ONESTEEL LIMITED

ABN 63 004 410 833

APPENDIX 4D

HALF YEAR REPORT

6 MONTHS ENDING 31 DECEMBER 2007

ONESTEEL LIMITED

HIGHLIGHTS OF RESULTS AND DIVIDENDS

6 MONTHS ENDING 31 DECEMBER 2007

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				A$ MILLION
SALES REVENUE	UP	50.8%	TO	3,218.3
REVENUE FROM ORDINARY ACTIVITIES	UP	51.2%	TO	3,248.7
PROFIT FROM ORDINARY ACTIVITIES AFTER TAX ATTRIBUTABLE TO MEMBERS	DOWN	24.0%	TO	74.6
PROFIT FROM ORDINARY ACTIVITIES AFTER TAX ATTRIBUTABLE TO MEMBERS EXCLUDING THE IMPACT OF RESTRUCTURING COSTS AND IMPAIRMENT OF PLANT AND EQUIPMENT	UP	6.3%	TO	104.4
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO MEMBERS	DOWN	24.0%	TO	74.6
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO MEMBERS EXCLUDING THE IMPACT OF RESTRUCTURING COSTS AND IMPAIRMENT OF PLANT AND EQUIPMENT	UP	6.3%	TO	104.4

	DECEMBER 2007	DECEMBER 2006
NET TANGIBLE ASSETS PER SHARE ($)	1.25	2.26

DIVIDENDS	INTERIM DIVIDEND 2008	INTERIM DIVIDEND 2007
AMOUNT PER SECURITY	8.0c	8.0c
FRANKED AMOUNT PER SECURITY	8.0c	8.0c

RECORD DATE FOR DETERMINING ENTITLEMENTS: 7 MARCH 2008

INTERIM DIVIDEND PAYMENT DATE: 17 APRIL 2008

DIVIDEND REINVESTMENT PLAN (DRP)

The DRP will operate for the interim dividend. DRP election notices must be received at OneSteel's Share Registry, at Computershare, Level 3, 60 Carrington St Sydney NSW 2000 (Postal: GPO Box 7045, Sydney NSW 2001) by 5.00pm on 7 March 2008 (the Record Date).

No discount applies to the DRP.

JOINT VENTURE ENTITIES

OneSteel Limited has a 50% interest in Bekaert Australia Steel Cord Pty Limited.

This report is based on accounts that have been subject to audit review and are not subject to any dispute or qualification.

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FINANCIAL RATIOS

6 MONTH	AIFRS							previous AGAAP								% Change
$A millions	**Dec-07[1]**	**Jun-07**	**Dec-06**	**Jun-06[2]**	**Dec-05**	**Jun-05[3]**	**Dec-04**	**Jun-04[4]**	**Dec-03**	**Jun-03**	**Dec-02**	**Jun-02**	**Dec-01**	**Jun-01**	**Dec-00**	**Dec 07 / Dec 06**
Sales	3,218.3	2,166.3	2,134.3	2,015.8	1,988.8	2,048.0	1,890.5	1,702.5	1,566.7	1,535.6	1,525.0	1,432.8	1,473.2	1,370.7	1,267.0	50.8%
Other Revenue / Income	33.6	17.2	16.7	22.7	16.3	17.1	17.5	34.7	35.4	25.5	14.0	43.7	36.8	129.0	12.5	101.2%
Total Revenue / Income	3,251.9	2,183.5	2,151.0	2,038.5	2,005.1	2,065.1	1,908.0	1,737.2	1,602.1	1,561.1	1,539.0	1,476.5	1,510.0	1,499.7	1,279.5	51.2%
Gross Profit	713.7	368.4	468.8	366.4	432.3	379.4	407.6	326.6	316.0	285.1	341.1	257.8	270.6	249.1	240.5	52.2%
Operating EBITDA	288.4	218.1	218.0	193.2	203.5	203.4	173.7	177.3	146.9	139.4	168.2	125.4	125.6	91.0	111.6	32.3%
Depreciation & Amortisation	(70.4)	(48.1)	(48.1)	(46.6)	(47.4)	(52.5)	(45.0)	(44.0)	(43.1)	(43.2)	(43.3)	(40.8)	(43.4)	(43.2)	(41.0)	46.4%
Operating EBIT	218.0	170.0	169.9	146.6	156.1	150.9	128.7	133.3	103.8	96.2	124.9	84.6	82.2	47.8	70.6	28.3%
Finance costs	(67.0)	(29.5)	(26.3)	(27.3)	(29.4)	(29.7)	(23.9)	(21.4)	(20.8)	(21.6)	(22.9)	(23.8)	(30.6)	(32.2)	(29.6)	154.8%
Operating Earnings before tax (EBT)	151.0	140.5	143.6	119.3	126.7	121.2	104.8	111.9	83.0	74.6	102.0	60.8	51.6	15.6	41.0	5.2%
Operating Tax expense	(42.3)	(35.5)	(39.2)	(26.3)	(34.5)	(29.9)	(25.5)	(31.4)	(22.0)	(20.8)	(32.5)	(19.9)	(19.1)	(0.1)	(12.0)	7.9%
Operating PAT before MI	108.7	105.0	104.4	93.0	92.2	91.3	79.3	80.5	61.0	53.8	69.5	40.9	32.5	15.5	29.0	4.1%
Minorities	(4.3)	(5.7)	(6.2)	(5.5)	(8.1)	(8.5)	(9.0)	(7.2)	(5.2)	(4.8)	(4.7)	(3.8)	(3.6)	(3.3)	(2.6)	(30.7%)
Operating PAT	104.4	99.3	98.2	87.5	84.1	82.8	70.3	73.3	55.8	49.0	64.8	37.1	28.9	12.2	26.4	6.3%
Net Profit after Tax (statutory)	74.6	108.8	98.2	103.4	84.1	82.8	70.3	82.4	45.5	39.1	54.9	27.4	19.7	4.8	18.8	(24.0%)
Total Assets	6,954.0	3,569.5	3,375.3	3,138.8	3,058.3	3,087.1	2,748.1	2,803.2	2,609.6	2,577.0	2,602.9	2,582.0	2,625.4	2,710.8	2,666.2	106.0%
Inventory	1,305.7	836.3	888.8	758.9	840.2	836.7	758.8	704.6	646.5	591.0	626.0	574.1	608.0	540.3	646.4	46.9%
Total Liabilities	3,550.6	1,919.5	1,804.1	1,637.2	1,619.9	1,698.8	1,465.9	1,429.8	1,305.5	1,292.0	1,331.8	1,359.4	1,424.7	1,594.6	1,493.5	96.8%
Funds Employed	5,472.8	2,481.1	2,375.3	2,189.8	2,144.6	2,033.6	1,991.2	2,042.4	2,001.0	1,955.2	1,983.7	1,994.2	2,022.9	2,069.6	2,118.8	130.4%
Total Equity	3,403.4	1,650.0	1,571.2	1,501.6	1,438.4	1,388.3	1,282.2	1,373.4	1,304.1	1,285.0	1,271.1	1,222.6	1,200.7	1,116.2	1,172.7	116.6%
Net Debt	1,976.7	769.8	753.1	638.8	660.0	645.3	509.0	469.0	496.9	470.2	512.6	571.6	622.2	762.4	818.1	162.5%
Net Debt including Securitisation	1,976.7	769.8	753.1	638.8	660.0	645.3	709.0	669.0	696.9	670.2	712.6	771.6	822.2	953.4	946.1	162.5%
Net Debt incl Derivative	2,069.4	831.1	804.1	688.2	706.2	645.3										157.4%
No of shares (at end of period)	872.9	572.4	570.4	566.2	564.3	560.8	558.4	554.9	551.4	546.9	542.2	538.6	535.9	460.3	454.8	53.1%
Operating cash flow	146.3	185.7	90.8	157.1	93.7	179.8	56.1	132.3	56.0	148.6	109.1	91.6	1.0	243.0	47.3	61.1%
Free Cash Flow excluding Magnet and restructuring costs	51.0	102.1	55.3													(7.8%)
Free Cash Flow	(14.7)	4.8	(86.2)	57.6	(21.2)	116.5	(7.5)	32.5	11.4	73.5	82.7	42.9	(21.1)	189.4	31.4	(83.0%)
Capital and investment expenditure	2,320.8	183.5	177.0	112.7	114.9	63.9	63.6	106.4	45.0	104.5	26.4	48.7	22.1	92.5	15.9	1211.2%
Operating Return on Assets %	8.3%	9.8%	10.4%	9.5%	10.2%	10.5%	9.4%	9.9%	8.0%	7.4%	9.6%	6.5%	6.2%	3.6%	5.3%	
Operating Return on Equity %	8.6%	11.6%	13.6%	12.7%	13.1%	13.9%	12.2%	12.1%	9.4%	8.4%	11.1%	6.8%	5.6%	2.7%	5.0%	
Operating Return on Funds Employed % (ROFE)	11.0%	14.0%	14.9%	13.6%	14.9%	15.3%	12.9%	13.3%	10.5%	9.8%	12.6%	8.4%	8.0%	4.6%	6.8%	
Operating EBIT to sales	6.8%	7.8%	8.0%	7.3%	7.8%	7.4%	6.8%	7.8%	6.6%	6.3%	8.2%	5.9%	5.6%	3.5%	5.6%	
Operating Earnings Per Share (cents) - year end	12.0	17.4	17.2	15.5	14.9	14.8	12.6	13.2	10.1	9.0	12.0	6.9	5.4	2.7	5.8	(30.2%)
Dividends per share (cents)	8.0	10.5	8.0	10.0	7.0	7.5	6.0	7.0	5.0	6.0	5.0	3.5	3.0	3.0	3.0	0.0%
Dividend payout ratio (statutory)	94.0%	84.1%	46.7%	55.0%	47.2%	51.1%	47.9%	47.1%	60.7%	83.9%	49.4%	69.0%	81.7%	287.5%		
Dividend payout ratio	67.1%	92.1%	46.7%	65.0%	47.2%	51.1%	47.9%	52.9%	49.5%	66.9%	41.8%	50.9%	55.7%	113.1%	51.9%	
Gearing (net debt / net debt + equity) including securitisation	36.7%	31.8%	32.4%	29.8%	31.5%	31.7%	35.6%	32.8%	34.8%	34.3%	35.9%	38.7%	40.6%	46.1%	44.7%	
Gearing (net debt / net debt + equity) incl derivative	37.8%	33.5%	33.9%	31.4%	32.9%											
Gross Profit Margin	22.2%	17.0%	22.0%	18.2%	21.7%	18.5%	21.6%	19.2%	20.2%	18.6%	22.4%	18.0%	18.4%	18.2%	19.0%	
Interest cover	3.3	5.8	6.5	5.4	5.3	5.1	5.4	6.2	5.0	4.5	5.5	3.6	2.7	1.5	2.4	
Interest cover including capitalised interest	2.8	4.3	5.2	4.8	5.1											
NTA per share ($)	1.25	2.40	2.26	2.16	2.03	1.95	1.77	1.93	1.82	1.77	1.78	1.69	1.70	1.81	2.13	(44.7%)
Employees	11,639	7,526	7,733	7,527	7,269	7,395	7,262	7,272	7,078	7,054	6,899	6,989	7,012	7,379	6,896	50.5%
Sales per employee ($000s)	277	288	276	268	274	277	260	234	221	218	221	205	210	186	184	0.4%
Cost increases*	61	101	58	101	166	132	94	44	27	36	32	37	20	37		
Cost reductions*	37	23	17	19	21	17	30	31	19	27	29	35	24	26	24	
Revenue enhancements*	12	102	48	70	166	195	114	19	9	23	29	15	5	15		
Raw steel production	1,357,847	855,587	877,819	833,093	800,603	810,399	538,998	799,347	819,508	792,495	831,904	783,561	793,089	747,099	691,671	54.7%
Steel tonnes despatched	1,563,923	1,134,993	1,143,329	1,175,159	1,100,621	1,156,941	1,107,110	1,085,901	1,073,635	1,113,010	1,111,129	1,075,745	1,100,668	1,125,058	1,000,015	36.8%

The financial information presented for the years 2001 - 2004 have been presented under previous AGAAP and have not been restated 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 2001 - 2004 have been adjusted to exclude goodwill amortisation from earnings.

1. December 2007 results exclude the impact of restructuring costs and impairment of plant and equipment associated with the integration of the Smorgon Steel Group of $29.8 million after tax
2. June 2006 excludes the one-off tax benefit of $15.9m arising from finalisation of tax consolidation values.
3. June 2005 exclude the one-off benefit relating to the reversal of impairment loss on transition to AIFRS of $49.7m after tax.
4. June 2004 excludes the one-off tax benefit of $19.8m arising from OneSteel's entry into the tax consolidation regime.

* These statistics for December 2007 do not include the results of the Smorgon Steel businesses acquired during the period

19 February 2008

Review of Operations
For the Six Months To December 2007
(including contribution from acquired Smorgon Steel businesses from 20 August 2007)

Key Points (six months to December 2007 versus six months to December 2006)

- Merger with Smorgon Steel completed
- Ahead of plan on net synergy benefits
- Project Magnet – iron ore sales ramp up in line with plan
  – Steelworks conversion to magnetite ore feed
- Net operating profit after tax and excluding restructuring costs and impairment of plant and equipment associated with the Smorgon Steel integration of $104.4 million, up 6.3% from prior corresponding period
- Statutory net profit after tax, and after restructuring costs and impairment of plant and equipment, of $74.6 million
- Operating cashflow of $146.3 million
- Dividend of 8.0 cents, fully franked, steady with prior corresponding period

Financial

Sales revenue	$3,218.3m	Up 50.8%
Earnings before interest, tax, depreciation and amortisation **(EBITDA) –** excluding restructuring costs and impairment of plant and equipment	$288.4m	Up 32.3%
Depreciation & amortisation	$70.4m	Up 46.4%
Earnings before interest and tax **(EBIT)** – excl restructuring costs and impairment of plant and equipment	$218.0m	Up 28.3%
Finance costs	$67m	Up 154.8%
Net operating profit after tax and minorities **(NPAT)** – excluding restructuring costs and impairment of plant and equipment	$104.4m	Up 6.3%
Earnings per share **(EPS)** based on the number of shares at end of period – excluding restructuring costs and impairment of plant and equipment	12.0 cents	Down 30.2% from 17.2c
Operating cash flow	$146.3m	Up 61.1% from $90.8m
Return on funds employed **(ROFE)** – excluding restructuring costs and impairment of plant and equipment	11.0%	Down from 14.9%
Return on equity **(ROE)** – excluding restructuring costs and impairment of plant and equipment	8.6%	Down from 13.6%
Ratio of net debt to net debt plus equity **(gearing)** inc derivatives	37.8%	Up from 33.9%
Net debt including derivatives	$2,069.4m	Up 157.4% from $804.1m
Fully franked interim dividend	8.0 cents	Unchanged

Domestic market (based on NIEIR estimates)

All segments that impact OneSteel domestic steel revenues*	Up 2.0%	Continued high levels of activity in construction and resources.
Construction Sector (63%* of revenue) • Engineering (24%* of revenue) • Non-residential (23%* of revenue) • Residential (16%*of revenue)	Up 2.0% Up 5.7% Down 1.0% Up 0.7%	Infrastructure, project and mining activity offset softness in manufacturing, residential construction, automotive and rural segments. * Estimated segment weightings of the merged businesses in FY07. Excludes international steel sales, recycling, iron ore and other non-steel that drove the remainder of FY07 sales revenue
Mining production (17%* of revenue)	Up 5.0%	
Other Manufacturing (10%* of revenue)	Down 0.4%	
Agricultural production (6%* of revenue)	Up 0.3%	
Auto production (4%* of revenue)	Down 0.7%	

Operational

Cost increases Cost reductions Revenue enhancements	\$61m \$37m \$12m	Outcomes for the pre-existing businesses only
Total steel tonnes despatched Underlying price per tonne for domestic steel sales	1,563,923	 Down 0.2%
• Iron ore Tonnes sold • Other iron ore units (tonnes) sold	1.9m 0.16m	Ramp up of sales under Project Magnet
• Recycled Metals – Ferrous • Recycled Metals – Non-ferrous	0.62m 71,016	Extreme volatility in ferrous and non-ferrous scrap prices
Staff numbers • Sales per staff member	11,639 \$277,000	Up 50.5% Up 0.4%
Safety Performance (per million man hours worked) • Medical Treatment Injury Frequency Rate • Lost Time Injury Frequency Rate	 7.4 1.1	(pre-existing businesses only) Down 24.5% from 9.8 Up 22.2% from 0.9

Company Overview

Sales revenue for the six months to December 2007 grew 50.8% to \$3,218.3 million from \$2,134.3 million in the prior corresponding period reflecting the inclusion of the Smorgon Steel businesses in August 2007. Total domestic revenue from steel sales increased 34.8%**,** reflecting the acquisition.

Total steel product despatches were 1,563,923 tonnes. Total raw steel tonnes produced increased 480,028 tonnes from the previous corresponding period with the acquisition of the Smorgon Steel businesses from 20 August 2007. Raw steel production was 1,357,847 tonnes.

During the period there were approximately 1.9 million tonnes of iron ore sales, up from 1.1 million tonnes in the prior period. External iron ore sales are on track to meet the 4 million tonnes target, in line with the ramp-up schedule that was announced in May 2005. There were also approximately 160,000 tonnes of ore by-product sales during the period.

Recycled metal sales during the period were 691,018 tonnes. Of the total tonnes sold, 10.3% was non-ferrous metals.

Earnings before interest, tax, depreciation and amortisation (EBITDA), and excluding restructuring costs and impairment of plant and equipment associated with the Smorgon Steel integration, increased by 32.3% in the six months to \$288.4 million.

Depreciation and amortisation was up 46.4% from \$48.1 million to \$70.4 million (excluding impairment of plant and equipment) due to the acquired Smorgon Steel businesses. As the asset valuation work is continuing, at this stage there is no impact from the resetting of asset values under acquisition accounting.

Finance costs, net of amounts capitalised to Project Magnet, increased by 154.8% or \$40.7 million to \$67 million, primarily due to the higher debt levels associated with the acquisition of the Smorgon Steel businesses.

The **sales margin**, based on earnings before interest and tax (EBIT) excluding restructuring costs and impairment of plant and equipment, was 6.8%, compared with 8.0% in the prior corresponding period.

Net profit after tax and minorities excluding restructuring costs and impairment of plant and equipment increased by 6.3% to \$104.4 million for the six months, which is equivalent to 12.0 cents per share, 30.2% lower than the prior year. Including restructuring costs the statutory net profit after tax and minorities was \$74.6 million.

The **effective tax rate** of 28.0% was largely attributable to the impact of the claimable research and development expenditure of the combined businesses for the current year and higher than expected claimable expenditure for the prior year.

Australian Distribution revenue was up 25.8% or $315.5 million to $1,538.9 million, principally due to the inclusion of the Smorgon Steel businesses. Distribution EBIT was down 26.1% at $68.6 million, with the sales margin down from 7.6% to 4.5% due to increased import competition suppressing prices and margins. The EBIT return on funds employed fell from 20.6% to 12.1%.

Domestic steel despatches from Distribution increased to 890,388 tonnes reflecting the move of the OneSteel Reinforcing business from the Manufacturing to the Australian Distribution segment and the inclusion of Smorgon Steel businesses.

Manufacturing revenue increased 26.8% or $281.6 million to $1,332.6 million due to the inclusion of Smorgon Steel businesses. Domestic steel sales increased to 556,307 tonnes with the inclusion of the Smorgon Steel businesses. International steel product sales were 144,538 tonnes.

Manufacturing EBIT decreased 19.7% to $65.2 million with a fall in sales margin from 7.7% to 4.9% reflecting the changed mix of businesses, including the move of iron ore and OneSteel Reinforcing from the Manufacturing segment and the inclusion of the Smorgon Steel businesses, cost increases in the areas of freight, zinc, alloys and electricity, and increased import competition. Manufacturing's EBIT return on funds employed decreased from 12.5% to 9.4%.

The new **Materials** segment revenue was $756.9 million, driven by the ramp up of external ore sales through Project Magnet and the acquisition of the recycling business. External iron ore sales were approximately 1.9 million tonnes in line with the ramp-up plan. Volatility in non-ferrous base metals markets and stronger foreign exchange rates adversely affected Recycling's margins and earnings. EBIT was $91.2 million with an associated sales margin of 12.0%. The business achieved a return on funds employed of 20.7%.

The **International Distribution** business' earnings were down from the previous corresponding period as a combination of a volatile exchange rate, high interest rates and reduced growth in consumer spending slowed the economy. Volatility in the New Zealand dollar exchange rate caused fluctuations in replacement inventory costs that impacted profit margins. EBIT profit of the New Zealand-based business fell 23.7% from $20.7 million to $15.8 million and the associated sales margin fell from 10.6% to 7.4%. The business achieved a return on funds employed of 17.2%.

OneSteel has continued to focus on cost reductions to recover inflationary costs and revenue enhancements to pass through major input cost increases. The same processes are progressively being rolled out through the acquired businesses in addition to the specific synergy initiatives. In the six months to December 2007 the pre-existing businesses' achieved cost reductions of $37 million and revenue enhancements of $12 million. While the cost reductions were sufficient to offset inflationary costs, the revenue enhancements achieved during the period only partly offset price increases for raw materials, key inputs and purchased products. Together, inflationary costs and price increases for raw material inputs during the six months were $61 million.

Staffing levels at 11,639 were up 50.5% from 7,733 at the end of December 2006, reflecting the Smorgon Steel and Fagersta acquisitions.

Operating cash flow for the period was $146.3 million, up 61.1% from $90.8 million in the previous corresponding period.

Inventories increased by 46.9% to $1,305.7 million when compared with the previous financial year. In addition to the inventory of the acquired Smorgon Steel businesses, the increase reflects and inventory in the form of transition stocks associated with the cutover of the Whyalla Steelworks to magnetite ore feed.

Capital and investment expenditure excluding the Smorgon Steel and Fagersta acquisitions fell from $177 million to $160.9 million.

Financial gearing rose from 33.9% to 37.8% and **net debt** including derivatives rose 157.4% to $2,069.4 million, as a result of the debt associated with the acquisition of the Smorgon Steel businesses. Net debt excluding derivatives rose 162.5% to $1,976.7 million.

Interest Cover was 3.3 times compared with 6.5 times cover in the prior corresponding period.

Funds employed have risen by 130.4% or $3,097.5 million to $5,472.8 million, again reflecting the Smorgon Steel acquisition. The EBIT **return on funds employed** fell to 11.0%.

In a tragic departure from the steady improvement in OneSteel's safety performance, two workers died through separate work-related accidents in the six months to December. In the 12 months to December 2007, OneSteel's Medical Treatment Injury Frequency Rate dropped 24.5% to 7.4, from 9.8 in the 12 months to December 2006. The Lost Time Injury Frequency Rate rose to 1.1 from 0.9. These safety statistics for the two 12-month periods are those of the pre-existing One Steel businesses and do not include those of the businesses that were acquired from Smorgon Steel.

The Interim dividend was declared at 8.0 cents per share fully franked, unchanged from the prior corresponding period, representing a payout ratio of 67.1% of the first half net profit after tax and minorities excluding restructuring costs and impairment of plant and equity. The dividend represents a payout ratio of 94.0% of the statutory net profit after tax and restructuring costs and impairment of plant and equipment. The dividend compares with an 8.0 cent fully franked interim dividend paid for the six months to December 2006.

A dividend reinvestment plan exists which provides the facility for shareholders in Australia and New Zealand to reinvest their dividends in shares at a price calculated on the arithmetic average of the daily volume weighted average market price during the 10 consecutive trading days commencing on the date which is the second trading day after the Record Date for the relevant dividend. No discount applies to the DRP. The DRP will operate for the interim dividend. The record date for the dividend will be 7 March 2008, with the dividend due to be paid on 17 April 2008. DRP election notices must be received at OneSteel's Share Registry by 5.00pm on 7 March 2008.

Key Initiatives for Growth

OneSteel is currently focusing its financial strategies on cash generation and improving returns while undertaking initiatives to take the business forward. The two current major initiatives are:

- **Project Magnet –** The project to commercialise OneSteel's magnetite iron ore deposits continues to progress well. The transition of the pellet plant to magnetite ore feed occurred in early December and was followed by the planned pellet inventory build. The transition of the blast furnace to the new magnetite pellets commenced before Christmas and is now effectively complete with the new magnetite pellets performing well in the blast furnace. The other key work stream is to increase hematite ore sales to 4 million tonnes per annum. This is on track to achieve the planned volumes in this financial year. In the six months under review, there were nine Cape-sized shipments of iron ore to export markets.

  Work is underway to identify and prove up increased iron ore reserves. Additionally, investigations have commenced into opportunities to increase ore sales above 4 million tonnes per annum.

  OneSteel and Smorgon Steel Merger – The merger with Smorgon Steel Group was completed on 20 August and the integration of the businesses is going well. In terms of progress against the synergy targets, the current estimate for synergy benefits in year 1 is $41 million, above the targeted first full year benefit of $25 million. The current estimated cost of attaining the benefits is now $82 million which includes the $35 million cost of the bar mill restructuring that was announced on 15 February. The bar mill restructuring will deliver negligible benefits this financial year as the closures and operational changes do not come into effect until the second half of the 2008/09 financial year. Costs associated with attaining the synergy benefits are by their nature often expensed prior to the benefits accruing. Progress to date with the acceleration of net synergy benefits is encouraging. Management's strong focus on customer retention during the integration process has so far been rewarded with good levels of support from customers and minimal loss of sales.

Significant and Subsequent Events

In February 2008 OneSteel announced the restructure of the bar mill operations. As part of the restructure, the Newcastle bar mill and the OneSteel Martin Bright operations in Melbourne will be closed. The implementation costs of the restructure are estimated to be $35 million exclusive of any asset write-downs. As at 31 December 2007, no amounts have been recognised in the financial statements. The restructuring followed a six-month review of operations and OneSteel expects that it will provide $20 million to $30 million per annum of net synergy benefits. The restructuring costs will be incurred in the current financial year however the timing of the closures will mean most of the cash impact will be in the following financial year.

Outlook

For the remainder of the financial year domestic activity is likely to be at similar levels with strength in the mining, resources, non-residential and engineering construction segments contrasting with softness in manufacturing and residential construction. The rural segment is likely to continue to be soft but with some improvement following recent rain.

International prices for steel and steelmaking inputs have increased dramatically to historic highs in recent months. It is anticipated that prices will continue at high levels but with continued volatility.

In terms of trading conditions there were unique factors that led to an increase in imports through 2007 and suppressed the price of imports, adversely affecting margins. These factors appear to be abating and the trading environment is expected to improve through the second half.

As indicated at the Annual General Meeting in November 2007, earnings this financial year will be strongly skewed towards the second half. The main factors underlying the change in earnings between the two halves are:

- There will be a full six month contribution from the acquired Smorgon Steel businesses in the second half;
- A number of factors in calendar 2007 adversely affected margins and pricing including a high and rapidly appreciating currency, increased availability of imports and increased competitive activity associated with the proposed Smorgon Steel transaction. The competitive environment is improving with some stability in the currency, albeit at high levels, and with international steel prices and Australian import prices increasing to reflect the dramatic shift in input costs;
- There will be a higher proportion of iron ore sales in the second half;
- The transition to magnetite ore feed at Whyalla Steelworks will start to deliver cost and operational benefits;
- Smorgon Steel merger benefits will ramp up in the second half.

The financial outcomes in the second half of the financial year will be impacted by the allocation of the cost of the Smorgon Steel acquisition to the assets, liabilities and contingent liabilities acquired together with any depreciation adjustments from the date of acquisition. For that reason guidance for the full financial year continues to be at the operating profit level (EBITDA before restructuring costs and synergy benefits) and within a range of $710 million to $780 million. Following the commissioning of Project Magnet, depreciation will increase. Interest will also increase as a result of interest no longer being capitalised on the project.

Management's priorities continue to be to further improve returns, to complete Project Magnet and fully realise its benefits, and to continue to effectively integrate the acquired businesses of Smorgon Steel to deliver the expected level of benefits and synergies.

Geoff Plummer
Managing Director & Chief Executive Officer
OneSteel Limited
19th February 2008

Australian Distribution*

	2007	2006	%
Revenue	1,538.9	1,223.4	25.8
EBITDA	87.6	108.2	(19.0)
EBIT	68.6	92.8	(26.1)
Assets	2,022.9	1,288.7	57.0
Employees	4,728	3,286	43.9
Sales Margin	4.5%	7.6%	
Funds Emp.	1,438.5	895.7	60.6
ROFE	12.1%	20.6%	

Australian Manufacturing*

	2007	2006	%
Revenue	1,332.6	1,051.0	26.8
EBITDA	104.8	109.4	(4.2)
EBIT	65.2	81.2	(19.7)
Assets	1,939.8	1,867.7	3.9
Employees	4,209	3,213	31.0
Sales Margin	4.9%	7.7%	
Funds Emp.	1,361.8	1,393.4	(2.3)
ROFE	9.4%	12.5%	

Materials

	2007	2006	%
Revenue	756.9		
EBITDA	98.3		
EBIT	91.2		
Assets	1,096.9		
Employees	1,316		
Sales Margin	12.0%		
Funds Emp.	880.7		
ROFE	20.7%		

International Distribution

	2007	2006	%
Revenue	214.8	194.8	10.3
EBITDA	18.4	23.3	(21.0)
EBIT	15.8	20.7	(23.7)
Assets	210.1	201.0	4.5
Employees	859	892	(3.7)
Sales Margin	7.4%	10.6%	
Funds Emp.	181.1	167.2	0.1
ROFE	17.2%	26.4%	

***2006 results have been restated to reflect the new segment structure that came into effect 1 July 2007. The OneSteel Reinforcing business has been moved from Manufacturing to Australian Distribution. 2007 results are before restructuring costs and impairment of plant and equipment associated with the integration of Smorgon Steel. They include the contribution of the acquired Smorgon Steel businesses from 20 August 2007.**

Australian Distribution

Market Conditions

The strong Australian dollar exchange rate has kept pressure on customers in both the manufacturing and automotive segments while also keeping imports at close to record highs. Rural conditions remained depressed and residential construction industry levels were subdued. Resources and infrastructure continued to be positive although there were delays in some projects that extended from 2007 into the first quarter of 2008.

Performance

High levels of imports led to margin compression in both flat and long products in the first half. Working capital results continue to improve from prior year levels.

For the **steel-in-concrete** business, pricing discipline combined with cost initiatives produced a stable but strong result in a competitive market.

Initiatives

The Fagersta stainless steel business was acquired and consolidated from September. There is continued focus on supply chain initiatives to drive improvements in service and inventory levels.

To date Australian Tube Mills has progressed the rationalisation of the Newcastle operations to schedule. This will enable a step change in the competitive cost position of the business going forward.

The steel-in-concrete businesses continue to focus on improving service levels and growing new products and services while remaining cost competitive to maintain performance levels.

Outlook

Demand is expected to progressively improve as resource projects come on line, rural conditions lift and the pricing environment corrects.

Australian Manufacturing

Market Conditions

Construction markets remain sound, driven by the civil engineering market in particular and there was strong growth in demand for rail wheels and axles and grinding media driven by the resources market. This is offset by weakness in manufacturing and rural.

Performance

The **Laverton and Sydney Electric Arc Furnace** steelmaking operations' combined production rates were at record levels. Higher despatches in most product lines and higher prices were offset by higher costs in the areas of electricity, zinc, alloys and freight.

Waratah steel plant has reached record production rates, with wheel production rates increased to meet demand.

Whyalla Steelworks' performance was broadly in line with plan. The blast furnace continued to operate stably however hot metal outputs were controlled to balance pellet stocks leading to the transition to magnetite ore feed. This resulted in higher scrap usage in steelmaking.

Initiatives

Operational Excellence continues to be a focus for improving Manufacturing costs and performance. Six Sigma and maintenance reliability are key tools in the Operational Excellence program.

Outlook

International steel prices continue to rise as supply tightens and input costs rise. OneSteel continues to implement pricing strategies in line with these movements but the rate of change makes this more challenging than normal. The outlook for grinding media continues to look positive on the back of strong capital investment projects supported by solid commodity prices.

Materials

Mining

Stronger demand for **iron ore** continues to support the current strength in spot prices above the contract benchmark.

The Whyalla Steelworks increased iron ore export volumes in line with Project Magnet ramp-up plans.

Optimisation of the export stream infrastructure has commenced to establish the opportunity to increase available capacity. Additionally, a program has commenced with the aim of increasing reserves.

The outlook for iron ore demand and pricing remains positive.

Recycling

Intake volumes of both **ferrous and non-ferrous scrap** were steady compared with the previous corresponding period. Volatility in non-ferrous base metals markets and stronger foreign exchange rates kept pressure on margins.

Production and non-ferrous recoveries increased from the shredders and further improvement is expected in the second half.

The greenfield shredding and non-ferrous processing plant in Florida in the US will be commissioned in the March 2008 quarter and the project will be delivered under budget. Consolidation of the group's non-ferrous trading function has been successfully relocated to the Hong Kong office.

The outlook remains strong for ferrous raw material while non-ferrous markets continue to be volatile.

International Distribution

Market Conditions

The business' three key market segments of construction, manufacturing and the rural sector suffered to varying degrees as the combination of exchange rate volatility, high interest rates and reduced growth in consumer spending slowed the economy.

Performance

Sales revenue of the **Distribution** business, comprising steel distribution, stainless steel, fastening systems, piping systems and industrial products, was up, partly due to higher nickel prices for stainless steel. Volumes however were similar to the previous corresponding period.

The **Manufacturing** business, comprising roofing products, reinforcing fabrication and Hurricane Wire, processed slightly higher volumes than the previous corresponding period. There was strong demand for reinforcing products for infrastructure projects while volume to the rural sector was down due to lower spending by beef and sheep farmers.

The volatile New Zealand dollar/US dollar exchange rate continued to adversely affect most business units through fluctuations in replacement inventory costs affecting profit margins on their goods and services.

Outlook

New Zealand's economy is expected to continue to be soft in the near term as growth in consumer spending slows and as businesses cope with increased costs and a volatile currency. Trading conditions are expected to remain tough in the short term, with some upside prospect late in calendar year 2008.

FINANCIAL SUMMARY

PROFIT & LOSS SUMMARY - 6 months to 31 December	Statutory							% Chg
$A millions	2007	2006	2005	2004	2003	2002	2001	07/06
Revenue/Income	3,251.9	2,151.0	2,005.1	1,908.0	1,602.1	1,539.0	1,510.0	51.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	256.4	218.0	203.5	173.7	146.9	168.2	125.6	17.6
Depreciation/Amortisation (excl goodwill)	(75.4)	(48.1)	(47.4)	(45.0)	(43.1)	(43.3)	(43.4)	56.8
Earnings before Interest and Tax (EBIT)	181.0	169.9	156.1	128.7	103.8	124.9	82.2	6.5
Finance costs	(67.0)	(26.3)	(29.4)	(23.9)	(20.8)	(22.9)	(30.6)	154.8
Earnings before Tax (EBT)	114.0	143.6	126.7	104.8	83.0	102.0	51.6	(20.6)
Tax Expense	(35.1)	(39.2)	(34.5)	(25.5)	(22.0)	(32.5)	(19.1)	(10.5)
Operating Profit After Tax (PAT)	78.9	104.4	92.2	79.3	61.0	69.5	32.5	(24.4)
Minority interests	(4.3)	(6.2)	(8.1)	(9.0)	(5.2)	(4.7)	(3.6)	(30.6)
Net Operating Profit Attributable to OneSteel (NOPAT)	74.6	98.2	84.1	70.3	55.8	64.8	28.9	(24.0)

CASH FLOW SUMMARY - 6 months to 31 December							
$millions	2007	2006	2005	2004	2003	2002	2001
Earnings before tax adjusted for non-cash items	126.9	141.2	126.9	103.8	75.4	102.0	50.3
Depreciation / Amortisation (excl goodwill)	75.4	48.1	47.4	45.0	43.1	43.3	43.4
Capital & investment expenditure	(585.8)	(177.0)	(114.9)	(63.6)	(45.0)	(26.4)	(22.1)
Working capital movements	(0.9)	(57.7)	(47.6)	(68.5)	(48.8)	(30.1)	(83.3)
Income tax payments	(55.2)	(40.8)	(33.0)	(24.2)	(13.7)	(6.1)	(9.4)
Asset sales	1.0	3.9	0.5	3.6	5.0	2.6	31.0
Other	-	(0.4)	1.9	0.7	6.0	(9.2)	66.6
Operating and investing cash flows	(438.6)	(82.7)	(18.8)	(3.2)	22.0	76.1	76.5
Movement in securitisation	-	-		-			
Dividends paid	(96.7)	(63.3)	(48.8)	(45.1)	(41.1)	(22.6)	(18.9)
Capital movements	22.4	17.4	8.9	8.3	9.6	5.4	66.2
Total Cash Flow	(512.9)	(128.6)	(58.7)	(40.0)	(9.5)	58.9	123.8

BALANCE SHEET at 31 December							
$millions	2007	2006	2005	2004	2003	2002	2001
Cash	84.6	20.8	37.0	12.9	14.5	25.3	26.9
Receivables	941.3	605.3	559.0	517.4	437.8	390.6	378.5
Inventory	1,305.7	888.8	840.2	758.8	646.5	626.0	608.0
Property, plant and equipment	2,127.2	1,460.1	1,249.4	1,088.7	1,153.5	1,143.6	1,179.3
Other Assets	2,495.2	400.3	372.7	370.3	357.3	417.4	432.7
TOTAL ASSETS	6,954.0	3,375.3	3,058.3	2,748.1	2,609.6	2,602.9	2,625.4
Borrowings (including derivatives)	2,169.2	831.5	744.4	521.9	511.4	537.9	649.1
Creditors	887.5	588.4	503.8	601.0	455.9	419.3	403.6
Provisions	493.9	384.2	371.7	343.0	338.2	374.6	372.0
TOTAL LIABILITIES	3,550.6	1,804.1	1,619.9	1,465.9	1,305.5	1,331.8	1,424.7
NET ASSETS	3,403.4	1,571.2	1,438.4	1,282.2	1,304.1	1,271.1	1,200.7
Contributed equity	2,913.6	1,143.4	1,118.2	1,102.3	1,089.3	1,072.0	1,063.1
Minority interests	60.7	61.6	64.0	59.7	51.5	57.6	48.9
Retained earnings / Reserves	429.1	366.2	256.2	120.2	163.3	141.5	88.7
TOTAL EQUITY	3,403.4	1,571.2	1,438.4	1,282.2	1,304.1	1,271.1	1,200.7

The financial information presented for the years 2001 - 2004 have been presented under previous AGAAP and have not been restated 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 2001 - 2004 have been adjusted to exclude goodwill amortisation from earnings.

The financial information has been presented on a statutory basis. The Smorgon Steel businesses have been included in the financial information for the December 2007 period from the date of acquisition in 20 August 2007. The process of allocating the cost of the acquisition to the assets, liabilities and contingent liabilities is still underway.

SEGMENTS	Revenue/Income			EBITDA			EBIT			Assets		
6 Months to 31 December	Dec-07	Dec-06	% Chg	Dec-07	Dec-06	% Chg	Dec-07	Dec-06	% Chg	Dec-07	Dec-06	% Chg
Materials	756.9			98.3			91.2			1,096.9		
Manufacturing	1,332.6	1,051.0	26.8	104.8	109.4	(4.2)	65.2	81.2	(19.7)	1,939.8	1,867.7	3.9
Australian Distribution	1,538.9	1,223.4	25.8	87.6	108.2	(19.0)	68.6	92.8	(26.1)	2,022.9	1,288.7	57.0
International Distribution	214.8	194.8	10.3	18.4	23.3	(21.0)	15.8	20.7	(23.7)	210.1	201.0	4.5
Corporate/Unallocated	9.7	8.8	10.2	(13.4)	(10.0)	34.0	(15.5)	(11.9)	30.3	1,825.7	93.3	1,856.8
Inter segment	(601.0)	(327.0)	83.8	(7.3)	(12.9)	(43.4)	(7.3)	(12.9)	(43.4)	(141.4)	(75.4)	87.5
TOTAL ONESTEEL GROUP	3,251.9	2,151.0	51.2	288.4	218.0	32.3	218.0	169.9	28.3	6,954.0	3,375.3	106.0

The results for the six months to December 2006 have been restated to reflect the new segment structure that became effective 1 July 2007. The OneSteel Reinforcing business has been moved from the Manufacturing segment to the Australian Distribution segment.

The results for the six months to December 2007 exclude restructuring costs and impairment of plant and equipment associated with the integration of Smorgon Steel. The Smorgon Steel businesses have been included in the December 2007 financial information from the date of acquisition on 20 August 2007.

ONESTEEL LIMITED

ABN 63 004 410 833

FINANCIAL REPORT

for the half-year ended 31 December 2007

CONTENTS

DIRECTORS' REPORT

The Board of Directors of OneSteel Limited has pleasure in submitting its report in respect of the financial half-year ended 31 December 2007.

DIRECTORS

The names of the directors in office during or since the end of the half-year are:

P J Smedley
G J Plummer
R B Davis
E J Doyle
C R Galbraith
P G Nankervis
D A Pritchard
N J Roach
G J Smorgon (appointed 17 September 2007)
L G Cox (appointed 17 September 2007)

Unless otherwise indicated, all directors held their position as a director throughout the entire half-year and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the OneSteel Group during the financial half-year were the mining and supply of steel making raw materials to steel mills operated in Australia and overseas; recycling of ferrous and non-ferrous scrap and the manufacture and distribution of steel long products.

The OneSteel Group manufactures and distributes a wide range of products including structural, rail, rod, bar, wire and pipe and tube products. In addition, OneSteel distributes sheet and coil, piping systems, plate and aluminium products. OneSteel owns 50.3% of the ordinary shares of Steel & Tube Holdings Limited, a listed New Zealand steel distribution company.

On 20 August 2007 OneSteel Limited acquired Smorgon Steel Group Limited, an Australian based steel recycling and manufacturing business. The company's fully integrated activities extend from collecting and processing steel scrap to steel making, steel tube manufacturing and processing a wide range of metal products. Smorgon Steel is one of the world's leading manufacturers of grinding media, and also occupies a leading market position in scrap metal recycling and the manufacture of railway wheels.

RESULTS

The consolidated profit of the OneSteel Group for the half-year was $74.6m (2006: $98.2 million) after income tax and minority interests. Excluding the impact of restructuring costs and impairment of plant and equipment of $29.8m, net profit was $104.4m.

REVIEW OF OPERATIONS

Refer to the attached report on the review of operations.

EVENTS SUBSEQUENT TO BALANCE DATE

On 15 February 2008 OneSteel announced the restructure of the bar mill operations. As part of the restructure, the Newcastle bar mill and the OneSteel Martin Bright operations in Melbourne will be closed. The implementation costs of the restructure are estimated to be $35m, exclusive of any asset write-downs. As at 31 December 2007, no amounts have been recognised in the financial statements.

There have been no other circumstances arising since 31 December 2007 that have significantly affected or may significantly affect:

(a) the operations;
(b) the results of those operations; or
(c) the state of affairs of the entity or consolidated entity in future financial years.

ROUNDING OF AMOUNTS

The parent entity is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/100. In accordance with that class order, amounts in the consolidated financial statements and the Directors' Report have been rounded to the nearest hundred thousand dollars unless specifically stated otherwise.

AUDITOR INDEPENDENCE

In relation to the review of the financial report for the half-year ended 31 December 2007, the auditors have issued the directors with an independence declaration. Refer page 5 for specific representation.

This report has been made in accordance with a resolution of the directors.

Peter Smedley	Geoff Plummer
Chairman	Managing Director

Sydney
19 February 2008

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ONESTEEL LIMITED

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2007 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

David Rogers
Partner
Sydney
February 2008

INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007	Note	CONSOLIDATED 2007 $m	2006 $m
Sales revenue	3	3,218.3	2,134.3
Cost of sales		(2,504.6)	(1,665.5)
Gross profit		713.7	468.8
Other revenue	3	30.4	13.9
Other income	3	3.2	2.8
Operating expenses including restructuring costs and impairment of plant and equipment	3	(553.7)	(315.7)
Finance costs		(67.0)	(26.3)
Share of net (loss)/profit of investments accounted for using the equity method		(12.6)	0.1
Profit before income tax		114.0	143.6
Income tax expense		(35.1)	(39.2)
Profit after tax		78.9	104.4
Profit attributable to minority interests		(4.3)	(6.2)
Profit attributable to equity holders of the parent		**74.6**	**98.2**
Basic earnings per share (cents per share)	5	9.45	17.29
Diluted earnings per share (cents per share)	5	9.40	17.18
On operating activities before the impact of restructuring and impairment of plant and equipment:			
Basic earnings per share (cents per share)	5	13.22	-
Diluted earnings per share (cents per share)	5	13.15	-

The accompanying notes form an integral part of this Income Statement.

BALANCE SHEET

AS AT 31 DECEMBER 2007		CONSOLIDATED	
	Note	December 2007 $m	June 2007 $m
ASSETS			
Current Assets			
Cash and cash equivalents	9	84.6	59.5
Receivables		941.3	640.9
Derivative financial instruments		2.8	0.3
Inventories		1,305.7	836.3
Current tax asset		3.1	-
Other current assets		23.5	8.3
Total Current Assets		**2,361.0**	**1,545.3**
Non-current Assets			
Investment accounted for using the equity method		7.0	100.8
Derivative financial instruments		15.2	9.7
Other financial assets		5.1	6.0
Property, plant and equipment		2,110.1	1,537.1
Mine development expenditures		75.0	66.3
Other intangibles and goodwill		2,247.8	214.3
Deferred tax assets		132.7	74.4
Other non-current assets		0.1	15.6
Total Non-current Assets		**4,593.0**	**2,024.2**
TOTAL ASSETS		**6,954.0**	**3,569.5**
LIABILITIES			
Current Liabilities			
Payables		884.0	635.1
Derivative financial instruments		3.5	2.7
Interest-bearing liabilities		459.1	69.9
Current tax liabilities		-	31.3
Provisions		241.9	168.9
Total Current Liabilities		**1,588.5**	**907.9**
Non-current Liabilities			
Derivative financial instruments		107.9	71.0
Interest-bearing liabilities		1,602.2	759.4
Deferred tax liabilities		172.7	142.6
Provisions		67.0	26.3
Retirement benefit obligations		12.3	12.3
Total Non-current Liabilities		**1,962.1**	**1,011.6**
TOTAL LIABILITIES		**3,550.6**	**1,919.5**
NET ASSETS		**3,403.4**	**1,650.0**
EQUITY			
Contributed equity	6	2,913.6	1,153.6
Retained earnings		403.4	420.3
Reserves		25.7	12.8
Parent interests		3,342.7	1,586.7
Minority interests		60.7	63.3
TOTAL EQUITY		**3,403.4**	**1,650.0**

The accompanying notes form an integral part of this Balance Sheet.

CONDENSED CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007	Note	CONSOLIDATED 2007 $m	2006 $m
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		3,406.6	2,179.6
Payments to suppliers and employees		(3,155.2)	(2,023.7)
Interest received		2.9	1.1
Interest and other costs of finance paid		(52.8)	(25.4)
Income taxes paid		(55.2)	(40.8)
Net operating cash flows		146.3	90.8
Cash flows from investing activities			
Purchases of property, plant and equipment, mine development expenditure and finite life intangibles		(160.9)	(174.9)
Proceeds from sale of property, plant and equipment		1.0	3.9
Purchases of controlled entities, net of cash acquired		(422.4)	-
Purchases of businesses		(2.6)	(2.1)
Repayment of loan to non-related parties		-	(0.4)
Net investing cash flows		(584.9)	(173.5)
Cash flows from financing activities			
Proceeds from issues of shares		0.1	-
Purchase of shares under equity-based compensation plans		(7.2)	-
Net proceeds from borrowings		546.5	130.0
Repayment of principal of finance leases		(9.6)	(10.2)
Dividends paid		(67.2)	(45.9)
Net financing cash flows		462.6	73.9
Net increase/(decrease) in cash held		24.0	(8.8)
Cash and cash equivalents at the beginning of the half year		9.6	(4.8)
Cash and cash equivalents at the end of the half year	9	33.6	(13.6)

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

STATEMENT OF CHANGES IN EQUITY

HALF-YEAR ENDED 31 DECEMBER 2007

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								TOTAL PARENT INTERESTS	MINORITY INTERESTS	TOTAL EQUITY
	Issued Capital	Employee compensation shares	**Total contributed equity**	**Retained earnings**	Share-based payments	Foreign Currency translation	Cash Flow Hedges	**Total Reserves**			
CONSOLIDATED	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 July 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
Cash flow hedges:											
- net gains taken to equity	-	-	-	-	-	-	15.6	15.6	15.6	-	15.6
- transferred to balance sheet	-	-	-	-	-	-	(1.8)	(1.8)	(1.8)	-	(1.8)
- transferred to profit	-	-	-		-	-	(6.5)	(6.5)	(6.5)	-	(6.5)
Currency translation	-	-	-	-	-	6.5	-	6.5	6.5	(1.7)	4.8
Total income and expense for the year recognised directly in equity	-	-	-	-	-	6.5	7.3	13.8	13.8	(1.7)	12.1
Net profit for the half-year	-	-	-	74.6	-	-	-	-	74.6	4.3	78.9
Total income/expense for the period	-	-	-	74.6	-	6.5	7.3	13.8	88.4	2.6	91.0
Share-based payments expense	-	-	-	-	1.8	-	-	1.8	1.8	-	1.8
Vested shares	-	2.7	2.7	-	(2.7)	-	-	(2.7)	-	-	-
Purchase of shares under equity-based compensation plans	-	(7.2)	(7.2)	-	-	-	-	-	(7.2)	-	(7.2)
Dividends paid	-	-	-	(91.5)	-	-	-	-	(91.5)	(5.2)	(96.7)
Shares issued during the period	1,734.9	-	1,734.9	-	-	-	-	-	1,734.9	-	1,734.9
Shares issued under dividend reinvestment plan	29.5	-	29.5	-	-	-	-	-	29.5	-	29.5
Shares issued on exercise of options	0.1	-	0.1	-	-	-	-	-	0.1	-	0.1
At 31 December 2007	2,928.3	(14.7)	**2,913.6**	**403.4**	3.5	9.4	12.8	**25.7**	**3,342.7**	**60.7**	**3,403.4**

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

HALF-YEAR ENDED 31 DECEMBER 2006

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								TOTAL PARENT INTERESTS	MINORITY INTERESTS	TOTAL EQUITY
	Issued Capital	Employee compensation shares	**Total contributed equity**	**Retained earnings**	Share-based payments	Foreign Currency translation	Cash Flow Hedges	**Total Reserves**			
CONSOLIDATED	$m	$m	$m	$m	$m	$m	$m	$m	$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:											
- net gains taken to equity	-	-	-	-	-	-	3.0	3.0	3.0	-	3.0
- transferred to balance sheet	-	-	-	-	-	-	(1.7)	(1.7)	(1.7)	-	(1.7)
- transferred to profit	-	-	-	-	-	-	(0.8)	(0.8)	(0.8)	-	(0.8)
Currency translation differences	-	-	-	-	-	4.6	-	4.6	4.6	5.0	9.6
Total income and expense for the year recognised directly in equity	-	-	-	-	-	4.6	0.5	5.1	5.1	5.0	10.1
Net profit for the half-year	-	-	-	98.2	-	-	-	-	98.2	6.2	104.4
Total income/expense for the period	-	-	-	98.2	-	4.6	0.5	5.1	103.3	11.2	114.5
Share-based payments expense	-	(0.2)	(0.2)	(0.2)	1.3	-	-	1.3	0.9	-	0.9
Dividends paid	-	-	-	(56.9)	-	-	-	-	(56.9)	(6.3)	(63.2)
Shares issued under dividend reinvestment plan	17.4	-	17.4	-	-	-	-	-	17.4	-	17.4
Shares issued on exercise of options	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2006	1,151.8	(8.4)	**1,143.4**	**357.2**	3.3	1.3	4.4	**9.0**	**1,509.6**	**61.6**	**1,571.2**

The accompanying notes form an integral part of this Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by OneSteel Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

This interim financial report of OneSteel Limited for the half year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 19 February 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2007

2. SEGMENT INFORMATION

HALF-YEAR ENDED 31 DECEMBER 2007	Materials $m	Manufacturing $m	Australian Distribution $m	International Distribution $m	Unallocated $m	Eliminations $m	Consolidated $m
Segment revenues							
Sales revenue	618.3	868.5	1,516.8	214.7	-	-	3,218.3
Inter-segment revenue	137.4	454.7	8.7	-	0.2	(601.0)	-
Other revenue/income	1.2	9.4	13.4	0.1	9.5	-	33.6
Total income	**756.9**	**1,332.6**	**1,538.9**	**214.8**	**9.7**	**(601.0)**	**3,251.9**
Share of profit/(loss) of investments accounted for using the equity method	0.2	-	-	-	(12.8)	-	(12.6)
Earnings before interest, tax depreciation and amortisation	**98.3**	**97.4**	**84.5**	**18.4**	**(34.9)**	**(7.3)**	**256.4**
Depreciation and amortisation	(7.1)	(39.6)	(19.0)	(2.6)	(2.1)	-	(70.4)
Impairment of plant and equipment	-	(5.0)	-	-	-	-	(5.0)
Earnings before interest and tax	**91.2**	**52.8**	**65.5**	**15.8**	**(37.0)**	**(7.3)**	**181.0**
Finance costs							(67.0)
Income tax expense							(35.1)
Profit after tax							**78.9**
Segment assets	**1,072.4**	**1,903.1**	**1,992.9**	**207.1**	**1,776.9**	**(141.2)**	**6,811.2**
Investments accounted for using the equity method	3.1	-	-	-	3.9	-	7.0
Tax assets							135.8
Consolidated assets							**6,954.0**
Segment liabilities	**165.1**	**436.3**	**544.4**	**93.3**	**2,259.8**	**(121.0)**	**3,377.9**
Tax liabilities							172.7
Consolidated liabilities							**3,550.6**
Other segment information							
Included in the segment result are the following items :							
Restructuring costs including impairment of plant and equipment:	-	(12.4)	(3.1)	-	(21.5)[(i)]	-	(37.0)

(i) Includes OneSteel's share of restructuring costs related to investments accounted for using the equity method of $13.7m.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2007

2. SEGMENT INFORMATION (CONTINUED)

	AUSTRALIA					INTERNATIONAL		CONSOLIDATED
HALF-YEAR ENDED 31 DECEMBER 2006	Manufacturing $m	Distribution $m	Unallocated $m	Eliminations $m	Total $m	Distribution $m	Eliminations $m	$m
Segment revenues								
Sales revenue	731.2	1,208.6	-	-	1,939.8	194.5	-	2,134.3
Inter-segment revenues	311.4	9.0	6.6	(300.3)	26.7	-	(26.7)	-
Other revenue/income	8.4	5.8	2.2	-	16.4	0.3	-	16.7
Total income	**1,051.0**	**1,223.4**	**8.8**	**(300.3)**	**1,982.9**	**194.8**	**(26.7)**	**2,151.0**
Share of net profit of investment accounted for using the equity method	-	-	0.1	-	0.1	-	-	0.1
Earnings before interest, tax depreciation and amortisation	**109.4**	**108.2**	**(10.0)**	**(5.9)**	**201.7**	**23.3**	**(7.0)**	**218.0**
Depreciation and amortisation	(28.2)	(15.4)	(1.9)	-	(45.5)	(2.6)	-	(48.1)
Earnings before interest and tax	**81.2**	**92.8**	**(11.9)**	**(5.9)**	**156.2**	**20.7**	**(7.0)**	**169.9**
Finance costs								(26.3)
Income tax expense								(39.2)
Profit after tax before minority interests								**104.4**
Segment assets	**1,829.6**	**1,270.7**	**70.8**	**(71.0)**	**3,100.1**	**197.7**	**(4.4)**	**3,293.4**
Investment accounted for using the equity method	-	-	7.3	-	7.3	-	-	7.3
Tax assets								74.6
Consolidated assets								**3,375.3**
Segment liabilities	**386.1**	**324.6**	**908.7**	**(67.0)**	**1,552.4**	**80.2**	**-**	**1,632.6**
Tax liabilities								171.5
Consolidated liabilities								**1,804.1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2007

2. SEGMENT INFORMATION (CONTINUED)

Segment activities

Due to the merger with Smorgon Steel Group Limited and a change in the management structure of OneSteel in the current year, the composition of the segments has changed. A new segment, Materials, has been identified in the current year, supplying steel making raw materials to steel mills operated in Australia and overseas. In addition, the Reinforcing business has been moved from the Manufacturing segment to the Distribution segment. The 2006 comparatives prior to the merger have been restated to reflect the Reinforcing business moving from Manufacturing to Australian Distribution.

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

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 Mills at Newcastle and Laverton 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.

Waratah Steel Mill produces billet and ingot for the manufacture of specialty steel products including rail wagon wheels and grinding media used in the mining, quarrying and cement industries.

Australian Distribution

The 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. The Reinforcing business manufactures and distributes reinforcing product around Australia. The Pipe & Tube business manufactures product for the construction, mining, oil and gas and manufacturing industries from its mills at Newcastle, Melbourne, Port Kembla and Perth.

The Australian Distribution segment also includes Australian Tube Mills Pty Ltd, formerly a joint venture between OneSteel and Smorgon Steel manufacturing structural pipe and tube.

Materials

The primary function of the businesses in the Materials segment is to supply steel making raw materials to steel mills operated in Australian and across the globe. This includes the Recycling business and from 1 July 2007, the Whyalla Mining business that has resulted from Project Magnet allowing incremental iron ore to be exported to overseas steel makers.

International Distribution

This comprises the 50.3% shareholding in Steel and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2007

3. PROFIT AND LOSS ITEMS

Profit before income tax is after crediting the following items:

	HALF-YEAR	
	2007 $m	**2006 $m**
(a) Sales revenue		
Product Sales	3,215.8	2,131.3
Rendering of services	2.5	3.0
Total sales revenue	3,218.3	2,134.3
(b) Other revenue		
Interest	2.9	1.1
Other	27.5	12.8
Total other revenue	30.4	13.9
TOTAL REVENUE	3,248.7	2,148.2
(c) Other income		
Net gains on disposal of property, plant and equipment	-	2.8
Net foreign exchange gains	1.9	-
Other	1.3	-
Total other income	3.2	2.8
TOTAL INCOME	3,251.9	2,151.0
(d) Included in the cost of sales and operating expenses are the following items:		
Depreciation of property, plant and equipment	63.8	42.1
Amortisation of mine development expenditures	1.0	0.9
Amortisation of finite-life intangibles	5.6	5.1
Impairment of plant and equipment(i)	5.0	-
Restructuring costs(ii)	32.0	-
Share-based payment expense	1.7	1.2

(i) Impairment of plant and equipment associated with the planned closure of the Laverton Wire Mill

(ii) Costs related to the integration of the Smorgon Steel Group, including OneSteel's share of restructuring costs from equity accounted investments of $13.7m.

4. DIVIDENDS

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

Dividends paid during the half-year	On ordinary shares $m	Dividend per ordinary share cents
December 2007		
Final fully franked dividend for 2007 paid 18 October 2007	91.5	10.5
December 2006		
Final fully franked dividend for 2006 paid 19 October 2006	56.9	10.0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2007

4. DIVIDENDS (CONTINUED)

Dividends not recognised at the end of the half-year
In addition to the above dividends, since the half-year end, the directors have recommended the payment of a interim dividend of 8.0 cents per fully paid ordinary share (2007: 8.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 17 April 2008 but not recognised as a liability at balance date is $70.1m (2007: $45.9m).

5. EARNINGS PER SHARE

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

(a) Earnings

	December 2007 $m	December 2006 $m
Profit attributable to members of the parent	74.6	98.2
Earnings used in calculating basic and diluted earnings per share	74.6	98.2

(b) Number of ordinary shares

	December 2007	December 2006
	Number of shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	789,599,515	567,880,847
Dilutive effect of executive share options(1)	342,490	351,688
Dilutive effect of employee compensation shares	3,592,310	3,056,520
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	793,534,315	571,289,055
On operating activities before the impact of restructuring costs and impairment of plant and equipment:(2)		
Basic earnings per share (cents per share)	13.22	-
Diluted earnings per share (cents per share)	13.15	-

(1) Executive share options relate solely to ordinary shares. All potential ordinary shares, being options to acquire ordinary shares, are considered dilutive.
(2) The calculation of Earnings per Share before the impact of restructuring costs was based on earnings of $104.4m. The impact on earnings of restructuring and other non-recurring costs, including OneSteel's share of restructuring costs from equity accounted investments of $13.7m, was a decrease of $29.8m after tax.

(c) Issues after 31 December 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2007

6. CONTRIBUTED EQUITY

	December 2007 $m	June 2007 $m
Issued capital (a)	2,928.3	1,163.8
Employee Compensation Shares (b)	(14.7)	(10.2)
Total contributed equity	**2,913.6**	**1,153.6**
(a) Share Capital		
Number of ordinary shares: 876,494,136 (June 2007: 575,734,010)		
Issued and paid-up	2,928.3	1,163.8
(b) Employee compensation shares		
Number of ordinary shares: 3,576,143 (June 2007: 3,344,814)		
Shares held in Trust under equity-based compensation arrangements	(14.7)	(10.2)

	Number of ordinary shares	Value of ordinary shares $m
Movements in issued capital for the period		
On issue at the beginning of the half-year	575,734,010	1,163.8
Issued during the half-year:		
From the exercise of options	56,018	0.1
Shares issued as purchase consideration for Smorgon Steel Group Limited (Note 8)	296,403,952	1,734.9
Under a Dividend Reinvestment Plan	4,300,156	29.5
On issue at the end of the half-year	876,494,136	2,928.3
Movements in employee compensation shares for the period		
Held in Trust at the beginning of the half-year	(3,344,814)	(10.2)
Shares purchased on-market	(1,182,746)	(7.2)
Vested	951,417	2.7
Held in Trust at the end of the half-year	(3,576,143)	(14.7)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2007

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent Liabilities

Contingent liabilities at balance date not otherwise provided for in the financial statements are categorised as follows:

	December 2007 $m	June 2007 $m
Guarantees and indemnities		
Bank guarantees covering:		
Workers' compensation self insurance licences(1)	49.8	33.7
Performance of contracts	17.0	5.6

(1) In Australia, OneSteel Limited has given guarantees to various state workers' compensation authorities as a pre-requisite for self-insurance. Of this amount, a total of $32.5m (June 2007: $20.6m) has been provided for in the consolidated financial statements as recommended by independent actuarial advice.

Third party claims

The OneSteel Group has been involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including claims for damages and commercial disputes relating to its products and services. Based on legal advice obtained, other than amounts already provided for in the accounts, the directors do not expect any material liability to eventuate.

(b) Contingent Assets

OneSteel made three claims on its insurer and reinsurers under its 2004 and 2005 policies for property damage and business interruption losses arising from disruptions to its blast furnace operations at Whyalla during the 2005 financial year.

For the two claims made under the 2004 policy, OneSteel's reinsurers have offered conditional indemnity and made a progress payment of $5 million during the 2006 financial year. One of OneSteel's reinsurers (responsible for 6.5% of the risk) has disputed indemnity for the third claim and purported to avoid its obligations under the 2005 policy. The rest of OneSteel's reinsurers have reserved their position on indemnity arising from the third claim and are continuing to investigate and assess OneSteel's losses for all three claims.

OneSteel intends to pursue its claims against its insurer and reinsurers in accordance with all of its rights under its insurance policies.

Further proceeds from these claims will not be booked in OneSteel's financial statements until these proceeds can be estimated reliably.

8. BUSINESS COMBINATIONS

(a) Summary of Acquisitions

Smorgon Steel Group Limited

On 20 August 2007, OneSteel Limited acquired 100% of the voting shares of Smorgon Steel Group Limited, a publicly listed company in Australia.

Australian Tube Mills Pty Limited, a joint venture between OneSteel Limited and Smorgon Steel Group Limited became a wholly owned subsidiary of OneSteel from 20 August 2007.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2007

8. BUSINESS COMBINATIONS (CONTINUED)

Other acquisitions

On 3 September 2007, OneSteel acquired 100% of the issued share capital of Fagersta Australia Pty Limited.

Since the date of acquisition the combined businesses have contributed $23.8 million to the net profit of the Group, including the impact of restructuring costs and impairment of plant and equipment after tax. It is not practicable to determine the revenues and profit of the Group had the combination taken place at 1 July 2007 due to differences in accounting policy and as the fair value of identifiable assets and liabilities of the acquired businesses is not known at that date.

(b) Assets and liabilities acquired

The fair value of the identifiable assets and liabilities as at the date of the business combination were:

	Smorgon Steel Group Limited and Australian Tube Mills Pty Ltd		Other	
	Acquiree Carrying Amount $m	Fair Value $m	Acquired Carrying Amount $m	Fair Value $m
Cash and cash equivalents	56.4	56.4	-	-
Receivables	421.6	421.2	16.1	16.1
Inventory	385.6	377.4	23.4	21.3
Investments	2.9	2.9	-	-
Property, plant and equipment	529.4	541.6	1.4	1.4
Intangibles	146.5	146.7	-	-
Other assets	86.7	75.4	0.6	1.2
Payables	(331.6)	(326.2)	(32.9)	(32.9)
Bank overdraft	-	-	(0.2)	(0.2)
Borrowings	(778.7)	(740.6)	(3.5)	(3.5)
Other provisions	(124.2)	(131.5)	(1.9)	(2.5)
Net Assets	**394.6**	**423.3**	**3.0**	**0.9**
Net Identifiable Assets Acquired	**394.6**	**423.3**	**3.0**	**0.9**

The initial accounting for the business combinations effected during the period has been determined provisionally as at 31 December 2007. OneSteel has 12 months from the date of acquisition to complete the allocation of the cost of the business combinations to the assets, liabilities and contingent liabilities acquired.

(c) Cost of combinations

	Smorgon Steel Group Limited and Australian Tube Mills Pty Ltd $m	Other $m
Ordinary Shares issued(i)	1,734.9	-
Cash paid	447.8	22.7(ii)
Directly attributable costs relating to the acquisition	30.3	-
Total purchase consideration	2,213.0	22.7
Fair value of net identifiable assets	423.3	0.9
Goodwill arising on acquisition	**1,789.7**	**21.8**

(i) 296,403,952 ordinary OneSteel Limited shares issued at $5.8531 based on the volume weighted average price for OneSteel Limited shares listed on the Australian Securities Exchange on 20 August 2007.

(ii) Includes $4.0m of deferred consideration paid in January 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2007

8. BUSINESS COMBINATIONS (CONTINUED)

The goodwill recognised on acquisition is due to a number of factors including:

- Increased size and financial strength of the merged entity
- A more comprehensive and competitive product and service offering
- Cost savings
- Greater security of raw material supply
- Improved positioning in the world steel market

9. CASH AND CASH EQUIVALENTS

Reconciliation to Cash Flow Statement

Cash at balance date as shown in the Condensed Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	December 2007 $m	December 2006 $m
Cash and cash equivalents	84.6	20.8
Bank loan at call	(51.0)	(34.4)
	33.6	**(13.6)**

10. EVENTS SUBSEQUENT TO BALANCE DATE

On 15 February 2008 OneSteel announced the restructure of the bar mill operations. As part of the restructure, the Newcastle bar mill and the OneSteel Martin Bright operations in Melbourne will be closed. The implementation costs of the restructure are estimated to be $35m, exclusive of any asset write-downs. As at 31 December 2007, no amounts have been recognised in the financial statements.

There have been no other circumstances arising since 31 December 2007 that have significantly affected or may significantly affect:

(d) the operations;
(e) the results of those operations; or
(f) the state of affairs of the entity or consolidated entity in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of OneSteel Limited ("the Company"):

(a) the financial statements and accompanying notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Peter Smedley
Chairman

Geoff Plummer
Managing Director

SYDNEY
19 February 2008

INDEPENDENT AUDITOR'S REVIEW REPORT

TO MEMBERS OF ONESTEEL LIMITED

We have reviewed the accompanying interim financial report of OneSteel Limited, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the six months ended on that date, a description of accounting policies and other explanatory notes 1 to 9 and the directors' declaration set out on page 21 of the consolidated entity comprising the company and the entities it controlled at 31 December 2007 or from time to time during the six months.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the six months ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of OneSteel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of OneSteel Limited is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the six months ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

KPMG

David Rogers
Partner
Sydney
19 February 2008

CORPORATE DIRECTORY

DIRECTORS
Peter J Smedley
Chairman

Geoffrey J Plummer
Managing Director

R Bryan Davis

Eileen J Doyle

Colin R Galbraith, AM

Peter G Nankervis

Dean A Pritchard

Neville J Roach, AO

Laurence G Cox, AO

Graham J Smorgon

COMPANY SECRETARY
John M Krenich

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SECURITIES EXCHANGE LISTING
OneSteel Limited shares are quoted on the Australian Securities Exchange.