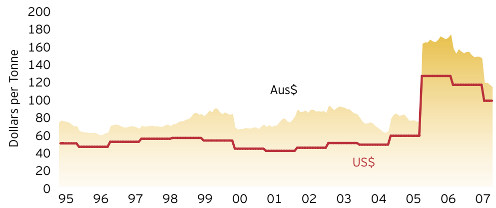
Iron Ore Price

OneSteel has iron ore reserves in the South Middleback Ranges that it uses to both feed the Whyalla Steelworks and to sell to external parties as an additional source of revenue. Through Project Magnet the volume of external sales of hematite iron ore is being ramped up from one million tonnes per annum to reach four million tonnes in the 2007/08 financial year. Thus iron ore sales are becoming a greater proportion of OneSteel's revenue base. Sales of iron ore and related by-products contributed approximately 16% of total revenue in the 2006/07 financial year. Figure fourteen shows the international movement in iron ore prices in both US and Australian dollars. Benchmark iron ore prices increased 9.5% in April 2007 following a 19% price increase in April 2006.

FIGURE FIFTEEN

Hard Coking Coal (Japan contract price)

August 1993 to June 2007



Source: CRU

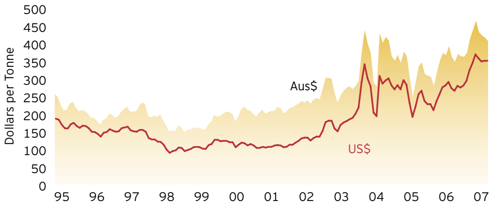
Coking Coal Price

Figure fifteen shows the movement in international contract coking coal prices in US and Australian dollars. Whyalla Steelworks uses coking coal in the manufacturing process at the Whyalla Steelworks to make iron. OneSteel purchases approximately 1,000,000 tonnes of coking coal per annum. OneSteel generally buys coking coal at "Contract" prices. The graph illustrates that contract coking coal prices decreased by US$18 to US$97 per tonne in April 2007. This follows a price decrease in April 2006 to US$115 per tonne from US$125 per tonne. Contract coal prices are generally set in line with the Japanese fiscal year that runs from 1 April to 31 March.

KEY BUSINESS DRIVERS

FIGURE SIXTEEN

Scrap Price (Asian)
July 1995 to June 2007



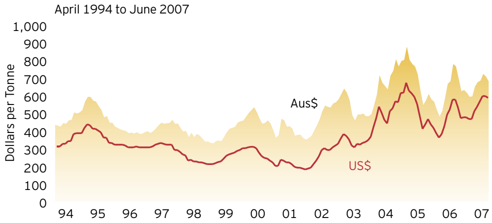
Source: TEX Report

Scrap Price

Figure sixteen shows prices for scrap steel in US and Australian dollars. Prior to the merger with Smorgon Steel, OneSteel used approximately 500,000 tonnes per annum of externally sourced scrap feed for its Sydney Steel Mill operation. The other 1.2 million tonnes of steel that OneSteel produced each year prior to the merger with Smorgon Steel was predominantly converted from iron ore at Whyalla Steelworks.

FIGURE SEVENTEEN

Hot Rolled Coil Price - Far East Imports non-CIS c&f South China
April 1994 to June 2007



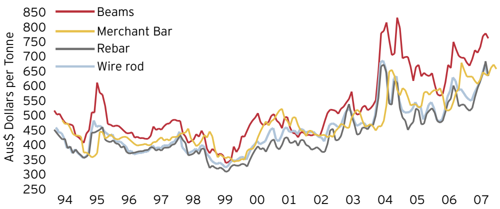
Source: CRU

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. Prior to the merger with Smorgon Steel, OneSteel purchased between 400,000 and 450,000 tonnes of HRC in any given year. Figure seventeen depicts the volatile nature of prices of HRC for imports into Asia.

FIGURE EIGHTEEN

Long Products International Prices
January 1994 to July 2007



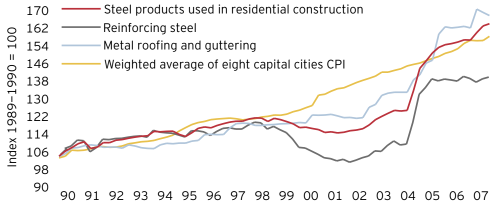
Source: CRU

Long Products International Prices

Figure eighteen represents the international prices for long products such as structural beams used for construction, merchant bar which is used in a wide range of applications including machinery and manufacturing equipment, rebar which is used as reinforcing for concrete, and lastly wire which is used for anything from springs to fencing. The graph is in Australian dollars. International prices for long products have a direct impact on OneSteel's revenue because they influence both the export and domestic prices at which OneSteel's products can be sold.

FIGURE NINETEEN

Prices for Steel Residential Construction Materials
June quarter 1990 to June quarter 2007



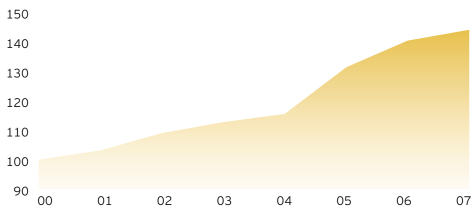
Source: ABS

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. The rise in steel prices depicted in Figure nineteen reflects strong international demand for steel, which pushed up prices for steelmaking inputs such as scrap steel, iron ore and coking coal.

FIGURE TWENTY

OneSteel Domestic Steel Price per Tonne
Indexed



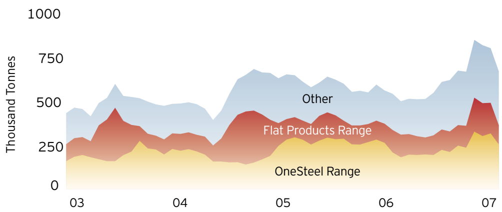
Source: OneSteel

OneSteel Domestic Prices

In response to the rise in raw material input costs that are depicted in Figures fifteen, sixteen and seventeen OneSteel has been implementing price increases since February 2004 to recover those higher costs. Figure twenty represents an index of OneSteel's domestic steel prices. In the 2006/07 financial year OneSteel achieved a 5.3% increase in the average price of steel per tonne, or a 2.6% increase excluding exports and special projects.

FIGURE TWENTY ONE

Steel Imports Into Australia
February 2003 to June 2007



Source: ABS and OneSteel data 3-month moving average

Volume Of Imports Into Australia

A higher volume of steel imports into Australia puts downward pressure on domestic steel prices. The volume of imports in some of OneSteel's product lines remains at higher than historical levels as illustrated in Figure twenty one. The data include approximately 90,000 tonnes of OneSteel imports of finished and semi-finished product associated with production disruptions at the Whyalla Steelworks blast furnace in the latter part of the 2004 calendar year.

FIGURE TWENTY TWO
Product Processes[1]

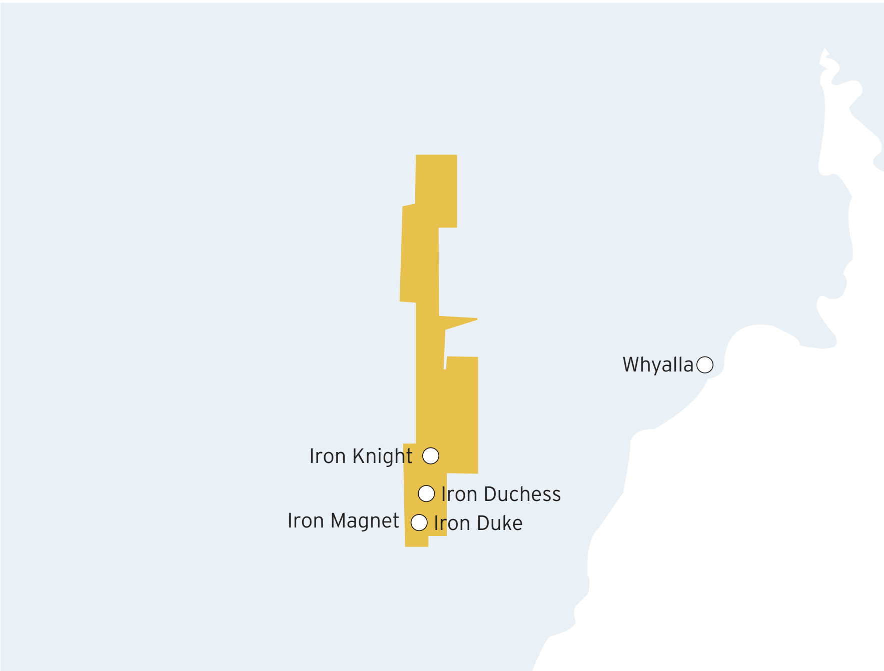
Materials	Steel Production	Product Mills	Distribution	International Distribution
• **Iron Ore** 9.6m tonnes (of which 4.0m tonnes sold externally) • **Metals Recycling** 1.5m tonnes	• **Whyalla Steelworks** 1.2m tonnes • **Laverton** 0.6m tonnes • **Sydney Steel Mill** 0.55m tonnes • **Waratah** 0.25m tonnes	• Rod • Bar • Wire • Reinforcing • Bright Drawing • Rail Wheels • Rail products & Sleepers • Structural products • Grinding Media • Pipe & Tube • LiteSteel™ beam	• Sheet & Coil • Aluminium • Steel and Tube • Piping Systems • Metaland • Midalia Steel • Fagersta • Coil Coaters More than 100 outlets across Australia and New Zealand	50.3% Ownership • Steel Distribution and Processing • Roofing Products and Reinforcing • Piping Systems • Fastening Systems and Chain & Rigging • Stainless Steel service centres • Hurricane Wire Products

Product Processes

Typical steel companies tend to be only manufacturers of steel, meaning they have to purchase raw materials and also sell product through independent distribution networks. As a result such companies can be 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 mine for raw material to feed the Whyalla Steelworks as well as with its own distribution network (refer to Figure twenty two).

One of OneSteel's key competitive advantages is its iron ore mines that are situated just 60 kilometres from its largest production facility, the Whyalla Steelworks in South Australia. Almost half of the 2.6 million tonnes of steel that OneSteel expects to produce each year following the merger with Smorgon Steel will be made at the Whyalla Steelworks using iron ore. OneSteel's three other production facilities are electric arc furnaces that make steel by melting scrap. With the addition of Smorgon Steel's recycling business, OneSteel is also naturally hedged in scrap.

FIGURE TWENTY THREE
Map of the Mining Tenements



Mining Tenements

Outlined in yellow in Figure twenty three is OneSteel's tenement covering its mining operations at the Middleback Ranges in South Australia. Also highlighted are the locations of the current operating mines: Iron Knight, Iron Duchess, Iron Duke and Iron Magnet. The mines are located approximately 60 kilometres from OneSteel's Whyalla Steelworks.

KEY BUSINESS DRIVERS

OneSteel Map Of Operations

OneSteel has over 150 operating locations throughout Australia and New Zealand servicing many large regional communities. Major manufacturing facilities are located in Whyalla, Melbourne, 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 four 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 segments, and give OneSteel confidence in the level of demand from key drivers of its domestic revenue.

FIGURE TWENTY FOUR

WESTERN AUSTRALIA

Newcrest Boddington Gold Mine, Boddington
Rio Tinto Yandi Upgrade
BHP Billiton Dampier Port Development JV
Woodside Angel Project, Topsides, NW Shelf
Santos DPCU Project, Perth
BHP Billiton RGP4
Rio Tinto Hope Downs Development
Gorgon LNG - Chevron/Texaco, NW Shelf
Alcoa Wagerup Stage III
Worsley Alumina Refinery Upgrade, Worsley
Tyco Water Pipe Racks
Worsley Alumina DCP Expansion, Collie
Worsley Alumina LNG Plant, Dampier
Argyle Underground Expansion

NORTHERN TERRITORY

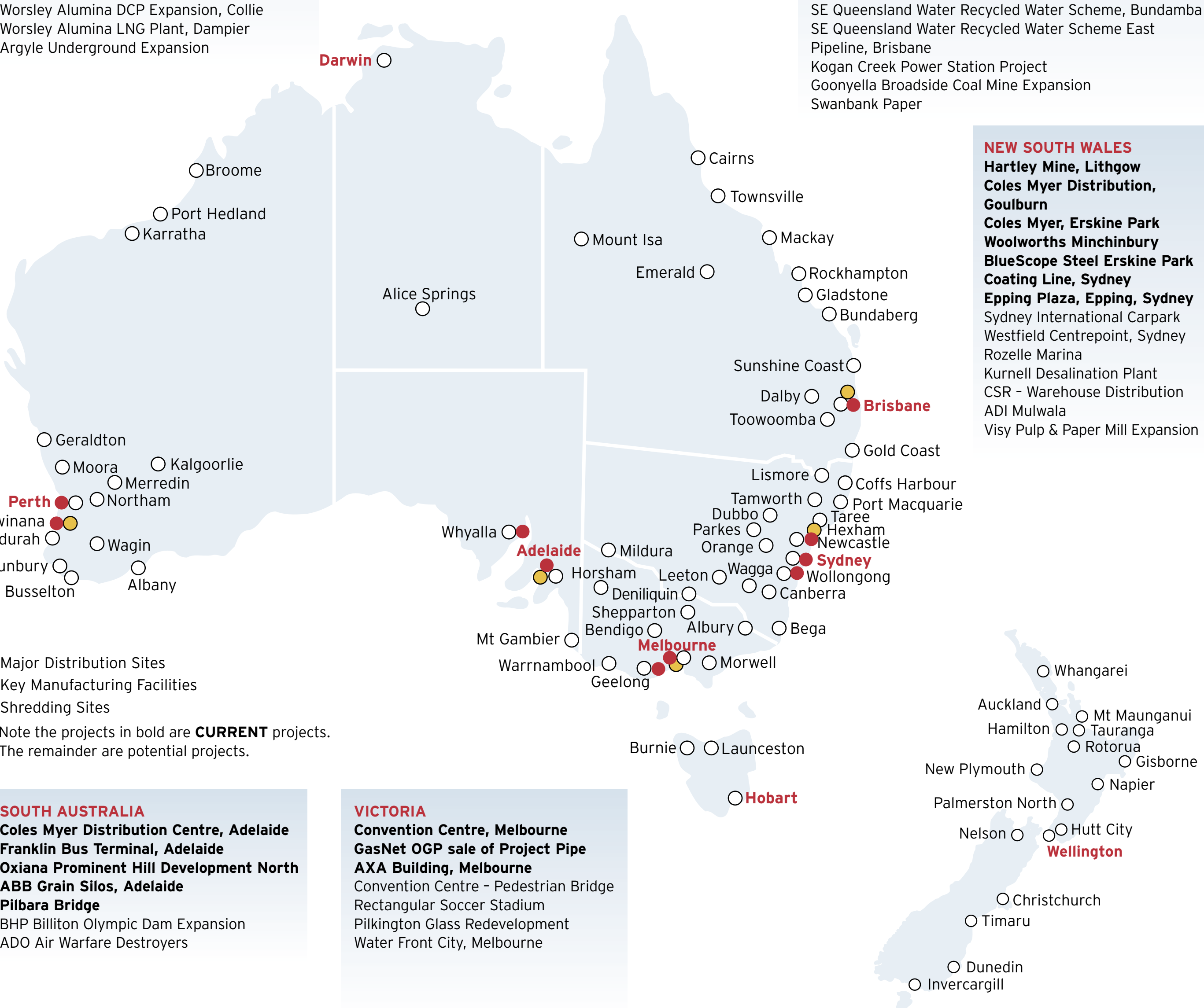
Natural Fuels Australia - Bioprocessing plant, East Arm

QUEENSLAND

Abbot Point Coal Terminal Expansion
Hay Point Expansions
"Northern Link" north/south bypass tunnel, Brisbane
Comalco Weipa Refinery
Lake Lindsay Dragline (Bucyrus), Bowen Basin
Gateway Bridge upgrade, Brisbane
Santos OGP sale of Project Pipe
Gladstone Nickel Project, Yarwun
Comalco Refinery (Phase 2), Gladstone
Macarthur Coal, Fitzroy
Dawson South Stage Two Project, Theodore
SE Queensland Water Recycled Water Scheme, Bundamba
SE Queensland Water Recycled Water Scheme East Pipeline, Brisbane
Kogan Creek Power Station Project
Goonyella Broadside Coal Mine Expansion
Swanbank Paper

NEW SOUTH WALES

Hartley Mine, Lithgow
Coles Myer Distribution, Goulburn
Coles Myer, Erskine Park
Woolworths Minchinbury
BlueScope Steel Erskine Park Coating Line, Sydney
Epping Plaza, Epping, Sydney
Sydney International Carpark
Westfield Centrepoint, Sydney
Rozelle Marina
Kurnell Desalination Plant
CSR - Warehouse Distribution
ADI Mulwala
Visy Pulp & Paper Mill Expansion



○ Major Distribution Sites
● Key Manufacturing Facilities
● Shredding Sites

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

SOUTH AUSTRALIA

Coles Myer Distribution Centre, Adelaide
Franklin Bus Terminal, Adelaide
Oxiana Prominent Hill Development North
ABB Grain Silos, Adelaide
Pilbara Bridge
BHP Billiton Olympic Dam Expansion
ADO Air Warfare Destroyers

VICTORIA

Convention Centre, Melbourne
GasNet OGP sale of Project Pipe
AXA Building, Melbourne
Convention Centre - Pedestrian Bridge
Rectangular Soccer Stadium
Pilkington Glass Redevelopment
Water Front City, Melbourne

SEGMENT SUMMARY

AUSTRALIAN DISTRIBUTION

	2007 $m	2006 $m	%
Revenue	1,850.0	1,833.9	0.9
EBITDA	147.5	146.1	1.0
EBIT	122.5	122.0	0.4
Assets	1,126.2	1,100.6	2.3
Employees	2,358	2,448	(3.7)
Sales Margin	6.6%	6.7%	
Funds Employed	792.9	797.4	(0.6)
Return on Funds Employed	15.4%	15.1%	

Market Conditions
Market conditions were mixed with the resources and infrastructure segments remaining strong in Western Australia and Queensland while rural markets continued to be affected by the drought. New South Wales and Victoria were soft due to weak manufacturing and residential segments. In the second half of the financial year there was increased pressure from imports in both long and flat products.

Performance
Cost efficiency initiatives and pricing discipline produced a stable result in a competitive market. Delays in project work timing impacted volumes in the second half. Improved working capital levels and ratios drove a reduction in funds employed and a good cash result.

Steel and Tube volumes were down slightly due to delays in Western Australia's project market. Price and margins were well managed, albeit at the expense of some volume. Margins were also boosted by higher levels of value-add processing.

Sheet, Coil and Aluminium volumes were down slightly with the manufacturing segment declining further, particularly automotive components. Expense management helped to offset the reduced sales contributions.

Metaland sales growth was constrained by the difficult conditions in rural Australia. Competition was intense with margins suffering as a result, particularly in Victoria. Tight expense control mitigated some of the pressure on margins.

Piping Systems sales were down in the second half due to gaps appearing in project timing between completion and commencement. However expense control initiatives offset the profit impact of the reduced revenue. Cash inflows were strong as supply chain initiatives took full effect.

Pipe and Tube experienced continued import competition across structural and precision pipe. Volumes declined in structural, pipeline and precision pipe markets although margin management offset the impact of this. Pipeline project volumes were reduced following the cancellation of the PNG-Queensland gas pipeline.

Initiatives
The business will continue to focus on improving service levels through initiatives around supply chain and enhancing value propositions.

Outlook
The resources sector looks set to continue its solid run and the recent rains in rural New South Wales and Victoria should stimulate demand. This is expected to offset the softness in the residential construction segment, and also in manufacturing where a higher currency is a concern.

*The 2007 figures have been normalised to include the results from the business that OneSteel contributed to the Australian Tube Mills joint venture as if the business had remained part of the Distribution segment for the full year.

AUSTRALIAN MANUFACTURING

	2007 $m	2006 $m	%
Revenue	2,414.0	2,101.4	14.9
EBITDA	275.8	225.8	22.1
EBIT	211.7	164.5	28.7
Assets	2,132.7	1,829.2	16.6
Employees	4,278	3,948	8.4
Sales Margin	8.8%	7.8%	
Funds Employed	1,536.7	1,306.2	17.6
Return on Funds Employed	14.9%	13.7%	

Market Conditions
Continued strength in key construction segments offset continued softness in the automotive, manufacturing and rural markets. Overall, prices were higher than in the previous corresponding period despite a highly competitive project market.

Performance
The Whyalla Steelworks and the **Sydney Steel Mill** operated at record production levels. Higher despatches in most product lines and higher prices were also drivers of Manufacturing's improved results. Favourable product mix at Whyalla Steelworks was also a factor. The Whyalla Steelworks increased iron ore export volumes while higher despatches of **Structural** products more than offset lower **Rail** sales. Higher prices are being achieved across these product lines.

Reinforcing revenue was lifted by higher rebar tonnages particularly due to high volumes to the Connect East project in Melbourne. Prices were down slightly amid intense competition in the project market.

Rod and Bar achieved higher sales volumes, mainly through steel-in-concrete sales. Price increases did not fully recover the surge in scrap prices in the second half of the financial year.

Wire volumes were up with increased steel-in-concrete tonnage to infrastructure projects, particularly in Queensland, and higher rural despatches as a result of marketing efforts in a subdued segment. These more than offset lower despatches to the manufacturing segment. While prices have increased, they did not fully recover the large increase in zinc costs during the year.

Initiatives
Project Magnet capital construction work was substantially completed in the 2006/07 financial year. The hematite export stream was brought on line during the year, facilitating iron ore sales in excess of the ramp-up plan that was announced in May 2005. Commissioning and ramp up of Project Magnet will continue. Manufacturing costs and performance continue to be a focus through the Operational Excellence strategic initiative. SIX SIGMA tools and waste reduction programs are being used to reduce loss and minimise variation. Maintenance reliability practices are also a focus to reduce delays and improve plant reliability.

Outlook
The volume outlook is for solid demand from engineering construction, mining and non-residential construction. International scrap prices have been moving up but are yet to be fully reflected in imported steel product prices, partly because of the strong Australian dollar exchange rate. There will be considerable focus on the transition of the Whyalla Steelworks to magnetite iron ore feed in the coming months. The outlook for iron ore demand and pricing remains positive.

INTERNATIONAL DISTRIBUTION

	2007 $m	2006 $m	%
Revenue	405.2	390.4	3.8
EBITDA	45.9	48.7	(5.7)
EBIT	40.6	43.7	(7.1)
Assets	222.6	178.4	24.8
Employees	881	907	(2.9)
Sales Margin	10.0%	11.2%	
Funds Employed	186.6	146.5	27.4
Return on Funds Employed	24.4%	28.4%	

Market Conditions
The strong currency and high interest rates over the year adversely affected the key industries that the business services. Demand for residential housing lifted total construction activity, offsetting lower commercial construction activity after adjusting for price increases. The strong currency affected export receipts in the manufacturing and rural sectors, with manufacturers further impacted as cheaper imports replaced locally manufactured product. The currency's steep appreciation also created market volatility via the cost of replacement inventory. These market conditions, together with a competitive environment, affected the business' ability to fully recover cost increases.

Performance
The **Distribution** business, comprising steel distribution, stainless steel, fastening systems, piping systems and industrial products increased earnings, assisted by the addition of the stainless steel business that was acquired in April 2006. Greater focus on industrial products also enabled the business to increase its overall market offer to its expanded customer base. Price volatility for replacement imported product put downward pressure on selling prices and margins at a time of soft domestic demand.

The **Manufacturing** business, comprising roofing products, reinforcing fabrication and Hurricane Wire, did not perform as well as the previous year. The roofing operation posted another solid result amid strong demand for rainwater and cladding products from the light commercial and new residential construction sectors. However subdued demand from the construction sector squeezed margins in reinforcing operations and Hurricane Wire. Hurricane Wire was also hurt by the general downturn in rural spending by farmers.

Outlook
New Zealand's economy is expected to remain soft in the near term amid increased costs of doing business, higher interest charges and a volatile currency. Following a rapid increase in dairy commodity prices in the March quarter, some positive impact is expected over the next 12 to 18 months as dairy farms' increased earnings flow through the rest of the community. Drought and poor returns associated with the strong currency are expected to continue to adversely affect beef and lamb farm incomes. Commercial construction activity and infrastructure projects associated with the 2011 Rugby World Cup are likely to begin in early 2008 however residential construction activity may slow with lower net migration levels and higher interest costs. International steel prices and supply volatility have had a big impact on the business' financial results in recent years. World demand for raw materials, led by China's industrialisation, is expected to continue to be strong, causing a long-term upward pricing trend albeit continued price volatility in the short- to medium-term. Thus trading conditions are expected to remain tough, but with some upside prospect in calendar year 2008.

AUSTRALIAN DISTRIBUTION

Safety performance improved substantially during the year with the Lost Time Injury Frequency Rate (LTIFR) down 52% to 1.3 and the Medical Treatment Injury Frequency Rate (MTIFR) 35% lower at 9.3.

Revenue improved 0.9% to $1,850 million reflecting a year of mixed progress. Sales in the second half slowed to be flat with the prior year, with significant factors being delays in major projects as well as increased import competition. States with big resources segments delivered stronger results than those with a heavier manufacturing and agricultural orientation.

In the second half of the financial year there was increased pressure from imports in both long and flat products. Overall, margins were maintained during this period with a combination of pricing resilience and disciplined cost management. Investments in new processing equipment during the year bolstered margins and overall efficiencies were improved with continuous improvement and supply chain initiatives.

Funds employed were managed tightly during the year with good progress shown in all working capital ratios. The return on funds employed improved from 15.1% to 15.4%.

	STEEL AND TUBE	PIPE AND TUBE
THE BUSINESS	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 prime segments serviced are engineering and non-residential construction, automotive and manufacturing. The major facilities are supported by a small network of "Many Solutions" stores focused on providing a complete steel product range to trade and do-it-yourself (DIY) markets.	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 material handling equipment. In early March 2007, the joint venture company Australian Tube Mills commenced trading. This business was formed from the OneSteel Structural Pipe and rectangular hollow sections business and the Smorgon Steel Pipe Mills business.
THE MARKET	Market prices improved strongly in the first half of the year then reduced slightly in the second half due to strong import competition but remain ahead of the prior year. Non-residential construction, engineering construction and mining investment showed good growth. This growth was driven by strong project activity, particularly in Queensland and Western Australia. Generally the manufacturing and automotive segments remain a challenge.	Market conditions were difficult during the year with continued import competition and the impact from drought conditions in the rural segment. The automotive market also softened further as component manufacturers seek offshore options. The cancellation of the Papua New Guinea - Queensland gas pipeline affected project activity in the oil and gas pipeline segment. Steel raw material costs have varied throughout the year in line with the world market.
PERFORMANCE	Improved project success in Western Australia and Queensland helped drive strong performance in these regions. Market conditions remained tight in New South Wales and Victoria. Higher levels of value-add processing boosted margins. Operating costs were again tightly controlled. Cash generation was strong in the year.	Initiatives focused on improving manufacturing performance continued in the year with the rollout of a Six Sigma improvement program. Trading margins remained tight reflecting a volatile market for raw materials. The volatility impacted both supply and price. Strategies focused on matching capacity to market demand have continued. By leveraging productivity improvements, manning and overtime have been reduced. Supply chain transformation activities have delivered improved working capital results and form the basis for continued improvement in the future.
DEVELOPMENTS	As a result of increased focus, customer service levels have improved. Both delivery performance and survey results improved and these areas will remain a focus in the 2007/08 financial year. There has been significant investment in upgrading processing capability and capacity, with commissioning in the 2007/08 financial year. This upgrade will continue over the next five years. Innovations in warehousing are being considered.	Investment in growth projects during the year saw the extension of the product range to meet emerging requirements of our customers. The pipeline product range was extended to allow the manufacture of larger pipe diameters and to meet emerging opportunities for increased pipeline capacities in fluid transmission (e.g. gas and water markets). The first pipeline project using this investment in capability will be constructed in late 2007.

Only steel has guaranteed recycled content

Steel is the only product in the world that has a guaranteed recycled content because scrap steel is an essential element in the production of new steel. It doesn't matter how many times you recycle it.

Source: "Steel and You", International Iron and Steel Institute

Margins were broadly maintained in a more competitive market through a combination of pricing resilience and disciplined cost management. Investments in new processing equipment also helped margins while overall efficiencies improved with continuous improvement and supply chain initiatives.

AUSTRALIAN DISTRIBUTION

	2007 $m AIFRS	2006 $m AIFRS	2005 $m AIFRS	2004 $m AGAAP	2003 $m AGAAP	2002 $m AGAAP
Revenue	1,850.0	1,833.9	1,783.3	1,537.0	1,430.9	1,417.6
EBITDA	147.5	146.1	164.3	127.1	116.4	109.0
EBIT	122.5	122.0	140.5	104.2	93.4	87.4
Assets	1,126.2	1,100.6	1,187.4	1,116.2	1,004.4	1,010.2
Employees	2,358	2,448	2,483	2,391	2,286	2,349
Sales Margin	6.6%	6.7%	7.9%	6.8%	6.3%	5.2%
Funds Employed	792.9	797.4	813.4	820.0	785.2	825.7
Return on Funds Employed	15.4%	15.1%	17.5%	13.0%	11.5%	8.9%
Steel Despatches – tonnes	876,851	905,066	981,409	938,157	917,800	900,500

Results of previous periods have been stated to reflect the business restructure that became effective July 2005.
The 2002 – 2004 EBIT figures have been adjusted to exclude goodwill amortisation from earnings.
The 2007 figures have been normalised to include the results from the business that OneSteel contributed to the Australian Tube Mills joint venture as if the business had remained part of the Distribution segment for the full year.

SHEET, COIL AND ALUMINIUM

A processor and distributor of three product groups from dedicated metropolitan facilities – carbon steel sheet and coil, aluminium and stainless steel. 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, automotive components and whitegoods industries.

Price volatility and a soft market were features during the year. The reduction in prices resulted in a highly competitive market, with an increased availability of imported bulk coil and a rising percentage of imported components being used by customers. This was partially offset by strong pricing in aluminium and stainless steel amid relatively stable domestic demand for these products.

The price volatility for steel sheet and coil, and subsequent impact on demand from import competition, kept the pressure on margins during the year. Efforts were focused on lowering the cost base of the business, aligning with changes in demand, as well as on improving cash management. Safety performance continued to improve, as did service levels.

In the year ahead there will be attention on improving the core business through cost and working capital improvements and through consolidating and realising the benefits from the SAP investment. New strategies to leverage growth will commence during the 2007/08 financial year.

METALAND

Metaland services customers in regional markets of Australia. The network comprises 53 outlets complemented by an extensive franchise network throughout Australia. Location Managers are empowered to leverage the OneSteel Distribution network to provide metal products and solutions that satisfy local customer needs.

Market conditions in regional areas were significantly affected by drought conditions throughout most of Australia. A strong mining segment continues to partially offset the decline in rural Australia.

Increased selling prices have underpinned sales revenue growth. Financial performance remains solid although volume growth was below expectations. Market conditions remain very competitive in the long products range. Safety performance continued to improve, with fewer injuries reported and of reduced severity.

Focus will remain directed towards upgrading selected sites and expanding the network to service the local needs of customers. Investment in supply chain capabilities should show improved results.

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.

Growth continues to be linked to the resources segments, especially the mining and mineral processing customers. In the first half of the year, projects in the Queensland region underpinned volumes. Volumes in the second half of the year were more balanced between South Australia, Queensland and Western Australia, although the South Australia oil and gas segment was significant.

Sales volumes were lower than the prior year, impacting on earnings. This was driven by the deferral of some substantial mining and oil and gas developments. These are expected to take place in the 2007/08 financial year. However, this negative effect was partially offset by new sources of supply being developed for imported Pipe and Fittings. Working capital management via supply chain initiatives was a priority for the business and resulted in a substantial generation of cash.

The Division continued to refine its Building Services, Valve, Resources and Process Pipe market plans. Throughout the year, an extensive reorganisation of the Division's stock range and depth by location was undertaken to support the market plans and working capital initiatives.

MIDALIA STEEL

Midalia Steel operates four facilities in Perth and nine regional locations in Western Australia. Target customers include small builders, metalworkers, tradesmen, farmers, and the DIY sector.

The industrial and retail market segments grew in revenue terms as a result of the buoyant Western Australian economy and increased market penetration. These market sectors more than offset the poor performance in the rural sector which has seen significant shrinkage due to the impact of drought. Although not a key target market, the continued strength in the resources sector underpinned solid demand from small steel fabricators.

The business had a strong year amid continued revenue growth. A new branch in the regional growth centre of Bunbury expanded the branch network and ten branches benefited from enhanced showroom facilities. Investment in both equipment and processes has resulted in significant improvements in safety performance across the business.

The outlook for the 2007/08 financial year remains positive given continued Western Australian economic growth and an improving outlook for the rural sector.
Further expansion of the brand is planned for the coming year which will extend the reach of the business and further improve the service offer to customers.

AUSTRALIAN MANUFACTURING

Whyalla Steelworks
Mining operations were ramped up during the year to enable stockpiling of magnetite iron ore and additional export sales of hematite ore.

Coke ovens, blast furnace, steelmaking and the structural mill all performed well operationally. Pellet plant output was below plan, however issues impacting on reliability were addressed throughout the year and during the annual cold shut which assisted improving output and quality.

Severe flooding during January impacted all operations, including damage to the mine rail line and flood damage to a significant part of the Steelworks. Operations were progressively brought back on line over a period of 10 days.

The market for iron ore remains strong. Three long-term iron ore contracts were signed and announced during the 2006/07 financial year. Demand for mill products was good, with despatches of structural products up strongly.

Project Magnet construction was impacted by the flood but remains broadly in line with plan. Crushing and screening operations and the export ore stream including rail, export shed and transhipping, were all commissioned and ramped up in line with plan during the year. Commissioning of equipment associated with the processing of magnetite and the Desulphurisation Plant will continue early in the 2007/08 financial year.

Safety performance improved, with a record low Medical Treatment Injury Frequency Rate (MTIFR) of 6.1.

Market Mills
Continued strength in key construction markets offset continued softness in the automotive, manufacturing and rural markets. Overall, prices were higher than in the previous corresponding period despite a highly competitive project market.

Manufacturing costs and performance continue to be a focus through the Operational Excellence strategic initiative. SIX SIGMA tools and waste reduction programs are being used to reduce losses and minimise variation. Maintenance reliability practices are also a focus to reduce delays and improve plant availability.

Safety performance improved, with a Medical Treatment Injury Frequency Rate (MTIFR) of 9.1.

200 billion steel cans are produced every year

There are 200 billion steel cans produced in the world every year. They are strong, tamper resistant and protect food and liquids from moisture, oxygen and light. They can protect and conserve their contents without the need for preservatives.

Source: "Steel and You", International Iron and Steel Institute

WHYALLA STEELWORKS

THE BUSINESS

Whyalla Steelworks is located in Whyalla, South Australia. It is an integrated steelworks producing up to 1.2 million tonnes of steel per annum from iron ore sourced from OneSteel's mines. Whyalla produces billet for OneSteel's Market Mills operations and manufactures rail products, structural steel and slab for external re-rolling. Besides steel products, iron ore, pellets and other non-steel products are also produced.

THE MARKET

The domestic and New Zealand structural steel markets were strong during the year due to project activity and strength in key construction markets. Rail sales were in line with the previous year but lower than plan due to a combination of lower than planned activity and import competition. Sleeper demand remained strong.
Continued growth in global demand for steelmaking raw materials, particularly from China, supported an increase in the volume of iron ore exported. Three long-term iron ore contracts were signed and announced during the year.

PERFORMANCE

Coke ovens, blast furnace, steelmaking and the structural mill all performed well. Operational performance was impacted for a short period in January due to a severe flood in Whyalla. The flood resulted in damage to the rail line and flood damage to much of the Steelworks. Operations were progressively restored following repairs and rectification. Pellet plant output was below plan, however reliability issues were addressed during the annual cold shut and throughout the year, which assisted with improving output and quality. Commissioning and ramp up of equipment and facilities associated with the processing and movement of iron ore ran to plan, with a total of 1.8 million tonnes of export ore sales achieved. This included six shipments on Cape–size vessels.

DEVELOPMENTS

Project Magnet capital works were substantially completed during the year, with construction in final stages. Commissioning and ramp up of the hematite export stream were broadly in line with plan. Commissioning of the magnetite stream, including desulphurisation, will be progressed during the first part of the 2007/08 financial year. Operating initiatives over the coming year will continue to focus on safety, customer delivery performance and costs through a combination of improvement activities focused on process capability, equipment reliability and operational performance.

Record production levels at the steelmaking facilities, higher despatches and prices in most product lines and more favourable product mix were drivers of Manufacturing's improved results.

AUSTRALIAN MANUFACTURING

	2007 $m AIFRS	2006 $m AIFRS	2005 $m AIFRS	2004 $m AGAAP	2003 $m AGAAP	2002 $m AGAAP
Revenue	2,414.0	2,101.4	2,065.7	1,700.9	1,583.1	1,445.8
EBITDA	275.8	225.8	184.3	187.4	175.7	133.7
EBIT	211.7	164.5	118.7	130.2	117.5	76.0
Assets	2,132.7	1,829.2	1,638.7	1,555.3	1,439.0	1,398.8
Employees	4,278	3,948	3,908	3,872	3,818	3,857
Sales Margin	8.8%	7.8%	5.7%	7.7%	8.0%	4.6%
Funds Employed	1,536.7	1,306.2	1,094.5	1,065.5	1,056.4	1,062.7
Return on Average Funds Employed	14.9%	13.7%	11.5%	12.3%	11.9%	6.3%
Steel Despatches - external tonnes	1,401,471	1,370,714	1,282,642	1,221,379	1,306,346	1,280,875
Steel Despatches - internal tonnes	275,106	272,141	270,719	257,266	259,854	252,325
Tonnes Produced	1,733,406	1,633,696	1,349,397	1,618,855	1,624,399	1,576,650

Results of previous periods have been restated to reflect the business restructure that became effective July 2005
The 2002 - 2004 EBIT figures have been adjusted to exclude goodwill amortisation from earnings.

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 550,000 tonnes supplied by Whyalla Steelworks, the billets 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.

The volume outlook is for solid demand from engineering construction, mining and non-residential construction. International scrap prices have been moving higher but are yet to be fully reflected in imported steel product prices, partly because of the strong Australian dollar exchange rate.

The Sydney Steel Mill operated at record production levels.
Rod and Bar achieved higher sales volumes mainly through steel-in-concrete sales. Price increases did not fully recover the surge in scrap prices in the second half of 2006/07 financial year.

Manufacturing costs and performance continue to be an area of focus through the Operational Excellence strategic initiative. SIX SIGMA tools and waste reduction programs are being used to reduce losses and minimise variation. Maintenance reliability practices are also an area of focus to reduce delays and improve plant availability. Integration and synergy capture arising from the merger with Smorgon Steel will be the key area of focus.

REINFORCING

Reinforcing steel is used for concrete reinforcement, mining strata control, agricultural and industrial mesh products and reinforcing steel fibres. OneSteel Reinforcing has 39 centres located throughout Australia that sell reinforcing products and related accessories. Customers include large and small builders, concreters, pool builders, formworkers, precasters and mining companies.

The overall market generally remained favourable, with activity in the non-residential and engineering construction segments remaining strong and more than offsetting a weak residential housing market. Infrastructure developments remain a major driver for Reinforcing, including the recent ConnectEast project in Melbourne, the Brunswick and Tugun Bypass (Gold Coast) and the "Northern Link" north/south bypass tunnel currently being processed in Brisbane.

Total sales volumes were higher than 2005/06 financial year but profit levels were slightly lower due to pressure on margins. Sales of products in non-core areas continued to grow significantly as new product and market initiatives came to fruition.

Product development initiatives and strategies continue to be progressed as planned. These include the ONESLAB® housing package and prefabricated bar and mesh solutions. Smorgon Reinforcing is now part of the OneSteel group as a result of the merger that was completed in August and it will be run as a separate business to OneSteel Reinforcing.

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).

Domestic manufacturing sales were impacted as the high exchange rate made imported finished goods more competitive. This was offset by a strong domestic construction market and by deep sea and New Zealand exports.

Wire volumes were up considerably with increased steel-in-concrete tonnage to infrastructure projects, particularly in Queensland. These more than offset lower despatches to the manufacturing and automotive segments. Higher rural despatches were obtained as a result of marketing efforts in a subdued segment.

SIX SIGMA tools and waste reduction programs are being used to reduce losses and minimise variation. Integration and synergy capture arising from the merger with Smorgon Steel will be the key area of focus.

INTERNATIONAL DISTRIBUTION

Market Conditions

The impact of the strong New Zealand dollar and high interest rates throughout the year adversely affected the key industries that the business services. Demand for residential housing lifted total construction activity, offsetting lower commercial construction activity after adjusting for the effect of price increases. The strong local currency affected export receipts in the manufacturing and rural sectors, with manufacturers further impacted as cheaper imports replaced locally manufactured product. The currency's steep appreciation also created market volatility via the cost of replacement inventory. These market conditions, together with a competitive environment, affected the business' ability to fully recover cost increases incurred during the year.

Performance

The **Distribution** business, comprising steel distribution, stainless steel, fastening systems, piping systems and industrial products increased earnings, assisted by the addition of the stainless steel business that was acquired in April 2006. Greater focus on industrial products also enabled the business to increase its overall market offer to its expanded customer base. Price volatility for replacement imported product put downward pressure on selling prices and margins at a time of soft domestic demand.

The **Manufacturing** business, comprising roofing products, reinforcing fabrication and Hurricane Wire, did not perform as well as the previous year.

The roofing operation posted another solid result amid strong demand for rainwater and cladding products from the light commercial and new residential construction sectors. However subdued demand from the construction sector squeezed margins in reinforcing operations and Hurricane Wire. The general downturn in rural spending by farmers also hurt Hurricane Wire.

Outlook

The New Zealand economy is expected to remain soft in the near term amid increased costs of doing business, higher interest charges and a volatile currency. Following a rapid increase in dairy commodity prices in the March quarter, some positive impact is expected over the next 12 to 18 months as dairy farms' increased earnings flow through the rest of the community. However drought and poor returns associated with the strong currency are expected to continue to adversely affect beef and lamb farm incomes. Commercial construction activity and infrastructure projects associated with the 2011 Rugby World Cup are likely to commence in early 2008 however residential construction activity may slow with lower levels of net migration and higher interest costs.

International steel prices and supply volatility have had a big impact on the business' financial results for the past few years. World demand for raw materials, led by China's industrialisation, is expected to stay strong for some time, causing a long-term upward pricing trend albeit continued price volatility in the short- to medium-term. Thus trading conditions are expected to remain tough, but with some upside prospect in calendar year 2008.

Steel products help reduce greenhouse gas emissions

The steel industry is providing innovative solutions that reduce greenhouse gas emissions over the life cycle of steel products. One example is automobiles built from high-strength, lightweight steel that reduce fuel consumption and thus lower CO_2 emissions.

Source: "Steel and You", International Iron and Steel Institute

INTERNATIONAL DISTRIBUTION

	2007 $m AIFRS	2006 $m AIFRS	2005 $m AIFRS	2004 $m AGAAP	2003 $m AGAAP	2002 $m AGAAP	2001 $m AGAAP
Revenue	405.2	390.4	403.3	340.3	290.8	289.2	312.2
EBITDA	45.9	48.7	61.4	47.6	36.6	30.7	29.3
EBIT	40.6	43.7	56.1	42.7	31.9	26.1	23.8
Assets	222.6	178.4	196.1	172.2	156.1	133.1	174.0
Employees	881	907	804	793	765	620	700
Sales Margin	10.0%	11.2%	13.9%	12.5%	11.0%	9.0%	7.6%
Funds Employed	186.6	146.5	160.9	140.2	129.5	107.6	146.8
Return on Average Funds Employed	24.4%	28.4%	37.4%	31.7%	27.0%	20.5%	16.2%

The 2001 - 2004 EBIT results have been adjusted to exclude goodwill amortisation from earnings

SUSTAINABILITY REPORT

INTRODUCTION

It is difficult to imagine a world without steel. Steel is used in everyday life. It is one of the most common materials that people come into contact with every day – whether it is steel for surgical equipment or steel used for bridges and buildings.

The reason for this is steel's strength, versatility and its ability to be recycled. Steel can be used many times over without losing its properties and qualities, something that makes steel unique from other materials.

So steel has an inherent value to society. Without steel, communities could not function the way they do today – because steel binds so many aspects of day-to-day living.

OneSteel is a unique company in that it not only produces steel, it also manages the process from its own raw materials through to the manufacture of finished steel products and distribution to end markets and customers. So it actively manages the full value chain in the steel cycle – something which very few companies around the world do.

This is the first consolidated OneSteel Sustainability Report and encompasses the company's philosophy, objectives and outcomes across its value-creating activities under economic, social and environmental areas.

The report has been created after undertaking research across a wide range of industries on how organisations approach sustainability and more importantly how they apply sustainability principles to their organisations and decision-making processes. This report also draws upon the work of the International Iron and Steel Institute.

SUSTAINABILITY REPORT

OneSteel's Approach to Sustainability

OneSteel's approach to sustainability is based on the principle of value add.

In the area of economic value add, OneSteel focuses on the level of value creation that the company generates from the funds entrusted to it for investment by shareholders and financial institutions. The main measures include return on funds employed, total shareholder return and earnings per share growth.

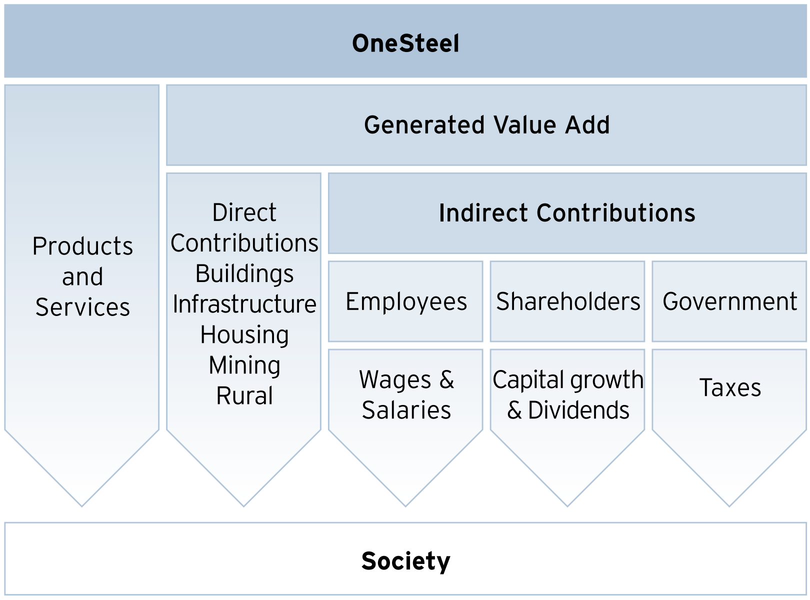
In the area of social value add, OneSteel has adopted an approach of the value it transfers to the community through wages, payments to suppliers, taxes and community payments as one element, and safety outcomes for its workforce as a second major component. OneSteel holds safety as a core value for its organisation and places considerable emphasis on ensuring it is managed well.

Environmental value add examines and measures the value that products and services provided by OneSteel create above the value of the inputs they use such as water and energy. It also comprises an examination of the amount of recycled material and relative intensities of resources used in the production of OneSteel product.

OneSteel's Sustainability Objective

By recognising and valuing the interdependence of economic, social and environmental considerations in our decision-making and balancing these with the needs of stakeholders, we seek to derive further opportunities to improve long-term (sustainable) business performance and risk management.

THE ONESTEEL VALUE-CREATION FRAMEWORK



OneSteel Sustainability Principles

- Operate our business in an efficient and financially sustainable way to supply our products and services to meet our customers' needs and provide value to our stakeholders
- Optimise the eco-efficiency of our products and services through the product life-cycle
- Foster the well-being of employees and provide them with a healthy and safe working environment
- Promote values and initiatives that demonstrate respect for the people and communities associated with our business
- Conduct our business with high ethical standards in dealings with employees, customers, suppliers and the community
- Engage stakeholders and independent third parties in constructive dialogue to help fulfill our sustainable development commitments
- Build on our knowledge of sustainability and willingly share it with others

Governance

OneSteel's governance structure for its Sustainability Framework is managed through a number of interactive Board and management processes to ensure integrity of the framework as outlined on the following page.

ECONOMIC VALUE ADD

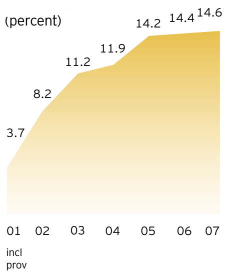
In terms of the integrity of the inputs around management decision-making that leads to economic value creation for OneSteel and its key stakeholders the Board Human Resources Committee is responsible for developing and monitoring remuneration and incentive practices to ensure decision-making behavior is focused on deriving long-term value creation. Likewise, in terms of the outputs, the Board Audit & Compliance Committee has the role of advising on the establishment and maintenance of a framework of internal financial and accounting control and compliance. Details of the functions of both Committees are contained on pages 36 to 37 of the Annual Review. There is also an assessment of key OneSteel risks on page 11 of the Annual Review.

ONESTEEL SUSTAINABILITY FRAMEWORK

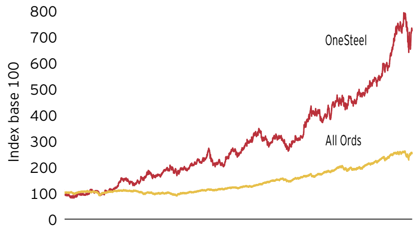
Value	Measure	Description
Economic	Return on Funds Employed	The total return on capital in the form of equity and debt invested in the business
	Total Shareholder Return	The total return to shareholders, both in capital and income, over a period
Social	Payments to Suppliers, Shareholders, Employees, Government community	Measures the dollars spent in the process of producing and delivering OneSteel products and services
	Safety	Measures the lost time and medical treatment injury frequency rate
Environmental	Recycling	Measures the amount of resources recycled through the business to produce and deliver OneSteel products and services
	Intensity	Measures the intensity of materials utilised in the production of OneSteel products and services

Graphs

Return on Funds Employed
%

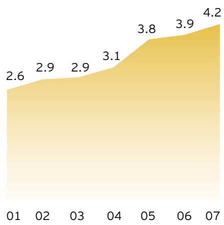


Total Shareholder Return
23 October 2000 to 10 September 2007

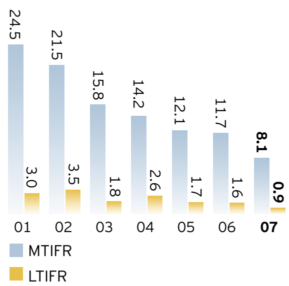


Source: Bloomberg

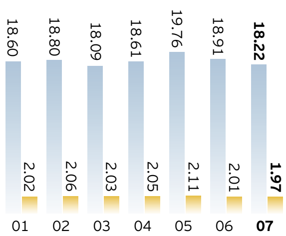
Social Value Add
$ billions



Safety Performance

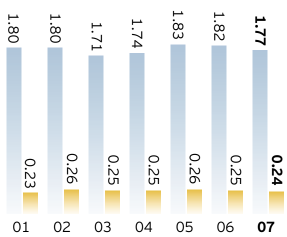


Energy Intensity
Gj/t crude steel or product



Average OneSteel Steelworks Energy Intensity
Average Energy Intensity other OneSteel Primary Manufacturing Sites

Greenhouse Intensity[1,2]
$CO_{2-e/t}$ crude steel or product



Average OneSteel Steelworks Greenhouse Intensity
Average Greenhouse Intensity Other OneSteel Primary Manufacturing Sites

[1] Historical data within the Energy and Greenhouse intensity Plots has been corrected against FY07 conversion factors for internal assessment of oneSteel operational trends without variation contributions from evolving and updated conversion factors over the years.
[2] Steelworks average includes Whyalla Steelworks and Sydney Steel Mills

SOCIAL VALUE ADD

In the area of Safety OneSteel uses the DuPont Safety Management Systems to obtain independent feedback on its safety culture. The Occupational Health, Safety & Environment Committee also oversees safety at Board level. Interaction with the local communities is managed at a local level given the wide geographical range of its operations and through the OneSteel OneCommunity Giving Program. There is also interaction at a corporate level with communities and government as issues and other matters impacting the operations of OneSteel's business arise. Details of the OneSteel approach to social value add can be found on pages 28 to 31 and on page 33 of the Annual Review.

ENVIRONMENTAL VALUE ADD

In the environment, OneSteel benchmarks itself against international environmental management system standard ISO 14001. The environmental management systems report through to the Lead Team and the Board Occupational Health, Safety & Environment Committee. Details of OneSteel's environmental performance are contained on pages 30 and 31 of the Annual Review.

SUSTAINABLE THINKING...

CASE STUDY 1

Where Recycled Plastic Meets Recycled Steel

After two years of testing the commercial viability of using plastic waste in steelmaking, OneSteel has signed a deal that gives it exclusive rights to sub-license new technology that reduces reliance on coke and coal when making steel via electric arc furnaces.

The technology potentially substitutes up to 30 percent of coke and coal with polyethylene waste plastic. Polyethylene plastic is found in shopping bags, soft packaging and some drink containers. It contains carbon which is an essential raw material when making steel.

Invented and developed by materials scientist Professor Veena Sahajwalla of the University of New South Wales, the technology has economic benefits, as well as environmental. Not only does it use recycled plastic that would otherwise end up in landfill, it lowers the cost of manufacturing steel.

Professor Sahajwalla's work shows that adding plastic to slag under intense temperatures aids the 'slag foaming' process. By sitting on top of molten steel like an insulating blanket, it improves furnace energy efficiency.

In addition to reducing the amount of coking coal used in the electric arc furnace, the technology reduces electric consumption and reduces power-on time. This means lower greenhouse gas emissions from coal-fired power.

On merging with Smorgon Steel in August 2007, 1.4 million tonnes of OneSteel's expected 2.6 million tonnes annual steel production capacity is through three electric furnaces in western Sydney, Newcastle and Laverton. Approximately 40% of the world's 1.1 billion steel production is manufactured using scrap in electric arc furnaces.

The plan is to commercialise the technology in North America, South America, Europe and Asia. Its benefits of reducing costs, increasing capacity, reducing carbon emissions are expected to motivate steelmakers to adopt the ground-breaking technology.

Hygienic steel is ideal for precise surgical equipment

Steel is a hygienic and easy to clean product, making it ideal for precise surgical equipment used in delicate operations and procedures.

Source: "Steel and You" International Iron and Steel Institute

CASE STUDY 2

Energy and Water Saving Initiatives at Sydney Steel Mill

OneSteel is committed to continual process improvements that ultimately lead to better environmental outcomes and to a more sustainable future through the efficient use of energy and water. At Sydney Steel Mill and other OneSteel sites, there is a continuous focus placed on resource optimisation to ensure that regulatory and community responsibilities are met through sustainable operations.

At OneSteel's Sydney Steel Mill this begins with recycled ferrous scrap feed to make steel and the optimisation of electricity and natural gas resources, through to a focused strategy to minimise our demand on fresh water.

Improvements in electricity, gas and water management at Sydney Steel Mill have delivered savings in all three of these resource input areas, with reduction benefits of approximately 6,500 megawatts of electricity, 100,000 gigajoules of natural gas, and over 30,000 kilolitres of fresh water on an annual basis.

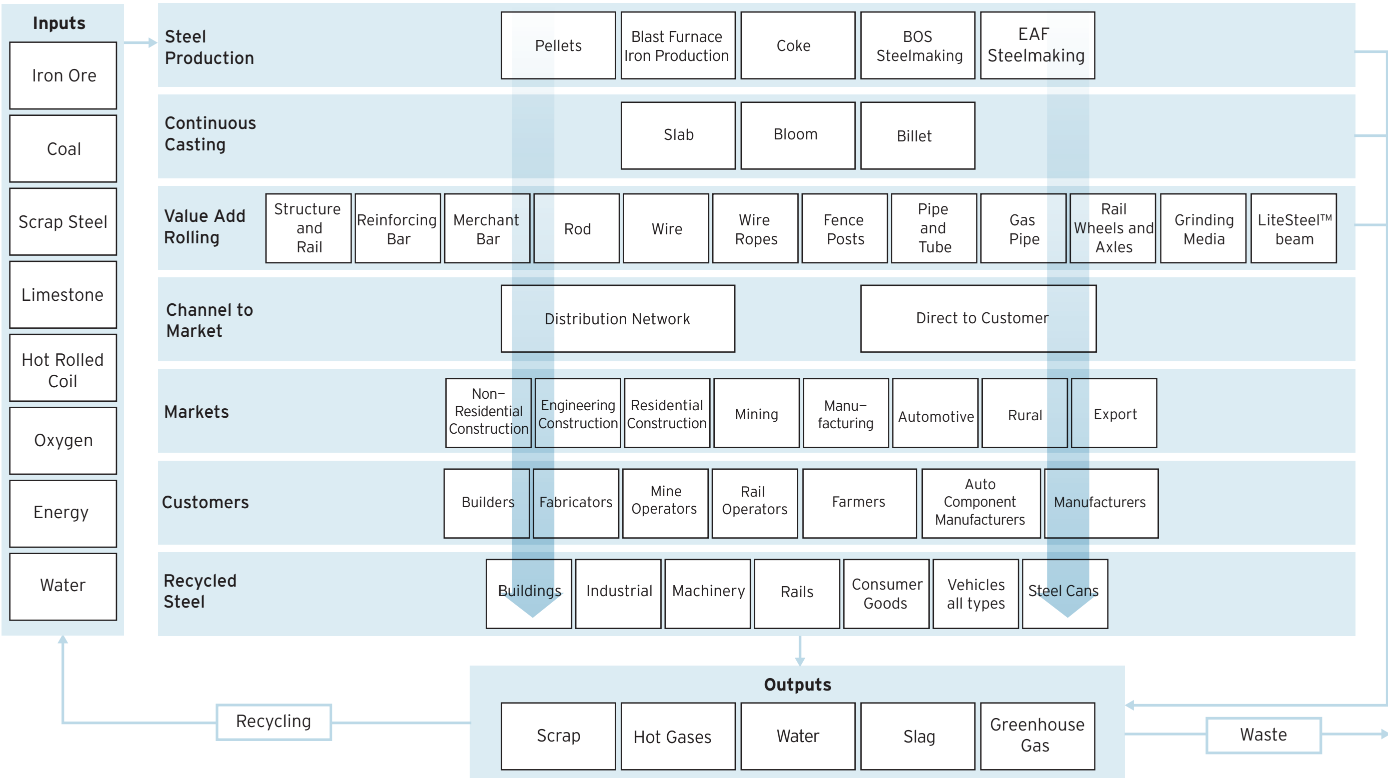
Improved energy efficiency has been achieved through investments in electrode regulation systems, aluminium electrode arms and more rigid electrode columns at the steel-melting furnace. These initiatives alone provided a 2.8% reduction in energy consumption in 2006/07. Based on an annualised production output of 560,000 tonnes for 2006/07, this equates to a saving of approximately 6,500 megawatts, equivalent to the electricity use of more than 1,000 homes.

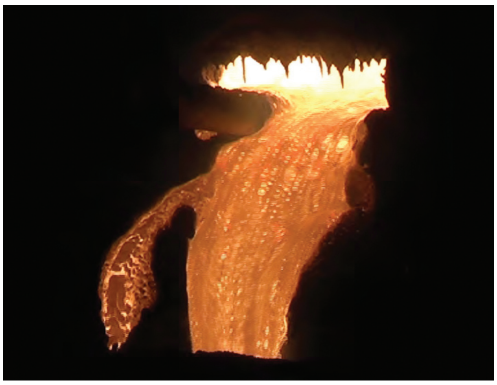
The Sydney Rolling Mill has also reduced its demand on natural gas. Over the last five years, the rate of natural gas consumption has been reduced from over 1.6 gigajoules per tonne to a rate averaging 1.25 gigajoules per tonne. This equates to a reduction of over 100,000 gigajoules per annum on current production levels, the equivalent of taking more than 7,000 cars off Australian roads in terms of CO_2 emissions.

Sydney Steel Mill has lowered its use of fresh water. Under the themes of reduce, reuse and recycle, site water usage has been reduced by approximately 10% per steel tonne produced. This equates to over 30,000 kilolitres, enough water to fill 30 Olympic size swimming pools each year. Sydney Steel Mill is also a participant in the "Every Drop Counts" initiative that was facilitated by the NSW State Government. Under this initiative and with investment in water monitoring, many reduction opportunities were identified and implemented. A further opportunity currently being investigated is the use of recycled water, which has potential to further reduce the site's use of fresh water.

OneSteel's approach to sustainability is based on the principle of value add.

ONESTEEL LIFECYCLE MODEL





The picture depicts the "slag foaming" process at the Sydney Steel Mill furnace during trials of using recycled plastics. These trials generated benefits of improved slag foaming, increased energy efficiency and decreased tap-to-tap time.

This photo depicts the main control room for the furnace operations at the Sydney Steel Mill. In the centre of the picture is a computer screen that monitors electricity prices for the eastern seaboard. At times of high electricity prices, OneSteel has the ability to interrupt production and sell the energy into the New South Wales power grid.

OCCUPATIONAL HEALTH AND SAFETY

OneSteel demonstrates a strong commitment to occupational health and safety, believing that all injuries, occupational illnesses and incidents are preventable. "We will not compromise on safety" is a core value of OneSteel and, as such, a focus on the health and safety of employees, contractors and customers underpins OneSteel's activities. Achieving zero injuries is a clear objective in all OneSteel businesses.

Occupational Health And Safety Outcomes

OneSteel's health and safety performance has improved considerably over the last five years, with key indicators achieving benchmark outcomes (refer to Figures twenty five and twenty six). These levels of performance improvement were continued through the year with a 44% improvement in the Lost Time Injury Frequency Rate (LTIFR) to 0.9 and a 31% improvement in the Medical Treatment Injury Frequency Rate (MTIFR) to 8.1.

Over the past year emphasis increased on lead indicators to drive proactive safety improvement and to facilitate greater employee involvement in safety activities. These lead indicators include the number of safety observations conducted, the ratio of near misses to injuries, the proportion of employees involved in audits and the number of high potential incidents. In each area, performance improved significantly during the 2006/07 financial year, with over 97,000 safety observations being conducted and more than three quarters of all employees involved in audits.

OneSteel Safety Plan

With a safety performance that is already in the top echelon of manufacturing organisations, creating another step change in safety outcomes requires an even more targeted approach. Thus a comprehensive OneSteel safety plan has been established. It covers a broad range of targeted actions in areas including safety structure and leadership, safety management systems, risk management and employee involvement. The key focus is on execution of the plan.

The key elements of the plan are:

- Development and consistent implementation of the OneSteel Codes of Practice, standards, guidelines, systems and procedures
- Building leadership capability to engage and support OneSteel's safety culture through visible leadership, ongoing education and training, and a high level of participation by everyone in the workplace
- Placing an uncompromising emphasis on hazard identification, risk assessment and risk management and measuring assurance through operational, corporate and external auditing processes
- Development and implementation of a OneSteel safety management system framework.

Safety Structure and Leadership

A Safety Council oversees the execution of the safety plan and drives continued improvement. The Council, chaired by the Managing Director and including the key business leaders, has provided increased focus and alignment across OneSteel for key safety activities.

Safety Leadership workshops have been consolidated. These workshops have created a platform of common understanding for OneSteel's safety expectations. The workshops have also developed improved safety leadership capability, skills and understanding of OneSteel's safety tools and processes.

A comprehensive review of the resources supporting OneSteel's safety activities has been undertaken. The review identified the opportunity to remove duplication and to better align resources to support safety leaders. As a result, resources have been reorganised to create a "Health Safety Services and Development" group that is responsible for developing standard systems, tools and processes and for managing compliance, legislative requirements and reporting.

Safety Management Systems

An Assurance Program has been put in place. It is based on a complete set of OneSteel Codes of Practice that is progressively being developed and implemented. These Codes of Practice are aimed at managing the major hazards and risks within the business. They represent the non-negotiable standards that apply across OneSteel and cover 15 areas including forklift safety, confined space, contractor management, isolation, molten materials and other key hazards.

The Assurance Program ensures compliance of various parts of OneSteel with the Codes of Practice through auditing, reporting and ensuring close out of actions. Business leaders have been selected and trained to conduct assurance audits. A significant proportion of OneSteel's operations have had audits performed.

A common OneSteel computer system for injury and incident investigation, hazard registers and tracking of corrective actions has been developed and is being implemented. This will improve consistency of reporting, ease information sharing, as well as bring rigour to ensuring completion of agreed actions. A safety intranet site has also been developed to provide a central point of reference for information.

Risk Management

In addition to the Assurance Program, an externally facilitated management process known as "Semi-Quantitative Risk Analysis" has been piloted, reviewed and adopted as a OneSteel tool. It is particularly targeted at the low probability, high consequence events that could occur within OneSteel's high-risk facilities.

Employee Involvement

Ensuring a high level of employee involvement in safety activities is a key strategy to improve OneSteel's safety outcomes. In particular, OneSteel is driving towards a culture of "interdependence" in regard to safety, whereby not only do employees accept responsibility for their own safety, but also actively look after the safety of each other.

Engagement of all employees is seen as one way to reduce high frequency, low consequence incidents

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

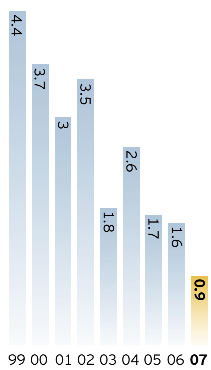
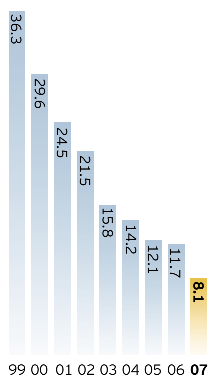


FIGURE TWENTY SIX
Medical Treatment Injury Frequency Rate
Per million hours worked



Achieving zero injuries is a clear objective in all OneSteel businesses.

in particular. A number of programs operate throughout OneSteel that aim to increase employees' awareness of hazards in their environment, encourage them to take time to consider potential risks prior to starting work and to report potential issues or incidents.

External Environment

OneSteel merged with Smorgon Steel in August. The merged approach for Occupational Health and Safety (OHS) will be to adopt the OneSteel safety vision and values and implement a OneSteel system methodology while also incorporating Smorgon Steel's best practices where identified. Extensive planning was undertaken during pre-merger activities to assist with a smooth transition while continuing to focus on improving the existing business' OHS performance.

OneSteel's OHS systems, practices and performance are the prime reason for OneSteel being granted Workers Compensation self-insurance status in all states where it is eligible.

2007 Safety Excellence Awards

OneSteel is committed to achieving the highest performance in safety improvement throughout its businesses. The contributions submitted each year by employees, suppliers, contractors and customers are recognised with the Safety Excellence Awards program. The awards highlight innovative and practical initiatives in maintaining a safer, healthier workplace.

The awards for 2007 are detailed below:

Safety Employee
Brendan Tuck, Pipe & Tube, Kembla Grange (Winner)
John Farquharson, Piping Systems Orange
Andrew Dickson, Engineering Alliance Newcastle
Greg Edwards, Steel Products Whyalla

Safety Front-line Leader
Steve Harrison, Pipe & Tube, Sunshine (Winner)
Peter Bruce, P&T Kembla Grange
Lesley Kaye, Steel & Tube Bibra Lake
Mal Leishman, Metaland Mayfield

Safety Leader
Joe Ellison, Rod Mill Newcastle (Winner)
Richard Cass, Steel Products Whyalla
Russell Chataway, Steel & Tube Port Adelaide
Mark Scholem, Piping Systems Lyndhurst

Contractor/Supplier Category
METS Transport Melbourne (represented by Kerryn & Geoff Moffatt) (Winners)
Andreco Hurll Whyalla (represented by John Grimes)
HWE Mining SA (represented by Debbie Hagenbruch)
Nalco Whyalla (represented by Claudia Williams)

Work Team/Department Category
Mayfield Metaland (represented by Trent Bell & Barry Walker) (Winners)
Harold Wilson & Milco Vojdanovski, Rod Mill Newcastle
Products Barb Work Team (represented by Dave Arnold & David Turnbull)
Salisbury Aluminium (represented by Damian Jeffrey & Robert Webster)

Workplace Initiative Category
Top Hat 3D Bar Chairs, Reinforcing (represented by John Collins & Graeme McGregor) (Winners)
Project Underground, Project Magnet (represented by John Spargo & Don Dart)
Forklift DVD, ATM Newcastle (represented by Troy Peters & David Inkster)
Wire Handling Injury Reduction, Wire Newcastle (represented by Mark Underwood)

Employee (L to R): Geoff Plummer (MD & CEO); Andrew Dickson (Engineering Alliance Newcastle); Brendan Tuck (Pipe & Tube, Kembla Grange); Greg Edwards (Steel Products, Whyalla); John Farquharson (Piping Systems, Orange); Duncan Hislop (Judge).

Front Line Leader (L to R): Andrew Clarke (Judge); Geoff Plummer (MD & CEO); Steve Harrison (Pipe & Tube Sunshine); Lesley Kaye (Steel & Tube Bibra Lake); Mal Leishman (Metaland Mayfield); Peter Bruce (Pipe & Tube, Kembla Grange).

Leader (L to R): Richard Cass (Steel Products, Whyalla); Russell Chataway (Steel & Tube); Mark Scholem (Piping Systems); Bryan Davis (OneSteel Director - Presenter); Joe Ellison (Rod Mill); Shane Murphy (GM OHS&E - Judge).

Contractor/Supplier (L to R): Debbie Hagenbruch (HWE Mining SA); Claudia Williams (Nalco, Whyalla); Geoff Moffatt (METS Transport); John Grimes (Andreco Hurll); Bryan Davis (OneSteel Director - Presenter); Shane Murphy (GM OHS&E - Judge); Kerryn Moffatt (METS Transport).

Work Group Dept (L to R): Barry Walker & Trent Bell (Mayfield Metaland); Robert Webster & Damian Jeffrey (Salisbury Aluminium); Milco Vojdanovski & Harold Wilson (Rod Mill); Peter Harley (Workcover NSW - Presenter); David Turnbull & Dave Arnold (Products Barb Work Team); Craig Warren (Judge).

Workplace Initiative (L to R): David Inkster & Troy Peters (ATM Newcastle); Don Dart & John Spargo (Project Magnet, Whyalla); Mark Underwood (Wire Newcastle); Peter Harley (Workcover NSW - Presenter); John Collins & Graeme McGregor (Reinforcing Villawood); Mark Parry (Judge).

ENVIRONMENT

Energy and Greenhouse

OneSteel continues to monitor and provide input to national developments in the area of greenhouse gas emissions, particularly in regard to carbon trading. It also continues to work towards identifying and implementing further strategies and opportunities to manage and reduce its greenhouse and energy intensity.

OneSteel's 2006/07 greenhouse emissions were estimated to be 3.59 million tonnes of CO_2 equivalent greenhouse gases. This includes purchased electricity but excludes purchased oxygen. This represents around 0.6% of Australia's total annual greenhouse emissions, with 88% of this deriving from OneSteel's steelmaking operations at Whyalla and Sydney. OneSteel used 35.9 peta joules of energy and reductant including purchased electricity but excluding purchased oxygen.

During 2005/06 Sydney Steel Mill and the Rod, Bar, Wire and Pipe & Tube operations at Newcastle conducted energy audits to identify viable reduction opportunities and to submit plans to the New South Wales government under an Energy Savings Action Plan program for the state's top 200 energy user sites. Further assessment of identified opportunities would indicate at present that annual savings of around $1 million are possible.

OneSteel is also co-ordinating work under a federal government program whereby companies such as OneSteel that use more than 0.5 peta joules of energy must conduct, and publicly report on every five years, an energy efficiency opportunity assessment that identifies projects with savings of four years payback or better. The aforementioned New South Wales program work will be incorporated, as well as additional work at Whyalla Steelworks and at the Laverton and Waratah steelmaking facilities that OneSteel operates following the recent merger with Smorgon Steel.

Water

In 2005/06 Sydney Steel Mill was included in a new New South Wales government legislative requirement for the top 200 water users in the Sydney metropolitan area to submit a water conservation action program by March 2006. The site had previously signed a Business Agreement with Sydney Water's "Every Drop Counts" campaign to reduce water consumption. Water saving projects continue to be investigated as the site reduces its water consumption and intensity of use. The site is working towards accessing treated water from a local sewage treatment plant. Preliminary work indicates it could reduce water consumption on site by some 500,000 litres per day, a 40% to 50% site reduction.

Some Steel & Tube and Metaland sites in Victoria are progressing the installation of rainwater tanks based on drought, community good will, cost savings, council rebates, and reciprocal business possibilities. Steel & Tube Scoresby has fitted water saving showerheads and restrictors to all site urinals. Water usage is expected to decrease by 1 to 2 million litres per annum. It is also installing a dry bed plasma to replace the current wet bed that will save further thousands of litres of water.

Emissions and Resource Minimisation

Fugitive dust management at Whyalla Steelwork's Pellet Plant and iron ore export areas remains a key issue for the Steelworks, community and regulators given that they are located within a few hundred metres of the eastern end of Whyalla. Plant and process changes associated with Project Magnet that are expected to reduce dust emissions, as well as other dust reduction commitments, have been included in the sites' Environmental Improvement Plan.

A stockpile management and remediation plan was submitted to government regulatory bodies outlining closure plans for an iron ore stockpile near the Pellet Plant that was created as part of the Project Magnet transitioning. This plan was communicated to the community and was well received.

A dust control network has been developed to provide early warning of elevated dust emissions from the Pellet Plant and export facility so that targeted management controls can be applied to reduce off-site dust impacts.

Work also continues at Whyalla around further reducing Coke Ovens' marine discharges in relation to a licence requirement. A capital proposal has been prepared after reviewing the options.

Approximately 500 new computer Liquid Crystal Display (LCD) monitors were installed across OneSteel's Whyalla site. Decommissioned monitors and computers were donated, recycled or re-used offsite. This strategy avoided land filling of computer components, preventing an estimated four tonnes of lead being disposed into the environment.

A cardboard recycling trial was also rolled out at seven locations across the Whyalla site. Around 120 cubic metres of cardboard were prevented from entering the landfill during a four-month trial period. A permanent cardboard recycling service and expanded bin distribution could recycle an estimated 600 cubic metres of cardboard per annum. This process would assist with resource recovery and prolong the life of the limited on-site landfill capacity at the Whyalla site.

Whyalla has also undertaken trial crushing and screening of Blast Furnace slag to supply materials for concrete products.

Land Management

OneSteel's iron ore mines in South Australia are located within an area of locally significant flora and associated fauna. While the mining operations have reduced the habitat area for these species, it is not considered to be to the extent of significantly threatening the viability of local flora and fauna. Management of the mining operation is via a Mining and Rehabilitation Plan (MARP), which is approved by the regulator Primary Industries and Resources South Australia (PIRSA). PIRSA has also been delegated authority of Environmental Protection Legislation on behalf of the Environment Protection Authority (EPA) at the mine site.

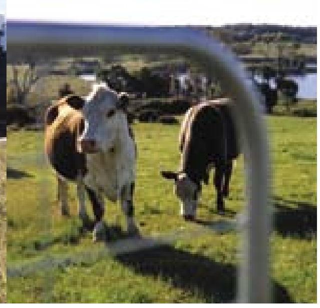
OneSteel made a gift of 19,000 hectares of land adjacent to the South Middleback Ranges iron ore mines for use as a national park. This land was six times more than required under South Australian law to offset native vegetation that was lost in the development of the Iron Magnet mine.

Community

The Whyalla community's Environment Consultation Group and OneSteel are conducting a trial to determine the effectiveness of different cleaning methods on houses at varying distances from the Ore Processing plant. A trial remediation project was undertaken at six properties, followed up by interviews with the owners. The Whyalla Environment Consultation Group continues to meet monthly.

Wire Ropes at Mayfield in Newcastle continues to have a community issue limited to several residents, mainly around vibration and noise. A GVM (Ground Vibration Monitoring) System operates 24 hours a day to record the levels of vibration at four locations

OneSteel assisted with a detailed submission, including life cycle data, to a federal scoping study on building materials sustainability.



within the factory. The GVM System information is used to adjust plant operating parameters to minimise or eliminate impact on nearby residents. Noise mitigation and management plans are in place and reviewed weekly. A community consultation process that includes Newcastle City Council via a bi-monthly meeting is ongoing.

Product

In 2006, OneSteel, along with BlueScope Steel and Smorgon Steel, assisted the Australian Steel Institute with a detailed submission, including life cycle data, to a federal Department of Environment & Heritage scoping study on building materials sustainability.

OneSteel, with Smorgon Steel and BlueScope Steel, is supporting an Australian Steel Institute sub-committee around building material sustainability credentials (ASI Sustainability Group). One of the group's aims is to provide more information to the marketplace around steel's environmental credentials, including a supporting ASI website.

OneSteel continues to liaise with various bodies that have developed, or are developing, building environmental rating tools to identify relevant issues and opportunities. The environmentally inappropriate crediting of the percentage of recycled content of steel within rating tools is a key concern for OneSteel. It is the subject of continued submissions and dialogue given this could create dysfunctional outcomes amid constrained world scrap availability. OneSteel has been seeking to replace this with credits for cultivating higher scrap recovery from waste, building designs that allow greater ease in dismantling and material segregation for re-use or recycling, and steel building component re-use.

Environmental Governance

OneSteel Environmental Policy

The Policy is due for its biennial review at the end of 2007. This review will be included in the OneSteel-Smorgon Steel environmental integration process during the 2007/08 financial year. The OneSteel Environment Policy is located at www.onesteel.com

Environmental Management Systems (EMS)

OneSteel achieved its environmental objective to maintain external certification to ISO 14001 at its major manufacturing sites of mining, steelmaking, rod and bar rolling, and pipe, tube and wire manufacture. Within OneSteel's smaller processing and distribution facilities, a minimum level of site alignment to ISO 14001 is still being sought against internal audit upon completion of an EMS improvement program.

OneSteel has environmental reporting systems in place to the Lead Team and to the Board Occupational Health, Safety & Environment Committee. It also has key environmental risk identification and management processes. The three most significant environmental issues managed by OneSteel are fugitive dust management at the Whyalla Steelworks, its response to greenhouse emissions and climate change, and freshwater availability.

Whyalla Steelworks continues to work with contractors on-site to improve their environmental performance through the use of agreed Environmental Management Plans.

OneSteel's major manufacturing facilities have internal compliance and EMS auditing programs. These include use of internal personnel who are externally accredited as environmental auditors or who have attended other external audit training. Self-assessment checklist programs within the EMS improvement program are being rolled out within the smaller processing and distribution facilities.

OneSteel has also been progressing activity in reviewing its environmental governance structures, roles, capability and accountabilities to seek improvement.

Regulatory Licences/Agreements

OneSteel has systems to identify and record incidents outside of specific regulatory licence and agreement requirements. The majority of incidents, being of a very minor nature, did not require reporting to regulatory authorities. The main types of incidents were small chemical spills and oil leaks from equipment and transport vehicles that were contained on-site and easily addressed, with preventative actions being taken as appropriate.

There were 13 non-compliances against stated emission limits and 8 non-compliances against general conditions. This represents an increase against a downward trend over the last few years (in 2005/2006 it was 3 and 6 respectively). OneSteel's target is zero.

All these non-conformances were internally rated Severity 1 (negligible) except for one at OneSteel Sydney Steel Mill rated at Severity 2 (Minor) for which there were two $1,500 fines.

The Victorian EPA sent OneSteel a Pollution Abatement Notice relating to a chromic acid spill at OneSteel Martin Bright located at Somerton in Melbourne in November 2005. The Notice required a review of the impacts of the spill and action to prevent a recurrence. OneSteel's internal response had already addressed most of the requirements of the Notice. Work continues on fulfilling the outstanding requirements.

HUMAN RESOURCES

OneSteel recognises that for superior business performance today and to position the organisation for future growth, it needs to have both highly capable and engaged people and the right organisation design and processes to facilitate this. OneSteel's *People and Capability Plan*, part of OneSteel's overall strategic plan, articulates the key strategies and actions that OneSteel employs towards these outcomes. These strategies include:

- Ensuring the attraction, development and retention of employees
- Driving engagement and performance
- Continuing to build organisational effectiveness and capability.

Attraction, Development and Retention

In the current tight labour market, OneSteel continues to have lower staff turnover than the average for Australian organisations. During the year OneSteel further invested in its ability to attract and retain employees by implementing a number of strategies including a standardised online induction program for new employees to understand the benefits of joining OneSteel and to assist them to more quickly become valuable contributors to the business. Exit interviews with departing employees are providing valuable information for better targeting retention initiatives.

Investment in developing skills for the future increased with large intakes of apprentices into the manufacturing businesses, an increased number of graduates across all parts of the business and the introduction of cadetships as another avenue to attract highly capable individuals. OneSteel recruited 80 apprentices and over 40 cadets and graduates in 2006/07, double the previous year's intakes.

Leadership development remains an important focus, with initiatives including continued investment in the development of senior leaders in leadership and strategy development through the Australian Graduate School of Management, and an innovative program called "YoungSteelers" in which 90 of OneSteel's future leaders participated in project work, personal development activities and seminars on the OneSteel business.

Succession planning processes are being used throughout OneSteel to identify and develop potential successors and to establish appropriate strategies to mitigate the risk of vacancy in key roles.

Engagement and Performance

OneSteel's performance planning and management (PPM) process is one key to ensure all staff understand the business priorities, have clear objectives for their own performance and receive regular feedback and support. This year's activities to strengthen performance management include:

- More tightly linking business plans and targets to individuals' objectives
- Development of an online PPM system for launch in 2007/08 which will facilitate cascading of objectives, visibility of outcomes and improved record management
- Continuing to drive "calibration" processes to ensure consistent standards are applied

This year OneSteel's Employee Share Plan, through which employees can share in the long-term success of the business, had a participation rate of over 42% of eligible employees – the highest participation rate since the 2001 offer.

FIGURE TWENTY SEVEN

Workers Compensation Outstanding Claims Provision

	2007 $m	2006 $m	2005 $m	2004 $m	2003 $m	2002 $m	2001 $m
New South Wales	12.4	14.8	17.2	18.2	18.2	19.3	20.7
Queensland	0.5	0.7	1.5	2.0	2.4	4.5	5.5
Victoria	2.5	3.0	2.5	3.8	4.2	3.2	2.8
South Australia	2.5	2.5	3.0	4.0	4.2	4.2	4.1
Western Australia	0.5	0.6	0.7	0.6	0.7	0.9	0.7
Total – Self-insurance Workers Compensation Provision	18.4	21.6	24.9	28.6	29.7	32.1	33.8

Organisational Effectiveness and Business Improvement

Across OneSteel, a capable and "fit for purpose" team of human resources professionals partners with business managers to drive business improvement and to support change initiatives while a small specialist human resources team ensures a consistent approach to critical human resources processes and efficient delivery of business support services.

OneSteel Human Resources continues to support organisational initiatives to improve business performance. Activities in the last 12 months include:

- Setting up the Australian Tube Mills joint venture with Smorgon Steel
- Building capability in supply chain management, operational excellence and customer and market insight through a variety of strategies including project work, development of internal specialists, external recruitment and process development
- Supporting the development of a more effective "approach to market" for the Australian Distribution business and the associated business design and processes to deliver this
- Planning for the merger with Smorgon Steel has been undertaken to ensure that the business is well positioned to deliver the expected integration and synergy benefits.

Capability in organisation and role design has improved with the construction of frameworks and tools to assist business leaders more effectively structure roles and processes within their businesses. This capability is progressively being applied across OneSteel with significant work in Whyalla to support improved operational stability and to integrate Project Magnet into the business.

OneSteel continues to effectively manage employee relations to ensure ongoing improvement in workplace relationships and efficiencies. During the year, compliance with the WorkChoices legislation was achieved without issue in the required timeframes. Compliance with the Building and Construction Industry Code has been achieved within some parts of the business, with work continuing in other areas.

Workers Compensation

The total liabilities for outstanding workers compensation claims fell by $3.2 million and the number of received and outstanding claims 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 conducted by the New South Wales and Queensland state regulators were successfully completed during the report period, securing continuation of OneSteel's self-insurance status in those states.

COMMUNITY

Community

OneSteel's OneCommunity Giving Program is now in its fourth year. In partnership with 12 selected charities, OneSteel continues to focus on efforts to make a genuine difference in the communities where OneSteel people live and work.

With large manufacturing operations in Newcastle and Western Sydney (New South Wales) and at Whyalla in South Australia, combined with over 100 steel and metals merchandising sites across Australia, OneSteel's operations are of considerable regional importance. The integration of Smorgon Steel's operations will expand OneSteel's community footprint even further.

OneCommunity Giving Program

The giving program provides OneSteel people with the opportunity to support the various causes they care about through regular or one-off donations made from their pre-tax salary, with donations matched dollar for dollar by the company (up to a maximum of $250,000 per annum).

OneSteel supports its people being actively involved in volunteer and fundraising events. Some of the larger activities that staff were successfully involved in raising funds for are detailed below:

- The Leukaemia Foundation's 'World's Greatest Headshave'. OneSteel achieved 16th place in the top 30 supporters nationwide, and was the fourth largest supporter in New South Wales. OneSteel donations assisted in raising an amazing overall contribution of over $11 million.
- OneSteel again supported the 'Relay for Life' in Western Australia. Alongside customers and suppliers, OneSteel staff were the second highest fundraisers, contributing to a tally in excess of $550,000 for the Cancer Council.
- The 'CARE Charity Cambodia Cycle Challenge' received donations in conjunction with OneSteel staff participating in the event. Friends, family and colleagues generously contributed towards the cycle challenge to raise much needed funds for CARE's mission to help disadvantaged communities as they strive to make long-term improvements to their daily lives.

Last year, OneSteel raised approximately $300,000 for the program's 12 charities.

Corporate Donations

The company's most significant single donation over the last year was a contribution of $20,000 to the Newcastle Permanent Relief Fund to assist victims of the severe flooding that occurred in the Hunter and Central Coast regions of New South Wales. Proceeds were distributed to the many charities and relief organisations directly involved in assisting people affected by the devastating storm.

OneSteel also provides donations to local charities selected by the winners of each category in its annual Safety Excellence Awards. Each winner receives a cheque for $2,000 which is donated to their nominated charity. The winning charities are listed in Figure twenty eight.

Regional Support

On a local level, regional charities and local sponsorships benefited from a combined amount of $247,452.

Community Support

OneSteel actively encourages its business leaders to become involved in their local community and to assist in the development of community facilities such as hospitals and schools. As such, OneSteel managers participate on hospital, university and TAFE boards, local chambers of commerce, regional development boards, local credit union boards and local charities such as the Salvation Army. OneSteel leaders also participate in industry associations at various levels of involvement.

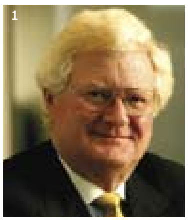
Community Involvement

As well as continuing its donations and support through existing charities and sponsorships, OneSteel also donated funds to new community initiatives during the 2006/07 year.

FIGURE TWENTY EIGHT

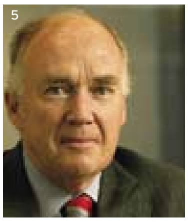
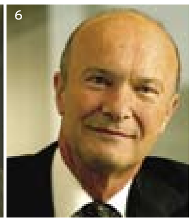
OneCommunity Giving Program	• Alzheimer's Australia • The Cancer Council Australia • The Smith Family • CARE Australia • The Salvation Army • Westpac Rescue Helicopter Service • Royal Flying Doctor Service • Guide Dogs Australia • Hunter Medical Research Institute • RSPCA • Lifeline • Landcare Australia
Corporate	• Leukaemia Foundation • World's Greatest Headshave • 2007 Cancer Council Relay for Life • Newcastle/Hunter/Central Coast Flood Disaster Relief • CARE Charity Cambodia Cycle Challenge • 2007 City to Surf
Safety Award Winners 2007	• Camp Quality Illawarra • Royal Children's Hospital Melbourne • Cancer Council • John Hunter Children's Hospital Oncology Unit • Royal Blind Society
Regional	**COMMUNITY INVOLVEMENT** • **Habitat for Humanity** – a nationwide building initiative to supply DuraGal® flooring systems and construction assistance for housing for low-income earners • **Kokoda Challenge** – a 96 kilometre trek to raise money for the Kokoda Foundation which supports troubled teenagers • **Bridge to Brisbane** – 12 kilometre fun run by OneSteel people and family members
Whyalla	• **Goal 100 Choose Your Future** – a support program designed to assist Whyalla's long-term unemployed. The program aims to take 100 long-term unemployed locals and find them employment in heavy industry through trade apprenticeships, traineeships and plant operation positions (pictured above right) • **School-based apprentices** – sponsorship of 10 school-based apprentices through the Australian Technical College. Apprentices will develop their trade skills in the electrical, fitting and turning, boilermaking, machining or instrument fitting fields • **The Smith Family** – charity golf day to launch official partner sponsorship deal to support disadvantaged children and families through the 'Learning for Life' program • **Whyalla Fishy Fringe Festival** – sponsorship of Whyalla's premier arts and cultural festival. The festival is part of the company's commitment to strengthen existing partnerships, as well as to build new community relationships (pictured above left)
Hunter Region	• **Hunter Youth Mentoring Collaborative** – an organisation providing youth mentoring programs in the region • **The Hunter Friends of L'Arche** – providing community homes for intellectually disabled people • **Newcastle Disaster Relief Dinner** – charity dinner hosted by Newcastle Permanent to assist people affected by the devastating floods in June this year.

BOARD OF DIRECTORS


1

2

3

4

5

6

7

8

P J (PETER) SMEDLEY[1]

BCom, MBA, FAICD

Chairman

Independent Non-Executive Director

Age 64. Appointed a director and Chairman in October 2000. Peter is Chairman of the Operational Risk Committee and a member of the Governance & Nominations Committee and the Human Resources Committee. He is Chairman of Spotless Group Limited, and CARE Australia, and Deputy Chairman of the Colonial Foundation. He is also a director of The Australian Ballet, the Haven Foundation and The Australian Davos Connection. His previous roles included Managing Director and Chief Executive Officer of Mayne Group Limited, Managing Director & 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 2004 to 30 June 2007:

– Spotless Group Limited appointed 8 December 2006

G J (GEOFF) PLUMMER[2]

BEc

Managing Director and Chief Executive Officer

Non-Independent Executive Director

Age 51. 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. He is a director of the International Iron and Steel Institute.

R B (BRYAN) DAVIS[3]

BSc(Tech), FAIMM, MAICD

Independent Non-Executive Director

Age 64. 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. He is 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 and Bendigo Mining Limited, 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 1 July 2004 to 30 June 2007:

– Newcrest Mining Limited since April 1998

– Coal and Allied Industries Limited since September 2000

– Bendigo Mining Limited from September 2004 until January 2006

– Indophil Resources NL from September 2000 until April 2005

E J (EILEEN) DOYLE[4]

BMath, MMath, PhD, FAICD

Independent Non-Executive Director

Age 52. 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 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, Ross Human Directions Limited, CSIRO and Steel & Tube Holdings Limited, a New Zealand listed company in which OneSteel holds a 50.3% interest. Her previous roles included a director of Austrade and senior management positions with CSR Timber Products, BHP Steel and Hunter Water Corporation.

Other listed company directorships held during the period 1 July 2004 to 30 June 2007:

– Ross Human Directions Limited since July 2005

– Steel & Tube Holdings Limited since July 2005

C R (COLIN) GALBRAITH AM[5]

LLB (Hons), FAICD

Independent Non-Executive Director

Age 59. 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 Special adviser at Gresham Partners Limited, having previously been a partner at law firm Allens Arthur Robinson specialising in commercial law. He is a director of Commonwealth Bank of Australia and CARE Australia, Chairman BHP Billiton Community Trust, a director of the Australian Institute of Company Directors, a trustee of Royal Melbourne Hospital Neuroscience Foundation and a special adviser to Allens Arthur Robinson. Previously, he has been a director of Colonial Group, Azon Limited and GasNet Australia Limited (group).

Other listed company directorships held during the period 1 July 2004 to 30 June 2007:

– Commonwealth Bank of Australia since June 2000

– GasNet Australia Limited (group) from December 2001 until November 2006

P G (PETER) NANKERVIS[6]

B Ec(Hons), FCPA, GAICD,

Independent Non-Executive Director

Age 57. Appointed a director in December 2004. Peter is Chairman of the Audit & Compliance Committee and a member of the Operational Risk Committee. He is also a director of Dairy Australia Limited and Mitchell Communication Group Limited, and 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.

Other listed company directorships held during the period 1 July 2004 to 30 June 2007:

– Mitchell Communication Group Limited from 12 March 2007

D A (DEAN) PRITCHARD[7]

BE, FIE Aust, CP Eng, FAICD

Independent Non-Executive Director

Age 62. Appointed a director in October 2000. Dean is a member of the Occupational Health, Safety & Environment Committee, the Human Resources Committee and the Operational Risk Committee. He was a member of the Audit & Compliance Committee until August 2005. He is Chairman of Steel & Tube Holdings Limited, a New Zealand listed company in which OneSteel holds a 50.3% interest. He is also a director of Zinifex Limited, Spotless Group Limited and Eraring Energy. Previously, he was Chief Executive Officer of Baulderstone Hornibrook, Chairman of ICS Global Limited and a director of Railcorp.

Other listed company directorships held during the period 1 July 2004 to 30 June 2007:

– ICS Global Limited from June 1999 until June 2007

– Zinifex Limited since March 2004

– Steel & Tube Holdings Limited since May 2005

– Spotless Group Limited since May 2007

N J (NEVILLE) ROACH AO[8]

BA (Hons), DSc (HC), FACS

Independent Non-Executive Director

Age 68. 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. He is also Chairman of Smart Internet Cooperative Research Centre and TCS-FNS Pty Ltd, a director of TCSM Pty Limited and Australian Academic and Research Network. 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, Intelligent Island Board and Australia India Business Council, and President Asian Oceanian Computing Industry Organisation.

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.

The current membership of the Board and its Committees is set out in the table below.

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. Directors are meticulous in ensuring that disclosure, as required by law, is made of any dealings and, where requisite, details are set out in the company's accounts.

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 considers that a fixed maximum tenure for directors is not in the Company's interests. Instead, it considers that a director should not seek re-election if the Board considers (whether by reason of considerations such as the need for Board renewal and succession, Board size, skill mix, performance or otherwise) it is not appropriate to do so.

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

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

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
- assess the necessary and desirable competencies of Board members
- review Board succession plans
- to ensure there is an appropriate 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.

CORPORATE GOVERNANCE STATEMENT

The Managing Director and relevant senior staff are invited to Occupational Health, Safety & Environment 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 such specific critical risk.

The Managing Director and relevant senior staff are invited to Operational Risk 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 its people, the environment, company assets and its reputation as well as to realise opportunities. This risk-based system of internal control helps OneSteel 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 section of the Annual Review on pages 10 and 11.

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

Chief Executive Officer & 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 2007, 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 2007 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 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 and the independent review partner are to be rotated at the end of a period no longer than five years;
- the appropriateness of putting the audit to tender is reviewed at the end of a period no longer than five 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.

CORPORATE GOVERNANCE STATEMENT

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 employees must not engage in hedging arrangements (such as collar transactions involving put and call options) over unvested shares or options in a Company Share or Option Plan. In addition, this Policy and the Corporations Act 2001 restricts hedging arrangements over vested shares or options in Company Plans and shares withdrawn from those Plans.

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 its continuous and periodic disclosure obligations under the ASX Listing Rules and the Corporations Act, including a Continuous Disclosure Policy. The policy is published on OneSteel's 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 disclosure 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 Board 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 2007.

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
E J Doyle
C R Galbraith
P G Nankervis
G J Plummer
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.

Under Clause 5.7 of the Merger Implementation Agreement between OneSteel Limited and Smorgon Steel Group Limited it was agreed that Messrs G J Smorgon and L G Cox were to be appointed as directors of OneSteel Limited with effect from the date on which the merger of OneSteel and Smorgon Steel was implemented. Accordingly, Messrs Smorgon and Cox will join the Board from the September 2007 Board Meeting of the Company.

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.

The following significant changes in the nature of the activities of the Group occurred during the year:

- Formation of a joint venture with Smorgon Steel covering the manufacture of structural pipe and tube
- Commencement of significant exports of hematite iron ore sales as a result of the commercialisation of OneSteel's magnetite ore reserves under Project Magnet

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 $207.0 million (2006: $187.5 million) with earnings per share of 36.34 cents (2006: 33.27 cents). The net profit for the year includes the impact of a tax benefit arising from the derecognition of deferred tax liabilities of $9.5 million. In the prior year, a tax benefit of $15.9 million was recognised arising from the further reset of tax values as a result of 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 10.5 cents per share payable on 18 October 2007, fully franked at a 30% tax rate on fully paid shares	91.6
Interim dividend 8 cents per share paid on 19 April 2007, fully franked at a 30% tax rate on fully paid shares	45.9
Final dividend 10 cents per share paid on 19 October 2006, fully franked at a 30% tax rate on fully paid shares	56.9

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 2007. 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.

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

Director	Board of Directors	Governance & Nominations Committee	Audit & Compliance Committee	Occupational Health, Safety & Environment Committee	Human Resources Committee	Operational Risk Committee
Number of meetings held	14	3	4	4	2	4
Number of meetings attended						
P J Smedley	14	3			2	4
R B Davis	14			4		4
E J Doyle	14	3	4	4		
C R Galbraith	14	3	4			
P G Nankervis	14		4			3
G J Plummer	14					
D A Pritchard	14			4	2	4
N J Roach	14		4	4	2	

Note: In addition to the above a special purpose Due Diligence Committee was appointed by the Board to undertake assignments in relation to the proposed merger with Smorgon Steel Group Limited. The Committee, comprising Messrs Smedley, Galbraith, Nankervis and Plummer, met sixteen times and each of the Committee members attended the majority of the meetings.

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 2007.

The remuneration report is set out under the following main sections:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Equity-based compensation
D. Additional information
E. Employment contracts

The information provided under sections A, B, C and E includes remuneration disclosures that are required under accounting standard AASB 124 "Related Party Disclosures". These disclosures have been audited. The disclosures in Section D are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 that have not been audited.

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (AUDITED)

Remuneration Philosophy

The objective of the company's remuneration framework is to pay market competitive remuneration (recognising skills and experience), and to reward for performance and the achievement of strategic objectives leading to creation of value for shareholders. OneSteel seeks 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 associated 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.

Performance reviews, succession planning and remuneration recommendations for the Chief Executive Officer and Managing Director and executives directly reporting to the CEO & MD 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

The Board, in conjunction with the Human Resources Committee, seeks to establish non-executive director remuneration at a level that 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

(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 of $2,000,000 approved at the 2006 Annual General Meeting 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 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 ultimately 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.

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, customer and business objectives; and
- reward executives for maintaining sustained returns to shareholders.

DIRECTORS' REPORT

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 that 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 July for the CEO and 1 September for all other executives. 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 personal contribution to delivery of annual business goals, plus
- 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 used as a guide is for the remuneration of the Managing Director to be 40% fixed remuneration and 60% at risk while for senior executives the proportions are approximately 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 provided flexibility to receive their fixed annual reward remuneration in a variety of forms, including cash, superannuation 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. The STI aims to reward participating employees for the achievement of agreed financial, safety, business and personal goals.

The performance measures used for the 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 the STI are based on planned/budgeted performance, incorporate stretch targets and are dependent on the achievement of continuous improvement.

Payments under the 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 payment. The STI is normally paid in cash but individuals may salary sacrifice, for example, into superannuation or 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 STI payments. STI payments may be reduced or withheld if the executive is assessed to fall substantially short of performance expectations or has failed to demonstrate minimum required leadership behaviours or operating style. The actual payment of the 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 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 sustained creation of shareholder wealth. Allocations under the company's Share Plan and/or the Executive Option 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 the year ended 30 June 2001.

When vesting rules are satisfied, one ordinary share in the company may be obtained for each right to shares or option after a qualifying period of three years. These instruments 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 yearly 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 prior to vesting are distributed to executives in accordance with their respective allocations at the time the dividend is paid by the company.

The company did not grant performance dependent rights to ordinary shares to certain senior executives (with the exception of the Managing Director – see Section E) during the year ended 30 June 2007. An issue is planned to coincide with the implementation of the merger with Smorgon Steel during the second half of 2007. Details of equity-based compensation provided to each director of OneSteel Limited and each of the other key management personnel of the Group are shown in section C of this report.

B. DETAILS OF REMUNERATION (AUDITED)

Details of remuneration paid to directors and senior executives meeting the definition of key management personnel under AASB 124 "Related Party Disclosures" of OneSteel Limited and the OneSteel Group are set out below.

The key management personnel of the Group are the directors of OneSteel Limited and those executives that report directly to the managing director, and also the CEO of Steel and Tube Holdings Limited, a New Zealand listed company in which OneSteel holds a 50.3% interest, as set out below. This includes the five company and group executives who received the highest remuneration for the year ended 30 June 2007.

N Calavrias	Chief Executive Officer, Steel & Tube Holdings Limited
A J Reeves	Chief Financial Officer
C R Keast	Executive General Manager, Market Mills
M R Parry	Executive General Manager, Whyalla Steelworks
A H Combe	Executive General Manager, Distribution
A G Roberts	Executive General Manager, Marketing
L J Selleck	Executive General Manager, Project Magnet
W J Gately	Corporate General Manager, Human Resources and Safety

The five company executives who received the highest remuneration for the year ended 30 June 2007 are:

A J Reeves	Chief Financial Officer
A H Combe	Executive General Manager, Distribution
L J Selleck	Executive General Manager, Project Magnet
A G Roberts	Executive General Manager, Marketing
M R Parry	Executive General Manager, Whyalla Steelworks

The five group executives who received the highest remuneration for the year ended 30 June 2007 are:

A J Reeves	Chief Financial Officer
A H Combe	Executive General Manager, Distribution
N Calavrias	Chief Executive Officer, Steel & Tube Holdings Limited
L J Selleck	Executive General Manager, Project Magnet
A G Roberts	Executive General Manager, Marketing

(a) Compensation of key management personnel

	Short-term benefits			Post-employment	Other long-term benefits	Termination benefits	Share-based payment	Total	Total performance related
	Salary and Fees $	Cash bonus $	Non-monetary benefits [7] $	Superannuation $	Cash bonus $		Shares and share rights [1],[2] $	$	%
2007									
Directors [6]									
P J Smedley	270,000	–	10,239	–	–	–	121,498	401,737	–
G J Plummer	1,219,405	1,400,000	10,703	100,857	–	–	812,910	3,543,875	62.4
R B Davis	90,000	–	3,967	8,100	–	–	32,398	134,465	–
E J Doyle	90,000	–	4,323	8,100	–	–	32,398	134,821	–
C R Galbraith	90,000	–	4,117	8,100	–	–	32,398	134,615	–
P G Nankervis	90,000	–	3,619	6,075	–	–	36,451	136,145	–
D A Pritchard	90,000	–	1,817	8,100	–	–	32,398	132,315	–
N J Roach	90,000	–	3,632	8,100	–	–	32,398	134,130	–
Executives									
N Calavrias [3]	532,184	177,616	6,503	39,914	235,757	–	–	991,974	41.7
A J Reeves	608,487	396,000	42,995	62,391	–	–	111,034	1,220,907	41.5
L J Selleck	434,305	129,000	93,474	58,725	–	–	97,062	812,566	27.8
M R Parry	446,787	184,000	530	40,881	–	–	62,496	734,694	33.6
C R Keast	439,325	135,000	1,660	43,546	–	–	62,496	682,027	29.0
A G Roberts	384,728	275,000	1,126	36,861	–	–	53,348	751,063	43.7
A H Combe	546,442	237,000	212	54,104	–	–	34,867	872,625	31.2
W J Gately	373,411	232,000	706	50,521	–	–	62,248	718,886	40.9
Total	5,795,074	3,165,616	189,623	534,375	235,757	–	1,616,400	11,536,845	

DIRECTORS' REPORT

(a) Compensation of key management personnel (continued)

	Short-term benefits			Post-employment	Other long-term benefits	Termination benefits	Share-based payment	Total	Total performance related
	Salary and Fees $	Cash bonus $	Non-monetary benefits [7] $	Superannuation $	Cash bonus $		Shares and share rights [1],[2] $	$	%
2006									
Directors [6]									
P J Smedley	266,667	–	8,089	–	–	–	119,625	394,381	–
G J Plummer	1,099,143	765,000	39,708	100,857	–	–	744,008	2,748,716	54.9
R B Davis	89,000	–	–	8,010	–	–	31,950	128,960	–
E J Doyle	89,000	–	8,198	8,010	–	–	31,950	137,158	–
C R Galbraith	89,000	–	2,664	8,010	–	–	31,950	131,624	–
P G Nankervis	89,000	–	2,784	–	–	–	39,938	131,722	–
D A Pritchard	89,000	–	12,219	8,010	–	–	31,950	141,179	–
N J Roach	89,000	–	2,056	8,010	–	–	31,950	131,016	–
Executives									
N Calavrias [3]	491,071	142,857	7,143	36,830	195,858	–	–	873,759	38.8
A J Reeves	578,399	324,000	32,599	56,769	–	–	115,835	1,107,602	39.7
L J Selleck	410,175	253,000	81,728	55,423	–	–	102,014	902,340	39.3
M R Parry	400,582	190,000	13,456	31,872	–	–	56,705	692,615	35.6
C R Keast	402,795	212,000	4,552	36,875	–	–	56,705	712,927	37.7
A G Roberts	346,514	170,000	13,051	28,925	–	–	45,310	603,800	35.7
A H Combe [4]	342,214	109,000	–	21,368	–	–	14,064	486,646	25.3
W J Gately	342,875	123,000	4,552	46,378	–	–	65,616	582,421	32.4
R W Freeman [5]	54,170	–	–	4,873	–	–	–	59,043	–
Total	5,268,605	2,288,857	232,799	460,220	195,858	–	1,519,570	9,965,909	

Notes

(1) The value recorded for non-executive directors in the share-based payment section represents the new long-term component of directors remuneration commenced after the annual general meeting on 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.

(2) The share rights have been valued using a 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.

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

(4) Included in the salary and fees for Mr A H Combe was a sign-on payment of $125,000 upon joining the company.

(5) Mr R W Freeman was also paid outstanding annual leave balances of $49,932 on leaving the company.

(6) Directors' fees are comprised of Salary and Fees, Superannuation and Shares granted under the long-term component of non-executive directors' remuneration.

(7) Non-monetary benefits include items such as fringe benefits tax paid on benefits provided, rental assistance, living away from home allowances and health fund premiums.

(b) Share rights provided as compensation – granted and vested

During the financial year no share rights were granted as equity compensation benefits under the Long-Term Incentive Plan to key management personnel with the exception of the Managing Director. No share rights have been granted to non-executive directors under this scheme. The share rights were issued free of charge and entitle the holder to one fully paid ordinary share in the entity. For details of the vesting conditions and further details relating to the share rights refer to Section C of this report.

No share rights under the Long-Term Incentive Plan vested during the year ended 30 June 2007.

	Vested	Granted		Terms and Conditions for each Grant			
	No.	No.	Grant Date	Fair value per right at grant date ($)	Expiry date	First Exercise date	Last Exercise date
2007							
Directors							
G J Plummer	–	305,461	1/5/07	4.88	1/5/10	1/5/10	1/5/12
2006							
Directors							
G J Plummer	68,998	–	–	–	–	–	–
Executives							
A J Reeves	68,998	50,896	8/9/05	2.80	8/9/10	8/9/08	8/9/10
L J Selleck	56,453	35,926	8/9/05	2.80	8/9/10	8/9/08	8/9/10
M R Parry	13,800	47,901	8/9/05	2.80	8/9/10	8/9/08	8/9/10
C R Keast	13,800	47,901	8/9/05	2.80	8/9/10	8/9/08	8/9/10
A G Roberts	–	44,907	8/9/05	2.80	8/9/10	8/9/08	8/9/10
A H Combe	–	33,207	3/2/06	3.15	3/2/11	3/2/09	3/2/11
W J Gately	43,280	29,938	8/9/05	2.80	8/9/10	8/9/08	8/9/10
Total	265,329	290,676					

(c) Compensation 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. All outstanding options from this Plan vested in 2005.

(d) Shares issued on exercise of compensation options

No options were exercised by key management personnel during the year ended 30 June 2007.

	Shares issued No.	Amount paid per share $	Amount unpaid per share $	Value of option $
2006				
Executives				
L J Selleck	75,000	1.0434	–	170,745
M R Parry	8,000	1.0434	–	18,213
C R Keast	18,500	1.0434	–	43,042
W J Gately	30,000	1.0434	–	62,598
Total	131,500			294,598

DIRECTORS' REPORT

C. EQUITY-BASED COMPENSATION (AUDITED)

Share rights and options

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 will vest subject to OneSteel's TSR performance to the Base Index and the remaining 50% of shares 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 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%

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.

D. ADDITIONAL INFORMATION (UNAUDITED)

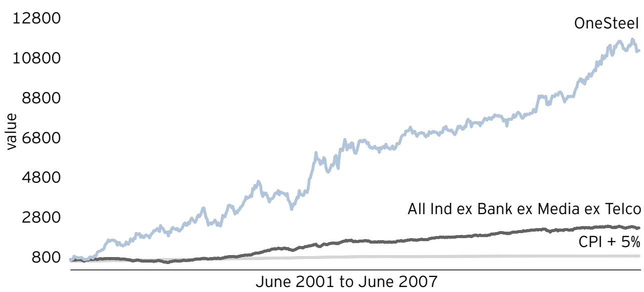
Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

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	Earnings Per Share cents
2007	207.0	10.5	36.2
2006	187.5	10.0	33.3
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 outperformance 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 TSR 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



E. EMPLOYMENT CONTRACTS (AUDITED)

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 is paid a base remuneration of $1,350,000 per annum inclusive of superannuation and novated car leases. The base remuneration is 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 has been granted two separate allocations of shares during this term as agreed in his executive employment agreement. 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. The second instalment was allocated on 8 May 2007, being 305,461 shares allocated at the prevailing market price representing one and one third times base remuneration. 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 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 that 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 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, in the event the termination is as a result of 12 months' notice from OneSteel then 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.

Changes to Employment Agreement

In view of the OneSteel and Smorgon Steel merger, specific additional arrangements relating to this employment agreement have been agreed between the Company and Mr Plummer and were effective on 20 August 2007. These changes were determined to be necessary and appropriate providing both certainty and continuity of leadership and incentive for Mr Plummer to deliver the maximum benefits arising from the merger to OneSteel shareholders.

It has been agreed that Mr Plummer's existing Executive Service Agreement will not terminate at the end of the initial five year period (arising on 2 May 2010) but instead, will continue on an ongoing basis until terminated by either OneSteel or Mr Plummer in accordance with the termination rights presently included in the Executive Service Agreement.

Mr Plummer's Executive Service Agreement has also been amended to provide for a third instalment of shares under the Company's Long-Term Incentive Plan. The third instalment being of a value equivalent to one and one third times Mr Plummer's base remuneration at the time of allocation. The method used to calculate the price at which these shares were allocated was designed to reflect the value, on Implementation Date, of each OneSteel share received by Smorgon Steel shareholders as consideration under the Scheme of Arrangement, namely the Volume Weighted Average Price of OneSteel Shares Traded during the 10 consecutive trading days immediately following the Court approvals of the Scheme.

The vesting criteria for these shares is the same as applied to the first and second instalments and is outlined earlier in this Remuneration Report.

Other key management personnel – senior executives

Senior executives may terminate their employment with three months written notice. The company may terminate employment for cause or not for cause. If the company terminates employment, other than for cause, the company may pay up to 1.0 times' fixed annual reward at the time of termination and a pro-rata amount of STI.

In addition, if the employment of an individual senior executive 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 the individual due to a fundamental change in the business the Board, in its absolute discretion, will determine whether the individual may be able to withdraw some or all of the shares granted under the LTI Share Plan which have not vested.

Executives are also bound by "non-compete" clauses generally restraining them for a period of 12 months from taking up employment or engaging in activities which would be to the detriment of OneSteel.

Company Secretary

Information on the qualification and experience of the company secretary is set out on page 9 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 2007.

Share Rights and Options

During the year there were 13,734 rights to shares and nil options that vested to management under the terms of the Long-Term Incentive Plan. There were nil options forfeited during the year. During, or since the end of the financial year, the company has issued no shares as a result of the exercise of options. Details relating to the exercise of these options are included in Note 28 of the Full Financial Report. 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 Share Options
15 December 2009	$0.9258	170,896
21 December 2010	$1.0434	289,500

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 follows:

Director	Ordinary shares
P J Smedley	26,345
G J Plummer	–
R B Davis	7,025
E J Doyle	7,025
C R Galbraith	7,025
P G Nankervis	8,000
D A Pritchard	7,025
N J Roach	7,025

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 Mr G J Plummer who was granted rights to 305,461 ordinary shares under the OneSteel Executive Long-Term Incentive Share Plan. These share rights will vest between 1 May 2010 and 1 May 2012 subject to performance hurdles.

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

Director	Shares	Share Rights	Options
P J Smedley	230,992	–	–
G J Plummer	339,342	1,448,587	90,000
R B Davis	22,470	–	–
E J Doyle	122,584	–	–
C R Galbraith	94,883	–	–
P G Nankervis	30,306	–	–
D A Pritchard	85,442	–	–
N J Roach	210,657	–	–

Full details are set out in Note 29 to the Full Financial Report.

DIRECTORS' REPORT

Matters Subsequent to the End of the Financial Year
On 31 July 2007, Smorgon Steel shareholders voted in favour of the Scheme of Arrangement to effect the merger between OneSteel and Smorgon Steel. The Supreme Court of Victoria subsequently approved it on 3 August 2007. Immediately following the court approval on 3 August 2007, OneSteel Limited acquired 179,124,279 ordinary shares in Smorgon Steel Group Limited (representing 19.96% of total shares on issue) from BlueScope Steel Limited for approximately $447.3 million. On 20 August 2007, the Scheme of Arrangement was implemented and OneSteel Limited acquired all remaining shares in Smorgon Steel Group Limited. Under the Scheme, Smorgon Steel shareholders received 9 new OneSteel shares for every 22 Smorgon Steel shares they held, which is equivalent to 0.4091 OneSteel shares for each Smorgon Steel share.

Smorgon Steel shares were suspended from trading on the Australian Stock Exchange as of the close of trading on 3 August 2007. The new OneSteel shares issued to Smorgon Steel shareholders pursuant to the Scheme were traded on the Australian Stock Exchange on a deferred settlement basis from 6 August 2007. Normal trading in OneSteel shares commenced on 21 August 2007.

On 20 August 2007, OneSteel announced the acquisition of Fagersta Group, Australia's fourth-largest stainless steel distributor.

On 17 August 2007, OneSteel announced that as part of the merger process with the Smorgon Steel Group Limited, Australian Tube Mills Pty Limited (ATM), a joint venture between OneSteel and Smorgon Steel, will restructure its pipe and tube operations. ATM became a wholly owned subsidiary of OneSteel Limited from 20 August 2007 as part of the completion of the merger between OneSteel and Smorgon Steel.

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 including the merger with Smorgon Steel Group Limited and the completion of Project Magnet.

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

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 2007 are as follows:

Tax compliance services	$1,120,775
Accounting advice	$487,917

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 21st day of August 2007 in accordance with a resolution of directors.

Peter Smedley
Chairman

Geoff Plummer
Managing Director

Auditor's 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 2007, 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

21 August 2007

Michael Wright
Partner

CONTENTS

Discussion and analysis of the financial statements
This 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.

OneSteel Limited and its controlled entities (together, the "OneSteel Group") comprise the consolidated entity.

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

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

The consolidated financial statements are prepared on the basis of historical cost, except for derivative financial instruments that have been measured at fair value, applying generally accepted accounting principles.

Income Statement
Net profit attributable to members of the parent for the financial year was $207.0 million. Excluding the impact of the tax benefit arising on derecognition of deferred tax liabilities, the net profit for the year was $197.5 million.

Sales revenue increased 7.4% to $4,300.6 million, driven by higher despatches, favourable change in product mix and price increases previously implemented to recover higher raw material input costs.

Earnings in the Manufacturing segment increased with underlying price increases as a result of improved product mix and higher domestic steel despatches. Australian Distribution's earnings fell from the previous financial year, with price increases implemented to recover higher product and input costs offset by the impact of the contribution of the Pipe and Tube structural business to the Australian Tube Mills joint venture. International Distribution's earnings were also down from the prior period as the pace of economic growth in New Zealand slowed.

Balance Sheet
Total consolidated assets increased by 13.7% to $3,569.5 million with property, plant and equipment increasing by $197.4 million primarily as a result of investment associated with Project Magnet, the commercialisation of OneSteel's magnetite ore deposits.

Total consolidated liabilities increased by 17.2% to $1,919.5 million, driven by increases in creditors and borrowings.

Contributed equity increased by $27.4 million largely attributable to the dividend reinvestment scheme.

Cash Flow Statement
Consolidated net cash flow from operating activities increased by $25.7 million to $276.5 million, reflecting improved cash profits.

Consolidated net cash outflow from investing activities of $349.1 million was $130.1 million higher than 2006, mainly due to higher capital expenditure related to Project Magnet.

Consolidated net cash inflow from financing activities of $112.5 million was higher than the prior year outflow of $67.2 million primarily driven by additional borrowings associated with Project Magnet.

Dividends
The directors have recommended and declared a final fully franked dividend for 2007 of 10.5 cents per share payable on 18 October 2007.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE		CONSOLIDATED	
	Note	2007 $m	2006 $m
Sales revenue	3	4,300.6	4,004.6
Cost of sales		(3,463.4)	(3,205.9)
Gross profit		837.2	798.7
Other revenue	3	27.0	28.2
Other income	3	6.9	10.8
Operating expenses excluding finance costs		(536.0)	(535.2)
Finance costs		(55.8)	(56.7)
Share of net profit of investments accounted for using the equity method		4.8	0.2
Profit before income tax		284.1	246.0
Income tax expense		(74.7)	(60.8)
Income tax benefit arising on derecognition of deferred tax liabilities		9.5	–
Income tax benefit arising from tax consolidation		–	15.9
Total income tax expense		(65.2)	(44.9)
Profit after tax		**218.9**	**201.1**
Profit attributable to minority interests		(11.9)	(13.6)
Profit attributable to members of the parent		**207.0**	**187.5**
Basic earnings per share (cents per share)	4	36.34	33.27
Diluted earnings per share (cents per share)	4	36.12	33.06
On operating activities before the tax benefit arising on derecognition of deferred tax liabilities/tax consolidation			
Basic earnings per share (cents per share)	4	34.68	30.45
Diluted earnings per share (cents per share)	4	34.47	30.26

The accompanying notes form an integral part of this Income Statement

BALANCE SHEET

AS AT 30 JUNE	CONSOLIDATED 2007 $m	2006 $m
ASSETS		
Current Assets		
Cash and cash equivalents	59.5	19.6
Receivables	640.9	635.4
Derivative financial instruments	0.3	3.2
Inventories	836.3	758.9
Other current assets	8.3	9.8
Total Current Assets	1,545.3	1,426.9
Non-current Assets		
Investments accounted for using the equity method	100.8	7.3
Derivative financial instruments	9.7	4.2
Other financial assets	6.0	7.1
Property, plant and equipment	1,537.1	1,339.7
Mine development expenditures	66.3	60.2
Other intangibles and goodwill	214.3	220.2
Deferred tax assets	74.4	72.9
Other non-current assets	15.6	0.3
Total Non-current Assets	2,024.2	1,711.9
TOTAL ASSETS	**3,569.5**	**3,138.8**
LIABILITIES		
Current Liabilities		
Payables	635.1	545.4
Derivative financial instruments	2.7	–
Interest-bearing liabilities	69.9	60.1
Tax liabilities	31.3	27.5
Provisions	168.9	160.5
Total Current Liabilities	907.9	793.5
Non-current Liabilities		
Derivative financial instruments	71.0	53.6
Interest-bearing liabilities	759.4	598.3
Deferred tax liabilities	142.6	143.5
Provisions	26.3	35.0
Retirement benefit obligations	12.3	13.3
Total Non-current Liabilities	1,011.6	843.7
TOTAL LIABILITIES	**1,919.5**	**1,637.2**
NET ASSETS	**1,650.0**	**1,501.6**
EQUITY		
Contributed equity	1,153.6	1,126.2
Retained earnings	420.3	316.1
Reserves	12.8	2.6
Parent interests	1,586.7	1,444.9
Minority interests	63.3	56.7
TOTAL EQUITY	**1,650.0**	**1,501.6**

The accompanying notes form an integral part of this Balance Sheet

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE	CONSOLIDATED	
	2007 $m	2006 $m
	Inflows/(outflows)	
Cash flows from operating activities		
Receipts from customers	4,325.4	4,040.8
Payments to suppliers and employees	(3,929.6)	(3,681.9)
Interest received	2.3	2.4
Interest and other costs of finance paid	(54.5)	(56.8)
Operating cash flows before income tax	343.6	304.5
Income taxes paid	(67.1)	(53.7)
Net operating cash flows	**276.5**	**250.8**
Cash flows from investing activities		
Purchases of property, plant and equipment	(356.0)	(199.0)
Mine development expenditure	(0.2)	(12.8)
Purchases of finite-life intangibles	(1.7)	(2.6)
Purchases of businesses	(2.6)	(13.2)
Proceeds from sale of property, plant and equipment	12.2	6.7
Proceeds from repayment of preference shares by investments accounted for using the equity method	–	0.2
Repayment of loan by non-related parties	(0.8)	1.7
Net investing cash flows	**(349.1)**	**(219.0)**
Cash flows from financing activities		
Purchase of shares under equity-based compensation plans	(2.0)	(2.5)
Proceeds from issue of shares	–	0.4
Proceeds from borrowings	765.0	541.0
Repayment of borrowings	(554.4)	(509.9)
Proceeds from finance leases	29.8	–
Repayment of principal of finance leases	(40.4)	(21.0)
Repayment of loans from related party	(19.7)	–
Repayment of loans to related party	19.7	–
Dividends paid	(85.5)	(75.2)
Net financing cash flows	**112.5**	**(67.2)**
Net increase/(decrease) in cash and cash equivalents	**39.9**	**(35.4)**
Cash and cash equivalents at the beginning of the year	19.6	55.0
Cash and cash equivalents at the end of the year	**59.5**	**19.6**

The accompanying notes form an integral part of this Cash Flow Statement

STATEMENT OF CHANGES IN EQUITY

2007	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									MINORITY INTERESTS	TOTAL EQUITY
	CONTRIBUTED EQUITY				RESERVES						
CONSOLIDATED	Issued capital $m	Employee compen-sation shares $m	Total contributed equity $m	Retained earnings $m	Share-based payments $m	Foreign currency translation $m	Cash flow hedges $m	Total Reserves $m	Total Parent Interests $m	$m	$m
At 1 July 2006	1,134.4	(8.2)	1,126.2	316.1	2.0	(3.3)	3.9	2.6	1,444.9	56.7	1,501.6
Cash flow hedges:											
– gains/(losses) taken to equity	–	–	–	–	–	–	6.3	6.3	6.3	–	6.3
– transferred to profit	–	–	–	–	–	–	(1.9)	(1.9)	(1.9)	–	(1.9)
– transferred to initial carrying amount of hedged items	–	–	–	–	–	–	(2.8)	(2.8)	(2.8)	–	(2.8)
Currency translation differences	–	–	–	–	–	6.2	–	6.2	6.2	6.8	13.0
Total income and expense for the year recognised directly in equity	–	–	–	–	–	6.2	1.6	7.8	7.8	6.8	14.6
Net Profit	–	–	–	207.0	–	–	–	–	207.0	11.9	218.9
Total income/expense for the period	–	–	–	207.0	–	6.2	1.6	7.8	214.8	18.8	233.5
Share-based payments expense	–	–	–	–	2.4	–	–	2.4	2.4	–	2.4
Dividends paid	–	–	–	(102.8)	–	–	–	–	(102.8)	(12.1)	(114.9)
Shares issued under dividend reinvestment plan	29.4	–	29.4	–	–	–	–	–	29.4	–	29.4
Purchase of shares for equity-based compensation	–	(2.0)	(2.0)	–	–	–	–	–	(2.0)	–	(2.0)
At 30 June 2007	**1,163.8**	**(10.2)**	**1,153.6**	**420.3**	**4.4**	**2.9**	**5.5**	**12.8**	**1,586.7**	**63.3**	**1,650.0**
2006											
CONSOLIDATED											
At 1 July 2005	1,115.0	(7.1)	1,107.9	214.2	1.4	3.0	–	4.4	1,326.5	61.8	1,388.3
Adoption of AASB 139	–	–	–	(3.6)	–	–	(1.7)	(1.7)	(5.3)	–	(5.3)
Cash flow hedges:			–					–	–		–
– gains/(losses) taken to equity	–	–	–	–	–	–	5.6	5.6	5.6	–	5.6
Currency translation differences	–	–	–	–	–	(6.3)	–	(6.3)	(6.3)	(6.5)	(12.8)
Total income and expense for the year recognised directly in equity	–	–	–	(3.6)	–	(6.3)	3.9	(2.4)	(6.0)	(6.5)	(12.5)
Net Profit	–	–	–	187.5	–	–	–	–	187.5	13.6	201.1
Total income/expense for the period	–	–	–	183.9	–	(6.3)	3.9	(2.4)	181.5	7.1	188.6
Share-based payments expense	–	–	–	–	2.0	–	–	2.0	2.0	–	2.0
Dividends paid	–	–	–	(82.0)	–	–	–	–	(82.0)	(12.2)	(94.2)
Shares issued under dividend reinvestment plan	19.0	–	19.0	–	–	–	–	–	19.0	–	19.0
Shares issued on exercise of options	0.4	–	0.4	–	–	–	–	–	0.4	–	0.4
Vested shares	–	1.4	1.4	–	(1.4)	–	–	(1.4)	–	–	–
Purchase of shares for equity-based compensation	–	(2.5)	(2.5)	–	–	–	–	–	(2.5)	–	(2.5)
At 30 June 2006	**1,134.4**	**(8.2)**	**1,126.2**	**316.1**	**2.0**	**(3.3)**	**3.9**	**2.6**	**1,444.9**	**56.7**	**1,501.6**

NOTES TO THE CONCISE FINANCIAL STATEMENTS

Relationship of the Concise Financial Report to the Full Financial Report

The Concise Financial Report is an extract from the Full Financial Report for the year ended 30 June 2007. The financial statements and specific disclosures included in the Concise Financial Report have been derived from the Full Financial Report.

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of OneSteel Limited and its controlled entities (together, the "OneSteel Group") as the Full Financial Report. Further financial information can be obtained from the Full Financial Report.

A copy of OneSteel Limited's 2007 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).

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".

This Concise Financial Report relates to the consolidated entity consisting of OneSteel Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007. The accounting policies adopted have been consistently applied to all years presented.

NOTE 2. **SEGMENT INFORMATION**

					AUSTRALIA	INTERNATIONAL		CONSOLIDATED
	Manufacturing $m	Distribution $m	Unallocated $m	Eliminations $m	Total $m	Distribution $m	Eliminations $m	$m
2007								
Segment revenues								
Revenues from customers outside the consolidated entity	2,093.9	1,802.2	–	–	3,896.1	404.5	–	4,300.6
Inter-segment revenues	304.9	12.8	13.6	(284.3)	47.0	–	(47.0)	–
Other revenue/income	15.2	13.7	4.3	–	33.2	0.7	–	33.9
Total income	2,414.0	1,828.7	17.9	(284.3)	3,976.3	405.2	(47.0)	4,334.5
Share of net profit of investments accounted for using the equity method	–	–	4.8	–	4.8	–	–	4.8
Other non-cash expenses	(3.8)	(3.7)	(2.4)	–	(9.9)	(0.3)	–	(10.2)
Earnings before interest, tax, depreciation & amortisation	275.8	141.9	(6.8)	(6.7)	404.2	45.9	(14.0)	436.1
Depreciation and amortisation	(64.1)	(23.0)	(3.8)	–	(90.9)	(5.3)	–	(96.2)
Earnings before interest & tax	211.7	118.9	(10.6)	(6.7)	313.3	40.6	(14.0)	339.9
Finance costs								(55.8)
Income tax expense								(46.3)
Profit after tax before minority interests								237.8
Segment assets	2,088.8	1,020.2	121.4	(53.1)	3,177.3	219.6	(2.6)	3,394.3
Investments accounted for using the equity method	–	–	100.8	–	100.8	–	–	100.8
Tax assets								74.4
Consolidated assets								3,569.5
Segment liabilities	449.1	295.8	945.8	(45.6)	1,645.1	100.5	–	1,745.6
Tax liabilities	–	–	–	–	–	–		173.9
Consolidated liabilities								1,919.5
Non-current assets acquired	295.0	23.4	8.2	–	326.6	9.0	–	335.6

NOTES TO THE CONCISE FINANCIAL STATEMENTS

NOTE 2. SEGMENT INFORMATION (CONTINUED)

					AUSTRALIA	INTERNATIONAL		CONSOLIDATED
	Manufacturing $m	Distribution $m	Unallocated $m	Eliminations $m	Total $m	Distribution $m	Eliminations $m	$m
2006								
Segment revenues								
Revenues from customers outside the consolidated entity	1,812.1	1,802.2	–	–	3,614.3	390.3	–	4,004.6
Inter-segment revenues	266.9	17.8	12.8	(252.2)	45.3	–	(45.3)	–
Other revenue/income	22.4	13.9	2.6	–	38.9	0.1	–	39.0
Total income	2,101.4	1,833.9	15.4	(252.2)	3,698.5	390.4	(45.3)	4,043.6
Share of net profit of investments accounted for using the equity method	–	–	0.2	–	0.2	–	–	0.2
Other non-cash expenses	(7.6)	(1.2)	(1.9)	–	(10.7)	(0.3)	–	(11.0)
Earnings before interest, tax, depreciation & amortisation	225.8	146.1	(15.7)	3.9	360.1	48.7	(12.1)	396.7
Depreciation and amortisation	(61.3)	(24.1)	(3.6)	–	(89.0)	(5.0)	–	(94.0)
Earnings before interest & tax	164.5	122.0	(19.3)	3.9	271.1	43.7	(12.1)	302.7
Finance costs								(56.7)
Income tax expense								(44.9)
Profit after tax before minority interests								201.1
Segment assets	1,786.2	1,087.6	60.7	(46.9)	2,887.6	175.1	(4.1)	3,058.6
Investments accounted for using the equity method			7.3		7.3			7.3
Tax assets								72.9
Consolidated assets								3,138.8
Segment liabilities	410.8	266.4	768.4	(48.3)	1,397.3	68.9	–	1,466.2
Tax liabilities								171.0
Consolidated liabilities								1,637.2
Non-current assets acquired	227.7	15.4	4.5	–	247.6	17.3	–	264.9

NOTE 2. SEGMENT INFORMATION (CONTINUED)

The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products produced. Secondary segment information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment activities – Australia

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 at Newcastle and Geelong.

The Reinforcing business manufactures and distributes reinforcing product around Australia.

Australian Distribution
OneSteel's Australian 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, sheet steel and coil, a range of aluminium products, pipes, fittings, valves and other industrial products.

This includes the Pipe & Tube business, which manufactures product for the construction, mining, oil and gas and manufacturing industries from its mills at Melbourne, Port Kembla and Perth.

Up until 2 March 2007, this also included the structural business located at Newcastle and Somerton which forms part of the Australian Tube Mills Joint Venture with Smorgon Steel.

Segment activities – International

Distribution
This comprises the 50.3% shareholding in Steel & Tube Holdings Limited, a public listed company in New Zealand, which processes and distributes a comprehensive range of steel and allied products in the construction, manufacturing and rural industries to the New Zealand market. Products include specialist pipe, vales and fittings, metal fasteners, longrun roofing, cladding and rainwater systems, fabricated reinforcing steel and wire products.

Intra/intersegment transfers
The Australian Manufacturing segment sells manufactured products such as structural steel, angles, channels, flats, reinforcing bar and mesh to the Australian Distribution and International Distribution segments.

All sales between 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 3. PROFIT AND LOSS ITEMS

		CONSOLIDATED	
	Note	2007 $m	2006 $m
(a) Sales revenue			
Product sales		4,295.3	4,001.4
Rendering of services		5.3	3.2
Total sales revenue		4,300.6	4,004.6
(b) Other revenue			
Interest received from unrelated parties		2.3	2.4
Rental revenue		3.2	0.8
Other revenue		21.5	25.0
Total other revenue		27.0	28.2
TOTAL REVENUE		4,327.6	4,032.8
(c) Other income			
Net gains on disposal of property, plant and equipment		5.1	4.4
Net gain on foreign currency derivatives not qualifying as hedges		1.8	1.3
Net gains on qualifying fair value hedges through profit or loss		–	0.1
Insurance recovery		–	5.0
Total other income		6.9	10.8
TOTAL INCOME		4,334.5	4,043.6

NOTES TO THE CONCISE FINANCIAL STATEMENTS

NOTE 4. EARNINGS PER SHARE

The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share:

	CONSOLIDATED	
	2007 $m	2006 $m
(a) Earnings		
Profit attributable to members of the parent	207.0	187.5
Earnings used in calculating basic and diluted earnings per share	207.0	187.5
	Number of shares	
(b) Number of ordinary shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	569,519,743	563,477,532
Dilutive effect of executive share options (1)	365,848	355,447
Dilutive effect of employee compensation shares	3,110,498	3,146,736
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	572,996,089	566,979,715
On operating activities before the derecognition of deferred tax liabilities on disposal of shares in controlled entity (2)		
Basic earnings per share (cents per share)	34.68	
Diluted earnings per share (cents per share)	34.47	
On operating activities before the benefit of tax consolidation (3)		
Basic earnings per share (cents per share)		30.45
Diluted earnings per share (cents per share)		30.26

(1) Executive share options relate solely to ordinary shares. All potential ordinary shares, being options to acquire ordinary shares, are considered dilutive.

(2) Impact of derecognition of deferred tax liability on disposal of shares in controlled entity

The calculation of earnings per share before the impact of the derecognition of deferred tax liability on disposal of shares in controlled entity was based on earnings of $197.5 million arising from operating activities. The impact of derecognition on earnings was an increase of $9.5 million.

(3) Impact of tax consolidation – 2006

The calculation of earnings per share before the impact of tax consolidation was based on earnings of $171.6 million arising from operating activities. The tax consolidation impact on earnings was an increase of $15.9 million.

Issues after 30 June 2007

There have been no other subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

NOTE 5. DIVIDENDS

	On ordinary shares $m	Dividend per ordinary share cents
2007		
Interim fully franked dividend for 2007, paid 19 April 2007	45.9	8.0
Final fully franked dividend for 2006, paid 19 October 2006	56.9	10.0
	102.8	18.0
2006		
Interim fully franked dividend for 2006, paid 20 April 2006	39.7	7.0
Final fully franked dividend for 2005, paid 20 October 2005	42.3	7.5
	82.0	14.5

Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 10.5 cents per fully paid ordinary share (2006: 10 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 October 2007 but not recognised as a liability at year end is $91.6 million (2006: $56.9 million).

NOTE 6. EVENTS AFTER BALANCE SHEET DATE

On 31 July 2007, Smorgon Steel shareholders voted in favour of the Scheme of Arrangement to effect the merger between OneSteel and Smorgon Steel. The Supreme Court of Victoria subsequently approved it on 3 August 2007. Immediately following the court approval on 3 August 2007, OneSteel Limited acquired 179,124,279 ordinary shares in Smorgon Steel Group Limited (representing 19.96% of total shares on issue) from BlueScope Steel Limited for approximately $447.3 million. On 20 August 2007, the Scheme of Arrangement was implemented and OneSteel Limited acquired all remaining shares in Smorgon Steel Group Limited. Under the Scheme, Smorgon Steel shareholders received 9 new OneSteel shares for every 22 Smorgon Steel shares they held, which is equivalent to 0.4091 OneSteel shares for each Smorgon Steel share.

Smorgon Steel shares were suspended from trading on the Australian Stock Exchange as of the close of trading on 3 August 2007. The new OneSteel shares issued to Smorgon Steel shareholders pursuant to the Scheme were traded on the Australian Stock Exchange on a deferred settlement basis from 6 August 2007. Normal trading in OneSteel shares commenced on 21 August 2007.

On 20 August 2007, OneSteel announced the acquisition of Fagersta Group, Australia's fourth-largest stainless steel distributor.

On 17 August 2007, OneSteel announced that as part of the merger process with the Smorgon Steel Group Limited, Australian Tube Mills Pty Limited (ATM), a joint venture between OneSteel and Smorgon Steel, will restructure its pipe and tube operations. ATM became a wholly owned subsidiary of OneSteel Limited from 20 August 2007 as part of the completion of the merger between OneSteel and Smorgon Steel.

DIRECTORS' DECLARATION

In the opinion of the directors of OneSteel Limited, the concise financial report of the consolidated entity for the year ended 30 June 2007 and the audited remuneration disclosures contained in the Directors' Report:

(a) complies with Accounting Standard AASB 1039 "Concise Financial Reports"; and

(b) is an extract from the full financial report for the year ended 30 June 2007 and has been derived from and is consistent with the full financial report of OneSteel Limited.

Signed in accordance with a resolution of the directors.

Peter Smedley
Chairman

Geoff Plummer
Managing Director

Sydney
21 August 2007

INDEPENDENT AUDIT REPORT

Independent audit report to members of OneSteel Limited

Report on the concise financial report

The accompanying concise financial report of OneSteel Limited comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of OneSteel Limited for the year ended 30 June 2007. The concise financial report also includes the directors' declaration. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' responsibility for the concise financial report

The Directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of OneSteel Limited for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on 21 August 2007 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 Concise Financial Reports.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of OneSteel Limited on 30 June 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion, the concise financial report and the directors' declaration of OneSteel Limited for the year ended 30 June 2007 complies with Accounting Standard AASB 1039 Concise Financial Reports.

Ernst & Young

Ernst & Young

M Wright

Michael Wright
Partner

Sydney
21 August 2007

SHAREHOLDER INFORMATION

Number of Shareholders
There were 109,097 shareholders at 10 September 2007. 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 10 September 2007

RANGE OF HOLDINGS	NUMBER OF SHAREHOLDERS	% OF TOTAL HOLDERS	NUMBER OF SHARES	% OF TOTAL SHARES
1 – 1,000	53,732	49.25	25,138,581	2.89
1,001 – 5,000	41,612	38.14	93,910,625	10.76
5,001 – 10,000	8,045	7.37	58,602,250	6.72
10,001 – 100,000	5,472	5.02	111,859,915	12.82
100,001 and over	236	0.22	582,626,591	66.81
Total	**109,097**	**100.00**	**872,137,962**	**100.00**

Twenty Largest Shareholders at 10 September 2007

SHAREHOLDER	NUMBER OF SHARES	% INTEREST	RANK
HSBC Custody Nominees (Australia) Limited	91,122,372	10.45	1
National Nominees Limited	79,488,550	9.11	2
J P Morgan Nominees Australia Limited	73,876,494	8.47	3
Citicorp Nominees Pty Ltd	56,179,382	6.44	4
ANZ Nominees Limited	46,358,973	5.32	5
Leverton Downs Pty Limited	32,621,160	3.74	6
Cogent Nominees Pty Ltd	27,210,070	3.12	7
OneSteel Share Plans Pty Ltd	19,013,252	2.19	8
Namberry Lodge Pty Limited	12,951,245	1.48	9
RBC Dexia Investor Services Australia Nominees Pty Limited	11,641,909	1.34	10
AMP Life Limited	10,093,582	1.16	11
Feta Nominees Pty Limited	7,089,325	0.81	12
UBS Nominees Pty Ltd	7,013,630	0.80	13
Merland Investments Pty Limited	6,925,909	0.79	14
Suncorp Custodian Services Pty Limited	4,084,496	0.47	15
Australian Reward Investment Alliance	3,885,688	0.45	16
Naranda Meadows Pty Limited	3,833,852	0.44	17
Argo Investments Limited	3,150,000	0.36	18
Queensland Investment Corporation	3,144,071	0.36	19
Invia Custodian Pty Limited	2,871,508	0.33	20
Total Top Twenty Shareholders	**502,555,468**	**57.62**	
Total All Shareholders	**872,137,962**	**100.00**	

Unmarketable Parcels
There were 4,368 members holding less than a marketable parcel of shares in the company as at 10 September 2007.

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

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

MIR Investment Management Limited	42,120,729 shares	7.32%

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

- Number of employees participating 15
- Number of securities 460,396

SHAREHOLDER INFORMATION

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 8235 8150.

Details of individual shareholdings can be checked conveniently and simply by visiting OneSteel's 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 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 are available to shareholders regarding payment of dividends:

- direct deposit to an Australian bank, building society or credit union account
- direct deposit to a New Zealand bank account
- 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 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 46.5% 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 who have elected to receive a copy 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

Financial Ratios

12 months ended 30 June $A millions	AIFRS 2007	AIFRS 2006	AIFRS 2005	AGAAP 2004	AGAAP 2003	AGAAP 2002	AGAAP 2001 Incl Prov Pro-forma	AGAAP 2000 Pro-forma	%CHANGE 07/06
Sales	4,300.6	4,004.6	3,938.5	3,269.2	3,060.6	2,906.0	2,637.7	2,959.1	7.4
Other Revenue	33.9	39.0	34.6	70.1	39.5	80.5	141.5	17.4	(13.1)
Total Revenue	4,334.5	4,043.6	3,973.1	3,339.3	3,100.1	2,986.5	2,779.2	2,976.5	7.2
Gross Profit	837.2	798.7	787.0	642.6	626.2	528.4	489.6	135.3	4.8
Operating Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	436.1	396.7	377.1	324.2	307.6	251.0	181.7	268.0	9.9
Depreciation & Amortisation (excluding goodwill)	(96.2)	(94.0)	(97.5)	(87.1)	(86.5)	(84.2)	(107.0)	–	2.3
Operating Earnings before Interest & Tax (EBIT) (excluding goodwill amortisation)	339.9	302.7	279.6	237.1	221.1	166.8	74.7	171.7	12.3
Finance Costs	(55.8)	(56.7)	(53.6)	(42.2)	(44.5)	(54.4)	(61.8)	–	(1.6)
Operating Profit before Tax	284.1	246.0	226.0	194.9	176.6	112.4	12.9	–	15.5
Tax Expense	(74.7)	(60.8)	(55.4)	(53.4)	(53.3)	(39.0)	2.1	–	22.9
Net Operating Profit after Tax and Minorities (NOPAT)	197.5	171.6	153.1	129.1	113.8	66.0	9.1	–	15.1
Operating Cash Flow	276.5	250.8	235.9	188.3	257.7	92.6	–	–	10.3
Free Cash Flow	(81.4)	36.4	109.0	43.9	156.2	21.8	–	–	(323.6)
Total Assets	3,569.5	3,138.8	3,087.1	2,803.2	2,577.0	2,582.0	2,710.8	2,628.4	13.7
Funds Employed	2,481.1	2,189.8	2,033.6	2,042.4	1,955.2	1,994.2	2,069.6	2,019.7	13.3
Total Liabilities	1,919.5	1,637.2	1,698.8	1,429.8	1,292.0	1,359.4	1,594.6	1,465.9	17.2
Net Debt[1]	831.1	688.2	645.3	669.0	670.2	771.6	953.4	998.7	20.8
Capital and Investment Expenditure	360.5	227.6	127.5	151.4	130.9	70.8	108.4		58.4
Inventories	836.3	758.9	836.7	704.6	591.0	574.1	540.3	608.0	10.2
Employees	7,526	7,527	7,395	7,272	7,054	6,989	7,379	7,271	(0.0)
Sales per employee $'000	571	532	533	450	434	416	357	407	7.3
Net Tangible Asset Backing, $ per share	2.40	2.16	1.95	1.93	1.77	1.69	1.81	2.03	11.1
Operating EBIT Margin on Sales %	7.9%	7.6%	7.1%	7.3%	7.2%	5.7%	2.8%	5.8%	–
Operating EBIT Return on Funds Employed %	14.6%	14.4%	14.2%	11.9%	11.2%	8.2%	3.7%	8.5%	–
Operating Return on Equity %	13.3%	12.9%	13.1%	10.7%	9.8%	6.3%	1.3%	–	–
Gearing (net debt:net debt plus equity) %[1]	33.5%	31.4%	31.7%	32.8%	34.3%	38.7%	46.1%	42.4%	–
Interest Cover, times (EBIT/Interest)	6.1%	5.3%	5.2%	5.6%	5.0%	3.1%	1.2%	–	–
Operating Earnings per Share (cents) – based on no. of shares at year end	34.5	30.3	27.3	23.3	20.8	12.3	(6.0)	–	13.8
Full-year Dividend per share (cents)	18.5	17.0	13.5	12.0	11.0	6.5	6.0	–	8.8
Dividend Payout Ratio	69.6%	56.3%	49.6%	51.4%	52.6%	53.0%	302.2%	–	–
Underlying Market Growth %	2.0	5.5	3.3	3.5	11.8	4.9	(8.3)	–	–
Cost Increases	159	267	226	71	68	57	37	–	–
Cost Reductions	40	39	47	50	56	59	50	–	–
Revenue Enhancements	150	236	309	28	51	20	15	–	–
Raw Steel Tonnes Produced	1,733,406	1,633,696	1,349,397	1,618,855	1,624,399	1,576,650	1,438,770	–	6.1
Steel Tonnes Despatched	2,278,322	2,275,780	2,264,051	2,159,536	2,224,139	2,176,413	2,125,073	–	0.1
Steel exports % of Tonnes Despatched	3.4%	10.3%	4.1%	4.7%	3.8%	7.9%	13.1%	–	–

[1] From 2005, net debt includes derivatives that were classified as interest-bearing liabilities under AGAAP. The years 2000-2004 include securitisation in net debt that was not recognised on balance sheet under previous AGAAP.

The financial information presented for the years 2000-2004 have not been presented under Australian Equivalents to International Financial Reporting Standards (AIFRS).

The nature of the main adjustments to make the information comply with AIFRS include:

- recognition of additional provisions relating to rehabilitation and make good;
- restatement of deferred tax balances using the balance sheet method;
- recognition of the deficit in the defined benefits superannuation fund;
- consolidation of the employee share plan trust; and
- recognition of derivative financial instruments on balance sheet at fair value and application of hedge accounting.

Note that the financial information presented for the years 2000-2004 have been adjusted to exclude goodwill amortisation from earnings.

June 2004 NOPAT excludes the one-off tax benefit of $19.8m arising from OneSteel's entry into the tax consolidation regime.

June 2005 NOPAT excludes the one-off benefit relating to the reversal of impairment loss on transition to AIFRS of $49.7m after tax.

June 2006 NOPAT excludes the one-off tax benefit of $15.9m arising from finalisation of tax consolidation values.

June 2007 NOPAT excludes the one-off tax benefit of $9.5m as a result of derecognition of deferred tax liabilities on disposal of shares to a jointly controlled entity.

The staff numbers and sales per staff outcome for 2007 do not include staff numbers or sales of the Australian Tube Mills joint venture that was formed in March 2007.

The 2007 despatch tonnes have been normalised to include the results from the business that OneSteel contributed to the Australian Tube Mills joint venture as if the business had remained part of the Australian Distribution segment for the full year.

RESOURCE STATEMENT

Ore Reserves and Mineral Resources

OneSteel's estimates of Ore Reserves and Mineral Resources presented in this report have been compiled by P Leevers and H Warries who are members of The Australasian Institute of Mining and Metallurgy.

P Leevers is a full time employee of the Company. H Warries is employed by RSG Global.

P Leevers and H Warries have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". P Leevers and H Warries consent 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 2007 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.

Whyalla (Middleback Range) Hematite Reserves

		AS AT 30 JUNE 2007									30 JUNE 2006				
		Proved Ore Reserve			Probable Ore Reserve			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	18.2	62.4	0.06	9.6	62.1	0.06	27.8	62.3	0.06	32.2	62.5	0.06	100	H Warries

Whyalla (Middleback Range) Magnetite Reserves

		AS AT 30 JUNE 2007						30 JUNE 2006			
		Proved Ore Reserve		Probable Ore Reserve		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	39.2	40.4	50.5	39.2	89.7	39.7	91.2	39.7	100	H Warries

Mineral Resources

The table below shows OneSteel's in situ 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.

Whyalla (Middleback Range) Hematite Resources

		AS AT 30 JUNE 2007								30 JUNE 2006			
		Measured Resources		Indicated Resources		Inferred Resources		Total Resources		Total Resources		OneSteel Interest	Competent Person
Category	Ore 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	24.0	62.3	31.0	60.4	37.0	55.8	92.0	59.5	90.2	59.7	100	P Leevers
Quantity excluded from Ore Reserves	Hematite, Goethite, Limonite, Minor magnetite	4.3	60.6	18.1	59.2	33.3	55.6	55.7	57.2	50.4	57.2	100	P Leevers

The Iron Magnet Deposit is adjacent to and below the Iron Duke and Iron Duchess Deposits.

Whyalla (Middleback Range) Magnetite Resources

		AS AT 30 JUNE 2007								30 JUNE 2006			
		Measured Resources		Indicated Resources		Indicated Resources		Total Resources		Total Resources		OneSteel Interest	Competent Person
Category	Ore type	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	Tonnes (millions)	Grade DTR%	%	
Total Quantity	Magnetite	45.9	42.2	87.3	40.8	109.8	38.2	243.0	39.9	244.5	39.9	100	P Leevers
Quantity excluded from Ore Reserves	Magnetite	6.7	41.3	36.8	40.2	106.7	38.1	150.2	38.8	150.3	38.8	100	P Leevers

OneSteel – 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 2007.

OneSteel Ore Beneficiation Stockpiles

		AS AT 30 JUNE 2007								30 JUNE 2006			
		Measured Resources		Indicated Resources		Indicated Resources		Total Resources 2007		Total Resources		OneSteel Interest	Competent Person
Category	Ore type	Tonnes (Mt dry)	Fe Grade (% uncalcined)	Tonnes (Mt dry)	Fe Grade (% uncalcined)	Tonnes (Mt dry)	Fe Grade (% uncalcined)	Tonnes (Mt dry)	Fe Grade (% uncalcined)	Tonnes (Mt dry)	Fe Grade (% uncalcined)	%	
Total Quantity	Hematite, Goethite, Limonite, Minor magnetite	4.7	54.1	2.9	52.3	13.8	54.2	21.4	53.9	21.2	53.5	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 to 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.

DESPATCHES
Term used for total tonnes sold to end markets.

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

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.

NON-CIS
In the context of prices for Asian imports of hot rolled coil, it refers to product not sourced from the region previously known as the Soviet Union.

ORE
Mineral bearing rock.

ORE RESOURCE
Refers to the total ore body.

ORE RESERVE
Represents what is currently economically feasible to mine.

PELLET PLANT
The pellet plant takes 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, bloom and hot rolled coil 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.

SBB
Steel Business Briefing is an independent publisher that provides news and information to the global steel industry.

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
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
C&F	Cost and freight, as used in international sales contracts to signify that the seller must pay the cost and freight necessary to bring goods to a port of destination
CO_2	Carbon Dioxide
DMTU	Dry Metric Tonne Unit
DTR	Davies Tube Recovery
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EBIT	Earnings Before Interest, Tax and Amortisation
EPA	Environment Protection Authority
FOB	Free on board, meaning the seller assumes the cost of having goods packaged and ready for shipment from the agreed designated FOB point. The buyer assumes the costs and risks from the FOB point
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
ng/m^3	Nanograms per cubic metre
NOPAT	Net Operating Profit After Tax and Minorities
NPAT	Net Profit After Tax and Minorities
NZ	New Zealand
OECD	Organisation for Economic Co-operation and Development
TSR	Total Shareholder Return
UK	United Kingdom
USA	United States of America

CORPORATE DIRECTORY

DIRECTORS

Peter J Smedley
Chairman

Geoffrey J Plummer
Managing Director

Laurie G Cox (appointed 17 September 2007)

R Bryan Davis

Eileen J Doyle

Colin R Galbraith

Peter G Nankervis

Dean A Pritchard

Neville J Roach

Graham J Smorgon (appointed 17 September 2007)

COMPANY SECRETARY

John M Krenich

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

OneSteel Limited
ACN 004 410 833
ABN 63 004 410 833

Level 40, 259 George 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 8235 8150

Internet: www.computershare.com

AUDITORS

Ernst & Young

SECURITIES EXCHANGE LISTING

OneSteel Limited shares are quoted on the Australian Securities Exchange

ANNUAL REVIEW AND FULL FINANCIAL REPORT

Both the 2007 Annual Review and the Full Financial Report are available on the OneSteel website www.onesteel.com or by calling +61 2 9239 6666

NOTICE OF ANNUAL GENERAL MEETING

The 2007 Annual General Meeting of OneSteel Limited will be held at 2.30 pm, Monday 19 November 2007 at the Melbourne Exhibition Centre, Clarendon Street, Southbank, VIC. 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 REGISTERED TRADEMARKS

300PLUS®
500PLUS®
Anchor-Fast®
ARC Barriermesh®
ARC Ductilemesh 500®
ARC Fabrication®
ARC Fences®
ARC Hingemesh®
ARC Mesh-W-Strap®
ARC Ribmesh 500®
ARC Special Mesh®
BAMTEC®
CYCLONE®
DECKMESH®
DuraGal®
Ezycommerce®
FIBRECRETE®
FIBRESTEEL®
FirePlus Pipe®
Galtube® Plus
Gripfast®
Gripple®
Growire®
JUST4TRADE®
KLEENKOTE®
HANDIMESH®
IRONBARK®
LIFEWIRE®
Longlife®
LSB LiteSteel™ beam
Metaland®
Metalcard®
Metpol®
MINEMESH®
Northgard®
ONEMESH500®
ONESLAB®
Permelec®
Permaseal®
POOLSTEEL®
REIDBAR®
REINVENTING REINFORCING®
REOWORKS®
ROMTECH®
SMORGONSTEEL®
STAR®
StrapNet®
STEELFORCE 500®
Stocktite®
STUDMESH®
SUPAGAL®
TEMPCORE®
The Great Steel Round Up®
The Smorgon Steel Great Steel Round Up®
TRUSSDEK®
UltraPipe®
UTE MESH®
Victaulic®
Waratah®
WELDMESH®

FINANCIAL CALENDAR

(subject to change)

Date	Event
21 August 2007	Annual results and final dividend announced
10 September 2007	Ex-dividend share trading commenced
14 September 2007	Record date for final dividend
18 October 2007	Final dividend paid
18 October 2007	Annual Review mailed to shareholders
19 November 2007	Annual general meeting for 2007
31 December 2007	Financial half-year ends
19 February 2008	Half-year results and interim dividend announced
03 March 2008	Ex-dividend share trading commences
07 March 2008	Record date for interim dividend
17 April 2008	Interim dividend paid
30 June 2008	Financial year ends
19 August 2008	Annual results and final dividend announced
8 September 2008	Ex-dividend share trading commences
12 September 2008	Record date for final dividend
16 October 2008	Final dividend paid
16 October 2008	Annual Review mailed to shareholders
17 November 2008	Annual general meeting for 2008

OneSteel Limited
Level 40
259 George Street
Sydney NSW 2000
Australia

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

www.onesteel.com

onesteel