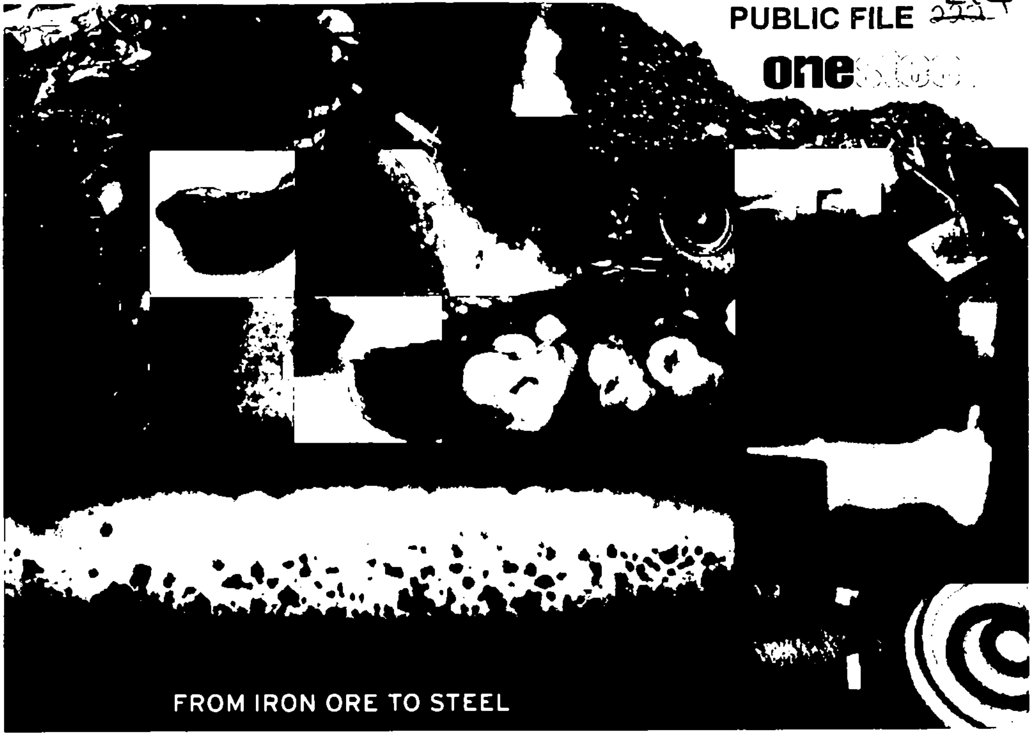
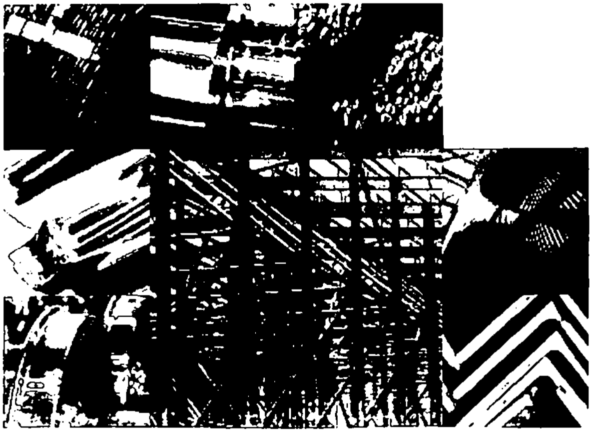
onesteel

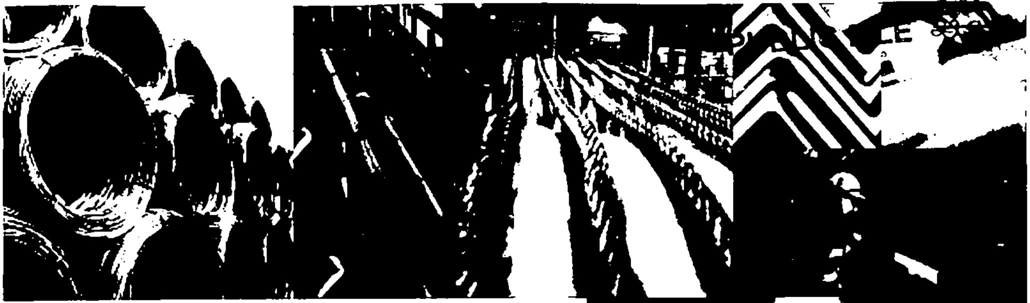


FROM IRON ORE TO STEEL

BUILDING ON OUR STRENGTH
ANNUAL REPORT 2010

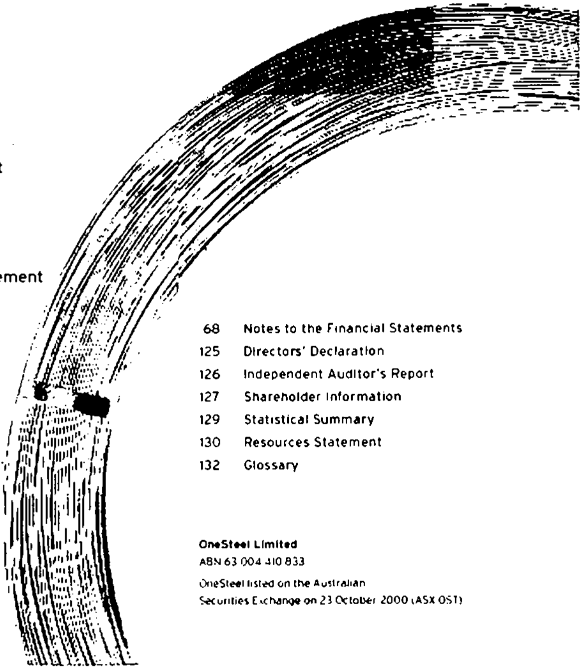


212



ANNUAL REPORT 2010

OneSteel's 2010 Annual General Meeting will be held on Monday 15 November 2010, at the Melbourne Convention and Exhibition Centre, Plenary 3, Level 1, 1 Convention Centre Place, South Wharf in Melbourne, Victoria, commencing at 2.30pm.

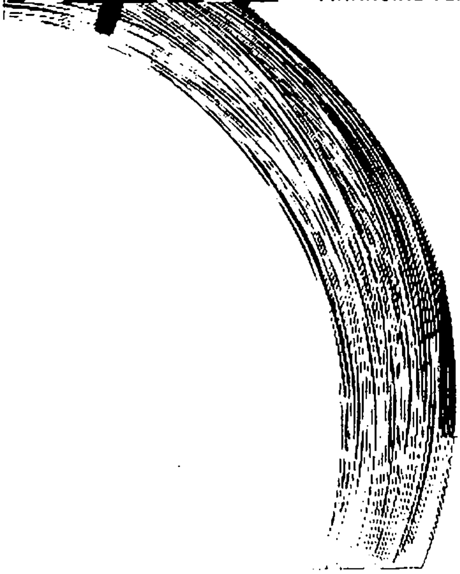


OneSteel Limited
ABN 63 004 410 833
OneSteel listed on the Australian Securities Exchange on 23 October 2000 (ASX OST)

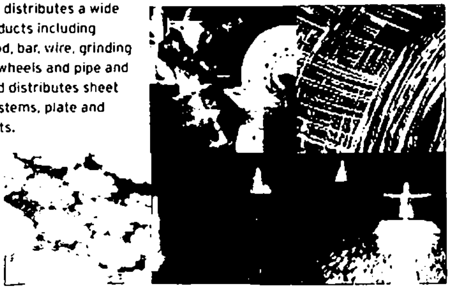
ILE 212 ~~220~~

ONESTEEL LIMITED IS A FULLY INTEGRATED, **GLOBAL MANUFACTURER AND DISTRIBUTOR OF STEEL AND FINISHED STEEL PRODUCTS**. THE COMPANY IS SELF SUFFICIENT IN IRON ORE AND HAS THE ABILITY TO BE SELF SUFFICIENT IN SCRAP METAL. ONESTEEL IS AUSTRALIA'S PREMIER MANUFACTURER OF STEEL LONG PRODUCTS AND A LEADING METALS DISTRIBUTION COMPANY IN AUSTRALIA AND NEW ZEALAND. ONESTEEL ALSO MAKES EXTERNAL SALES OF HEMATITE IRON ORE AND SCRAP METAL.

REVENUE FOR THE 2010 FINANCIAL YEAR EXCEEDED [illegible] AUSTRALIAN DOLLARS



OneSteel mines and supplies steelmaking raw materials to steel mills operated in Australia and overseas; recycles ferrous and non-ferrous scrap metal; and manufactures and distributes a wide range of steel products including structurals, rail, rod, bar, wire, grinding media, ropes, rail wheels and pipe and tube products; and distributes sheet and coi , piping systems, plate and aluminium products.



PUBLIC FILE 211 ~~34~~

ONESTEEL SERVICES MORE THAN **30,000** CUSTOMERS, OFFERS MORE THAN **40,000** PRODUCTS GLOBALLY AND EMPLOYS OVER **10,500** PEOPLE

Our mission

OneSteel's mission is to deliver superior and sustainable returns through leading market positions in the construction, recycling, resources and industrial markets, with the leadership of our high calibre people, and operating and distribution capabilities.

Our achievements

After experiencing the most challenging period on record in the 2009 financial year due to the impact of the Global Financial Crisis (GFC), our expectations for the 2010 financial year were for continued difficult trading conditions with only a modest increase in activity levels. The year was progressing in line with our expectations until May when the slow but steady recovery stalled due to a number of external issues. Our overall profit performance increased compared to the prior year due to factors including the very strong performance of our Iron Ore segment and benefits from initiatives implemented last year in response to the GFC. These initiatives also helped deliver a very strong cash outcome for the year and further strengthen our balance sheet.

We are well positioned with significant leverage to the economic recovery, and to continue to improve our market positions and unlock inherent growth in our portfolio of businesses to drive OneSteel towards sustainable returns.

2010 Financial year

August

- Financial results for the full year ended 30 June 2009

September

- OneSteel awarded Australasian Production & Inventory Control Society NSW Company of the Year

November

- Departure of Neville Roach, Director
- Eileen Doyle and [illegible] announced they will not seek re-election at 2010 Annual General Meeting

December

- Appointment of Chief Financial Officer, [illegible]

February

- Share sale and top up facility offer
- Financial results for the half year ended 31 December 2009

March

- Acquisition of [illegible] Trading announced

April

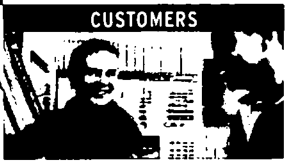
- Whyalla blast furnace interruption

June

- Whyalla blast furnace returned to normal operations
- Steel & Tube Holdings Ltd appointed new Director
- Acquisition of Ace Metals

Our core values

WE WILL NOT
COMPROMISE ON SAFETY



WE WILL MEET OUR PROMISE
TO CUSTOMERS

Investment merits

- Vertically integrated operations
- Self-sufficient in iron ore
- Separate iron ore revenue stream
- Ability for self-sufficiency in scrap steel
- Flexible steel production with both integrated and Electric Arc Furnace (EAF) processes

Leading market positions in Australia

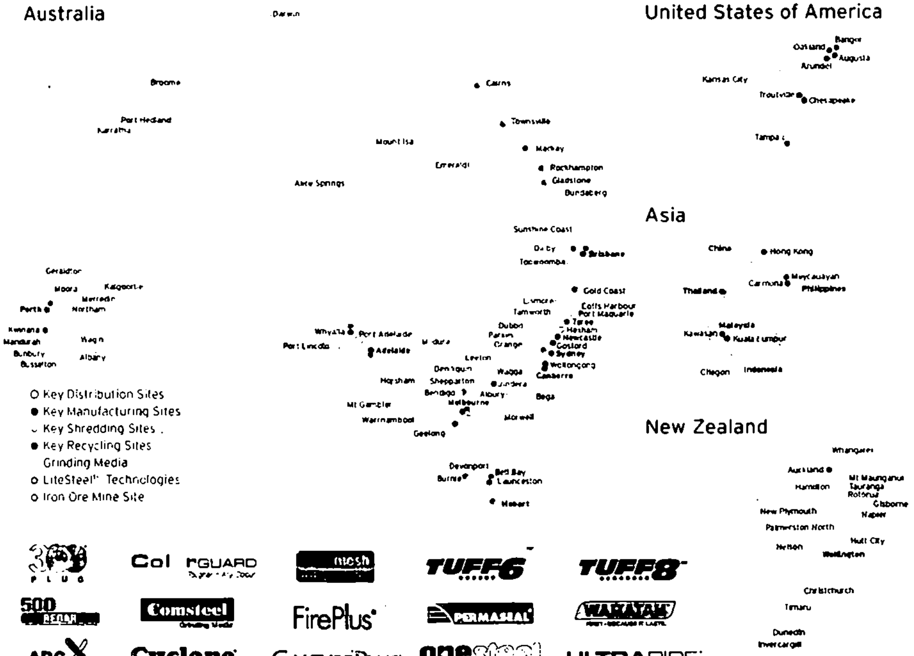
- #1 in general steel distribution
- #1 in reinforcing
- #2 in recycling
- #1 in wire
- Also #1 in New Zealand general distribution

Strong position in niche markets

- Rail wheels
- Grinding media
- Mining ropes
- Rail
- Fluid transmission

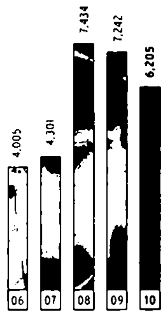
Map of operations

In addition to our Australian operations, OneSteel also operates nearly 50 facilities overseas, with the majority of these including major manufacturing and recycling sites in New Zealand and Asia. Additional facilities in the United States include grinding media, LiteSteel™ Technologies and recycling operating activities.

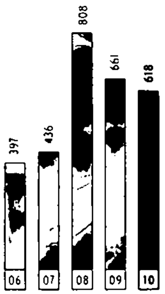


3PLUG · Col · FGUARD · mesh · TUFF6 · TUFF8 · 500PLUS REBAR · Comsteel Grinding Media · FirePlus · PERMASAL · WARATAH · ARC · Cyclone · GALTUBEPLUS · onesteel · ULTRAPIPE · 500 BAM · DURAGAL · LITESteel technologies · TRUSSDEK · TUBECOLOR · FAGERSTA · BTM EZYFORM · METALAND · Weldmesh

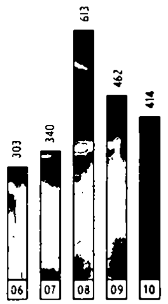
Financial & Operational Highlights



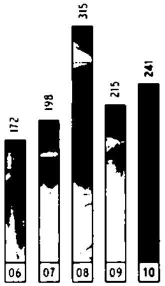
Sales Revenue ($m)



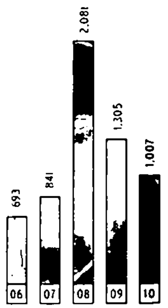
EBITDA ($m)



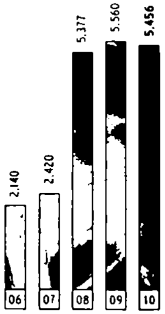
EBIT ($m)



Net Profit After Tax ($m)



Net Debt ($m)



Funds Employed ($m)

Financial overview

- Statutory net profit after tax up 12% to $258 million
- Underlying net profit after tax up 12% to $241 million
- Operating cash flow up 64% to $602 million
- Balance sheet further strengthened
- Statutory net debt reduced 21% to $964 million
- Gearing ratio reduced 4.3pts to 17.7%
- Underlying EBIT $414 million
- Completed labour reduction program – $160 million annualised cost savings ($100 million permanent)
- Very strong financial contribution from Iron Ore
- Final dividend of 6 cents per share (unfranked) declared. Total dividend for the year 11 cents (unfranked).

Operational overview

- Continued to be impacted by ongoing effects of GFC
- Iron Ore EBIT up 195% to $333 million
- Achieved Iron Ore sales volume target of 6 million tonnes
  - Project Magnet Phase 2
  - 20mt reserves added during year
  - Confident that there will be sufficient reserves for sales at 6mtpa for at least 10 years
- Non-ferrous exploration program progressing as expected
- Recycling EBIT $8 million, up from loss of $39 million in prior year
  - Small acquisitions to improve market position
- Australian Distribution EBIT $60 million, down from $185 million in prior year
- Manufacturing EBIT $58 million, down from $210 million in prior year
- Raw steel production increased 6% to 2.15 million tonnes
- Continuing to benefit from initiatives implemented last year in response to GFC
- Significant leverage to economic recovery.

Key financials

Year ended 30 June

($m)	FY10[1]	FY09[2]	% Change
Sales	6,205	7,242	(14%)
Other revenue/income	56	66	(15%)
Total income	6,261	7,308	(14%)
Gross profit	1,234	1,588	(22%)
EBITDA – underlying	618	661	(7%)
Depreciation & amortisation	(204)	(200)	2%
EBIT – underlying	414	461	(10%)
Finance costs	(89)	(172)	(48%)
Earnings before tax – underlying	325	289	12%
Tax expense – underlying	(82)	(64)	28%
Profit after tax – underlying	243	225	8%
Minority interests	(2)	(10)	(80%)
Net profit after tax – underlying	241	215	12%
Net profit after tax – statutory	258	230	12%
Total assets	7,068	6,933	2%
Inventory	1,433	1,240	16%
Total liabilities	2,575	2,597	(1%)
Funds employed	5,456	5,560	(2%)
Total equity	4,493	4,336	4%
Net debt	964	1,224	(21%)
Net debt (incl hedging)[3]	1,007	1,305	(23%)
Number of shares on issue (millions)	1,332	1,323	1%
Operating cash flow	602	366	64%
Free cash flow – underlying	480	183	162%
Free cash flow	429	180	138%
Capital and investment expenditure	207	191	8%
Return on assets % – underlying	5.9%	6.5%	(0.6 pts)
Return on equity % – underlying	5.5%	5.7%	(0.2 pts)
Return on funds employed % (ROFE) – underlying	7.5%	8.4%	(0.9 pts)
Sales margin	6.7%	6.4%	0.3 pts
Gross profit margin	19.9%	21.9%	(2 pts)
Earnings per share (cents) – underlying (weighted ave)	18.2	21.2	(14%)
Dividends per share (cents)	11.0	10.0	1 cent
Dividend payout ratio – underlying	60.8%	49.2%	11.6 pts
Dividend payout ratio – statutory	56.6%	46.2%	10.5 pts
Gearing – statutory (net debt/net debt + equity)	17.7%	22.0%	(4.3 pts)
Gearing – incl hedging (net debt/net debt + equity)	18.3%	23.1%	(4.8 pts)
Interest cover (times EBITDA)	6.9	3.8	3.1 times
Net tangible assets per share ($)	1.77	1.66	7%
Employees	10,598	11,104	(5%)
Sales per employee ($000s)	585	652	(10%)
Raw steel production	2.15	2.03	6%
Steel tonnes despatched	2.75	2.76	0%

1 FY10 underlying results are before the impact of legal claims, accelerated depreciation, restructuring activities, tax consolidation and over-provisions of tax in prior years of $17.8 million after tax

2 FY09 underlying results are before the impact of restructuring activities, tax consolidation and over-provisions of tax in prior years of $14.2 million after tax

3 Includes the impact of cross currency swaps hedging foreign currency denominated debt

Chairman's Review

PETER SMEDLEY
Chairman

WELCOME TO ONESTEEL'S ANNUAL REPORT FOR THE 2010 FINANCIAL YEAR. A YEAR DEFINED BY SLIGHTLY IMPROVED BUT STILL RELATIVELY WEAK MARKETS DUE TO THE ONGOING EFFECTS OF THE GLOBAL FINANCIAL CRISIS

Despite the economic challenges in most of the markets in which OneSteel operates, I am pleased to report that the company's net profit after tax for the 2010 financial year increased 12% on the previous year.

I am also pleased to announce that many of the initiatives implemented by OneSteel's management in the previous year, in response to the GFC assisted the company in delivering strong cash and working capital outcomes and a lower cost base and in further strengthening the balance sheet, placing OneSteel in a very good position to leverage on the back of economic recovery.

Operational highlights

Highlights for the year include delivering a strong operating cash flow, significant reductions to the overall cost base, a good working capital outcome and the strong performance of our Iron Ore business, with sales achieving our target for the year of 6 million tonnes. Mr Plummer will discuss each of these in more detail.

During the year, OneSteel's Recycling business made small acquisitions including Metals Trading and Ace Metals. The acquisitions of these businesses are now helping to secure scrap volumes at source, resulting in an improved market position for the Recycling business.

I am also pleased to report an improvement in OneSteel's overall safety performance for the year. Safety is one of two core values that underpin OneSteel's mission to deliver superior and sustainable returns.

Despite our ongoing commitment to safety awareness, it is with great sadness and regret that I acknowledge the loss of a colleague during the year. I initially reported the fatal accident at OneSteel's Annual General Meeting in November last year. The accident took place in October last year at our Mackay recycling operation in Queensland. Since that time, and as a direct result of this tragic incident, the company placed increased emphasis on driving proactive safety improvement and on facilitating greater employee involvement in safety activities to further improve the overall health and safety performance of the company.

The details of OneSteel's safety results for the year are reported in the Sustainability section on page 32. OneSteel remains committed to driving further improvements in the coming year.

Potential adverse legislation

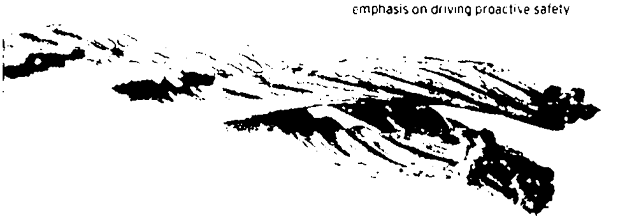
In May, I wrote to all shareholders to alert you to the concerns and potential implications for OneSteel of the Australian Government's proposed Resource Super Profits Tax (RSPT). The proposed RSPT was subsequently replaced by a proposed Mineral Resource Rent Tax (MRRT). While OneSteel believes the MRRT represents an improvement over the RSPT we do not support the proposed MRRT, as we continue to be concerned it will adversely impact our business.

The actual status of the MRRT is currently uncertain, as is the full impact of an MRRT on OneSteel's iron ore operations and steel businesses. However, we remain concerned that a tax applied to the iron ore feed into our Whyalla Steelworks will threaten the viability of our steel businesses. The reason the steelworks is located at Whyalla is its close proximity to low cost iron ore, and this continues to be a key driver of the cost competitiveness of the Whyalla facilities. We understand the Government has indicated that the MRRT is not intended to impact the steelworks; however, it is not clear at this stage how this outcome will be achieved.

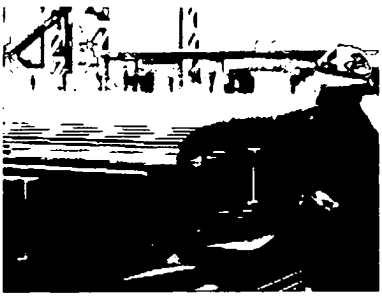
We also remain concerned about the potential impact of the proposed MRRT on our Iron ore export business. We intend to continue to focus on ensuring that the proposed tax will not affect the company's competitive position and that the draft legislation properly reflects the stated principles of the tax.

I would also like to briefly touch on the possibility that the Australian Government will seek to introduce an emissions trading scheme or a tax on carbon. Should either of these be pursued, we believe it is imperative that the appropriate time be spent on getting the design of the scheme or tax right, otherwise there is a risk that either could merely lead to a new revenue stream for the Government with no environmental benefit, and with the potential to damage Australian industry.

Manufacturing rail axle at Waratah NSW



PUBLIC FILE ~~214~~ 206



Manufacturing rail products at Whyalla SA

As the Australian iron and steel industry is technologically constrained in its ability to materially reduce emissions, and faces significant competition from imports and in its export markets, additional costs imposed on the industry through a scheme or tax will not act as a price signal to reduce emissions, but as a new tax that cannot be passed on. This would disadvantage the industry against its overseas competition.

Board changes

I would now like to briefly remark on some changes to the structure of the OneSteel Board before commenting in further detail on the performance of your company for the year.

At this year's Annual General Meeting in November, OneSteel Directors Dr Eileen Doyle and Mr Laurence Cox will not be standing for re-election to the OneSteel Board. I would like to acknowledge Eileen's commitment to the company over the last 10 years. Her contribution to our governing process has been exceptional. Laurie joined the OneSteel Board in 2007. His wisdom and commercial and non-executive Director experience has been invaluable.

I would also like to acknowledge the appointment of Ms Rosemary Warnock to the OneSteel Board. Ms Warnock has over 20 years experience in industry, with demonstrated success in a wide range of frontline operational, corporate and Board roles including extensive experience in the oil industry.

The year in review

I would now like to comment on OneSteel's financial performance for the 2010 financial year. As a whole, the company's profit performance was impacted by relatively weak markets due to the ongoing effects of the GFC, but overall, I believe the result was acceptable given the depth and duration of these challenging economic times.

Sales revenue for the year decreased 14% to $6.2 billion, mainly reflecting lower steel prices in the Australian Distribution and Manufacturing segments related to the continuing effects of the GFC and lower international steel prices, partly offset by higher volumes and prices in the Iron Ore segment.

The sales margin for the year increased slightly to 6.7% from 6.4% in the prior year due to improved performances in the Iron Ore and Recycling segments, partly offset by weaker margins in the Manufacturing, Australian Distribution and New Zealand Distribution segments.

The statutory effective tax rate of 21.9% largely reflects the company tax rate of 30% less the impact of deductible Research and Development expenditure and prior year amendments.

Underlying net profit after tax and minorities increased 12% to $241 million, compared to $215 million for the prior year. On a statutory basis, net profit was $258 million compared to $230 million, also reflecting an increase of 12%. Earnings per share was 18.2 cents and 19.5 cents for the underlying and statutory results respectively.

Staffing levels decreased to 10,598 (including 711 from New Zealand Distribution) as at 30 June 2010 from 11,104 (including 787 from New Zealand Distribution) for the previous corresponding period, and includes an additional 102 employees from businesses acquired by Recycling during the year.

The 2010 financial result was acceptable given the depth and duration of these challenging times

Operating cash flow for the year increased significantly to $602 million from $368 million for the prior year due to an increased focus on cash under the "back to basics" program implemented in the prior year.

Financial gearing was 18.3% as at 30 June 2010, down from 23.1% as at 30 June 2009, due mainly to the strong cash generation.

Interest cover increased to 6.9 times from 3.8 times for the prior year.

Inventories increased to $1.43 billion, up from $1.24 billion. Inventory levels have continued to be adjusted to reflect the improvement in demand levels and include the impact of strategic stock purchases, increased iron ore inventory and weaker sales in May and June.

Total raw steel production was 2.15 million tonnes, up 6% compared to 2.03 million tonnes for the prior year.

I was pleased to announce, on behalf of the OneSteel Board, a final dividend of 6 cents per share unfranked. This brings the total dividend for the 2010 financial year to 11 cents, a 10% increase on the prior year. The dividend is unfranked due to insufficient franking credits being available following the receipt of tax refunds. The extent to which OneSteel is able to frank future dividends will depend on the level of franking credits generated from tax paid in future financial years.

Dividend Reinvestment Plan

A Dividend Reinvestment Plan (DRP) will operate for the final dividend with no discount applicable. The DRP provides a facility for OneSteel's shareholders in Australia and New Zealand to reinvest their dividends in shares at a price calculated on the average of the daily volume weighted average market price of all fully paid ordinary shares in the company sold on the ASX during the 10 consecutive trading days commencing on the date which is the second trading day after the record date.

Outlook

In the short term, we expect first half profit performance will be impacted by the factors that led to the stall in recovery over May and June. However, we expect volumes to benefit through this financial year from increased infrastructure activity and as confidence levels and economic conditions improve.

Over the longer term, the OneSteel Board remains confident that the fundamentals for our key domestic and international markets are sound. The strength of underlying demand for iron ore and scrap steel is expected to keep prices for these steelmaking inputs high compared to historical standards, although with volatility.

Management's focus for the 2011 financial year will be to maximise returns from the current businesses as markets improve, including continued diligent management of the cost base, and to add to our iron ore reserves and resources through Project Magnet Phase 2. In addition, management will increase its focus on identifying both internal and external growth opportunities.

Thank you

On behalf of OneSteel's Board of Directors, I would like to thank all of OneSteel's shareholders for their continuing support. I would also like to thank OneSteel's Managing Director and CEO, Mr Geoff Plummer, the executive management team and all of OneSteel's employees for their commitment to performing their duties safely, ensuring a safe environment for colleagues, clients and visitors to our sites and their dedication to the task of servicing all of OneSteel's customers in Australia and overseas.

Annual Report

We hope that you enjoy the small changes to this year's Annual Report. We have aimed to provide succinct and informative commentary on our performance during the 2010 financial year alongside an overview of the company for all stakeholders unfamiliar with our businesses.

This year, we have elected to transition our Sustainability section into a more detailed, stand-alone online report modelled on the Global Reporting Initiative framework. The following Sustainability section is a summary of this report. The complete OneSteel 2010 Sustainability report can be found online at www.onesteel.sustainability-report.com.au

PETER SMEDLEY / Chairman

Managing Director's Review

GEOFF PLUMMER
Managing Director and CEO

OUR OVERALL PROFIT PERFORMANCE WAS NOT GOOD IN ABSOLUTE TERMS, BUT I WAS PLEASED WITH THE VERY STRONG CASH FLOW, THE SIGNIFICANT REDUCTIONS TO THE COST BASE, THE GOOD WORKING CAPITAL POSITION AND THE FURTHER STRENGTHENING OF OUR BALANCE SHEET. WE REMAIN WELL PLACED WITH SIGNIFICANT LEVERAGE TO THE RECOVERY

I am pleased to present the 2010 financial year results for OneSteel Limited, a year that was impacted by generally weak markets due to the continuing effects of the GFC. OneSteel reported an underlying net profit after tax of $241 million, in line with our market guidance provided in February and May, which represents a 12% increase compared to underlying net profit after tax for the prior year of $215 million. The underlying result excludes a $16 million benefit from the settlement of legal claims, tax benefits of $11 million, restructuring costs of $1 million and accelerated depreciation of $9 million.

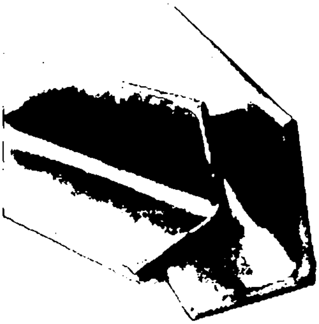
Difficult market conditions

After experiencing the most difficult market conditions on record in the second half of the prior year due to the GFC, the 2010 financial year commenced with expectations of continuing challenging conditions associated with a slow and gradual recovery off a very low base. The recovery tracked in line with our expectations for most of the year, but stalled around May due to a number of international and domestic factors that adversely affected confidence levels. These included the European debt crisis, the Chinese Government's cooling of its economy, the Australian Government's announcement of a proposed mining tax and higher interest rates in Australia. Despite some recovery during the year, activity levels in many of our steel markets are still weak and well below pre-GFC levels.

Iron ore stockpiles at OneSteel's mine site, SA

Performance

While our overall profit performance was not good in absolute terms, I believe it was acceptable given the difficult external environment. More pleasing was our very strong cash flow for the year of $602 million, the significant reductions made to our cost base, our good working capital position at year end, the further strengthening of our balance sheet, and the strong performance of our Iron Ore business.



Our Iron Ore segment was the stand-out performer for the year, with earnings before interest and tax (EBIT) up 195% to $333 million due to higher iron ore prices and sales volumes. The business achieved its sales target for the year of 6 million tonnes, an increase of 2 million tonnes from two years ago.

We continued to progress our ferrous extension drilling and exploration work during the year as part of Project Magnet Phase 2. This work led to the addition of 20 million tonnes of iron ore reserves during the year leaving our reserves in the strongest position since the commencement of Project Magnet in 2004. We remain confident that there will be sufficient reserves of hematite ore to enable external sales at the rate of 6 million tonnes per annum for at least 10 years.

Our Recycling segment turned around its EBIT loss from the previous year to be EBIT positive this year. Although the turnaround is pleasing and the business achieved good operational and cost improvements during the year, its overall performance continued to be adversely impacted by weaker than normal global demand for scrap ferrous metal and margin pressure due to the short supply of scrap arisings, particularly in Australia.

Our Manufacturing and Australian Distribution segments were most impacted by the continuing effects of the GFC, reflected in significantly reduced EBIT returns for the year. There was a small but steady increase in demand through most of the year until the stall in recovery in May and June. However, the improvement was off the very low base in the second half of the prior financial year, and activity levels remain still well below pre-GFC levels. Despite price rises for some products early in the year, prices deteriorated over most of the remainder of the year before lifting slightly in the fourth quarter.

The performance of our Manufacturing segment was also impacted by an interruption to production at Whyalla in the fourth quarter, initially for repairs to the blast furnace and subsequently due to difficulties in returning the blast furnace to normal operations. Despite this interruption, I was pleased with our efforts in minimising the financial impact for the company ($17 million after tax), as well as minimising the impact on our customers. We were able to supplement the lost production in Whyalla by use of the company's strong broad-based inventory position, ramping up production at our Sydney and Laverton electric arc furnaces and through the importation of some semi-finished and finished steel products.

OneSteel's commitment to the safety of our employees, contractors and customers is integral to our licence to operate

Following work undertaken in relation to the underlying causes of the Whyalla blast furnace interruption, we have decided to carry out some repair and redesign work to the blast furnace to address increased wear around the bosh and lower stack components of the furnace. It is anticipated the work will be carried out during part of the fourth quarter of this financial year to take advantage of excess capacity due to demand levels that are recovering from the GFC. This work is expected to extend the life of the blast furnace beyond 2020. Based on recent prices, the expected EBIT impact in the 2011 financial year from this planned shut is minimal. The actual net EBIT impact will depend on prevailing prices at the time the work is undertaken.

Cost reduction initiatives

I was pleased with the outcomes of initiatives implemented last year in response to the GFC that helped deliver the strong cash and working capital outcomes, lower our cost base and further strengthen the balance sheet. The work from these initiatives has helped provide our businesses with good leverage to the economic recovery.

One of these initiatives was the company-wide labour reduction program. The program was completed in the 2010 financial year and resulted in annualised labour cost savings of approximately $160 million.

These savings have largely been maintained so far and we expect that around $100 million of these savings will be retained into the future irrespective of operating levels.

Commitment to safety

As mentioned by the Chairman, I would like to acknowledge and pay respects to the family and colleagues of an employee who was tragically killed at work in October last year. On that day, OneSteel failed in its commitment to provide a safe working environment. As a direct result of this tragic accident, we have increased our emphasis on safety training and facilitating greater employee involvement in safety activities to further improve safety practices.

OneSteel's commitment to the safety of our employees, contractors and customers is integral to our licence to operate and deliver superior and sustainable returns. In the 2010 financial year, we reported an improvement to our safety performance measurements. Our key indicators, Lost Time Injury Frequency Rate (LTIFR) and Medical Treatment Injury Frequency Rate (MTIFR), advanced 13% and 9%, down to 1.4 and 6.3 respectively.

Outlook

In the short term, the factors that led to the stall in recovery over May and June in the domestic steel market have continued into the current financial year, and this is expected to impact our profit performance for the first half of the 2011 financial year. However, we expect volumes to benefit through this financial year from increased infrastructure activity and as confidence levels and economic conditions improve, with the benefits skewed more to the second half.

Steel margins in our Manufacturing and Distribution businesses are expected to remain under pressure from the impact of a stronger Australian dollar and competitive pressure due to continuing low activity levels.

We expect production and operating levels to lift slightly in the first half.

In our Recycling business, we expect margins to continue to be impacted by the tight supply of available scrap arisings due to weak construction and industrial activity, particularly in Australia. The business expects to benefit from further operational and cost improvements and its improved market position.

We expect prices for both scrap metal and iron ore to be at high levels compared to historical standards but with continued volatility, underpinned by the demand and supply balance for both materials. We expect iron ore sales volumes for the 2011 financial year to be in the range of 6.0 to 6.5 million tonnes, including an increased proportion of medium grade ore.

In international steel, continued overcapacity in steel production and subdued economic data in Europe and the USA is likely to impact prices and margins for steel markets. However, raw materials prices are likely to place upward pressure on steel pricing.

In the longer term, we remain confident that the fundamentals for our key domestic and international markets are sound. Domestic demand is expected to improve through increased activity associated with improved economic conditions. We will continue to have a disciplined approach to performing the fundamentals well such as managing costs, cash, other assets and markets; and through growing and diversifying earnings, with a particular focus on leveraging areas of advantage.

The strength of underlying demand for iron ore and scrap steel is expected to keep prices for these steelmaking inputs high compared to historical standards, although with volatility.

We believe that prices for steelmaking inputs will be high compared to historical standards, although with volatility, and underpin improved prices for international and domestic steel over the longer term.

As the global economy recovers, the international and domestic steel industries are expected to continue to work through their challenges satisfactorily, and the fundamentals for steel and steelmaking inputs are expected to make these markets attractive.

Thank you

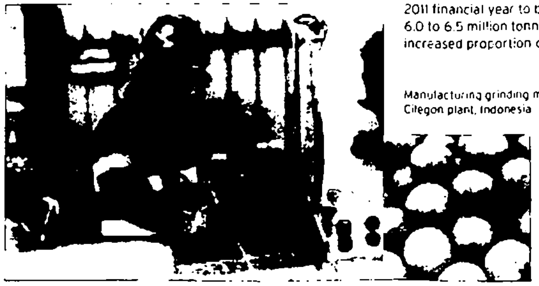
I would like to extend my gratitude to all of OneSteel's employees in Australia and overseas for their commitment to conducting their duties safely and keeping the safety of others top of mind, while also remaining dedicated to all of OneSteel's customers and clients.

To OneSteel's customers, thank you for your ongoing support. The success of your business is fundamental to OneSteel delivering superior and sustainable returns.

To OneSteel's Chairman and Board of Directors, your guidance, support and unwavering availability is greatly appreciated.

And finally, I would like to thank OneSteel shareholders for your support during the year.

GEOFF PLUMMER /
Managing Director and CEO



Manufacturing grinding media at OneSteel's Cilegon plant, Indonesia

ONESTEEL ENDEAVOURS TO DELIVER SUPERIOR AND SUSTAINABLE RETURNS THROUGH THE CYCLE, AND GENERATE STRONG CASH OUTCOMES. WE ACHIEVE THIS BY IMPROVING RETURNS FROM EXISTING BUSINESSES THROUGH BUILDING ORGANISATIONAL CAPABILITY. ONLY A DISCIPLINED APPROACH TO PERFORMING THE FUNDAMENTALS WELL SUCH AS MANAGING COSTS, CASH, OTHER ASSETS AND MARKETS; AND THROUGH GROWING AND DIVERSIFYING EARNINGS, WITH A PARTICULAR FOCUS ON LEVERAGING AREAS OF ADVANTAGE

Operational Overview

EXCLUDING THE PERIOD IMPACTED BY THE GLOBAL FINANCIAL CRISIS, ONESTEEL HAS DELIVERED SOLID IMPROVEMENTS IN KEY BUSINESS METRICS AND CASH GENERATION SINCE ITS PUBLIC LISTING ON THE AUSTRALIAN SECURITIES EXCHANGE (ASX) IN OCTOBER 2000

OneSteel's integrated model

OneSteel's vertically integrated business model provides a number of advantages, including representation across the full value chain from resources and recycling to steel production, value-add rolling mills and distribution.

OneSteel is a miner and seller of iron ore with well-established customer relationships. OneSteel is self-sufficient in iron ore, able to fulfil all internal ore requirements for steel production and believes it is able to sell hematite iron ore to external customers at the rate of 6 million tonnes per annum for at least 10 years. OneSteel also has proven magnetite iron ore reserves until at least 2027.

OneSteel is a major national player in the metals recycling sector, with operations in the United States of America and Asia. The Recycling segment provides OneSteel with a partial offset against price volatility in the scrap metal market.

OneSteel is also the market leader in manufacturing Australian long steel products. The combination of OneSteel's blast furnace steel operation and three electric arc furnace steelmaking operations enables flexible production. This was demonstrated in the 2009 financial year, when management wound down operating levels to bring inventory in line with lower market demand, and in the 2010 financial year, when the electric arc furnaces were ramped up to partly offset the lost production at Whyalla due to the blast furnace interruption.

OneSteel manufactures and distributes a wide range of products, including structurals, rail, rod, bar, wire, grinding media, ropes, rail wheels and pipe and tube products. OneSteel also distributes sheet and coil, piping systems, plate and aluminium products.

OneSteel is a leading metals distributor with a strong distribution network, and is particularly well positioned in regional areas close to market.

OneSteel holds top rankings in the Australian general steel distribution, reinforcing and wire markets, as well as leading niche market positions in rail wheels, grinding media, mining ropes, rail and fluid transmission.

Operational performance

Excluding the period impacted by the GFC, OneSteel has delivered solid improvements in key business metrics and cash generation since its public listing on the Australian Securities Exchange (ASX:OST) in October 2000.

Even in the 2010 financial year, where steel markets were still heavily impacted by the continuing effects of the GFC, OneSteel generated a very strong cash outcome.

Despite the strong cash performance, operationally the 2010 financial year continued to be very challenging, with the profit performance of our Manufacturing and Distribution segments, and our Recycling segment, still affected by markets with activity levels well below normal.

Australian steel despatches were close to flat for the year at 2.75 million tonnes. Demand improved slightly during the year, but off a very low base, reflecting the impact of the GFC. The improvement was due to a small but steady increase in market activity during the year as economic conditions and confidence started to improve, and as some demand from Government stimulus projects started to flow through. However, the recovery stalled through May and June due to factors including uncertainty in international steel markets, increased interest rates in Australia, concerns over the proposed mining tax in Australia and volatility in the Australian dollar.

Total raw steel production was 2.15 million tonnes, an increase of 6% compared to the prior year. In the second half, the Whyalla blast furnace was down for approximately seven weeks due initially to repairs, and then delays in returning it to normal operations. Lost production at Whyalla was partly offset by increasing production at the electric arc furnaces.

The Iron Ore segment was the stand-out performer for the year, delivering a 31% increase in sales revenue to $782 million and a 195% increase in EBIT to $333 million, reflecting both higher sales volumes and higher prices. The work under Project Magnet Phase 2 has continued to be successful and add considerable value for shareholders. During the 2010 financial year, the business continued to optimise its supply chain, enabling it to reach its sales target for the year of 6 million tonnes.

The Iron Ore segment also continued to identify and increase iron ore reserves under Project Magnet Phase 2, as well as work to identify non-ferrous opportunities. Over the year, an additional 20 million tonnes of hematite reserves were added.

In the Recycling segment, profit performance was turned around from an EBIT loss for the prior year to a small EBIT profit for the 2010 financial year. Profit performance continued to be affected by below normal sales volumes and a shortage of scrap steel arisings due to weak levels of construction and industrial activity. Strong competition for the available arisings led to margin pressure, particularly in Australia. Two acquisitions were made in the second half of the year that are expected to improve the business's ability to secure scrap arisings at source and improve its market position.

While overall performance was impacted by the continuing difficult external environment, the business segments did well with what they could control. The company-wide labour reduction program was completed during the 2010 financial year, resulting in annualised cost savings of approximately $160 million. These cost reductions have largely been maintained to date and $100 million of permanent savings are expected to be retained into the future irrespective of operating levels.

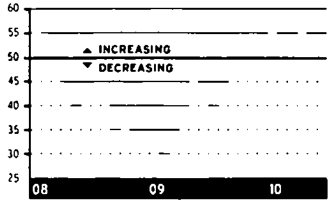
These initiatives helped OneSteel deliver very strong cash and working capital outcomes for the year and further strengthen the company's balance sheet. The initiatives have also reduced the company's overall cost base, providing it with significant leverage to the economic recovery.

OneSteel's Manufacturing business includes three electric arc furnaces, pictured below, Sydney Steel Mill Meltshop

KEY BUSINESS DRIVERS

The information included in the following charts illustrates trends in some of the major drivers of OneSteel's business, including key sectors of the Australian economy, domestic steel prices, prices of international steel and key inputs into steelmaking. The slow but steady recovery off the low of the second half of the prior financial year, as well as the stall in recovery towards the end of the 2010 financial year are evident in the following charts.

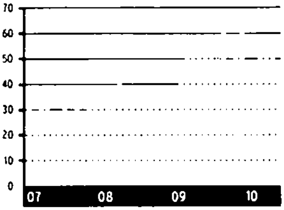
FIGURE 1
Australian Performance of Construction Index (PCI)
January 2008 to June 2010
Diffusion Index



Source: Australian Industry Group

Figure 1 shows that the Australian Performance of Construction Index (PCI) for FY10 was higher than for FY09. The PCI for most months tracked close to 50 or higher than 50 (indicating expansion mode). House building was in expansion for 10 consecutive months from August 2009 to May 2010.

FIGURE 2
Iron Ore Imports into China
January 2007 to June 2010
Million tonnes

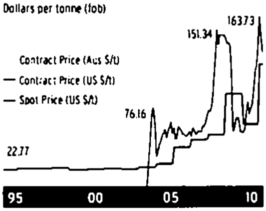


Source: Tex Report

Iron ore imports

Figure 2 represents the iron ore imports into China. China imported 640mt of iron ore in FY10, an increase of 25% compared to 511mt in FY09. Iron ore imports into China have been growing between 15% to 20% per year. There has been strong demand for imported iron ore due to strong growth in fixed asset investment in China.

FIGURE 3
Iron Ore Fines – Contract and Spot Prices (fob)
July 1995 to June 2010
Dollars per tonne (fob)



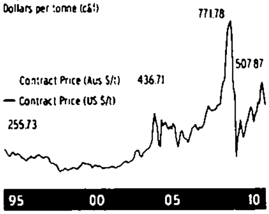
Source: SBB, CRU Platts

Iron ore prices

OneSteel has high quality iron ore reserves in South Australia. In the 2010 financial year OneSteel exported more than 6 million tonnes of hematite iron ore.

Figure 3 shows international movement in iron ore fines prices in both US and Australian dollars. The annual benchmark contract pricing mechanism ended in March 2010, and it has been replaced by other pricing arrangements. The Japan contract Mt Newman fines price for the quarter from April 2010 to June 2010 was reported to be 96% above the annual April 2009 to March 2010 benchmark price. The global demand for iron ore has been higher in FY10 than the demand in FY09.

FIGURE 4
Korean HM1 Scrap Price (c&f)
July 1995 to June 2010
Dollars per tonne (c&f)



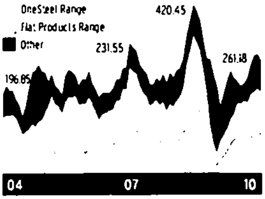
Source: TEX Report

Scrap price

Figure 4 shows prices for scrap steel in US and Australian dollars. In FY10 OneSteel used approximately 1.3 million tonnes of scrap feed for its steel manufacturing operations in Whyalla, Sydney, Laverton and Waratah Steel Mills. OneSteel Recycling sold approximately 1.7 million tonnes of ferrous scrap both to internal and to external customers.

The Korean benchmark price for scrap in US dollar terms increased by 95% in the period from July 2009 to June 2010. The benchmark scrap prices have continued to be volatile this financial year due to uncertainties in the global economy.

FIGURE 5
Steel Imports into Australia
January 2004 to June 2010
Thousand tonnes

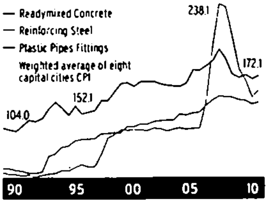


Source: ABS and OneSteel data 3-mth average

Import volumes of steel into Australia

Figure 5 shows that the import volumes of steel into Australia had increased in the second half of FY10 but the levels are still below the import levels in the first half of FY09. The increase in import levels was due to the strong Australian dollar and improved confidence levels. FY10 includes some product imported by OneSteel related to the Whyalla blast furnace interruption.

FIGURE 6
Prices for Steel Residential Construction
June Quarter 1990 to June Quarter 2010
Index 1989 - 1990 = 100

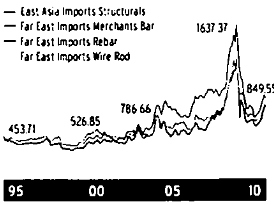


Source: ABS

Prices for steel residential construction materials

Figure 6 represents the movement in prices of residential construction materials indexed to 1989/90 prices. The index for reinforcing steel had decreased by 21% in the June 2010 quarter compared to the June 2009 quarter. The index is now more in line with the weighted average of eight capital cities CPI.

FIGURE 7
Long Products International Prices
July 1995 to June 2010
Australian dollars per tonne (c&f)



Source: CRU (Merchant Bar, Rebar, Wire Rod), SBB (Beams)

Long products international prices

Figure 7 presents the international benchmark prices for Structural Beams, Merchant Bar, Reinforcing Bar and Wire Rod. The prices started to increase in the second half of FY10 due to price increases in spot iron ore and hard coking coal. The benchmark prices started to soften in June 2010 as the global steel market weakened. The key segments for these products domestically are residential, non residential and engineering construction.

Operational Overview continued

Strategic Framework Scorecard

Delivering OneSteel's strategy

OneSteel aims to deliver superior and sustainable returns through the cycle as well as generate strong cash outcomes. Our strategy for achieving this includes improving returns from existing businesses through building organisational capability, a disciplined approach to performing the fundamentals well, such as managing costs, cash, other assets and markets; and through growing and diversifying earnings with a particular focus on leveraging areas of advantage.

Below is a summary of how the company performed against our objectives during another difficult year due to the challenging external environment.

The four key elements to OneSteel's overall business strategy are:

- Improving returns from existing businesses
- Achieving strong cash generation
- Growing and diversifying earnings
- and Building organisational capability.

OneSteel has delivered solid improvements in key business metrics and cash generation since its public listing on the ASX in October 2000, excluding the period impacted by the GFC

The impacts of the GFC continued to heavily affect OneSteel's overall profitability for the year, but a strong performance from the Iron Ore segment and benefits from initiatives implemented last year in response to the GFC helped deliver a very strong cash outcome and further strengthen the balance sheet.

Domestic steel demand was improving slowly but steadily and in line with management expectations during the year, albeit off the very low base in the second half of the prior year. However, this improvement stalled in May and June, adversely affecting profitability. There were a number of external factors, including weaker domestic and international confidence related to concerns over the European debt crisis, cooling of the Chinese economy and concerns over international steel prices, higher domestic interest rates and the proposed mining tax in Australia, that resulted in the recovery stalling.

Below is a summary of how the company performed against our objectives during the financial year ended 30 June 2010.

Improving returns from existing businesses

- Underlying net profit increased 12% to \$241 million
- Sales margin increased to 6.7% from 6.4%
- Recycling business turned around EBIT loss from prior year of \$39 million to a positive EBIT result of \$8 million for the year
- Return on funds employed decreased to 7.5% from 8.4%
- Return on equity decreased to 5.5% from 5.7%
- Underlying earnings per share decreased to 18.2 cents from 21.2 cents

The Board declared a final dividend per share of 6 cents (unfranked). Total dividends per share increased 10% to 11 cents (unfranked). Dividends for the 2010 financial year are unfranked as a result of significant tax refunds, which reduced the balance of franking credits available. OneSteel's ability to frank future dividends will depend on the level of franking credits generated from tax paid in Australia in future financial years.

Cash generation

- Operating cash flow increased 64% to \$602 million from \$368 million
- Free cash flow increased 162% to \$480 million from \$183 million
- Gearing (net debt/net debt plus equity) decreased to 18.3% from 23.1%, reflecting the strong cash generation and improvements in working capital during the year.

Growing and diversifying earnings

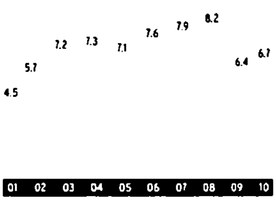
- Project Magnet Phase 2 resulted in an increase in iron ore sales to 6 million tonnes for the year compared to 5 million tonnes in the prior year. The project has now led to an increase of approximately 2 million tonnes per annum of iron ore sales over the last two years, which was achieved quickly and at little cost and risk
- We continued to successfully place additional iron ore tonnes
- Mine extension drilling and exploration work resulted in adding approximately 20 million tonnes of reserves during the year. Reserves at year-end are now at the highest level since commencement of Project Magnet
- Non-ferrous exploration commenced during the year and is progressing in accordance with management expectations
- The Recycling business acquired Metals Trading and Ace Metals during the year. The acquisitions were completed towards year end and had little impact on profit for the year. However, henceforward the acquisitions are expected to help secure volumes at source, deliver synergy benefits and improve the market position of the Recycling business
- In the coming year, the company believes it is well positioned to benefit from increased infrastructure activity and as confidence levels and economic conditions improve
- In addition to continuing to invest internally, the company has an increased focus on external growth options.

Organisational efficiency and capability

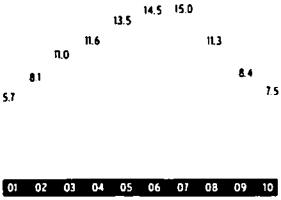
- The company continued to focus on cost reduction programs that commenced in the prior year in response to the turbulent market conditions. These included more stringent policies over expenditure and embarking on a company-wide labour cost reduction program
- The labour cost reduction program was completed during the year, resulting in annualised cost savings of approximately \$160 million, with the reductions largely maintained during the year. It is expected that \$100 million of the annualised savings will be permanent irrespective of operating levels
- Staff have shown a high level of commitment and flexibility in responding to the impact of the adverse external environment on the company's businesses, as well as in relation to the Whyalla blast furnace interruption by working flexibly, taking leave and working reduced hours
- Continued emphasis was placed on the targeted development of staff and business leaders, as well as the accelerated development of potential future business leaders to meet succession-planning needs
- Investment in skills for the future continued, with over 170 apprentices and more than 100 cadets and graduates currently employed.

Manufacturing grinding media in Cilegon, Indonesia

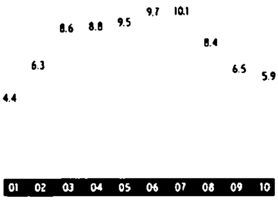
Sales Margin – Underlying (%)



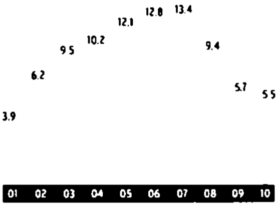
ROFE – Underlying (%)



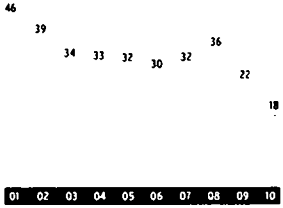
ROA – Underlying (%)



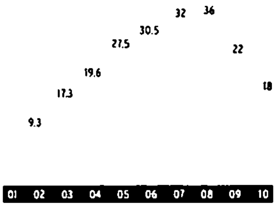
ROE – Underlying (%)



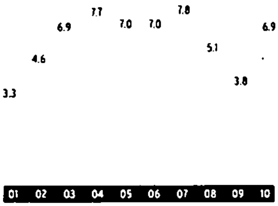
Gearing – Statutory (%)



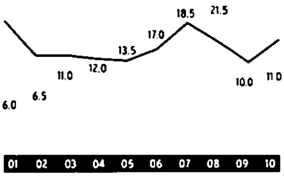
EPS – Underlying (Cents per share)



Interest Cover – Times (Cents per share)



Dividends and Underlying Payout Ratio (%)



The financial information presented for the years 2001 - 2004 has been presented under previous AGAAP and have not been restated under International Financial Reporting Standards (IFRS). The nature of the main adjustments to make the information comply with IFRS include:

- Recognition of additional provisions relating to rehabilitation and make good and defined benefit obligations;
- Restatement of deferred tax balances using the balance sheet method;
- 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 underlying earnings presented for the years 2001 2004 has been adjusted to exclude goodwill amortisation.

Notes

1 FY10 underlying results are before the impact of legal claims, accelerated depreciation, restructuring activities, tax consolidation and over-provisions of tax in prior years of $17.8 million after tax

2 FY09 underlying earnings are before the impact of restructuring activities, tax consolidation and over-provisions of tax in prior years of $14.2 million after tax

3 FY08 underlying earnings are before the impact of restructuring costs and impairment of plant and equipment associated with the integration of the Smorgon Steel Group and Australian Tube Mills businesses of $70.1 million net of tax. These statistics include the results of the Smorgon Steel Group Limited from 20 August 2007 only

4 FY07 underlying earnings are before the impact of the derecognition of deferred tax liabilities of $9.5 million

5 FY06 underlying earnings are before the tax benefit of $15.9 million arising from adjustments to tax consolidation values

6 FY05 underlying earnings are before the benefit relating to the reversal of impairment loss on transition to AIFRS of $49.7 million after tax

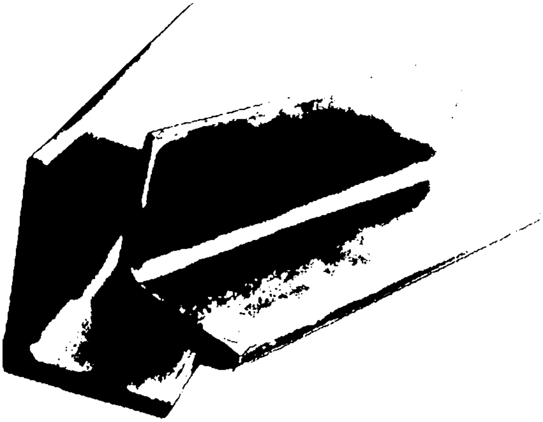
7 FY04 underlying earnings are before the tax benefit of $19.8 million arising from OneSteel's entry into the tax consolidation regime

8 Net debt under previous AGAAP has been adjusted to include securitisation, which was previously classified as off-balance sheet

9 Net debt includes derivatives designated in a qualifying hedge relationship against interest-bearing liabilities under AIFRS


BLIC

MORE THAN A MANUFACTURER, ONESTEEL IS A UNIQUELY INTEGRATED PORTFOLIO OF COMPLEMENTARY BUSINESSES, INCLUDING THE SUPPLY OF RAW MATERIALS TO ITS OWN AND CUSTOMER STEEL MILLS IN AUSTRALIA AND OVERSEAS, THE MANUFACTURE AND DISTRIBUTION OF A BROAD RANGE OF LONG PRODUCTS AND THE RECYCLING OF FERROUS AND NON-FERROUS SCRAP METAL

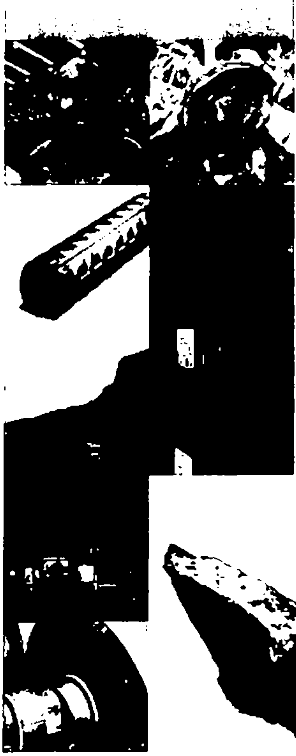


RS
PUBLIC FILE

Review of Operations

At a Glance

The 2010 financial year continued to be heavily impacted by the continuing effects of the GFC. In our Steel businesses, demand recovered slowly but steadily through most of the year but off a very low base and it is still well below normal levels. Continued benefits from initiatives implemented in the prior year in response to the GFC, and the strong performance of the Iron Ore segment, helped increase underlying net profit after tax for the year 12% to $2[illegible] million and generate a very strong cash outcome.



Iron Ore

12 months to	JUN 10 $M	JUN 09 $M	% Change
Revenue/Income	782	599	31
EBITDA - Underlying	364	138	162
EBIT - Underlying	333	113	195
Sales Margin (EBIT)	42.6%	18.9%	23.7pts
Assets	817	769	6
Funds Employed	717	689	4
Return on Funds Employed (%)	47.4%	19.6%	27.8pts
Employees (number)	339	357	(5)

Market conditions
Chinese demand for iron ore was fundamentally very strong throughout most of the year. Spot prices increased through the first three quarters of the year, before falling to levels that were still well above the historical average. Freight rates also increased, partly offsetting the benefit of higher spot prices, but stabilised at lower levels in the second half.

Performance
The increase in sales volumes in the Iron Ore segment reflects the continued successful ramp up of capacity through Project Magnet Phase 2, which has seen volumes increase from the original Project Magnet design capacity of 4 million tonnes two years ago for very little capital investment.

Initiatives
The business continues to identify and increase iron ore reserves and resources under Project Magnet Phase 2, as well as carry out work to identify non-ferrous opportunities. An additional 20 million tonnes of hematite ore reserves were added during the year from this work. OneSteel remains confident there will be sufficient reserves to enable the external sale of 6 million tonnes of hematite iron ore per year for at least 10 years.

Outlook
Demand from China is expected to remain solid, with conditions set to improve off an already steady base as demand for iron ore remains strong. Iron ore prices are expected to remain volatile but high compared to historical levels in the near-to-medium term.

For more information on Iron Ore, refer to page 20.

Recycling

12 months to	JUN 10 $M	JUN 09 $M	% Change
Revenue/Income	1,124	1,124	-
EBITDA - Underlying	23	(22)	n/m
EBIT - Underlying	8	(39)	n/m
Sales Margin (EBIT)	0.7%	(3.4%)	4.1pts
Assets	711	614	16
Funds Employed	618	538	15
Return on Funds Employed (%)	1.3%	(6.7%)	8pts
Employees (number)	1,019	1,016	-

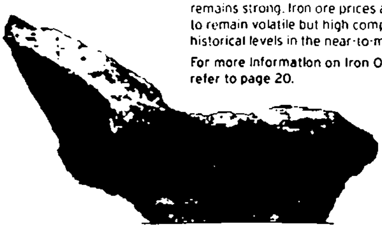
Market conditions
The Recycling business was heavily impacted by the stronger Australian dollar. Demand for recycled steel improved over the year in line with the slow recovery in world economies, but remained well below normal levels. Prices continued to be volatile due to shifting confidence levels in the metals market.

Performance
The slow recovery in world economies was reflected in the profit performance for the year, with sales volumes and the purchase price of scrap arisings both affected by lower than normal activity levels. Despite the weak external environment, the business turned around the EBIT loss in the prior year to record a small EBIT profit for the 2010 financial year, partly helped by the implementation of operating and cost savings initiatives.

Initiatives
The segment accelerated its operating and cost improvement initiatives during the year. The Australian business acquired the Metals Trading and Ace Metals businesses during the year. Benefits from these acquisitions include securing volumes at source, synergy benefits and an improved market position.

Outlook
We expect margins to continue to be impacted by tight supply of scrap arisings, particularly in Australia. We expect to see the benefits from operational and cost improvements and an improved market position as a result of the recent acquisitions.

For more information on Recycling, refer to page 22.



Manufacturing

12 months to	JUN 10 $M	JUN 09 $M	% Change
Revenue/Income	2,966	3,649	(19)
EBITDA - Underlying	179	324	(45)
EBIT - Underlying	58	210	(72)
Sales Margin (EBIT)	2.0%	5.8%	(3.8 pts)
Assets	3,762	3,704	2
Funds Employed	3,106	3,190	(3)
Return on Funds Employed (%)	1.8%	6.6%	(4.8 pts)
Employees (number)	4,318	4,622	(7)

Market conditions

Activity levels for many of our domestic markets continue to be relatively weak and well below pre-GFC levels. Some delays in Government stimulus spending, including the Building Education Revolution, as well as project delays due to credit availability continued to constrain demand from the construction segment. Ongoing strength in the mining production segment eased some of the impact.

Performance

Demand improved during the year, but from a very low base. The recovery stalled from around May due to lower confidence, higher domestic interest rates, uncertainty in international steel markets and concerns over the proposed mining tax legislation. Weaker than normal sales volumes and lower prices, partly offset by operational and cost savings, adversely affected performance for the year.

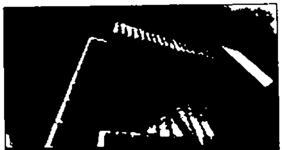
Initiatives

Significant operating cost reductions were achieved in the year due to the full-year impact of initiatives implemented in the prior year. These included labour cost savings, improved alloy and electricity purchasing outcomes, and freight initiatives.

Outlook

The short-term outlook remains challenging and volatile for residential, engineering and non-residential construction, whilst mining consumables is expected to remain strong. A high AUD combined with weak international steel demand and prices are expected to continue to impact margins, particularly in the first half of the 2011 financial year.

For more information on Manufacturing, refer to page 24.



AU Distribution

12 months to	JUN 10 $M	JUN 09 $M	% Change
Revenue/Income	2,521	3,324	(24)
EBITDA - Underlying	92	218	(58)
EBIT - Underlying	60	185	(67)
Sales Margin (EBIT)	2.4%	5.5%	(3.1 pts)
Assets	1,509	1,525	(1)
Funds Employed	1,129	1,176	(4)
Return on Funds Employed (%)	5.2%	15.4%	(10.2 pts)
Employees (number)	3,626	3,696	(2)

Market conditions

There was a small but steady improvement in demand across most products and regions during the year, but off a low base. The resources sector saw the best improvements in activity levels, with the residential construction and public sector construction sectors also improving.

Performance

Segment earnings remained under pressure during the year due to lower volumes and prices, partly offset by lower input costs and cost savings. Sales volumes were well below normal levels despite the improvement in demand during most of the year.

Initiatives

Labour and overhead cost reduction initiatives continued to be implemented during the year. The OneSteel Reinforcing business successfully maintained its market position as a leading solutions provider and continues to focus on branch footprint expansion. ARC continues to build its market position after a successful rebranding project and organisational restructuring.

Outlook

The first half of the 2011 financial year is expected to continue to be challenging, but sales volumes are expected to benefit during the year as larger infrastructure projects commence and as confidence levels lift.

For more information on Australian Distribution, refer to page 28.

NZ Distribution

12 months to	JUN 10 $M	JUN 09 $M	% Change
Revenue/Income	304	400	(24)
EBITDA - Underlying	18	43	(57)
EBIT - Underlying	13	37	(65)
Sales Margin (EBIT)	4.3%	9.3%	(5 pts)
Assets	175	184	(5)
Funds Employed	115	154	(26)
Return on Funds Employed (%)	9.7%	22.7%	(13 pts)
Employees (number)	711	787	(10)

Market conditions

Conditions continued to weaken, with many sectors, including the steel industry, affected by the continuing impacts of the GFC. Despite the New Zealand economy experiencing a slight recovery in the later half of 2009 and early 2010, many of the industries important to Steel & Tube continued to find market conditions challenging.

Performance

Sales volumes were lower compared to the prior year primarily due to reduced steel prices. Despite the difficult environment, Steel & Tube maintained its market share in its core products. Margins were impacted by strong competition, but recovered to some degree with price increases in the second half of the year.

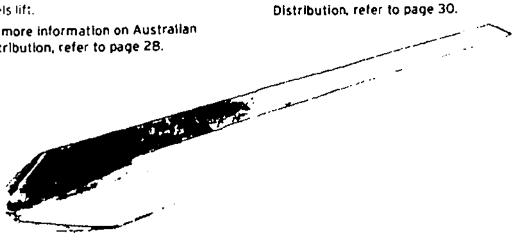
Initiatives

A number of initiatives were employed to reduce overheads and strengthen the balance sheet, including the rationalisation of premises and the reduction of operating expenses.

Outlook

The economic outlook remains subdued, with growth expected to be slow and gradual. Continued pressure on volumes is expected in the first half, with declines in non-residential construction being offset by gradual increases in other sectors.

For more information on New Zealand Distribution, refer to page 30.



Iron Ore

MARK PARRY
Chief Executive Whyalla
Includes responsibility for iron ore mining and exports

GREG WATERS
Chief Executive Recycling
Also responsible for iron ore marketing

OneSteel's Iron Ore mines and export business has two key functions. Firstly, to mine hematite ore for sale to external customers and provide lump feed to the integrated steelworks at Whyalla in South Australia. Secondly, to mine and process magnetite ore into pellets to provide feed for the integrated steelworks and for external sales.

OneSteel's iron ore mines are located in the Middleback Ranges of South Australia approximately 60km from the Whyalla Township. OneSteel's steelworks in Whyalla produce approximately 1.2 million tonnes of raw steel per year from hematite lump and magnetite pellets, which is a key competitive element for the company. Approximately an additional 6 million tonnes of hematite iron ore are sold to external customers, resulting in a significant additional revenue stream for the company.

Revenue in the Iron Ore segment was $782 million for the 2010 financial year, reflecting an increase in both sales volumes and the average sales price compared to the prior year. The business continued to successfully ramp up its supply chain, enabling it to reach its sales target of 6 million tonnes for the year. Iron ore sales volumes increased close to 2 million tonnes over the past two years as part of Project Magnet Phase 2. In addition, 350 thousand tonnes of pellet sales were made during the year, including excess pellets generated as a result of the Whyalla blast furnace interruption that occurred in the fourth quarter.

EBIT for the segment increased 195% to $333 million compared to $113 million for the prior year, due largely to the increased sales and higher prices. The prior year included a net foreign exchange loss of $62 million on realised forward contracts.

Chinese demand for iron ore continued to increase and was fundamentally very strong throughout the year. In the second half of the year, the Iron Ore business witnessed the end of the traditional benchmark pricing system. While the pricing uncertainty generated a range of responses and tensions from the market, our strategy has been built around long-term relationships.

192

FILE ~~200~~

OneSteel geologists testing ore samples at the Whyalla mine site

Iron Ore – Historical information

	FY10	FY09[1]	FY08
Revenue/Income ($M)	782.3	598.5	561.2
EBITDA ($M)	361.2	138.0	220.9
EBIT ($M)	333.4	113.0	212.9
Sales Margin (%)	42.6	18.9	37.9
Assets ($M)	816.7	769.2	542.0
Funds Employed ($M)	717.4	688.9	461.8
ROFE (%)	47.4	19.6	46.1
Employees (number)	339	357	152
Total Lump and fines (mt)	6.03	5.07	4.46
Pellet and Ore by Products (mt)	0.81	0.69	0.88

1 The FY09 results have been restated to reflect changes in organisation structure announced in February 2010 effective from 1 July 2009. The pellet plant operations previously reported as part of the Manufacturing segment are now reported as part of the Iron Ore segment.

The Iron Ore business continued to identify and increase iron ore reserves and resources under Project Magnet Phase 2, as well as work to identify non-ferrous opportunities. Since the November announcement on reserves, a further 6 million tonnes of hematite ore reserves have been added, bringing total additions for the year to 20 million tonnes. We remain confident there will be sufficient reserves of hematite ore to enable external sales at the rate of 6 million tonnes per annum for at least 10 years. OneSteel has committed to further work in assessing potential non-ferrous exploration targets, with further exploration and drilling planned for the 2011 financial year.

Further work is being carried out to understand the operational and capital requirements necessary to support iron ore sales beyond 6 million tonnes per annum, with particular emphasis on additional volumes of medium grade iron ore.

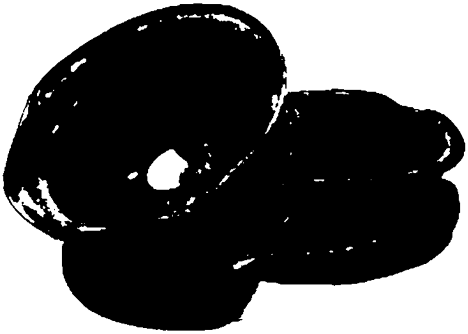
In line with OneSteel's sustainability principles, the business remains focused on water saving and dust minimisation initiatives, including the use of recovered water for dust suppression, optimising water recovery from the magnetite ore concentrator and automating density control at the ore beneficiation plant to reduce water usage.

Outlook

We expect prices to continue to be volatile, but remain high compared to historical levels over the short-to-medium term. We expect conditions in China to improve off an already strong base as demand for iron ore remains strong and as the market absorbs the recent Chinese Government measures to cool the economy, reducing steel export incentives and steel overcapacity.

We are confident that there will be sufficient reserves of hematite ore to enable external sales of 6 million tonnes per annum for at least 10 years

Recycling



GREG WATERS
Chief Executive Recycling

THE 2010 FINANCIAL YEAR WAS MARKED BY THE SLOW RECOVERY OF WORLD ECONOMIES AND SIGNIFICANT PRICE VOLATILITY IN THE METALS MARKET

The primary function of OneSteel's Recycling business is to supply steelmaking raw materials to domestic and international steel mills. The Recycling business operates in 13 countries through a combination of physical operations in the form of collection sites and trading offices that supply raw materials to foundries, smelters and steel mills in Australia and around the globe.

Within Australia, the Recycling business now operates from over 38 locations, including six ferrous shredder production facilities. OneSteel's Asian non-ferrous business operates in four countries and performs the Group's non-ferrous trading function. Recycling operations in the United States consist of nine locations throughout the East and Southeast, including a ferrous shredder in Tampa, Florida.

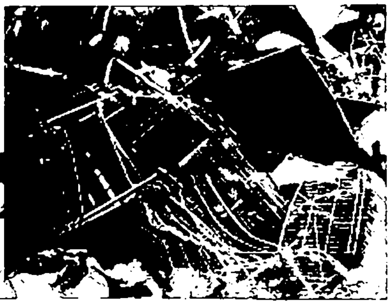
OneSteel's recyclable material is sourced from the rural, mining, demolition and manufacturing industries and the general public.

The Recycling segment also sells raw materials to OneSteel's Manufacturing segment. All sales between OneSteel's Recycling and Manufacturing businesses are conducted on commercial terms equivalent to those negotiated with external parties.

The year was marked by the slow recovery of world economies from the GFC and significant price volatility stemming from oscillating confidence in the metals market. In the first half of the year, inconsistent availability of scrap arisings generated significant competitive pressures to source material. Although some market conditions improved through the third quarter, demand and pricing remained volatile in the second half of the year and reacted to European debt challenges, the Chinese Government cooling of its economy and market sentiment in the USA.

Acquisitions during the year help secure supply at source and improve the businesses market position

Sales revenue for the year was flat at $1,124 million, reflecting the impact of the stronger Australian dollar, a lower average sales price in US dollars, offset by a 4% increase in sales volumes to 1.88 million tonnes. Compared to pre-GFC levels, ferrous sales volumes were down 15%. Non-ferrous volumes were up 36% on the prior year at 190 thousand tonnes, with both demand and prices showing steady improvements.



OneSteel's MD & CEO Mr Geoff Plummer during a safety inspection in Laverton, VIC

Recycling – Historical information

	FY10	FY09	FY08
Revenue/Income ($M)	1,123.7	1,124.0	1,404.1
EBITDA ($M)	22.9	(21.8)	98.4
EBIT ($M)	7.7	(38.6)	86.5
Sales Margin (%)	0.7	(3.4)	6.2
Assets ($M)	710.7	614.1	741.5
Funds Employed ($M)	618.4	537.7	620.8
ROFE (%)	1.3	(6.7)	13.9
Employees (number)	1,019	1,016	1,127
Ferrous Tonnes – External (mt)	0.75	0.89	0.88
Ferrous Tonnes – Internal (mt)	0.94	0.77	0.83
Non-ferrous Tonnes (mt)	0.19	0.1	0.18

EBIT for the year increased to $8 million compared to a loss of $39 million for the prior year. This reflects a stronger second half performance of $12 million EBIT compared to a $4 million EBIT loss for the first half. Margins remained tight due to the shortage of arisings, with operational improvements, cost savings and the recovery in non-ferrous markets being the major drivers of the improved result.

The Australian Recycling business acquired the Metals Trading and Ace Metals businesses during the year. These acquisitions provide additional yards in NSW and Victoria and help secure supply at source and improve the businesses' market position.

Regretfully, during the year, a Recycling employee was fatally injured. Since then, significant resources have been added to the business to improve workplace safety in all of our Recycling facilities. Across all Recycling regions, the LTIFR/MTIFR reduced by over 45% and 46% respectively, highlighting that the actions taken are delivering results. However, the loss of our colleague will always be with us.

Outlook

We expect margins to continue to be impacted by tight supply of available scrap arisings, particularly in Australia. The business has targeted further cost reductions to support a longer-term sustainable position and expects to benefit from an improved market position as a result of the recent acquisitions.

The demand/supply balance for scrap steel is expected to keep prices at high levels compared to historical levels, but with volatility.

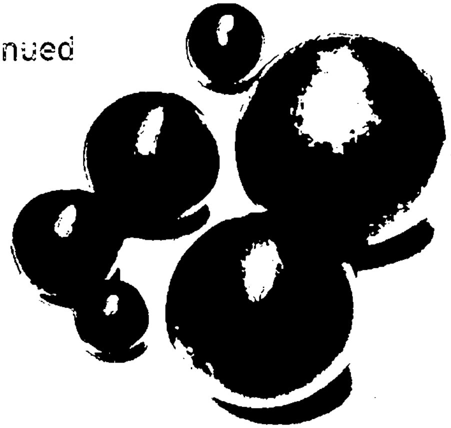
Over the longer term, the Recycling segment anticipates a positive return to sustainable growth. Continued economic growth in China and an escalating emphasis on emissions and sustainability bodes well for business.

OneSteel's non-ferrous Hong Kong trading office

PUBLIC FILE 131

Review of Operations continued

Manufacturing



ANDREW ROBERTS
Chief Executive Market Mills

MARK PARRY
Chief Executive Whyalla

OneSteel's Manufacturing business combines the activities of the Whyalla Manufacturing business and the Market Mills business. The Whyalla Steelworks produces billet as feedstock for the downstream Rod and Bar mills in the Market Mills division, along with rail products and structural steel and slab for sale to external customers. The Market Mills division includes Sydney and Laverton steel mills, with each having an electric arc furnace and billet caster that produce billet for reinforcing bar products and specialty steel products. The finished goods produced in the Rod and Bar mills are either sold direct to external customers, to the OneSteel Distribution business or to the Market Mills Wire business. The Waratah Steel Mill produces billet and ingot for the manufacture of specialty steel products including grinding media, rail wheels and forged products. The complete grinding media production footprint includes OneSteel Grinding Systems based in the USA and PT Comsteel in Indonesia. Market Mills also includes the Australian Tube Mills business, which manufactures and sells pipe and tube and the LiteSteel™ Beam business based in Australia and the USA.

Delays in Government stimulus spending constrained demand, but mining production eased some of the impact

In the Manufacturing segment, sales revenue was down 19% to $2,966 million due to the impact of lower prices, partly offset by a 7% increase in external sales volumes to 1.45 million tonnes.

Activity levels increased slowly from the lows of the second half of the 2009 financial year, which was impacted by the GFC, but stalled in May and June due to weaker confidence, higher interest rates, uncertainty in international steel markets, volatility in the Australian dollar and concern over the proposed mining tax.

Activity levels for many of our domestic markets are still weak and well below pre-GFC levels. Some delays in Government stimulus spending, including the Building Education Revolution, as well as project delays continued to constrain demand from the construction segment, but ongoing strength in mining production eased some of the impact.

Privately funded engineering and non-residential construction activity continued to be affected by weak underlying economic conditions and credit availability issues.

Whyalla Steelworks

Whyalla Steelworks is located in Whyalla, SA, approximately 400km north-west of Adelaide. It is an integrated steelworks typically producing approximately 1.2 million tonnes of steel per annum using iron ore sourced from OneSteel's mines in the region.

Steel production at Whyalla was 910 thousand tonnes for the year and includes the impact of the blast furnace interruption to production in the fourth quarter. Both Sydney and Laverton electric arc furnaces increased their production during the fourth quarter to help minimise the impact on customers from the lost production at Whyalla. Prior to the blast furnace outage, the Whyalla Steelworks had been operating at an annualised rate of 1.15mt. Operating costs were managed through the blast furnace interruption by rostering employees onto annual leave, standing down contractors and other cost minimisation initiatives.

The steelworks is continuing to implement further water saving initiatives, including plans to develop an onsite reverse osmosis plant to reduce the consumption of and reliance on Murray River water.

Manufacturing – Historical Information

	FY10	FY09[1]	FY08	FY07	FY06	FY05
Revenue/Income ($M)	2,965.8	3,648.7	3,607.9	2,155.7	1,560.0	1,548.4
EBITDA ($M)	178.9	323.8	324.1	216.4	158.8	144.6
EBIT ($M)	58.1	210.0	197.6	158.3	103.2	84.4
Sales Margin (%)	2.0	5.8	5.5	7.3	6.6	5.4
Assets ($M)	3,762.0	3,704.3	3,972.5	1,929.6	1,603.8	1,419.0
Funds Employed ($M)	3,106.4	3,189.5	3,218.7	1,518.0	1,268.4	1,074.8
ROFE (%)	1.8	6.6	6.1	11.4	8.8	7.9
Employees (number)	4,318	4,622	5,016	3,346	3,106	2,949
External Tonnes Despatched (mt)	1.45	1.35	1.78	0.98	0.99	0.90
Internal Tonnes Despatched (mt)	1.00	0.96	1.27	0.68	0.63	0.63
Steel Tonnes Produced (mt)	2.15	2.03	2.70	1.73	1.63	1.35

1 The FY09 results have been restated to reflect changes in organisation structure announced in February 2010 effective from 1 July 2009. The pellet plant operations previously reported as part of the Manufacturing segment are now reported as part of the Iron Ore segment.

Waratah Steel Mill

Waratah Steel Mill is a ferrous scrap-based producer of high quality steel products operating in Newcastle, NSW. It is a leading domestic supplier for the rail transport and mining sectors. Annual crude production capacity is 300 thousand tonnes. The steel mill processes ferrous scrap metal through the electric arc furnace (EAF), converting the steel into a wide range of products including grinding media, rail wheels and axles, bar products, cold mill rolls and ingots.

Grinding Media

Grinding media is used in mineral grinding and milling processes and is manufactured in Australia, Indonesia and the United States. Sales volumes for grinding media in the Australasian region increased during the 2010 financial year to record levels, largely driven by high gold prices.

Rail and Forge

The Rail and Forge business operates from the Waratah Steel Mill. Key customers for these products are Australian mining houses, railway companies or local wagon and bogey manufacturers. Domestic sales account for the majority of the Rail and Forge business. Export sales to regions including South Africa and South East Asia declined in the 2010 year due to exchange rate price pressures, and account for approximately 10% of total rail wheel sales.

The short-term outlook remains steady; however, exchange rate movements, increased imported wagon competition and weaker demand from Europe and the United States is expected to continue to influence export markets. The long-term outlook for Australian demand for rail wheels remains strong with the continued investment in coal and iron ore projects.

Rod and Bar

Rod and Bar services diverse market segments with merchant bar, reinforcing bar and rod products from facilities in Sydney, Newcastle and Laverton. The EAF and billet casting facilities at the Laverton and Sydney steel mills can together produce approximately 1.3 million tonnes per annum, with an additional 670 thousand tonnes of billet supplied from Whyalla Steelworks. Billets are rolled into a wide range of selected Rod and Bar products for supply to OneSteel's downstream businesses and to external domestic and export customers, primarily in the construction, rural, manufacturing, rail and mining sectors.

The Rod and Bar business benefited from an improvement in residential construction during the year and a slight recovery in engineering and non-residential construction.

Wire

The Wire business consists of wire mills in Newcastle and Jindera, NSW and Geelong, VIC along with a Ropery in Newcastle. The Wire business predominantly services the rural fencing markets (through its Waratah and Cyclone brands), as well as domestic Reinforcing and Manufacturing segments. OneSteel Wire Ropes specialises in the manufacture and supply of heavy mining rope.

Sales volumes were generally in line with the previous year, with the exception of rural sales, which were slightly lower. The Wire business achieved good progress in the development of the Cyclone rural products business and continued to strengthen its position as a premium supplier of heavy mining ropes. The business also commissioned its ropes plastication manufacturing line during the year, which produces a mine rope with a longer life.

Australian Tube Mills

The Australian Tube Mills (ATM) business manufactures structural pipe and tube from manufacturing facilities at Acacia Ridge, QLD, Newcastle, NSW and Somerton, VIC. The ATM business manufactures precision tube at manufacturing facilities in Sunshine, VIC and Kwinana in WA. Key market sectors for ATM products include construction, manufacturing and agriculture, while precision tube is supplied to the Australian manufacturing, automotive, fencing and home improvement segments. There was a significant increase in sales during the 2010 financial year compared to the prior year due to improved demand, supported by an improved competitive offer, building of market channel inventories and tighter international supply. Increased production during the year helped to lower unit costs.

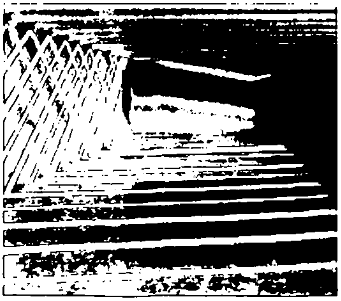
LiteSteel™ Technologies

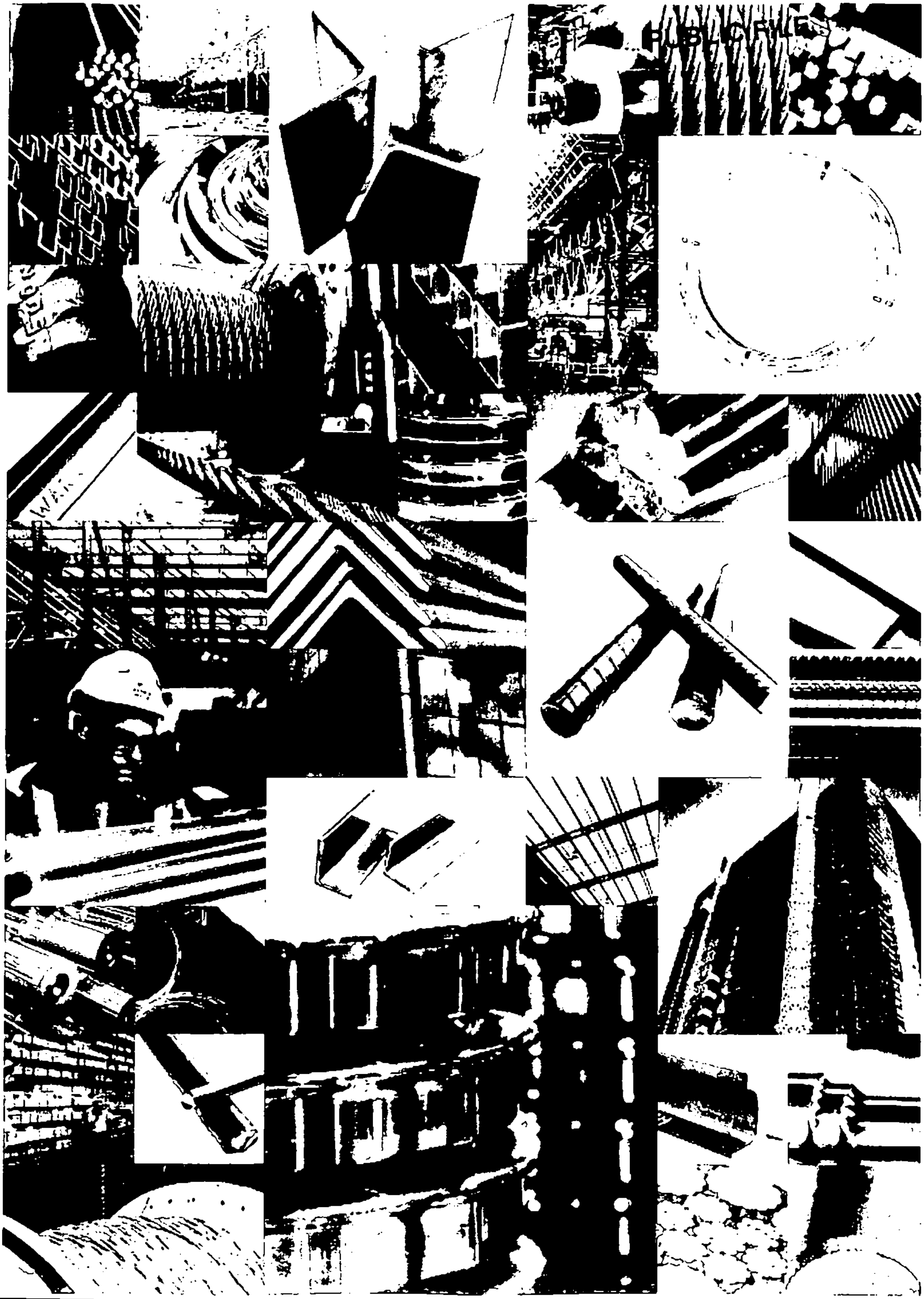
LiteSteel™ Technologies sells and markets LiteSteel™ Beams primarily in Australia and the United States, with some potential development in the Japanese market. LiteSteel™ beams are a unique cold formed, dual-welded range of steel sections geared to domestic and light commercial construction.

A manufacturing operation is based in Troutville, Virginia, where the key markets are domestic and commercial construction. The Australian market for domestic construction improved slightly in 2010. The primary driver for LiteSteel™ sales success continues to be the rate of penetration against substitutes such as engineered timber.

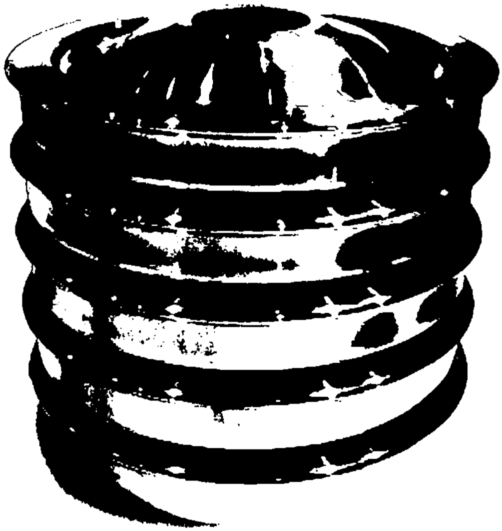
During 2010, LiteSteel™ Beam increased sales in the Australian market in portable building applications. The USA business is increasing its sales and market penetration, but off a low base in a continuing difficult housing market. The business, through its relationship with Maruichi Steel Tube Ltd, continues to work on developing entry into the Japanese market.

LiteSteel™ Beam used in a basement in the USA





ONESTEEL'S VERTICALLY INTEGRATED BUSINESS MODEL PROVIDES A NUMBER OF COMPETITIVE ADVANTAGES, INCLUDING REPRESENTATION ACROSS THE FULL VALUE CHAIN FROM RESOURCES AND RECYCLING TO STEEL PRODUCTION, VALUE-ADD ROLLING MILLS AND DISTRIBUTION



PUBLIC FILE 185

AU Distribution

STEVE HAMER
Chief Executive Distribution

AUSTRALIAN DISTRIBUTION WAS SUCCESSFUL IN MAINTAINING ITS MARKET POSITION DURING THE YEAR DESPITE SIGNIFICANT COMPETITIVE PRESSURE DUE TO LOW ACTIVITY LEVELS

OneSteel's Australian Distribution business serves the construction, manufacturing and resources markets with a diverse range of steel and metal products including structural steel sections, steel plate, angles, channels, flat sheet, reinforcing steel and coil in carbon and stainless, and a range of aluminium products, pipe fittings and valves. The business distributes products sourced from OneSteel, as well as externally purchased products.

The Reinforcing and Piping Systems businesses have significant metals processing capabilities, as well as national distribution.

Sales revenue in the Australian Distribution segment decreased 24% to $2,521 million due to an 8% reduction in sales volumes to 1.3 million tonnes and a lower average selling price, reflecting the fall in international sales prices. EBIT decreased to $60 million from $185 million for the prior year due, mainly to lower volumes and prices, partly offset by lower input costs and cost savings. The sales margin decreased 3.1 percentage points to 2.4%, compared to 5.5% for the prior period.

Activity levels improved across most sectors from very low bases at the end of the previous financial year, including the resources, construction and residential sectors. However, slower than anticipated realisation of Government stimulus expenditure, including the Building Education Revolution, and project delays continued to suppress demand from the construction segment. Continued volatility of the Australian dollar, higher interest rates, doubt in international steel markets and concerns about the proposed Government mining tax led to a slowdown in activity during May and June.

Margins came under significant pressure as prices fell during the year due to the impact of competition resulting from low activity levels and the stronger Australian dollar. Despite this, the business was successful in maintaining its market positions.

The Australian Distribution segment is continuing to focus on cost reductions and ways to improve its service to customers and markets. It recently announced some structural changes involving the combination of head office infrastructure for the Steel & Tube and Metaland businesses, as well as Piping Systems with the Sheet, Coil & Aluminium business. The changes do not impact our brands or sites.

Steel & Tube

Steel & Tube is a national steel processing and distribution business providing a range of products and services to customers across a variety of segments. The core segments serviced by Steel & Tube are non-residential construction, engineering and infrastructure, mining projects and manufacturing. Through a substantial sales and warehousing footprint that extends throughout Australia, Steel & Tube has the processing and delivery capabilities to provide market-leading service to projects and distribution-type customers.

The business continued to adjust labour and operating expenses to reflect the difficult trading conditions

Key to this significant offering is access to a broad range of high quality Australian made products such as structural steel, merchant bar, tubular sections and steel plate. The business value proposition is dependent on availability, delivery and consistency.

Despite difficult market conditions, the Steel & Tube business held its market share in most sectors. Particular focus on customer service assisted in sales volumes increasing slightly on the prior year. Cost reduction initiatives were implemented during the year to help performance.

Australian Distribution – Historical information	FY10	FY09	FY08	FY07	FY06	FY05
Revenue/Income ($M)	2,520.6	3,324.4	3,144.7	2,393.4	2,350.9	2,280.2
EBITDA ($M)	91.8	217.5	179.8	202.1	210.7	203.9
EBIT ($M)	60.2	184.5	145.9	173.1	180.9	174.7
Sales Margin (%)	2.4	5.5	4.6	7.2	7.7	7.7
Assets ($M)	1,509.0	1,524.7	1,756.9	1,206.5	1,266.0	1,359.1
Funds Employed ($M)	1,128.5	1,176.2	1,227.5	846.9	940.4	977.2
ROFE (%)	5.2	15.4	11.9	19.4	18.9	17.9
Employees (number)	3,626	3,696	4,015	2,946	3,290	3,442
External Tonnes Despatched (mt)	1.30	1.41	1.73	1.30	1.28	1.37

Prices remained under pressure in most products for the first three quarters of the year, followed by some margin and price recovery in the fourth quarter.

Looking ahead, the business is well positioned to take advantage of expected growth in the non-residential and engineering construction segments.

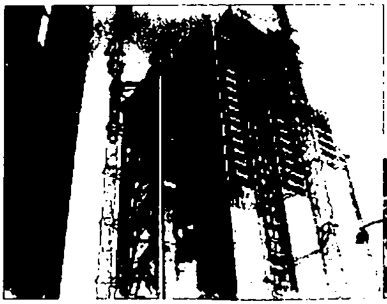
Sheet, Coil & Aluminium

The Sheet, Coil & Aluminium business operates a portfolio of businesses that process and distribute steel sheet and coil, painted coil, aluminium and stainless steel. Product is sourced from major domestic and international manufacturers and used to service customers in the construction and manufacturing sectors. Major markets include residential construction, non-residential construction, and marine and transport equipment. The business operates significant steel coil processing equipment that forms an important part of its market offer.

Sales revenue was down compared to the prior year due to falling selling prices across all three metals. Both margins and volumes have progressively recovered from the lows of the previous financial year; however, fierce competition and low demand levels continued to place downward pressure on prices and margins.

Growth opportunities have been identified in specific market segments and will be a focus area for the business in the coming year.

Construction of City Square, Perth, WA



Metaland

Metaland consists of approximately 75 regional based and smaller metropolitan locations situated throughout Australia and is complemented by a selected dealer network.

Metaland offers a wide range of products and services to customers in a diverse range of segments including fabrication, building, manufacturing, mining and agriculture. The business value proposition is based on proximity to markets, ease of transaction and flexibility.

The GFC continued to impact all of Metaland's key markets, but particularly fabrication and non-residential building in large regional towns.

Sales revenues and margins remained flat for most of the year as destocking continued across all key product categories, with a slight improvement in the fourth quarter.

The business continued to adjust labour numbers and operating expenses to reflect the difficult trading conditions.

Reinforcing

Reinforcing steel is used for concrete reinforcement, mining strata control, agricultural and industrial mesh products and reinforcing steel fibres. It is supplied to large and small builders, concreters, form-workers, pre-casters and mining companies.

OneSteel has two separate and competing reinforcing businesses. OneSteel Reinforcing offers a range of innovative reinforcing solutions and the Australian Reinforcing Company (ARC) is renowned for its strong customer relationships and flexible service offer.

Despite an increase in mining infrastructure construction activity in the second half, overall market activity contracted during the year. Government stimulus spending in the construction market was slower than anticipated.

Construction of Sydney desalination plant, Kurnell, NSW

Reinforcing sales revenue reduced significantly from the previous year due to lower prices and increased competition related to the low level of construction activity. Margins were steady for most of the year, but declined towards the end of the year as input costs increased.

The Australian Reinforcing Company continued to build its market share after a successful rebranding project and organisational structure changes in the prior year. The OneSteel Reinforcing business maintained its market position as the leading solutions provider and continues to focus on branch footprint expansion.

Piping Systems

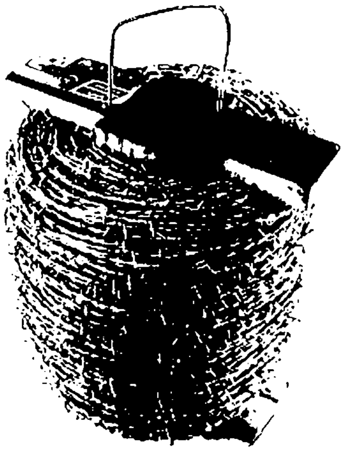
OneSteel Piping Systems is Australia's leading provider of steel pipe, valves and fittings in the resources, construction and manufacturing markets. With distribution and linepipe manufacturing capability, Piping Systems partners with key resource segment customers to deliver pipeline and plant infrastructure projects through customised solutions and national service capability. Piping Systems also serves the building construction industry through its OneSteel Building Services business, which is a specialist trade supplier to customers in the fire protection and mechanical services markets.

Despite difficult conditions in the non-residential construction market and flat conditions in the resources investment sector, Piping Systems continued to perform solidly. This was due to domestic mining and mineral processing activity and significant restructuring that was completed during the year.

The business launched a new roll grooved fitting package to mining and building services customers, expanding its mining valve range. It also introduced its casing pipe range to the coal seam gas market.

PUBLIC FILE 183

Review of Operations continued



NZ Distribution

New Zealand Distribution – Historical information

	FY10	FY09	FY08	FY07	FY06	FY05
Revenue/Income ($M)	303.8	399.9	435.7	405.2	390.4	403.3
EBITDA ($M)	18.2	42.7	39.0	45.9	48.7	61.4
EBIT ($M)	13.0	37.2	33.8	40.6	43.7	56.1
Sales Margin (%)	4.3	9.3	7.8	10.0	11.2	13.9
Assets ($M)	175.2	183.8	206.2	219.6	175.1	192.8
Funds Employed ($M)	114.9	154.3	173.9	119.1	106.2	117.4
ROFE (%)	9.7	22.7	19.4	36.0	39.1	50.0
Employees (number)	711	787	834	881	907	804

OneSteel's New Zealand Distribution segment comprises a 50.3% shareholding in Steel & Tube Holdings Limited, a public listed company in New Zealand that processes and distributes a comprehensive range of steel and allied products to rural industries.

Revenue for the New Zealand Distribution segment decreased 24% to $304 million compared to the prior year, primarily due to reduced steel prices. EBIT decreased 65% to $13 million due to lower margins. The sales margin decreased 5.0 percentage points to 4.3% for the period.

Market conditions continued to decline, with many sectors, including the steel industry, continuing to be affected by the lingering effects of the GFC. Initiatives were employed to reduce overheads within the business and strengthen the balance sheet, including the rationalisation of premises and the reduction of operating expenses.

Although the New Zealand economy experienced a slight recovery in the later half of 2009 and early 2010, many of the industries important to Steel & Tube continued to find market conditions challenging.

Despite the subdued market conditions, Steel & Tube has maintained a steady market share position in its core products. Margins were impacted by strong competition, but recovered to some degree with price increases in the second half of the year.

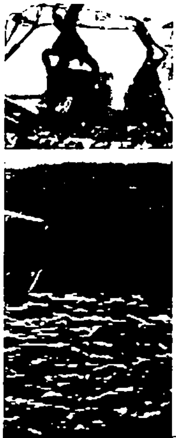
The construction industry continued to be impacted by weakness in property markets. Major segments of the construction market were weaker than in the prior year. The exception to the decline was construction projects associated with the Rugby World Cup 2011 and Government infrastructure, including hospitals, education facilities and major road projects. The residential market has shown signs of recovery, but from a very low base. Rural industries continued to recover slowly.

Outlook

Economic growth is expected to be slow and gradual, with a degree of uncertainty in some sectors. Continued pressure on volumes is expected in the first half, with declines in non-residential construction being offset by gradual increases in other sectors.

Manufacturing and exports have continued to lift, particularly to Australia, aided by the currency exchange rate, and to China. The business continues to reposition itself to reflect the current and foreseeable economic environment and remains well positioned with strong cash flows and a strong balance sheet.

Expansion of Fonterra milk processing plant in Edenvale, NZ



Sustainability

ONESTEEL'S MISSION TO DELIVER SUPERIOR AND SUSTAINABLE RETURNS CAN ONLY BE ACHIEVED THROUGH SUSTAINABLE BUSINESS PRACTICES. ONESTEEL'S SUSTAINABILITY PRINCIPLES UNDERPIN OUR APPROACH TO THE WAY WE DO BUSINESS IN THE COMMUNITIES IN WHICH WE OPERATE

The company continually seeks to improve business sustainability by valuing environmental, social, economic and ethical considerations across all of our operations. In order to better engage with our stakeholders, including highlighting the company's sustainability performance and initiatives, OneSteel has elected to transition the Sustainability section of the Annual Report into a more detailed, stand-alone online report modelled on the Global Reporting Initiative framework. The following Sustainability section is a summary of OneSteel's full 2010 Sustainability Report.

This report, including information on OneSteel's Sustainability Principles, can be viewed online at www.onesteel.sustainability-report.com.au

PUBLIC FILE 181

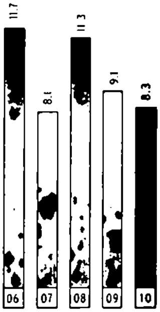
Sustainability continued

Safety

SAFETY IS ONE OF TWO CORE VALUES THAT UNDERPIN OUR MISSION TO DELIVER SUPERIOR AND SUSTAINABLE RETURNS

Lost Time Injury Frequency Rate

LTIFR = (Fatalities + Lost Time Cases) per million hours worked.
Lost days are counted from the first day lost and are scheduled work days.



Medical Treatment Injury Frequency Rate

MTIFR = (Fatalities + Lost Time Cases + Medical Treatment Treated Injuries, but excludes minor injuries) per million hours worked.

2008 figures include the former Smorgon Steel sites. Following the integration of Smorgon Steel, safety initiatives were rolled out to the acquired businesses, resulting in significant improvements to our safety measurements since that time.

Our goal is to establish a workplace free from injuries, incidents and occupational illnesses. OneSteel demonstrates a strong commitment to occupational health and safety, believing that all injuries, occupational illnesses and incidents are preventable. OneSteel will not compromise on safety.

THE ONESTEEL SAFETY PRINCIPLES

- **All injuries can be prevented**
- **Working safely is a condition of employment**
- **Employee involvement is essential**
- **Management is accountable for safety**
- **All operating exposures can be safeguarded**
- **Training employees to work safely is essential**

OneSteel achieved a further overall improvement in its safety performance measurements for the 2010 financial year. The Lost Time Injury Frequency Rate per million hours worked (LTIFR) improved a further 13% to 1.4 and the Medical Treatment Injury Frequency Rate (MTIFR) improved 9% to 8.3 (both figures inclusive of employees and contractors) from the previous year.

OneSteel's LTIFR of 1.4 is well below the WorldSteel Association's 2009 Safety Metrics Survey average of 3.68 for the five-year period from 2005 until 2009 (http://www.worldsteel.org/index.php).

Despite these overall improvements, we were deeply saddened to experience the fatality of one of our employees in October 2009. Following the tragic incident, the company carried out intensive investigations and introduced new safety systems aimed at further reducing risk and preventing all safety breaches from our operations.

MTIFR IMPROVED ON PREVIOUS YEAR

Occupational Health and Safety Plan & Leadership

The role of management in the area of Occupational Health and Safety is to provide direction and drive improvement within each of OneSteel's business segments to encourage all employees, contractors and visitors in working towards the goal of ZERO incidents, injuries and occupational illnesses.

Throughout the year, the Managing Director and Chief Executive Officer led a review of OneSteel's approach to safety, including the effectiveness of the implementation of our Codes of Practices, a review of our approach to safety at small sites and the suitability of our existing performance measures to drive the reduction of significant incidents.

Ensuring a high level of employee involvement in safety activities is an essential element of OneSteel's approach to further reducing workplace injuries and incidents. OneSteel is working towards a culture of interdependence in safety, whereby employees accept responsibility for their own safety, but also actively care for the safety of one another.

OneSteel's approach in this area and Occupational Health and Safety systems, practices, and performance has been an important element in the company being granted Workers' Compensation Self-Insurance status in all states where it is eligible.

At the 2009 Self Insurers of South Australia Safety Awards, OneSteel received the Injury Prevention award for the "Coke Ovens Charger Sleeve Automation" initiative from Whyalla Coke Making. James Holmes from Whyalla Steel Products received the Outstanding Employee Contribution Award.

Additionally, OneSteel's Codes of Practice received a "Highly Commended" award in the Best Workplace Health and Safety Management System category at the 2009 NSW WorkCover Safety Awards.

Customers

ONESTEEL'S OTHER CORE VALUE IS CUSTOMERS. WE ARE COMMITTED TO MEETING OUR PROMISE TO CUSTOMERS AND DEDICATED TO SERVICING THEIR REQUIREMENTS

OneSteel recognises that our customers are the key to our success. Customer at Metaland in Silverwater, NSW

Imperative to this commitment is our understanding of the broader market and stakeholder needs and perceptions of OneSteel and the Australian steel industry.

The sustainability of steel, and particularly long products as manufactured by OneSteel, has become an increasingly important consideration for customers and participants in the markets in which we operate. Therefore, in the 2010 financial year, OneSteel invested considerable energy and resources in engaging industry, customers and other stakeholders to better understand, further develop and communicate the role of steel as a sustainable solution.

It is OneSteel's view that steel has inherent environmental merit when considering its application over the full life-cycle of products

OneSteel recently collaborated with the WorldSteel Association to commission an analysis of Australian steel industry stakeholders, including customers, in order to better understand and address their sustainability perceptions and concerns of steel. The analysis indicated that, in general, stakeholders understand steel to be an essential part of society and place high value on its strength, durability, cost effectiveness, quality and recyclability. However, a majority of stakeholders do not perceive steel to be part of the solution to a sustainable society.

It is OneSteel's view that in fact steel has inherent environmental merit when considering its application over the full life-cycle of products.

Life Cycle Thinking

For OneSteel, life cycle thinking involves consideration of the environmental and social externalities incurred throughout a product's manufacture through to its final disposal (see diagram below). An important concern in considering life-cycle for the steel industry is that the high embodied energy, water consumption and greenhouse gas emissions exhausted during steel manufacture are counteracted by the low environmental impact of the product during its use and end of use phases, including recycling.

Steel products used in construction are highly durable and easily re-used or recycled at high rates, extending the product's lifespan and significantly reducing environmental impacts.

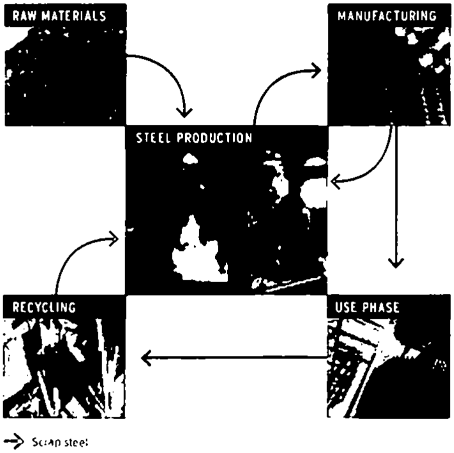
Sustainable Design & Green Building

OneSteel supports and promotes the use of sustainable steel products and construction practices and has produced a wide range of design guides, documents and software packages to help designers, architects and engineers eliminate over-engineering and over-specification of steel and ultimately design more efficient steel buildings. OneSteel also recently released a design guide titled "Design for Deconstruction" to help with the efficient re-use of steel in buildings at the end of the building's effective life. This recognises that re-using steel from a building is more environmentally friendly than recycling.

During the past financial year, OneSteel worked closely with the Green Building Council of Australia (GBCA) as part of its Steel Expert Review Panel.

This work led to revision of the GreenStar® steel credit system to drive more sustainable use of steel in building construction in Australia. As part of this revision, OneSteel's Polymer Injection Technology was recognised as a valuable contributor to reducing the embodied energy of steel reinforcing materials.

STEEL **LIFE-CYCLE**



Sustainability continued

People and Community

ONESTEEL IS AN EQUAL OPPORTUNITY EMPLOYER WHERE DIVERSITY IS VALUED AND ACTIVELY SOUGHT

OneSteel recognises that superior business performance and continued organisational growth requires capable and engaged people, combined with the appropriate organisational design and processes to deliver business outcomes. OneSteel's Human Resources and Organisational Effectiveness Plan articulates the key strategies and actions that OneSteel is employing towards these outcomes, as part of the OneSteel strategic plan. The key strategies include: supporting business improvement and growth initiatives; driving succession, talent and development outcomes; building organisational effectiveness and capability; and ensuring effective attraction, engagement and retention of employees.

Employee Development & Improvement

OneSteel has introduced a number of employee development programs to help accelerate the development of its future leaders. One of these programs is the Accelerated Development Program for Senior Managers. This program included selection by the OneSteel Lead Team of 15 high calibre employees for 18 months of targeted development to broaden their capability and to position them for more senior roles in the future. OneSteel has also invested in various coaching and other development programs and assignments aimed at building the capability of targeted employees. Over the past year, approximately 70% of senior management roles have been filled through internal succession.

OF SENIOR MANAGEMENT ROLES WERE FILLED THROUGH INTERNAL SUCCESSION DURING THE 2010 FINANCIAL YEAR

OneSteel has approximately 10,000 employees, of which 97% are permanent full-time employees, with 90% of these based in Australia. Employees based overseas are predominantly in New Zealand, the USA and Asia.

OneSteel provides employees with access to flexible work arrangements including part-time and job share arrangements, in addition to competitive leave arrangements.

Approximately 2,000 employees (20% of OneSteel's Australian workforce) have elected to participate in the company's employee share plans over the coming year, thereby directly participating in the financial outcomes of the company.

OneSteel's employee-initiated turnover rate reduced to approximately 8% this financial year, the lowest annual rate since 2005.

OneSteel also continues to invest in the development of employee skills, with over 270 apprentices, cadets and graduates.

Diversity

OneSteel is an equal opportunity employer where diversity is valued and actively sought. The key diversity indicators used to monitor and record diversity within OneSteel are: age profiles by employment group; gender breakdown by employment group; gender diversity of talent management and development program participants; and proportion of female recruits and internal appointments.

Female employees represent 13% of non-executive Directors on the OneSteel Board and 12% of senior executives, who are defined as reporting no more than two levels below the CEO. The proportion of female executives has continued to increase over the past few years.

Noel Goldsworthy and Jim White at the completion of Noel's 400km charity cycle

OneSteel Steel Magnolias competing in Relay for Life which raised approximately $22,000

Labour Initiatives

During the 2010 financial year, the OneSteel Human Resources team played a key role in facilitating significant business change to assist with our aim of improving returns from existing businesses. A key focus of the first half of the financial year was facilitating the company-wide labour cost reduction program to assist the company in managing through the severe economic downturn that resulted from the GFC. This program resulted in annualised cost savings of approximately $160 million, of which $100 million is expected to be permanent irrespective of future operating levels. The program resulted in a reduction of approximately 2,000 full-time equivalents during the 2009 calendar year and was achieved through reductions in the use of contractors, casuals and labour hire, as well as the reduction of over 1,000 direct employees.

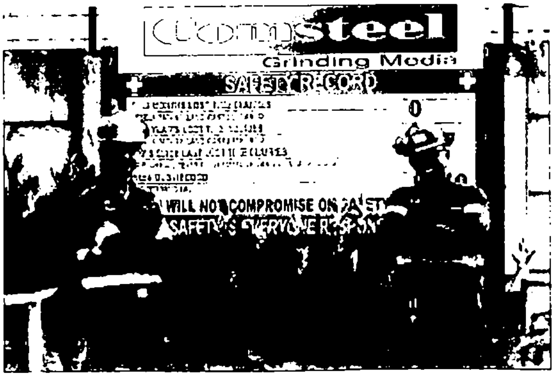
The labour cost reductions have been largely maintained throughout the 2010 calendar year, supported by the work of the Human Resources team to increase the visibility and transparency of labour costs and to introduce additional labour cost controls.

Workers' Compensation

OneSteel has maintained self-insurance status in the relevant jurisdictions and continues to manage workers' compensation in the non-self-insured states under existing commercial insurance arrangements. OneSteel's self-insurance claims liabilities increased during the course of the year due to a number of factors, most notably the impact of substantial labour rationalisation and organisational change during the 2009 and 2010 financial years.

Workers' compensation outstanding claims provision

	2010 $M	2009 $M	2008 $M
New South Wales	21.2	20.1	21.6
Queensland	3.3	2.3	2.7
Victoria	5.3	2.4	3.7
South Australia	2.3	4.4	2.8
Western Australia	1.4	1.0	0.5
Total – Self-insurance Workers' Compensation Provision	33.6	30.2	31.3



OneSteel employees in Cilegon, Indonesia

Community Investment & Engagement

OneSteel recognises that achieving positive sustainable relationships within the communities in which we operate is imperative to the success of our business. OneSteel and its employees pride ourselves on supporting the regional and local activities in the communities where we are across Australia. We contribute in a number of ways, from volunteering to monetary donations, providing education and training, sponsorships and charity fundraising events. OneSteel continues to aim to build on and earn our social licence, to have a positive impact on the local communities in which we operate and to openly engage our employees and stakeholders on key issues.

OneSteel's OneCommunity workplace giving program supports 12 charities. OneSteel matches employee contributions up to $250,000 per annum.

Over the past financial year, OneSteel and its employees have assisted these charities by donating approximately $219,000. OneSteel is currently engaging employees in order to better understand how we can increase employee participation and ultimately more positively impact communities.

Since the OneCommunity program was established in 2003, OneSteel and its employees have donated over $1.3 million through the program, and the company wishes to thank all employees who have participated in the program.

Since 2001, community investments outside the program have exceeded $2.5 million.

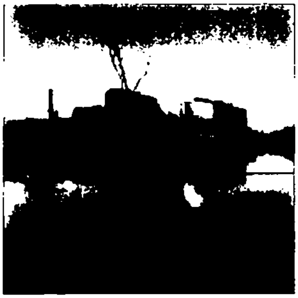
The Whyalla Red Dust Action Group (WRDAG) officially dissolved during the year, after having successfully worked with OneSteel Whyalla to address the red dust related issues at East Whyalla.

OneSteel continues to support the Whyallina indigenous group in the Middleback Ranges in South Australia through supporting community cultural and sporting activities and through inviting tenders from Walga Mining.

Sustainability continued

Environment

ONESTEEL'S ENVIRONMENTAL OPPORTUNITIES INCLUDE INCREASING EFFICIENCY IN EMISSIONS, ENERGY AND WATER CONSUMPTION



The OneSteel Sustainability Panel is the company's peak advisory body on sustainability issues. This Panel coordinates responses to risks and opportunities presented to OneSteel by climate change and reports to OneSteel's senior management and Board on sustainability matters. OneSteel's environmental opportunities include efficiency in emissions, energy and water consumption, as well as furthering life-cycle thinking through recycled materials.

Emissions

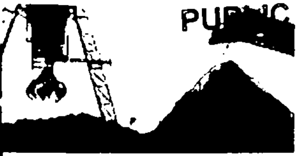
OneSteel's greenhouse gas emissions are primarily generated through steelmaking, hot rolling and forging operations at our Whyalla, Sydney, Waratah and Laverton sites. These sites represent approximately 88% of our greenhouse gas emissions.

2010 Direct, Indirect and Total Greenhouse Gas Emissions

	Scope 1 million tones CO^2-e	Scope 2 (electricity only) million tones CO^2-e	Total million tones CO^2-e
OneSteel Australian Operations	2.56	1.34	3.89
– Whyalla Steelworks	2.23	0.11	2.34
– Sydney, Laverton and Waratah mills	0.23	0.87	1.10
– Rest of OneSteel Australian Operations	0.09	0.36	0.45

Source: OneSteel

Fitting of variable speed electronic control to existing fume extraction fans for energy efficiency improvements. This energy savings project was successful in receiving a government grant under the Energy Savings Fund



OneSteel uses recycled scrap in its EAF steelmaking process

The ceasing of trucked ore to northern stockpiles for export has resulted in a significant decrease in road train traffic

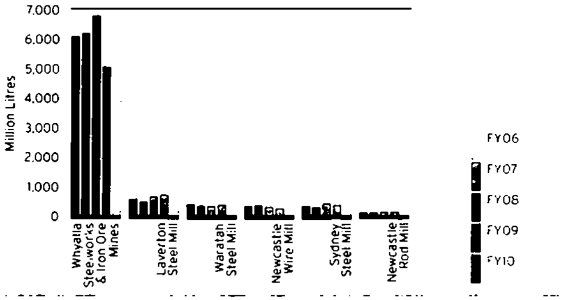
Energy

In the 2010 financial year, OneSteel consumed approximately 36.61 petajoules (PJ) of energy. Of this, 92% was primarily consumed at the four major steelmaking operations, including the integrated steelworks at Whyalla, the electric arc furnaces and manufacturing operations at Waratah, Laverton and Sydney steel mills.

Water

The chart below shows townswater consumption from OneSteel's top six operating sites which represent approximately 96% of water consumption tracked at OneSteel. OneSteel's annual consumption of townswater from the OneSteel Whyalla operations and OneSteel Market Mills business units, as well as the major Australian shredder sites, was approximately 8,230 million litres. OneSteel Whyalla has reduced its Murray River water consumption by approximately 700 million litres since 2008.

Townswater Consumption - Top Six Sites



Source: OneSteel

Recycled material

Steel is a major recycled material worldwide. The steel industry is an integrated production system that combines blast furnace ironmaking (based on iron ore) and electric arc furnace steelmaking (based on recycled scrap). Both production methods utilise purchased post-consumer scrap and post-industrial/pre-consumer scrap in addition to internal plant scrap returns. OneSteel accesses scrap steel supplies through its own OneSteel Recycling business as well as through external sources.

OneSteel's total steel produced from cold ferrous materials for the 2010 financial year was 55% of total steel production.

Fines

In the 2010 financial year, OneSteel received three penalty notices, with associated fines totalling $6,000. There were no significant spills.

Water consumption efficiency initiatives at OneSteel Whyalla, SA

PUBLIC FILE 175

Finance & Risk Management

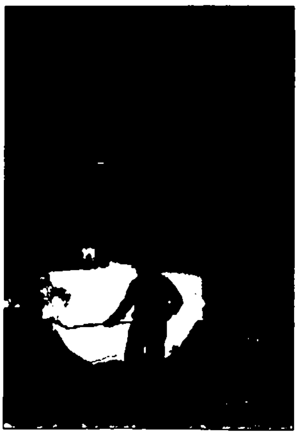
ONESTEEL MANAGES ITS EXPOSURE TO KEY FINANCIAL RISKS, INCLUDING INTEREST RATE AND CURRENCY RISK, IN ACCORDANCE WITH ITS FINANCIAL RISK MANAGEMENT POLICY. THE OBJECTIVE OF THE POLICY IS TO SUPPORT THE DELIVERY OF THE GROUP'S FINANCIAL TARGETS WHILST PROTECTING FUTURE FINANCIAL SECURITY

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/net debt plus equity basis, including derivatives. OneSteel's gearing level at the end of June 2010 was 17.7%. The Board is comfortable with the current level of gearing given the external environment. OneSteel's core debt facilities at the end of June 2010 comprised $1,823 million of syndicated loans provided by a group of banks, with tranches expiring from 2010 to 2012, $250 million bilaterals expiring in 2011, and $500 million of US privately placed debt, with tranches expiring from 2011 to 2020. At the end of June 2010, drawn debt was $1,047 million.

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 instruments where "fixed" is defined as 12 months or longer. Further information regarding OneSteel's interest rate management can be found in Note 32 to the Financial Statements on page 118.



Foreign exchange exposure

The main sources of foreign exchange risk include:

- Sale of commodity goods and steel product in export markets (predominantly in US dollars)
- Inventory purchases in foreign currency
- Purchase of commodity inputs
- Capital expenditure purchase of services in foreign currency.

The Group requires all business units to use forward currency contracts to minimise the currency exposures.

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 rate swaps and foreign exchange swaps. The remaining portion of unswapped debt is used to fund investments in the US businesses.

OneSteel also has exposure to foreign exchange translation risk in relation to New Zealand dollar-denominated and US dollar-denominated assets and liabilities.

These relate to its 50.3% share in Steel & Tube Holdings and investments in offshore businesses. For the US businesses, the Group has considerable natural hedging in place.

Financial reporting control assurance

The company executes a risk-based process for assessing the effectiveness of internal controls. The financial reporting control focused process includes:

- Identify and analyse the key financial processes
- Assess the inherent and residual risk of each key financial process
- Identify key financial controls where an inherent/residual risk gap indicates significant reliance on internal controls
- Perform Control Self Assessment tests of key financial controls. Stewardship reviews and OneSteel Location Assurance programs conducted on a monthly basis

This process is based on:

- AS/NZS ISO 31000:2009/COSO Risk-based identification of key financial controls
- The company's internal auditors' verification of the effectiveness of key financial controls
- Business unit risk owner/management sign-off to support Chief Executive Officer and Chief Financial Officer sign-offs.

Risk factors relating to OneSteel

OneSteel has an established business risk profiling system for identifying, assessing, monitoring and managing material risk. The system is based on AS/NZS ISO 310000:2009/COSO, and provides ongoing risk management that is capable of responding promptly to emerging and evolving risks. The company's risk management system includes comprehensive practices that help ensure that:

- Key risks are identified bi-annually 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 threshold obtains prior Board approval
- Internal control weaknesses are identified and reported monthly through the outstanding audit issues scorecard until they are remediated and closed
- Financial exposures are controlled, including the use of derivatives, and
- Business transactions are properly authorised and executed.

Internal and external audit

OneSteel has a full-time risk management and internal audit manager, with the execution of the internal audit function outsourced. The internal audit program is aimed at providing assurance to the management and the Board over the effectiveness of the company's enterprise risk management system comprising business risk management, compliance and control assurance, and the effectiveness of its implementation. Our internal audit function works with the company's full-time risk and audit manager and external auditor, KPMG, to minimise any duplication of effort and to maximise knowledge sharing between the assurance providers.

PUBLIC FILE 174

OneSteel material business risks

The following key business risks have been identified as having the potential to impact on the company's earnings stream. OneSteel is taking the necessary steps to ensure that these risks are appropriately managed.

Domestic and global economic environment and capital market conditions

OneSteel's financial performance and market capitalisation will fluctuate due to movements in capital markets; broker analyst recommendations; interest rates; exchange rates; inflation; economic conditions; changes in Government fiscal, monetary and regulatory policies; commodity prices; construction, mining and manufacturing industry activity levels; scrap metal prices; global geo-political events and hostilities and acts of terrorism; investor perceptions and other factors that may affect OneSteel's financial position and earnings.

Cyclical nature of the steel industry

OneSteel's revenues and earnings will be sensitive to the level of activity in the Australian construction, manufacturing, mining, agricultural and automotive industries and will also be sensitive to the level of activity in the global mining and rail industries.

Adverse impact of certain commodity price fluctuations

OneSteel is a buyer of various commodities, including coking coal, hot rolled coil and zinc, and is a seller of iron ore. Fluctuations in the global prices of these commodities will impact on OneSteel's profitability and balance sheet.

Adverse impact of foreign currency exchange rates

OneSteel has exposure to foreign exchange translation risk. Fluctuations in foreign currency exchange rates, in particular, volatility of the US dollar against most major currencies and strengthening of the Australian dollar against the US dollar, may have a material adverse impact on the financial position and performance of OneSteel.

Competition

OneSteel faces competition from imported and domestic manufactured steel long and tubular products, some of which may have lower manufacturing costs than OneSteel. A significant increase in competition, including through imports, could materially affect the future financial position and performance of OneSteel by putting downward pressure on steel prices or by reducing OneSteel's sales volumes.

Dependence on key customer and supply relationships

OneSteel relies on various key customer and supplier relationships and the loss or impairment of any of these relationships could have a material adverse effect on OneSteel's operations, financial condition and prospects.

Emissions Trading Scheme (ETS)/carbon tax

OneSteel's steelmaking operations are emissions-intensive and trade-exposed, as they compete with international competitors, many of which are not subject to any carbon costs.

If an ETS or carbon tax is introduced by the Australian Government, which is not certain, OneSteel will be exposed to additional operating costs that will have an adverse impact on the financial performance of OneSteel. The extent of this impact, however, remains uncertain, as it will depend on the design of the scheme of tax and the level of assistance OneSteel may be eligible for, neither of which is currently known.

Minerals Resource Rent Tax (MRRT)

OneSteel is a miner and seller of iron ore and also uses iron ore internally for steel production.

If the proposed MRRT is introduced, it will have an adverse impact on the financial performance of OneSteel. However, the extent of this impact is uncertain, as it is dependent on the final form of the MRRT, if it is introduced, and whether the tax will apply to materials used internally by our steelworks. It is our understanding that the MRRT is not intended to affect the Whyalla Steelworks.

Environment

The severe drought conditions in Australia may impact on industrial water allocations. Any restriction on OneSteel's access to water may have a material adverse impact on its business operations and financial performance. Primary risk comes through Government regulation and programs, secondarily through social responsibility and the company's local environmental track record.

A risk of material environmental liability may exist in relation to former sites, including where OneSteel has provided indemnities in connection with the divestment of sites and existing sites as a result of site contamination.

Operational risk

The production of iron and steel products involves a number of inherent risks relating to the operation of OneSteel's manufacturing facilities that involve the use of energy and infrastructure resources, including electricity, gas and water, the production and movement of liquid metal, the hot rolling and cold forming of steel sections and, at times, complicated logistical processes. Operational risks exist with respect to the major units at Whyalla and electric arc furnaces. Investigations into the unplanned extended stoppage of the Whyalla blast furnace that occurred during the year have resulted in the decision to undertake some repairs and redesign work in the next financial year to manage operational risks and costs.

Insurance

OneSteel will seek to maintain insurance for business interruption, property damage, goods in transit and public and product liability. However, OneSteel's insurance will not cover every potential risk associated with its operations and, in some cases, will be subject to large deductibles. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on OneSteel's financial condition and financial performance.

Occupational Health and Safety (OHS)

OneSteel has been granted self-insurance status for workers' compensation in all eligible states. OneSteel's continued safety performance and compliance with OHS systems and practices is a key component to maintaining self-insurance status. If OneSteel fails to maintain adequate occupational health and safety systems and practices, OneSteel may lose its self-insurance status, which may have a material adverse effect on the financial performance of OneSteel.

Product risk

OneSteel maintains an internal risk management process and also follows quality assurance procedures in relation to the manufacture of its products and materials. OneSteel's steel mills are accredited to internationally recognised standards, ISO9001 or ISO9002. However, due to the nature of its operations, it is possible that claims against OneSteel could arise from defects in materials or products manufactured and/or supplied by OneSteel.

Industrial and personnel risk

Interruptions at OneSteel's production facilities arising from industrial disputes, work stoppages and accidents may result in production losses and delays, which may adversely affect the financial position and performance of OneSteel. OneSteel may also have difficulty in attracting and retaining staff with the specialised skills necessary for the operation of OneSteel's facilities, particularly in regional locations.

Intellectual property

Intellectual property is expected to form a growing part of OneSteel's business. There can be no assurances that the validity, ownership or authorised use of intellectual property relevant to the businesses may not be challenged.

PUBLIC FILE
173

CHAIRMAN
PETER SMEDLEY

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
GEOFF PLUMMER

CHIEF EXECUTIVE WHYALLA

Whyalla Steelworks
Iron Ore operations

CHIEF EXECUTIVE RECYCLING

Australian Recycling operations
International Recycling operations
Iron Ore marketing

CHIEF EXECUTIVE DISTRIBUTION

The Australian Reinforcing Company (ARC)
OneSteel Reinforcing
Steel & Tube
Sheet, Coil & Aluminium
Metaland
Piping Systems

CHIEF EXECUTIVE MARKET MILLS

Rod & Bar
Wire
Waratah
Australian Tube Mills
LiteSteel Technologies
Australian Steel Industry and Steel in Concrete Channel Management
Grinding Systems (Australia and International operations)

CHIEF FINANCIAL OFFICER

EXECUTIVE GENERAL MANAGER TECHNOLOGY, SAFETY & SERVICES

EXECUTIVE GENERAL MANAGER HUMAN RESOURCES & ORGANISATIONAL EFFECTIVENESS

STEEL & TUBE HOLDINGS LIMITED NEW ZEALAND (50.3% SHAREHOLDING)

CHAIRMAN AND NON-INDEPENDENT DIRECTOR

CHIEF EXECUTIVE OFFICER

Executive Management

GEOFF PLUMMER
Managing Director and Chief Executive Officer
BSc

Age 54. Mr Plummer was appointed Managing Director and Chief Executive Officer on 2 May 2005. Prior to this appointment, Geoff was Deputy Managing Director and also held the role of Executive General Manager Market Mills. Geoff joined OneSteel in October 2000 from BHP where he spent 22 years in a variety of roles including 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.

ROBERT BAKEWELL
Chief Financial Officer
BComm

Age 46. Mr Bakewell joined OneSteel in April 2010, responsible for accounting, tax, risk management, treasury, business planning, legal and company secretarial. Mr Bakewell has more than 25 years professional experience in executive financial and commercial roles. Most recently, Mr Bakewell was Group Senior Vice-President, Chief Financial Officer, Power Products division of ABB Limited, the Swiss-based power and automation technologies group.

MARK PARRY
Chief Executive Whyalla
BComm

Age 46. Mr Parry joined OneSteel from BHP after working in a number of roles since 1984. Prior to his current role, Mark 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.

GREG WATERS
Chief Executive Recycling
BBus (Mktg)

Age 50. Mr Waters joined OneSteel in October 2008 from BlueScope Steel where he held a number of senior roles including President, Western Port Works and President, Greater China. Previously, Greg held a number of General Management roles for BHP and Brambles in Land and Sea Transport and Logistics located in Australia, South East Asia and the United States.

ANDREW ROBERTS
Chief Executive Market Mills
BComm

Age 43. Mr Roberts joined OneSteel from BHP Steel, starting in 1989. Andrew has held a number of roles in marketing, sales and general business management across the Manufacturing, Materials, Steel-in-Concrete and Distribution businesses.

STEVE HAMER
Chief Executive Distribution
BEng (Hons)

Age 53. Mr Hamer was appointed Chief Executive Distribution in February 2009 and has spent his career in the Australian steel industry in a range of technical, functional and business management positions. In his previous role, Steve was Executive GM for Steel-in-Concrete.

LEO SELLECK
Executive General Manager Technology, Safety & Services
BSc

Age 61. Mr Selleck has had 37 years experience in the Australian steel industry joining OneSteel from BHP where he had served in a variety of roles since 1972. Leo 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 position, his previous roles included Executive GM Whyalla, Executive GM Project Magnet and Executive GM Electric Arc Furnaces & Technology.

BILL GATELY
Executive General Manager Human Resources & Organisational Effectiveness
BEc

Age 49. Mr Gately has been in this role since OneSteel was publicly listed in 2000. Bill 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.

PUBLIC FILE 171

Board of Directors

P J (PETER) SMEDLEY
Chairman, Independent Non-executive Director
BComm, MBA, FAICD

Age 67. Appointed a Director and Chairman in October 2000. Mr Smedley 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 Deputy Chairman of the Colonial Foundation. He is also a Director of The Australian Ballet, Haven Foundation and the Orygen Youth Health Research Centre. His previous roles included Managing Director and Chief Executive Officer of Mayne Group Limited, Managing Director and Chief Executive Officer of the Colonial Group Limited, Chairman of CARE Australia and 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 2007 to 30 June 2010: Spotless Group Limited, appointed 8 December 2006.

G J (GEOFF) PLUMMER
MD and CEO, Non-Independent Executive Director
BEc

Age 54. Appointed a Director in December 2004. Appointed Managing Director and Chief Executive Officer on 2 May 2005. Mr Plummer 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 World Steel Association. Other listed company directorships held during the period 1 July 2007 to 30 June 2010: Nil.

C R (COLIN) GALBRAITH AM
Independent Non-executive Director
LLB (Hons), LLM, FAICD

Age 62. Appointed a Director in October 2000. Mr Galbraith is Chairman of the Governance & Nominations Committee and a member of the Audit & Compliance Committee. He is a Special Adviser at Gresham Partners Limited. He is a Director of Commonwealth Bank of Australia, CARE Australia and the Australian Institute of Company Directors, Chairman of BHP Billiton Community Trust and a Trustee of Royal Melbourne Hospital Neuroscience Foundation. 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 2007 to 30 June 2010: Commonwealth Bank of Australia since June 2000.

R B (BRYAN) DAVIS
Independent Non-executive Director
BSc (Tech), FAIMM, MAICD

Age 67. Appointed a Director in December 2004. Mr Davis became Chairman of the Occupational Health, Safety & Environment Committee in August 2005 and is also a member of the Audit & Compliance Committee and the Operational Risk Committee. He is a Non-executive Director of Coal and Allied Industries Limited and Terramin Australia Limited. His previous roles include Non-executive Director of Newcrest Mining Limited, Executive Director of 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 Member of the NSW State Minerals Advisory Council. Other listed company directorships held during the period 1 July 2007 to 30 June 2010: Coal and Allied Industries Limited since September 2000; Newcrest Mining Limited from April 1998 to October 2008.

D A (DEAN) PRITCHARD
Independent Non-executive Director
BE, FIE Aust, CP Eng, FAICD

Age 65. Appointed a Director in October 2000. Mr Pritchard is a member of the Occupational Health, Safety & Environment Committee, the Human Resources Committee and the Operational Risk Committee. 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 OZ Minerals 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 and Zinifex Limited. Other listed company directorships held during the period 1 July 2007 to 30 June 2010: Zinifex Limited from March 2004 to July 2008; Steel & Tube Holdings Limited since May 2005; Spotless Group Limited since May 2007; OZ Minerals Limited since June 2008.

E J (EILEEN) DOYLE
Independent Non-executive Director
BMath, MMath, PhD, FAICD

Age 55. Appointed a Director in October 2000. Dr Doyle is a member of the Audit & Compliance Committee, the Occupational Health, Safety & Environment Committee and the Governance & Nominations Committee. She is also a Director of Ross Human Directions Limited, CSIRO, Boral Limited, The GPT Group and Steel & Tube Holdings Limited, a New Zealand listed company in which OneSteel holds a 50.3% interest. Her previous roles include Chairman of Port Waratah Coal Services, Director of Austrade and senior management positions with CSR Timber Products, BHP Steel, Hunter Water Corporation and State Super Financial Services Australia Limited. Other listed company directorships held during the period 1 July 2007 to 30 June 2010: Ross Human Directions Limited since July 2005; Steel & Tube Holdings Limited since July 2005; The GPT Group since 1 March 2010; Boral Limited since 16 March 2010.

G J (GRAHAM) SMORGON
Independent Non-executive Director
BJuris LLB

Age 60. Appointed a Director on 17 September 2007. Mr Smorgon became Chairman of the Human Resources Committee in August 2009 and is a member of the Operational Risk Committee and the Occupational Health, Safety & Environment Committee. He is also Chairman of the GBM Group, the Print Mint Group, Smorgon Consolidated Investment and Scental Pacific. He is a Director of Incitec Pivot Limited, Chairman of the Arts Centre Foundation, and a Trustee of The Victorian Arts Centre Trust. His previous roles included Director of Fed Square Pty Ltd, Chairman of Smorgon Steel Group Ltd, President of the Carlton Football Club, Deputy Chairman of Melbourne Health, Director of The Walter and Eliza Hall Institute of Medical Research, Chairman of Creative Brands, Chairman of GBM Logic, Member of the Council of Bialik College, Director of Playbox Theatre Company and Playbox Malthouse Limited, Trustee of the Royal Melbourne Hospital Neuroscience Foundation, Chairman of the RMIT Marketing Industry Advisory Working Committee, and Partner of law firm Barker Harty & Co. Other listed company directorships held during the period 1 July 2007 to 30 June 2010: Nil.

L G (LAURIE) COX, AO
Independent Non-executive Director
BComm, FCPA, SFFin, FAICD

Age 71. Appointed a director on 17 September 2007. Mr Cox is a member of the Audit & Compliance Committee and the Human Resources Committee. He is Chairman of SMS Management & Technology Limited. Mr Cox has over 40 years experience in Australian and international financial markets, including Chairman Australian Stock Exchange (1989-94), Executive Chairman Potter Warburg Group of companies (1990-95), and Director SG Warburg Securities, London. He was also Chairman of Transurban Group and the Murdoch Children's Research Institute Limited, a Director of Smorgon Steel Group Limited, Hills Motorway Limited, Hills Motorway Management Limited and an Executive Voting Director of Macquarie Group Limited. Other listed company directorships held during the period 1 July 2007 to 30 June 2010: Smorgon Steel Group Limited from September 1998 until August 2007; SMS Management & Technology Limited since May 2001; Macquarie Group Limited from February 1996 until July 2009.

P G (PETER) NANKERVIS
Independent Non-executive Director
BEc (Hons), FCPA, GAICD

Age 60. Appointed a Director in December 2004. Mr Nankervis is Chairman of the Audit & Compliance Committee and a member of the Operational Risk Committee. He is also a Director of Dairy Australia Limited. Previously he was Chief Financial Officer of Cadbury Schweppes Asia Pacific, Finance Director of Cadbury Schweppes Australia Limited and a Director of Mitchell Communications Group Limited. Other listed company directorships held during the period 1 July 2007 to 30 June 2010: Mitchell Communication Group Limited from 12 March 2007 to 15 January 2010.

K L (KARA) NICHOLLS
Company Secretary
BBus, MLS, FCIS, MAICD

Age 34. With over 12 years experience in equity capital markets, Kara brings extensive knowledge of the ASX listing rules, corporate governance and company administration to the Board. Kara has extensive experience in commercial transactions and compliance matters. Prior to joining OneSteel in 2009, Kara gained six years experience with the Macquarie Group and over five years with the Australian Securities Exchange.

PUBLIC FILE 169

Corporate Governance Statement

OneSteel has been listed on the Australian Securities Exchange since 23 October 2000 (ASX:OST). This statement outlines the corporate governance practices adopted by the Board which were in place throughout the financial year.

Board of Directors

The Board has adopted a Board Charter & Corporate Governance Guidelines. This document constitutes a reference point for Directors, employees and shareholders in understanding the company's approach to the processes, performance measures, values and ethical standards which govern Directors and employees. It is designed to facilitate an evaluation of the company's framework and procedures in the context of ensuring accountability and transparency.

The primary role of the Board is the protection and enhancement of shareholder value. The Board has responsibility for corporate governance. 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 indirectly through Board committees.

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

The Board reviews the company's performance and considers other important matters such as strategic issues and plans, major investment and divestment decisions, human resources matters, governance and compliance matters and receives regular business unit and corporate function presentations. Senior management is regularly involved in Board discussion and Directors have opportunities such as visits to major operational sites for contact with a wider group of employees.

The Board embraces the need for, and continued maintenance of, the highest standards of ethical conduct. The OneSteel Code of Conduct formalises the obligation of Directors and employees to act within the law and act honestly and ethically in all business activities.

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 pre-approval by the Chairman. This advice is treated as advice to the Board.

Board committees

The Board has established five committees. Each committee has a clear mandate and operating procedures and operates principally in a review or advisory capacity, except in cases where particular powers are specifically conferred on the committee by the Board. Board committees may also be established from time to time to deal with matters arising.

DIRECTOR	BOARD MEMBERSHIP	COMMITTEE MEMBERSHIP				
		AUDIT & COMPLIANCE	GOVERNANCE & NOMINATIONS	HUMAN RESOURCES	OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENT	OPERATIONAL RISK
P J Smedley	Independent Non-executive Director		Member	Member		Chairman
L G Cox	Independent Non-executive Director	Member		Member		
R B Davis	Independent Non-executive Director	Member*			Chairman	Member
E J Doyle	Independent Non-executive Director	Member	Member		Member	
C R Galbraith	Independent Non-executive Director	Member	Chairman			
P G Nankervis	Independent Non-executive Director	Chairman				Member
G J Plummer	Managing Director & Chief Executive Officer					
D A Pritchard	Independent Non-executive Director			Member	Member	Member
G J Smorgon	Independent Non-Executive Director			Chairman**	Member	Member

* R B Davis was appointed to the Audit & Compliance Committee on 19 August 2009.

** G J Smorgon was appointed Chairman of the Human Resources Committee on 19 August 2009.

Board Composition and non-executive director 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 Directors' responsibilities outlined in the Board Charter & Corporate Governance Guidelines, Directors must be meticulous in disclosure of any material contract or relationship in accordance with the Corporations Act. 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) may be a shareholder in the company. Each Director may be involved with other companies or professional firms which may from time to time have dealings with OneSteel. Directors must be 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 Financial Report.

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:

- Specific disclosures made by each Director
- Where applicable, the related party dealings of each Director, noting that those dealings are not material under accounting standards
- No Director is a substantial shareholder or an officer of or otherwise associated with a substantial shareholder
- No Non-executive Director has ever been employed by OneSteel or any of its subsidiaries
- No Director has a contract with OneSteel (other than as a Director), 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 is not in the company's interests. Instead, it considers that a Director should not seek re-election if they, or the Board considers it is not appropriate to do so. In its consideration, matters considered by the Board may include renewal and succession, size, experience and skill mix, diversity or performance.

Refer to pages 42 and 43 for the period of office held by each Director at the date of the Annual Report as well as the experience and qualifications of each Director and the Company Secretary.

Performance Evaluation

In each reporting period, the performance of the Board and each committee in meeting shareholder and stakeholder expectations is evaluated under the direction of the Chairman. In addition, the Chairman discusses individual Director contributions with each Director face-to-face annually.

Senior management is subject to an annual performance evaluation process which involves the assessment of performance against specific and measurable qualitative and quantitative performance criteria. An annual performance evaluation for senior management has been undertaken for the reporting period in accordance with this process.

Remuneration

The remuneration of the Board, Key Management Personnel and relevant senior management are set out in the Remuneration Report set out in the Directors' Report on pages 51 to 60.

Risk Management

OneSteel is committed to managing risk to protect our people, the environment, company assets and our reputation as well as to realise opportunities.

OneSteel's risk-based system of internal control assists it to operate effectively and efficiently, achieve business objectives, ensure reliable reporting and comply with applicable laws and regulations.

Management implements this policy by designing and establishing a system for identifying, assessing, monitoring and managing material business risk throughout the company including the company's internal compliance and control systems. Management is expected to:

- Design and implement a system of ongoing risk reviews that is capable of responding promptly to new and evolving risks
- Monitor the effectiveness of the system of risks and internal controls management
- Provide an annual assurance to the Board regarding the extent of its compliance with this policy.

Management regularly reports to the Board on the effectiveness of the management of OneSteel's material business risks. A description of the company's risk management system and the nature of the risks are outlined in the Finance and Risk Management section on pages 38 and 39.

The MD and CEO and CFO provide assurance via a written statement (Certification) to the Board that states:

- Their view provided on the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board
- The company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board notes that, due to its nature, internal control assurance from the MD and CEO and the CFO can only be reasonable rather than absolute. This is due to factors such as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and the fact that much of the evidence available is persuasive rather than conclusive and therefore cannot, and cannot be designed to, reveal all weaknesses in control procedures. In response to this, an internal control certificate is completed by each business unit Chief Executive and corporate functional head and their respective finance managers to support the Certification.

PUBLIC FILE 167

External Audit

KPMG was appointed as the company's external auditor in 2007.

The external auditor attends the AGM and is available to answer questions about the conduct of the audit and the preparation and content of the audit report.

The Board conducts discussions and holds meetings with the external auditor without management present. More information on the appointment, review, provision of non-audit services, independence and other considerations is set out in the Audit & Compliance Committee Charter.

Shareholdings of Directors and Senior Management

The shareholdings of Directors and senior management are set out in Note 30 of the Financial Report.

Securities Dealing

The company's Securities Dealing Policy requires all Directors, officers and employees (including employees on fixed term contracts), relevant consultants and contractors retained by the company from time to time (collectively OneSteel People and individually a OneSteel Person) to comply with the law relating to insider trading and with the rules outlined in the Securities Dealing Policy. The policy contains additional responsibilities which apply to OneSteel People who are managers at level 3 (General Managers) and above, including Directors and senior executives.

Continuous Disclosure

OneSteel's Continuous Disclosure Policy sets out the procedures in place to ensure that shareholders and the market are provided with full and timely information about the company's activities in compliance with its continuous disclosure obligations.

Shareholder Communications

The methods by which OneSteel communicates with shareholders include:

- Releases to ASX
- www.onesteel.com which provides:
  - ASX/media releases
  - Webcasts
  - Corporate governance documents
  - Constitution
  - Dividend Reinvestment Plan rules
  - Presentations provided to fund managers, financial analysts and the AGM
  - Information on the company, its business units and key activities.

Shareholders are encouraged to attend the AGM or, if they are unable to attend, to appoint a proxy or vote online.

Corporate Governance Documents

OneSteel has a range of charters, policies and codes in connection with its governance practices. These documents include:

- Audit & Compliance Committee Charter
- Human Resources Committee Charter
- Occupational Health, Safety & Environment Committee Charter
- Governance & Nominations Committee Charter
- Operational Risk Committee Charter
- Board Charter & Corporate Governance Guidelines
- Securities Dealing Policy
- Continuous Disclosure Policy
- Shareholder Communications Policy
- Risk Policy
- Code of Conduct
- Corporate Governance Statement.

The documents are available on our website www.onesteel.com

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

PUBLIC FILE 165

Directors' Report

Your Directors submit their report for the year ended 30 June 2010.

Directors

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

P J Smedley
L G Cox
R B Davis
E J Doyle
C R Galbraith
P G Nankervis
G J Plummer
D A Pritchard
N J Roach (retired 16 November 2009)
G J Smorgon

Details of the qualifications, experience and responsibilities of the Directors are set out on pages 42 and 43 of the Annual Report.

Principal activities

The principal activities of the OneSteel Limited Group ("OneSteel Group") during the financial year were the mining and supply of steelmaking raw materials to steel mills operated in Australia and overseas; recycling of ferrous and non-ferrous scrap metal; and 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, the OneSteel Group distributes sheet and coil, piping systems, plate and aluminium products. OneSteel Limited owns 50.3% of the ordinary shares of Steel & Tube Holdings Limited, a steel distribution company listed in New Zealand.

There were no significant changes in the nature of OneSteel Group's activities during the year

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 18 to 30 of the Annual Report.

Net profit after income tax attributable to members of OneSteel Limited as parent entity for the financial year was $258.4 million (2009: $229.5 million) with earnings per share of 19.51 cents (2009: 22.59 cents).

Dividends

Dividends paid or declared by OneSteel Limited ("the Company") since the end of the previous financial year were as follows:

	$m
2010 final dividend 6.0 cents per ordinary share payable on 14 October 2010, unfranked on fully paid ordinary shares	79.9
2010 interim dividend 5.0 cents per ordinary share paid on 15 April 2010, unfranked on fully paid ordinary shares	66.5
2009 final dividend 4.0 cents per ordinary share paid on 15 October 2009, unfranked on fully paid ordinary shares	53.0

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the OneSteel Group that occurred during the financial year. Commentary on the overall state of affairs of the OneSteel Group is set out on pages 1 to 46 of the Annual Report.

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 are periodically subjected to internal, independent external and government agency audits and site inspections. The Environment Report is set out on page 36 of the Annual Report. The OneSteel Group's sustainability report is available on www.onesteel.com/sustainability.

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 below. Details of the committees are set out on pages 44 to 46 of the Annual Report.

	Board of Directors	Governance & Nominations Committee[2]	Audit & Compliance Committee	Occupational Health, Safety & Environment Committee	Human Resources Committee	Operational Risk Committee
Number of meetings held[1]	13	3	4	4	5	–
P J Smedley	13	3	4		5	
L G Cox	13	–	3	–	5	–
R B Davis	10	–	3	4	–	–
E J Doyle	11	3	3	4	–	–
C R Galbraith	12	3	4	–	–	–
P G Nankervis	12	–	4	–	–	–
G J Plummer	13	3	4	4	5	–
D A Pritchard	12	–	–	4	4	–
N J Roach	5	–	1	1	1	–
G J Smorgon	12	–	–	3	4	–

1 All Directors attended the last annual general meeting held on 16 November 2009. Attendance at Board committee meetings during the year includes Directors who are not members of that committee.

2 Excludes OneSteel Limited Board sub-committee meetings.

Company Secretary

Information on the qualifications and experience of the Company Secretary is set out on page 43 of the Annual Report

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 2010.

Shares and options

During or since the end of the financial year, there were no options granted over unissued shares. There were 92,100 ordinary shares and nil options that vested under the terms of the Long-Term Incentive Plan during the year.

During or since the end of the financial year, the company has issued 144,506 ordinary shares as a result of the exercise of options. Details relating to the exercise of these options are included in Note 29 of the 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
21 December 2010	$1.0434	160,500

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

No Director, either directly or indirectly, exercised an option over ordinary shares or was granted ordinary shares during the financial year other than G J Plummer who was granted 340,316 ordinary shares under the OneSteel Long-Term Incentive Plan. These shares will vest between 1 July 2012 and 1 July 2014 subject to performance hurdles. No ordinary shares vested to Mr Plummer during the financial year.

The relevant interest of each Director in the shares, options or other instruments of the company and related bodies corporate are set out in Note 30 of the Financial Report.

Matters subsequent to the end of the financial year

There have been no circumstances arising since 30 June 2010 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 OneSteel Group in future financial years.

PUBLIC FILE 163

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 Report.

Interests of Non-executive Directors in contracts or proposed contracts with the company

Directors of OneSteel Limited have declared their interests in contracts or proposed contracts that may result from their directorships of other corporations, as listed in their personal profiles set out on pages 42 and 43 of the Annual Report.

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 are outstanding with Directors or executives.

Indemnification and insurance of officers

The Group has agreements with each of the Non-executive 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, the Group's auditor, KPMG, provided non-audit services to OneSteel Group entities.

Details of the amounts paid or payable to KPMG for the provision of non-audit services during the financial year are set out in Note 31 to the Financial Report.

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 2001. Also following review by 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.

Rounding of amounts

The Company is of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/0100. In accordance with that Class Order, amounts contained in this report and 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.

KPMG

Lead Auditor's Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of OneSteel Limited

I declare that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

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

KPMG.

KPMG

David Rogers

David Rogers
Partner

Sydney
17 August 2010

Remuneration Report

The Directors of OneSteel Limited present the Remuneration Report of the OneSteel Group.

This Remuneration Report has been prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001 and has been audited.

Remuneration governance and the Human Resources Committee

The Board is responsible for remuneration decisions at the OneSteel Group. To assist the Board, governance and oversight of remuneration are delegated to the Human Resources Committee. The Human Resources Committee is responsible for:

- Reviewing remuneration policies and practices including the setting of fixed remuneration amounts and the structure and quantum of awards under the Short-Term Incentive (STI) and Long-Term Incentive (LTI) Plans for executives
- The Group's superannuation arrangements for executives, and
- The fees for Non-executive Directors of the Board (within the aggregate amount approved by shareholders).

Performance reviews, succession planning and remuneration recommendations for the Managing Director and Chief Executive Officer (MD & CEO) and executives directly reporting to the MD & CEO 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. The Board makes final remuneration decisions in respect of Non-executive Directors and the Lead Team (see "Definitions" below).

Definitions

For the purposes of this report:

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the OneSteel Group either directly or indirectly, including the CEO of Steel & Tube Holdings Limited, a New Zealand listed company in which OneSteel holds a 50.3% interest, and all the Directors of OneSteel Limited (executive and non-executive).

Lead Team encompasses the MD & CEO and direct reports to the MD & CEO.

Contents of the Remuneration Report

The Remuneration Report outlines OneSteel's remuneration strategy, the components of remuneration for KMP, including Non-executive Directors and executives, the link between performance and reward and provides details of remuneration paid to Non-executive Directors and executives during the year ended 30 June 2010. The report is divided into the following sections:

A. Non-executive Director remuneration

B. Overview of executive remuneration strategy and structure

C. Executive remuneration

D. Group performance – the link to reward

E. Details of Non-executive Director and executive remuneration for the year ended 30 June 2010

F. Executive service agreements.

A. NON-EXECUTIVE DIRECTOR REMUNERATION

The Board, in conjunction with the Human Resources Committee, seeks to establish Non executive Director remuneration at a level that enables OneSteel to attract and retain Directors of the highest calibre at a cost that is responsible and acceptable to shareholders.

The remuneration arrangements being applied are in line with industry practices and affirm the commitment of the Group to the principles of good corporate governance.

Board policy on Non-executive Director remuneration

Detailed below are the key principles that underpin the Board's policy on non-executive Director remuneration.

Board fees are approved by shareholders

A limit on the current aggregate fee pool for Non-executive Directors of $2 million was 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.

Remuneration is designed to preserve independence

The structure of OneSteel's Non-executive Director remuneration is separate and distinct from that applicable to the Lead Team. Non-executive Directors have not been granted shares under the Group's LTI Plan and do not receive any bonus or other performance-based remuneration.

No retirement benefits

No additional benefits (other than their existing superannuation entitlements) are paid to Non-executive Directors upon their retirement from the Board.

Retirement benefit scheme – discontinued

The retirement benefit scheme in existence until 17 November 2003 was approved by shareholders during OneSteel's public listing in 2000. This retirement benefit was an additional and separate arrangement to the payment of Directors' fees.

The retirement benefit scheme was discontinued from 17 November 2003 and the amount of the retirement benefit accrued by each Non-executive Director was fixed by reference to the length of service up to this date.

For Directors who held office on 17 November 2003, a cash benefit under the discontinued scheme is payable upon the retirement of the Director from the Board.

Remuneration reviews

The structure of Non-executive Director remuneration, the amount and the manner in which it is apportioned amongst Directors, are 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.

Remuneration quantum and structure

Directors' fees per annum are currently:

- $435,000 for the Board Chairman, and
- $145,000 for Board Directors.

These fees represent fixed fees inclusive of superannuation. Additional fees are not paid for duties such as sitting on Board committees.

Suspension of Non-executive Director share plan

The Non-executive Director share plan was suspended for the year ended 30 June 2010 as a result of taxation changes affecting the operation of the plan. Interim arrangements have been implemented with Non-executive Directors receiving fees as cash and superannuation in lieu of the long-term share component that was previously in place. Market practice will continue to be monitored over the coming period regarding the use of equity-based plans for Non-executive Directors.

Review of the Non-executive Director fee amount

Fees for Non-executive Directors have been held constant since 2007. In 2009, a review of the Non-executive Director fee amount was conducted by the Group and, in light of market conditions and the challenges facing the Group at this time, the Board decided that there would not be any increases to fee amounts arising out of this review.

Dealing in company shares

Current shareholdings of Directors are shown in Note 30 of the Financial 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 the ASX
- Release of the yearly announcement to the ASX
- Release of a disclosure document or cleansing notice in connection with an offering of equity securities in the Company.

Directors and executives 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, the Company's policy and the Corporations Act 2001 restrict the use of hedging arrangements over vested shares or options in company plans and shares withdrawn from those plans. The mechanism to enforce this policy is that Directors and senior management are required to seek approval from the Chairman and CEO respectively prior to engaging in proposed dealing of OneSteel shares.

The MD & CEO has entitlements to shares and options under the LTI Plan, subject to performance hurdles being met.

B. OVERVIEW OF EXECUTIVE REMUNERATION STRATEGY AND STRUCTURE

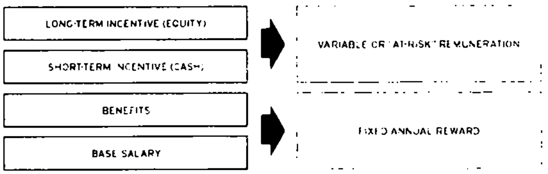
The objective of OneSteel's executive remuneration framework is to pay market competitive remuneration recognising skills and experience and to reward for performance and the achievement of strategic objectives leading to the creation of shareholder value.

OneSteel seeks to provide competitive remuneration that will attract, develop and retain executives.

OneSteel's remuneration strategy is to target fixed annual reward levels around the median of executives' local salary markets. Executives can be paid above or below the median consistent with their capability and demonstrated value to the business. It is also OneSteel's policy to position variable or "at-risk" remuneration such that total remuneration can be positioned above, at or below the relevant market median dependent on the level of an executive's performance.

Remuneration structure

Depicted below is the structure of OneSteel's executive remuneration arrangements:



In determining the level and composition of executive remuneration, OneSteel draws on internal resources and independent external advisers to ensure its practices are market competitive, flexible and in keeping with emerging trends in good corporate governance.

Remuneration is reviewed annually towards the end of the financial year and changes are applied from 1 July for the Lead Team. The Human Resources Committee reviews the MD & CEO's remuneration arrangements. In the case of other Lead Team members, the MD & CEO makes recommendations to the Human Resources Committee.

The Board approves all remuneration changes for the Lead Team.

The remuneration structure is designed to ensure that executives have a significant portion of remuneration at risk. The following sets out the policy mix of fixed and "at-risk" pay (as a proportion out of a total 100%) for the MD & CEO and Lead Team.

	MD & CEO	LEAD TEAM
Long-Term Incentive	36%	20%
Short-Term Incentive	24%	20%
Fixed annual reward	40%	60%

C. EXECUTIVE REMUNERATION

For the Lead Team, remuneration consists of fixed annual reward (incorporating consideration for a base salary and other benefits including superannuation, salary sacrifice items and fringe benefits) and "at-risk" components.

The "at-risk" components comprise:

- Short-Term Incentives (STI), giving executives the opportunity to earn a cash bonus, contingent upon performance against a combination of OneSteel Group financial and safety targets, and individual key performance indicators.
- Long-Term Incentives (LTI), giving executives the opportunity to acquire OneSteel shares where they succeed in achieving outcomes linked to the creation of long-term sustainable growth for shareholders over a three to five-year period.

Fixed annual reward

The level of 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 the Group, business unit and individual performance, comparative market and internal remuneration information, and as appropriate, independent external advice on policies and practices.

Members of the Lead Team are provided flexibility to receive their fixed annual reward in a variety of forms, including cash, superannuation and fringe benefits such as motor vehicles.

No increases to fixed annual reward were provided to executives for the year ended 30 June 2010 in light of market conditions and the challenges facing the Group at this time.

Short-Term Incentive (STI)

The STI aims to reward participating employees for the achievement of agreed financial, safety, business and personal goals. It is administered over the financial year.

The performance conditions used for the STI Plan are established annually by the Board for the Lead Team. The Lead Team then sets the individual safety, business and personal goals for other employees. The STI performance conditions vary depending on the individual executive's position, and include both financial and non-financial measures. The specific measures are derived from OneSteel budgets and business plans, incorporate "stretch" targets, and are dependent upon the achievement of continuous improvement. Satisfactory performance is a pre-requisite for participation in the STI. Participation may be suspended or reduced where a participant has fallen short of performance expectations. OneSteel reserves the right to modify or cancel the STI Plan at any time. This may occur due to unsatisfactory business performance and/or other significant changes in business operating conditions or assumptions. The STI performance conditions have been chosen to be directly linked to the achievement of key financial and business objectives.

Payments under the STI Plan are based on a set percentage of salary for achievement of goals. Payments can range from nil to 200% of the target range. For achievement of 100% of target performance, the STI is designed to represent 24% of total remuneration for the MD & CEO and 20% of total remuneration for other Lead Team members. The STI Plan and the performance conditions which apply have been designed to motivate and reward high performance. No payments are made where minimum performance is not exceeded. If performance exceeds the already challenging targets and stretch performance is attained, the STI Plan will deliver a greater reward to executives. STI payments are not paid for the maintenance of previously attained performance levels. To more closely align the STI Plan with the Group's mid-term business objectives, a higher weighting on OneSteel Group financial targets was applied to STI opportunities for the year ended 30 June 2010 and will also be applied for the year ended 30 June 2011.

Executives participate in an annual performance review process that assesses performance against key accountabilities and job goals. Performance against these accountabilities and 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. Lead Team members' actual STI payments are subject to final approval by the Board. In addition to an annual performance review, regular performance discussions occur during the financial year. The process ensures 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.

If an executive ceases employment with OneSteel before the STI targets are achieved for the relevant year, then the executive will generally not be entitled to receive an STI payment.

No STI payments for 2009 business outcomes

As a result of market conditions at the time, no STI payments were made for STI outcomes in respect of the 2009 financial year even though some outcomes against objectives were achieved.

Long-Term Incentive (LTI)

The objective of the LTI Plan is to reward the participating executives for the sustained creation of shareholder wealth. The LTI Plan is an equity-based incentive plan linked to the achievement of specific strategic objectives over at least a three-year performance period. The Plan is designed to drive the achievement of strategic long-term business objectives and to link remuneration to the achievement of those objectives. Participation in the LTI Plan is only offered to the Lead Team and selected employees who are able to significantly influence OneSteel's performance over the long term and therefore the creation of shareholder wealth.

At full vesting, the LTI opportunity is intended to represent approximately 36% of total remuneration for the MD & CEO and approximately 20% of total remuneration for other Lead Team members. The LTI Plan is delivered in OneSteel Limited ordinary shares which are held in trust on the participant's behalf during the performance period. The shares held in trust carry voting rights and the executive is entitled to any dividends paid during the vesting period. The value of dividends is included as part of the overall valuation of an executive's remuneration package for the purposes of market comparisons. Participants in the LTI Plan are not able to withdraw the shares from the trust until the shares vest as a result of the performance conditions being achieved.

The performance conditions of the LTI Plan are based on the performance of OneSteel's Total Shareholder Return (TSR). TSR measures the percentage growth in a company's share price together with the value of dividends received during the period, assuming that all of those dividends are reinvested into new shares. The performance conditions of the LTI Plan have been chosen to directly link executive reward to shareholder returns over a sustained period.

For the shares to vest to executives, the following TSR performance conditions must be achieved:

- For 50% of the shares, vesting will be dependent on OneSteel's TSR performance compared with the TSR performance of companies within the S&P/ASX 200 index, excluding banks, media and telecommunications (the Comparator Index), and
- For the remaining 50% of the shares, vesting will be dependent on OneSteel's TSR performance relative to Australian CPI plus 5% (the Base Index).

PUBLIC FILE 159

OneSteel's TSR performance relative to the Comparator Index

Fifty percent of the total shares awarded vest to participants at the end of the three-year performance period subject to the performance of OneSteel's TSR relative to the Comparator Index over the performance period according to the following schedule:

TSR PERFORMANCE RELATIVE TO THE COMPARATOR INDEX	PROPORTION OF SHARES VESTING
Below the 50th percentile	Nil
At the 50th percentile	50%
Between the 50th percentile and 75th percentile	Pro-rata straight-line between 50% – 100%
At or above the 75th percentile	100%

OneSteel's TSR performance relative to the Base Index

Fifty percent of the total shares awarded vest to participants at the end of the three-year performance period subject to the performance of OneSteel's TSR relative to the Base Index.

Shares granted and subject to the Base Index performance hurdle vest according to the following schedule:

TSR PERFORMANCE RELATIVE TO THE BASE INDEX	PROPORTION OF SHARES VESTING
Up to and including 60%	Nil
61% - 80%	60%
81% – 99%	80%
100% and over	100%

If the shares do not vest immediately at the end of the three year performance period, provisions exist that enable retesting of the performance hurdles annually for the current MD & CEO and every six months for other executives over a two-year period. Prior to the approval of the vesting of shares, the Board obtains independent external verification that the vesting conditions have been satisfied. If an executive ceases employment with OneSteel before the performance condition is tested, then the executive's unvested shares will generally lapse. However, all or some of the shares may vest to an executive on ceasing employment when special circumstances apply at the discretion of the Board including redundancy, death and permanent disability.

Details of equity-based compensation provided to KMP are contained in Section E of this Report.

Participation in other equity plans

Together with all Australian resident permanent employees of OneSteel, executives are eligible to participate in either the Tax Exempt or Tax Deferred Share Plans. Under these plans, employees are able to make salary-sacrifice contributions to purchase shares on-market on a monthly basis. Details of the Tax Exempt and Tax Deferred Share Plans are set out in Note 29 to the financial statements.

D. GROUP PERFORMANCE – THE LINK TO REWARD

A key underlying principle of OneSteel's executive remuneration strategy is that remuneration should be strongly linked to Group performance.

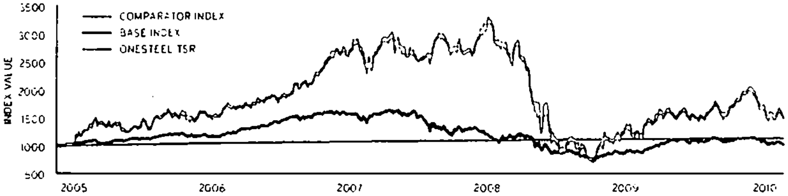
A significant portion of payments under the STI Plan and vesting of awards under the LTI Plan are contingent upon the financial performance of the Group.

The following table shows underlying NPAT, EPS and dividends per share performance over the last five years, together with the aggregate spend on KMP STI payments.

	ONESTEEL GROUP FINANCIALS			
YEAR ENDED 30 JUNE	NPAT ($M)	EPS (CENTS)[1]	DIVIDENDS PER SHARE (CENTS)	KMP STI PAID ($M)
2010	240.6	18.1	11.0	3.8
2009	215.3	16.3	10.0	0.5
2008	315.0	36.0	21.5	2.8
2007	197.5	34.5	18.5	3.2
2006	171.6	30.3	17.0	2.3

1 Based on number of shares outstanding at 30 June.

The graph below demonstrates performance against the designated LTI performance hurdles by OneSteel over the LTI vesting period. The graph compares the OneSteel TSR against the Comparator Index (the S&P/ASX 200 Index excluding banks, media and telecommunications) and the Base Index (the Australian CPI plus 5%).



E. DETAILS OF NON-EXECUTIVE DIRECTOR AND EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2010

Details of remuneration paid to Directors and executives of the OneSteel Group meeting the definition of KMP under AASB 124 Related Party Disclosures are set out below.

This includes the five Group executives receiving the highest remuneration for the year ended 30 June 2010.

A J Reeves, Chief Financial Officer (until 11 December 2009)
R C Bakewell, Chief Financial Officer (from 19 April 2010)
L J Selleck, Executive General Manager Technology, Safety & Services
M R Parry, Chief Executive, Whyalla
A G Roberts, Chief Executive, Market Mills
S H Hamer, Chief Executive, Distribution
G A Waters, Chief Executive Recycling
D Taylor, Chief Executive Officer, Steel & Tube Holdings Limited (from 5 October 2009)
A Candy, Acting Chief Executive Officer, Steel & Tube Holdings Limited (until 5 October 2009)

(a) Compensation of Key Management Personnel

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SHARE-BASED PAYMENTS[2,3,4]	TOTAL	PROPORTION PERFORMANCE RELATED
	SALARY & FEES	CASH BONUS	NON MONETARY BENEFITS[1]	SUPER-ANNUATION		SHARES GRANTED		
2010	$	$	$	$	$	$	$	%
Directors[4]								
P J Smedley	435,000	-	13,361	-	-	-	448,361	-
G J Plummer	1,613,726	1,826,000	62,340	45,825	-	1,384,118	4,932,009	65.1
R B Davis	133,028	-	-	11,972	-	-	145,000	-
E J Doyle	133,028	-	1,701	11,972	-	-	146,701	-
C R Galbraith	133,028	-	1,612	11,972	-	-	146,612	-
P G Nankervis	133,028	-	2,094	11,972	-	-	147,094	-
D A Pritchard	133,028	-	4,652	11,972	-	-	149,652	-
N J Roach	50,387	-	-	4,535	-	-	54,922	-
L G Cox	133,028	-	1,028	11,972	-	-	146,028	-
G J Smorgon	133,027	-	-	11,972	-	-	144,999	-
Executives								
A J Reeves	356,523	-	41,682	24,717	763,545	143,439	1,329,906	10.8
R C Bakewell	267,001	-	20,000	2,781	-	-	289,782	-
L J Selleck	494,869	355,000	33,800	66,828	-	217,450	1,167,947	49.0
M R Parry	566,658	390,000	19,018	22,361	-	220,361	1,218,398	50.1
A G Roberts	635,966	403,000	2,314	37,108	-	240,744	1,319,132	48.8
S H Hamer	598,117	409,000	4,993	45,004	-	240,744	1,297,858	50.1
G A Waters	445,252	337,000	32,500	47,250	-	118,025	980,027	46.4
D Taylor	355,227	74,263	16,598	-	-	41,504	487,592	23.7
A Candy	97,507	52,947	-	-	-	-	150,454	35.2
Total	6,847,428	3,847,210	257,693	380,213	763,545	2,606,385	14,702,474	

PUBLIC FILE 157

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS[1,2,6]	TOTAL	PROPORTION PERFORMANCE RELATED
	SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS[5]	SUPER ANNUATION	SHARES GRANTED		
2009	$	$	$	$	$	$	%
Directors[4]							
P J Smedley	300,000	-	-	-	135,000	435,000	-
G J Plummer	1,556,382	-	86,754	100,100	1,131,947	2,875,183	39.4
R B Davis	100,000	-	1,092	9,000	35,999	146,091	-
E J Doyle	100,000		1,092	9,000	35,999	146,091	-
C R Galbraith	100,000	-	1,101	9,000	35,999	146,100	-
P G Nankervis	100,000	-	-	9,000	35,999	144,999	-
D A Pritchard	100,000	-	2,914	9,000	35,999	147,913	-
N J Roach	100,000	-	1,092	9,000	35,999	146,091	-
L G Cox	100,000	-	-	9,000	35,999	144,999	-
G J Smorgon	100,000	-	1,101	9,000	35,999	146,100	-
Executives							
A J Reeves	731,052	-	50,426	73,627	235,139	1,090,244	21.6
L J Selleck	494,557	-	33,800	66,765	171,557	766,679	22.4
M R Parry	535,304		44,687	52,840	173,731	806,562	21.5
A G Roberts	540,208	-	10,696	53,065	173,187	777,156	22.3
S H Hamer	530,468	-	16,563	52,131	168,297	767,459	21.9
G A Waters	325,377		23,750	34,529	44,588	428,244	10.4
A Cardy	64,417	81,328	-	-	8,362	154,107	58.2
Total	5,877,765	81,328	275,068	505,057	2,529,800	9,269,018	

1 There were no share-based payments for Non-executive Directors for the year ended 30 June 2010 following the suspension of the long-term component of Non-executive Directors' remuneration.

2 The shares 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 shares vesting. The value of the shares has been apportioned over the three-year vesting period.

3 Cash bonuses are in respect of short-term incentives.

4 Directors' fees are comprised of salary and fees, and superannuation.

5 Non-monetary benefits include items such as fringe benefits tax paid on benefits provided (including spouse travel), rental assistance, living away from home allowance, cost of living allowance and health fund premiums.

6 Dividends paid to executives on unvested shares under the LTI Plan are implicitly included in the fair value of the share-based payment expense recognised as remuneration. Cash dividends paid to the executives on unvested shares held at the end of the year were: G J Plummer $93,471 (2009: $136,159); A J Reeves Snil (2009: $25,683); L J Selleck $13,522 (2009: $18,651); M R Parry $13,795 (2009: $18,651); A G Roberts $15,705 (2009: $18,651); S H Hamer $15,705 (2009: $18,651); G A Waters $11,255 (2009: $4,045); R C Bakewell Snil (2009: NA).

7 Inclusive of outstanding leave balances paid of $189,545 on leaving the company.

8 Mr Roach retired as a Non-executive Director on 16 November 2009. In addition to the above remuneration he was paid a retirement allowance of $247,846 from the retirement plan discontinued on 17 November 2003.

9 Includes share-based payments in relation to OneSteel Limited ordinary shares and Steel & Tube Holdings Limited ordinary shares.

(b) Details of remuneration: bonuses and share-based compensation benefits

For each cash bonus and grant of shares included in the remuneration of KMP, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the KMP did not meet the service and/or performance criteria are set out below. No part of the cash bonus is payable in future years. The maximum value of the shares yet to vest has been determined as the amount of the grant date fair value of the shares that are yet to be expensed. No shares will vest if the service and/or performance criteria are not satisfied, hence the minimum value of the share grants yet to vest is nil.

	CASH BONUS		SHARE-BASED COMPENSATION									
	PAID	FORFEITED	DATE OF GRANT	NUMBER OF SHARES	FAIR VALUE OF SHARE AT DATE OF GRANT	AWARD VALUE AT DATE OF GRANT	EXPIRY DATE	FIRST VESTING DATE	LAST VESTING DATE	VESTED	FORFEITED	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST
2010	%	%			$	$				%	%	$
Directors												
G J Plumber	179		7/05/2007	305,461	4.62	1,490,650	7/05/2012	7/05/2010	7/05/2012	-		-
			7/09/2007	327,680	4.62	1,513,862	20/08/2012	20/08/2010	20/08/2012	-		47,650
			26/08/2008	65,170	6.01	91,211	1/07/2013	1/07/2011	1/07/2013	-		120,814
			26/08/2009	340,316	2.88	980,110	1/07/2014	1/07/2012	1/07/2014	-	-	649,869
Executives												
A J Reeves	-	-	7/05/2007	[illegible]	4.62	378,470	7/05/2012	7/05/2010	7/05/2012	100	-	
			23/08/2008	49,790	6.01	299,239	1/07/2013	1/07/2011	1/07/2013	-	100	-
R C Bakewell		-	-	-	-		-	-	-		-	-
[illegible]	158	-	7/09/2007	57,344	4.62	264,929	7/09/2012	7/09/2010	7/09/2012	-	-	8,340
			26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013	-		74,596
			26/08/2009	54,596	2.88	157,236	1/07/2014	1/07/2012	1/07/2014	-	-	104,056
M R Parry	165		7/09/2007	57,344	4.62	264,929	7/09/2012	7/09/2010	7/09/2012		-	8,340
			26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013		-	74,596
			26/08/2009	57,329	2.88	165,972	1/07/2014	1/07/2012	1/07/2014	-	-	109,879
A G Roberts	150		7/09/2007	57,344	4.62	264,929	7/09/2012	7/09/2010	7/09/2012		-	8,340
			26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013	-	-	74,596
			26/08/2009	78,861	2.88	227,120	1/07/2014	1/07/2012	1/07/2014	-	-	150,362
S H Hamer	150	-	7/09/2007	57,344	4.62	264,929	7/09/2012	7/09/2010	7/09/2012		-	8,340
			26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013	-	-	74,596
			26/08/2009	78,861	2.88	227,120	1/07/2014	1/07/2012	1/07/2014	-	-	150,362
G A Waters	160	-	16/10/2008	67,421	2.79	188,105	16/10/2013	16/10/2011	16/10/2013		-	79,596
			26/08/2009	57,629	2.88	165,972	1/07/2014	1/07/2012	1/07/2014	-	-	109,879
D Taylor	48	52	26/08/2008	7,873	6.01	47,317	1/07/2011	1/07/2013	1/07/2011		-	15,334
A Landy	51	49	-	-	-	-	-	-	-	-		-

PUBLIC FILE 155

	CASH BONUS		SHARE-BASED COMPENSATION									
	PAID	FORFEITED	DATE OF GRANT	NUMBER OF SHARES	FAIR VALUE OF SHARE AT DATE OF GRANT	AWARD VALUE AT DATE OF GRANT	EXPIRY DATE	FIRST VESTING DATE	LAST VESTING DATE	VESTED	FORFEITED	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST
2009	%	%			$	$				%	%	$
Directors												
G J Plummer	-	100	7/05/2007	305 461	4.88	1 490 69[illegible]	7/05/2012	7/05/2010	7/05/2012	-	-	298 897
			7/09/2007	327 680	4.62	1 513 882	20/08/2012	20/08/2010	20/08/2012	-	-	559 295
			26/08/2008	65 110	6.01	391 [illegible]	1/07/2013	1/07/2011	1/07/2013	-	-	259 063
Executives												
A J Reeves	-	100	8/09/2005	50 896	2.80	142 509	9/09/2010	8/09/2008	8/09/2010	100	-	-
			7/09/2007	327 680	4.62	379 470	7/09/2012	7/09/2010	7/09/2012	-	-	193 124
			26/09/2008	65 110	6.01	290 235	1/07/2013	1/07/2011	1/07/2013	-	-	198 107
L J Selleck	-	100	8/09/2005	35 936	2.80	100 592	9/09/2010	8/09/2008	8/09/2010	100		-
			7/09/2007	57 344	4.62	264 929	7/09/2012	7/09/2010	7/09/2012	-		97 877
			26/08/2008	38 300	6.01	230 183	1/07/2013	1/07/2011	1/07/2013		-	152 390
M R Parry	-	100	8/09/2005	47 901	2.80	134 123	8/09/2010	8/09/2008	8/09/2010	100	-	-
			7/09/2007	57 344	4.62	264 929	7/09/2012	7/09/2010	7/09/2012	-		97 877
			26/08/2008	38 300	6.01	230 183	1/07/2013	1/07/2011	1/07/2013		-	152 390
A G Roberts	-	100	8/09/2005	44 907	2.80	125 740	9/09/2010	8/09/2008	8/09/2010	100		-
			7/09/2007	57 344	4.62	264 929	7/09/2012	7/09/2010	7/09/2012	-	-	97 877
			26/08/2008	38 300	6.01	230 183	1/07/2013	1/07/2011	1/07/2013			152 390
S H Horner	-	100	8/09/2005	17 963	2.80	50 296	9/09/2010	8/09/2008	8/09/2010	100	-	
			7/09/2007	57 344	4.62	264 929	7/09/2012	7/09/2010	7/09/2012	-	-	97 877
			26/08/2008	38 300	6.01	230 183	1/07/2013	1/07/2011	1/07/2013	-	-	152 390
G A Waters		100	16/10/2006	67 421	2.79	139 105	16/10/2013	16/10/2011	16/10/2013			43 168
A Candy	111		-	-		-	-	-		-	-	-

1 The performance hurdles were not met and no shares were vested to Mr Plummer. These shares will be retested in May 2011 in line with retesting arrangements in Mr Plummer's Executive Service Agreement.

2 Share grants in respect of the 7 September 2007 allocation to the executives other than Mr Plummer are subject to quarterly retesting where the hurdles are not met. All other grants are subject to six-monthly retesting where the hurdles are not met. All Mr Plummer's share grants are subject to annual retesting.

3 Cash bonuses paid in respect of participation by executives in the STIP are range from nil to 200% of the target range.

4 Relates to shares granted in OneSteel Limited only.

5 Unamortised award value based on the fair value of share at date of grant.

(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. The last grant of options was in December 2001. All outstanding options vested in 2005.

(d) Shares issued on exercise of compensation options

45 shares were issued upon exercise of compensation options by KMP for the year ended 30 June 2010 (2009: nil). Refer to Note 30.

F. EXECUTIVE SERVICE AGREEMENTS

MD & CEO

G J Plummer was appointed MD & CEO 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. Effective from 20 August 2007, an amendment was agreed to his Executive Service Agreement such that it will not terminate at the end of the initial five-year period but instead will continue on an ongoing basis until terminated by either OneSteel or Mr Plummer in accordance with the termination rights in the original Executive Service Agreement.

Mr Plummer's remuneration comprises three components. These are fixed annual reward, STI and LTI.

(i) Fixed annual reward

Mr Plummer is paid a fixed annual reward of $1,700,000 per annum inclusive of superannuation and novated car leases. There was no change to Mr Plummer's fixed annual reward for the year ended 30 June 2010. The fixed annual reward is reviewed by the Board's Remuneration Committee annually and may be increased or remain unchanged (but not decreased) as a result of this review.

(ii) STI

The STI payment in any year will be determined by the Board in consultation with Mr Plummer by assessment of his performance against financial, business, safety and personal targets set by the Board in consultation with Mr Plummer at the start of each financial year.

(iii) LTI

During his term as MD & CEO, Mr Plummer has been granted awards of OneSteel Limited ordinary shares as the long term component of his remuneration. The shares are held in trust and vest according to the TSR performance conditions detailed in Section D of this Report.

The first two grants on 6 May 2005 (1,058,040 shares) and 7 May 2007 (305,461 shares) were as agreed in his original executive employment agreement. The shares granted on 6 May 2005 vested on 6 May 2008. Further share grants, which are currently unvested, were made on 7 September 2007 (327,680 shares) based on the prevailing market price representing 1 & 1/3rd times fixed annual reward. The first vesting opportunity for the 7 May 2007 grant was in May 2010. The performance hurdles were not met and no shares were vested to Mr Plummer. These shares will be retested in May 2011 in line with retesting arrangements in Mr Plummer's Executive Service Agreement. The first vesting opportunity for the 7 September 2007 grant is in September 2010.

On 26 August 2008, 65,110 shares were granted based on the prevailing market price, representing one-quarter of fixed annual reward. The performance period for this grant commenced on 1 July 2008. The first vesting opportunity for this grant will be in July 2011. The grant was part of a planned transition to annual grants of shares.

On 26 August 2009, 340,316 shares were granted based on the prevailing market price, representing 66% of fixed annual reward. The performance period for this grant commenced on 1 July 2009. The first vesting opportunity for this grant will be in July 2012.

For the 2011 financial year, a grant of shares rights has been approved by the Board on 21 June 2010 to the value of 1 & 1/3rd times fixed annual reward. The shares will be acquired on-market following the announcement of the Group's full year financial result based on the prevailing market price, with a performance period commencing 1 July 2010.

Termination entitlements

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 and have been in existence since December 2004. The Board is satisfied, after considering independent advice, that Mr Plummer's termination entitlements as set out in the table below are reasonable having regard to current employment practices.

Notice of termination

The MD & CEO's employment may be terminated as follows:

- OneSteel may terminate the MD & CEO's employment by giving him 12 months' notice.
- The MD & CEO is required to provide six months' notice of resignation. Where there is a fundamental change in the business or OneSteel is in breach or default of its obligations under the service agreement, the MD & CEO may provide less than six months' notice.
- If the MD & CEO terminates his employment within six months after the occurrence of a fundamental change, he will be entitled to a payment equivalent to the aggregate fixed annual reward paid to him over the previous 12 months, in addition to the payments referred to below.

Termination provisions

The termination provisions relating to the MD & CEO's employment are summarised as follows:

- If the employment of the MD & CEO terminates by death, illness, incapacity or by appropriate notice by either party he will be paid his fixed annual reward and any accrued untaken statutory leave entitlements calculated to the termination date. The MD & CEO will also be entitled to be paid any amount of STI that has accrued from the previous financial year. The Board, in its absolute discretion, will determine the amount of the STI payable for the financial year in which termination occurs, if any.

PUBLIC FILE 153

- If the employment of the MD & CEO terminates by death, illness, incapacity, by appropriate notice by OneSteel or notice from the MD & CEO due to a fundamental change in the business, the Board, in its absolute discretion, will determine whether he may be able to withdraw some or all of the shares over which rights have been granted under the LTI Plan which have not vested.
- In the event the termination is as a result of 12 months' notice from OneSteel then the MD & CEO will also be entitled to a payment in lieu of notice of up to the aggregate fixed annual reward paid to him over the previous 12 months.
- If, during the employment period, the MD & CEO is terminated for cause, OneSteel will have no further obligations other than the amount of fixed annual reward due to him through to his termination date plus any statutory leave entitlements calculated to the termination date.

Non-compete

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

Employment contract details

A comprehensive summary of the MD & CEO's initial employment contract was lodged with the Australian Securities Exchange on 20 December 2004 and a summary of the amendments was lodged on 20 August 2007. Copies of these releases are available on the OneSteel website.

Other executive KMP

Outlined below are the key termination entitlements with respect to other executive KMP. These KMP are engaged on permanent employment arrangements with termination entitlements as below.

Termination provisions

OneSteel may terminate employment for cause or not for cause.

For any executives commencing after 1 July 2010 where OneSteel terminates employment, other than for cause, OneSteel may pay up to 1.0 times fixed annual reward at the time of termination. For executives commencing before 1 July 2010 where OneSteel terminates employment, other than for cause, OneSteel may pay up to 1.0 times fixed annual reward at the time of termination plus the target value of STI.

In addition, if the employment of an individual executive terminates at the end of the fixed term or the end of an extension period, by death, illness, incapacity, by appropriate notice by OneSteel or 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 Plan which have not vested.

Notice of termination

Senior executives may terminate their employment with three months' written notice.

Non-compete

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.

Signed in accordance with a resolution of the Directors.

Peter Smedley
Chairman

Geoff Plummer
Managing Director

Sydney
17 August 2010

Discussion and Analysis of the Financial Statements

This discussion and analysis is provided to assist readers in understanding the financial report.

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

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

- Mining of iron ore
- Production of steel
- Manufacture and distribution of steel long products
- Recycling of ferrous and non-ferrous scrap metal.

Income Statement

Sales revenue decreased by 14% to $6,204.6 million, reflecting lower volumes and margin pressure from lower import prices and domestic competition particularly in the Australian Distribution and Manufacturing segments, partially offset by higher volumes and prices in the Iron Ore segment.

Finance costs were $89.2 million, down from $172.2 million in 2009 due to lower levels of debt during the year.

Net profit attributable to equity holders of the parent for the financial year was $258.4 million.

Balance Sheet

Total assets increased by $134.6 million primarily due to higher inventories associated with strategic stock purchases and increased iron ore inventory.

Total liabilities decreased by $21.8 million mainly due to higher payable balances associated with stock purchases offset by lower debt balances.

Contributed equity increased by $15.9 million due to shares issued under the Dividend Reinvestment Plan.

Cash Flow Statement

Consolidated net cash flow from operating activities increased by $234.1 million to $602.1 million, reflecting higher operating profit, income tax refunds received and lower interest costs as a result of reduced debt levels.

Consolidated net cash outflow from investing activities was $190.1 million, reflecting minor business acquisitions during the year of $33.6 million.

Consolidated net cash outflow from financing activities was $356.8 million.

Dividends

The Directors have declared an unfranked final dividend for 2010 of 6.0 cents per share payable on 14 October 2010.

PUBLIC FILE 151

Income Statement

FOR THE YEAR ENDED 30 JUNE

	NOTES	CONSOLIDATED 2010 $m	2009 $m
Sales revenue	4	6,204.6	7,241.5
Cost of sales		(4,970.6)	(5,654.0)
Gross profit		1,234.0	1,587.5
Other revenue	4	23.6	39.5
Other income	4	32.7	26.8
Operating expenses including restructuring activities	4	(866.3)	(1,258.0)
Finance costs	4	(89.2)	(172.2)
Share of net loss of investments accounted for using the equity method		(0.8)	(0.5)
Profit before income tax		**334.0**	**223.1**
Total income tax (expense) / benefit	5	(73.3)	16.5
Profit after tax		**260.7**	**239.6**
Profit attributable to minority interests		(2.3)	(10.1)
Profit attributable to equity holders of the parent		**258.4**	**229.5**
Basic earnings per share (cents per share)	6	19.51	22.59
Diluted earnings per share (cents per share)	6	19.45	22.53

The accompanying notes form an integral part of the financial statements.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE

	CONSOLIDATED 2010 $m	CONSOLIDATED 2009 $m
Profit after tax	260.7	239.6
Other comprehensive income		
Cash flow hedges:		
- net gains / (losses) taken to equity	23.8	(4.0)
- transferred to profit	(18.1)	(14.6)
- transferred to initial carrying amount of hedged items	0.4	(4.8)
Currency translation differences:		
- net investment hedges	5.3	(11.0)
- exchange fluctuations on overseas net assets	(11.8)	74.0
Other comprehensive (expense) / income, net of tax	(0.4)	39.6
Total comprehensive income	260.3	279.2
Total comprehensive income attributable to:		
Equity holders of the parent	256.8	268.5
Minority interests	3.5	10.7

The accompanying notes form an integral part of the financial statements.

PUBLIC FILE 149

Balance Sheet

AS AT 30 JUNE

	NOTES	CONSOLIDATED 2010 $m	2009 $m
ASSETS			
Current assets			
Cash and cash equivalents	24	83.4	54.9
Receivables	7	829.3	827.1
Derivative financial instruments	8	5.0	12.6
Inventories	9	1,433.0	1,239.9
Current tax assets		-	75.8
Other financial assets	10	-	2.2
Other current assets	15	13.6	16.6
Total current assets		**2,364.3**	**2,229.1**
Non-current assets			
Investments accounted for using the equity method	11	6.6	7.4
Derivative financial instruments	8	16.8	-
Other financial assets	10	2.5	-
Other non-current assets	15	1.8	-
Property, plant and equipment	12	2,302.3	2,369.0
Mine development expenditures	13	172.2	108.4
Other intangibles and goodwill	14	2,070.0	2,074.6
Deferred tax assets	5	131.2	144.6
Total non-current assets		**4,703.4**	**4,704.0**
TOTAL ASSETS		**7,067.7**	**6,933.1**
LIABILITIES			
Current liabilities			
Payables	16	863.1	613.7
Derivative financial instruments	8	3.7	55.9
Interest-bearing liabilities	17	331.9	200.8
Current tax liabilities		11.1	-
Provisions	18	278.8	291.0
Total current liabilities		**1,488.6**	**1,161.4**
Non-current liabilities			
Derivative financial instruments	8	51.4	58.1
Interest-bearing liabilities	17	715.2	1,078.0
Deferred tax liabilities	5	201.8	182.9
Provisions	18	118.0	116.4
Total non-current liabilities		**1,086.4**	**1,435.4**
TOTAL LIABILITIES		**2,575.0**	**2,596.8**
NET ASSETS		**4,492.7**	**4,336.3**
EQUITY			
Contributed equity	20	3,751.1	3,735.2
Retained earnings	21	700.4	561.5
Reserves	22	(19.0)	(21.5)
Parent interests		4,432.5	4,275.2
Minority interests		60.2	61.1
TOTAL EQUITY		**4,492.7**	**4,336.3**

The accompanying notes form an integral part of the financial statements.

PUBLIC FILE 145

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE

	NOTES	CONSOLIDATED 2010 $m	CONSOLIDATED 2009 $m
		INFLOWS / (OUTFLOWS)	
Cash flows from operating activities			
Receipts from customers		6,253.8	7,626.3
Payments to suppliers and employees		(5,605.4)	(7,029.8)
Net GST (paid) / received		(2.8)	5.6
Interest received		2.0	4.4
Interest and other finance costs paid		(92.5)	(172.2)
Income taxes received / (paid)		47.0	(66.3)
Net operating cash flows	24(b)	**602.1**	**368.0**
Cash flows from investing activities			
Purchases of property, plant and equipment		(145.7)	(179.1)
Mine development expenditure		(25.4)	(3.1)
Purchase of finite life intangible assets		(2.1)	(5.4)
Proceeds from sale of property, plant and equipment		16.7	15.8
Proceeds from sale of intangible assets		–	16.8
Purchases of businesses	24(e)	(33.6)	(3.3)
Net investing cash flows		**(190.1)**	**(158.3)**
Cash flows from financing activities			
Proceeds from issues of shares		0.1	771.3
Purchase of shares under equity-based compensation plans		(4.6)	(5.0)
Proceeds from borrowings		1,174.2	3,894.2
Repayment of borrowings		(1,395.2)	(4,796.1)
Loan to related party		(2.5)	(21.7)
Repayment of principal of finance leases		(24.7)	-
Dividends paid		(104.1)	(147.7)
Net financing cash flows		**(356.8)**	**(305.0)**
Net increase / (decrease) in cash and cash equivalents		**55.2**	**(95.3)**
Cash and cash equivalents at the beginning of the year		20.6	108.4
Effect of exchange rate fluctuations on cash held		(0.5)	7.5
Cash and cash equivalents at the end of the year	24(a)	**75.3**	**20.6**

The accompanying notes form an integral part of the financial statements

PUBLIC FILE 14

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						MINORITY INTERESTS	TOTAL EQUITY
		CONTRIBUTED EQUITY							
CONSOLIDATED	NOTES	ISSUE OF CAPITAL $m	EMPLOYEE COMPENSATION SHARES $m	TOTAL CONTRIBUTED EQUITY $m	RETAINED EARNINGS $m	TOTAL RESERVES $m	TOTAL PARENT INTERESTS $m	$m	$m
At 1 July 2009		3,749.8	(14.6)	3,735.2	561.5	(21.5)	4,275.2	61.1	4,336.3
Net profit for the year		-	-	-	258.4	-	258.4	2.3	260.7
Other comprehensive income		-		-	-	(1.6)	(1.6)	1.2	(0.4)
Total comprehensive income / expense for the year, net of tax		-	-	-	258.4	(1.6)	256.8	3.5	260.3
Transactions with equity holders:									
Share based payments expense	22(c)	-	-		-	4.7	4.7	-	4.7
Vested shares	20, 22(c)	-	0.6	0.6	-	(0.6)	-	-	
Purchase of shares under equity-based compensation plans	20	-	(4.5)	(4.5)	-	-	(4.5)	-	(4.5)
Dividends paid	23		-	-	(119.5)	-	(119.5)	(4.4)	(123.9)
Shares issued, net of transaction costs	20	0.1	-	0.1	-	-	0.1	-	0.1
Shares issued under dividend reinvestment plan	20	19.7	-	19.7	-	-	19.7	-	19.7
Total transactions with equity holders		19.8	(3.9)	15.9	(119.5)	4.1	(99.5)	(4.4)	(103.9)
At 30 June 2010		**3,769.6**	**(18.5)**	**3,751.1**	**700.4**	**(19.0)**	**4,432.5**	**60.2**	**4,492.7**

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						MINORITY INTERESTS	TOTAL EQUITY
		CONTRIBUTED EQUITY							
CONSOLIDATED	NOTES	ISSUED CAPITAL $m	EMPLOYEE COMPENSATION SHARES $m	TOTAL CONTRIBUTED EQUITY $m	RETAINED EARNINGS $m	TOTAL RESERVES $m	TOTAL PARENT INTERESTS $m	$m	$m
At 1 July 2008		2,942.1	(12.2)	2,929.9	503.6	(61.8)	3,371.7	57.7	3,429.4
Net profit for the year		-	-	-	229.5	-	229.5	10.1	239.6
Other comprehensive income		-	-	-	-	39.0	39.0	0.6	39.6
Total comprehensive income/expense for the year, net of tax		-	-	-	229.5	39.0	268.5	10.7	279.2
Transactions with equity holders:									
Share-based payments expense	22(c)	-	-	-	-	3.9	3.9	-	3.9
Vested shares	20, 22(c)	-	2.6	2.6	-	(2.6)	-	-	-
Purchase of shares under equity based compensation plans	20	-	(5.0)	(5.0)	-	-	(5.0)	-	(5.0)
Dividends paid	23	-	-	-	(171.6)	-	(171.6)	(7.1)	(178.7)
Shares issued, net of transaction costs	20	776.7	-	776.7	-	-	776.7	(0.2)	776.5
Shares issued under dividend reinvestment plan	20	31.0	-	31.0	-	-	31.0	-	31.0
Total transactions with equity holders		807.7	(2.4)	805.3	(171.6)	1.3	635.0	(7.3)	627.7
At 30 June 2009		**3,749.8**	**(14.6)**	**3,735.2**	**561.5**	**(21.5)**	**4,275.2**	**61.1**	**4,336.3**

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report comprises the consolidated entity consisting of OneSteel Limited and its subsidiaries.

(a) Basis of preparation

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and applicable Australian Accounting Standards (including Australian Interpretations).

The financial report of OneSteel Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 17 August 2010.

It is recommended that the financial report be considered together with any public announcements made by OneSteel Limited and its controlled entities during the year ended 30 June 2010 in accordance with the continuous disclosure obligations of the Corporations Act 2001.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Compliance with IFRS
The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Historical cost convention
These financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Rounding of amounts
The financial report is prepared in Australian dollars. Amounts in the financial statements have been rounded to the nearest hundred thousand dollars, unless specifically stated to be otherwise, under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of OneSteel Limited (the parent entity) at balance date and the results of all subsidiaries for the year then ended. OneSteel Limited and its subsidiaries together are referred to in this financial report as the OneSteel Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control ceases. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Balance Sheet respectively.

Changes in ownership interests
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of OneSteel Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in the carrying amount recognised in the Income Statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the Income Statement where appropriate.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the Income Statement where appropriate.

Changes in accounting policy
The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when the revised AASB 127 Consolidated and Separate Financial Statements became operative.

Previously, transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in the Income Statement and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to the Income Statement or directly to retained earnings.

Previously, when the Group ceased to have control, joint control or significant influence over an entity the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interest as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the Income Statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Income Statement.

Change in accounting policy

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as a liability and subsequently remeasured through the Income Statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition related costs are expensed as incurred. Previously they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of a deferred tax asset will increase the Group's net profit after tax.

The Group has elected to apply the revised standard on a prospective basis from 1 July 2009.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of OneSteel Limited.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using exchange rates that approximate those prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at average exchange rates
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold and any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Income Statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable, to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Amounts disclosed as revenue earned from the sale of products or services are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer or the service has been delivered and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

Change in accounting policy

Dividends received from investments in non subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, dividends paid from pre-acquisition profits would have been deducted from the cost of investment.

In accordance with the transitional provisions, the new accounting policy is applied prospectively. It was therefore not necessary to make any adjustments to any of the amounts previously recognised in the financial statements.

(f) Income taxes

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates which are enacted or substantively enacted for each jurisdiction at balance date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences in a transaction, other than a business combination, that at the time of the transaction affects neither accounting profit or taxable profit and loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity, are also recognised directly in equity.

Tax consolidation legislation

OneSteel Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, OneSteel Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

Assets or liabilities arising under tax sharing agreements with the tax consolidated entities are recognised as amounts receivable from or payable to the head entity. Details of the tax sharing agreement are disclosed in Note 5.

Any difference between the amounts assumed and amounts receivable or payable under the tax sharing agreements are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, it is recognised as part of the cost of acquisition of the asset, or as part of the expense.

Receivables and payables in the Balance Sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Balance Sheet.

The GST components of cash flows which are recoverable from, or payable to the taxation authority are classified as part of operating cash flows.

(h) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within current interest-bearing liabilities on the Balance Sheet.

(i) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of doubtful debt provided for is recognised in the Income Statement within operating expenses. When a trade receivable for which an allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Income Statement.

(j) Inventories

Inventories, including raw materials, work in progress and finished goods, are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. They include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on the basis of weighted average cost. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss; loans and receivables; and available for sale financial assets. The Group does not have any held to maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading, and are classified as such if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the Income Statement. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available for sale investments

Available for sale investments are those non derivative financial assets that are designated as available for sale or are not classified in any of the two preceding categories. After initial recognition, available for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Income Statement.

(l) Investments accounted for using the equity method

Investments in jointly controlled entities and associates are accounted for in the consolidated financial statements by applying the equity method of accounting, after initially being recognised at cost. Under the equity method, investments in jointly controlled entities and associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the jointly controlled entity. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in jointly controlled entities or associates.

The Group's share of the jointly controlled entity's and associate's post-acquisition profits or losses is recognised in the Income Statement and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Should the Group's share of losses in a jointly controlled entity or associate equal or exceed its interest in the entity, no further losses are recognised, unless it has incurred obligations or made payments on behalf of the entity.

The jointly controlled entity and associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(m) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) Leased assets

Leases of property, plant and equipment where the Group, as lessee, has substantially all of the risks and benefits incidental to ownership of the leased item are classified as finance leases. These are initially recognised at the fair value of the leased asset, or if lower, the present value of the minimum lease payments as determined at the inception of the lease. The corresponding lease obligation, net of finance charges is included in interest-bearing liabilities.

PUBLIC FILE 113

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

	CONSOLIDATED				
	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m
Historic summary					
Defined benefit plan obligation	(322.4)	(376.4)	(361.3)	(356.5)	(340.8)
Plan assets	298.6	303.8	348.4	393.7	348.2
(Deficit) / Surplus	(23.8)	(72.6)	(12.9)	37.2	7.4
Experience adjustments arising on plan liabilities	17.8	(2.5)	(29.6)	(9.3)	(18.2)
Experience adjustments arising on plan assets	23.6	(54.7)	(86.3)	33.9	40.3

Employer contributions

Excluding salary sacrifice contributions, the Group intends to continue to contribute to the defined benefit section of the plan at a rate of at least 13.5% (2009: 13.5%) of superannuation salaries, in line with the actuary's latest recommendations.

The Group also intends to contribute the additional "top-up" contributions to the OneSteel Superannuation Fund to fund the current funding deficit as instructed by the Fund actuary from time to time.

Total employer contributions (excluding any additional "top-up" contribution) expected to be paid by the Group in respect of the defined benefit sections for the year ending 30 June 2011 are $9.0 million.

20. CONTRIBUTED EQUITY

	CONSOLIDATED	
	2010 $m	2009 $m
Contributed equity		
Issued capital (a)	3,769.6	3,749.8
Employee compensation shares (b)	(18.5)	(14.6)
Total contributed equity	3,751.1	3,735.2
(a) Issued capital		
Number of ordinary shares: 1,331,583,166 (2009: 1,325,811,294)		
Issued and paid-up	3,769.6	3,749.8
(b) Employee compensation shares		
Number of ordinary shares: 3,856,030 (2009: 2,569,901)		
Shares held in trust under equity-based compensation arrangements	(18.5)	(14.6)

	NUMBER OF ORDINARY SHARES		VALUE OF ORDINARY SHARES	
	2010	2009	2010 $m	2009 $m
Movement in issued capital for the period				
On issue at the beginning of the year	1,325,811,294	878,712,920	3,749.8	2,942.1
Shares issued on the exercise of options[1]	144,506	35,332	0.1	
Shares issued under an Institutional Placement and Entitlement Offer[2]	-	438,482,683	-	789.3
Transaction costs arising on share issue, net of tax	-	-	-	(12.6)
Shares issued under a dividend reinvestment plan[3]	5,627,366	8,580,359	19.7	31.0
On issue at the end of the year	1,331,583,166	1,325,811,294	3,769.6	3,749.8
Movements in employee compensation shares for the period				
Held in trust at the beginning of the year	(2,569,901)	(2,511,103)	(14.6)	(12.2)
Shares vested and transferred to share based payments reserve (Note 22)	92,100	761,126	0.6	2.6
Shares purchased on-market	(1,378,229)	(819,924)	(4.5)	(5.0)
Held in trust at the end of the year	(3,856,030)	(2,569,901)	(18.5)	(14.6)

1 Issued from the exercise of options under the Long-Term Incentive Plan (refer Note 29). Due to the suspension of the option section of the Long-Term Incentive Plan, there were no options issued during the year.

2 On 30 April 2009, 191,190,831 ordinary shares were issued under the Institutional Entitlement Offer and 133,333,333 ordinary shares were issued under the Institutional Placement, at an issue price of $1.80 per share. On 12 May 2009, 113,958,519 ordinary shares were issued under the Retail Entitlement Offer at an issue price of $1.80 per share. Under the Entitlement Offer, eligible shareholders were invited to participate on a pro-rata basis to their existing shareholdings by subscribing to two new OneSteel shares for every five OneSteel shares owned, at a price of $1.80 per share.

3 The dividend reinvestment plan provides shareholders with an opportunity to acquire additional ordinary shares in lieu of cash dividends. Shares were issued at $3.23 (October 2009) and $3.72 (April 2010).

Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

21. RETAINED EARNINGS

	CONSOLIDATED	
	2010 $m	2009 $m
At the beginning of the year	561.5	503.6
Net profit	258.4	229.5
Dividends paid (Note 23)	(119.5)	(171.6)
At the end of the year	700.4	561.5

22. RESERVES

	CONSOLIDATED	
	2010 $m	2009 $m
Foreign currency translation reserve	(29.5)	(22.0)
Cash flow hedge reserve	0.4	(5.5)
Share-based payments reserve	8.3	4.2
Asset revaluation reserve	1.8	1.8
	(19.0)	(21.5)
(a) Foreign currency translation reserve		
At the beginning of the year	(22.0)	(84.4)
Net investment hedges	5.3	(11.0)
Exchange fluctuations on overseas net assets	(12.8)	73.4
At the end of the year	(29.5)	(22.0)
(b) Cash flow hedge reserve		
At the beginning of the year	(5.5)	17.9
Gains / (Losses) taken to equity	23.8	(4.0)
Transferred to finance costs	(18.1)	(14.6)
Transferred to initial carrying amount of hedged items on Balance Sheet	0.2	4.8
At the end of the year	0.4	(5.5)
(c) Share-based payments reserve		
At the beginning of the year	4.2	2.9
Expense recognised	4.7	3.9
Transferred from employee compensation shares (Note 20)	(0.6)	(2.6)
At the end of the year	8.3	4.2
(d) Asset revaluation reserve		
At the beginning of the year	1.8	1.8
At the end of the year	1.8	1.8

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and the effective portion of the gain or loss on net investment hedges.

Cash flow hedge reserve
The cash flow hedge reserve is used to record the effective portion of the gain or loss on hedge instruments and the underlying hedged item in designated cash flow hedge relationships.

Share-based payments reserve
The share-based payments reserve is used to record the value of equity-based compensation provided to employees and senior executives as part of their remuneration. Refer to Note 29 for further details of these plans.

Asset revaluation reserve
The asset revaluation reserve relates to the revaluation of the pre-acquisition carrying amounts of intangible assets acquired through business combinations, to their fair values.

23. DIVIDENDS

The following dividends have been paid, declared or recommended since the end of the preceding financial year in relation to the consolidated and parent entity:

	ON ORDINARY SHARES $m	DIVIDEND PER ORDINARY SHARE CENTS
2010		
Interim unfranked dividend for 2010, paid on 15 April 2010	66.5	5.0
Final unfranked dividend for 2009, paid on 15 October 2009	53.0	4.0
	119.5	9.0
2009		
Interim fully franked dividend for 2009, paid on 16 April 2009	53.0	6.0
Final fully franked dividend for 2008, paid on 16 October 2008	118.6	13.5
	171.6	19.5

Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have recommended the payment of an unfranked final dividend of 6.0 cents per fully paid ordinary share (2009: 4.0 cents, unfranked). The aggregate amount of the proposed dividend expected to be paid on 14 October 2010 but not recognised as a liability at year end is $79.9 million (2009: $53.0 million).

Dividend franking

	PARENT 2010 $m	PARENT 2009 $m
The amount of franking credits available for the subsequent financial year based on tax rate at 30% (2009: 30%)	–	–

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

24. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation to Cash Flow Statement

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

	CONSOLIDATED	
	2010 $m	2009 $m
Cash and cash equivalents	83.4	54.9
At call bank loan	(8.1)	(34.3)
	75.3	20.6

	CONSOLIDATED	
	2010 $m	2009 $m
(b) Reconciliation of profit after tax to net cash flows from operating activities:		
Profit after tax	260.7	239.6
Adjusted for non-cash items		
Depreciation and amortisation	215.1	199.5
Impairment of plant and equipment	-	2.3
Net gains on disposal of property, plant and equipment and intangible assets	(4.8)	(24.7)
Share of net loss of investments accounted for using the equity method	0.8	0.5
Net fair value change on derivative financial instruments	(2.3)	0.8
Unrealised foreign exchange (gains) / losses	(2.7)	14.8
Share-based payment expense	4.4	3.9
Finance costs	2.8	2.7
Changes in assets and liabilities net of effects of purchase and sale of controlled entities and business		
Decrease / (Increase) in receivables	0.8	374.2
Decrease / (Increase) in inventories	(188.3)	87.3
Decrease / (Increase) in deferred tax balances	59.1	35.6
Decrease / (Increase) in other assets	(77.3)	(23.6)
(Decrease) / Increase in tax provisions	61.2	(118.3)
(Decrease) / Increase in payables	287.0	(414.1)
(Decrease) / Increase in provisions	(14.4)	(7.5)
Net cash flow from operating activities	602.1	368.0

(c) Non-cash investing and financing activities

During the year, dividends of $19.7 million (2009: $31.0 million) were satisfied via the issue of shares under a dividend reinvestment plan. Refer to Note 20.

(d) Fair values

The carrying amount of the Group's cash and cash equivalents approximate their fair value.

(e) Acquisition of business

During the year, the Group made the following business acquisitions:

	DATE OF ACQUISITION
Condamine Steel Pty Ltd	1 July 2009
Metals Trading Pty Ltd	21 May 2010
Recovcorp Pty Ltd	21 May 2010
Ace Metals Pty Ltd	28 June 2010

Details of the purchase consideration, fair value of the net identifiable assets acquired and goodwill are as follows:

	CONSOLIDATED
	$m
Inventory	2.8
Property, plant and equipment	12.0
Other assets	0.1
Deferred tax assets	0.3
Provisions	(1.0)
Net identifiable assets acquired	14.2
Purchase consideration paid	
Cash paid	(33.6)
Assets given[1]	(0.2)
Total purchase consideration paid	(33.8)
Direct costs relating to the acquisition[2]	
Outflow of cash – investing activities	(33.6)

1 Related to trading debt due from Condamine Steel to the acquiring OneSteel entity as at the acquisition date.
2 Acquisition related costs of $0.7 million are included in operating expenses in the Income Statement and in operating cash flows in the Cash Flow Statement.

It is not practicable to determine the revenues and profit of the Group had the combinations taken place at 1 July 2009 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.

It is not practicable to determine the contribution of the acquired businesses to the revenues and profit of the Group from the date of acquisition due to the integration of the acquired businesses into the Group's existing operations.

25. COMMITMENTS

(a) Capital commitments

Commitments contracted for at balance sheet date but not recognised as liabilities are as follows:

	CONSOLIDATED	
	2010 $m	2009 $m
Property, plant and equipment		
Payable:		
Within one year	25.4	24.6
After one year but not more than five years	–	–
Longer than five years	–	–
Total capital commitments	25.4	24.6

(b) Operating lease commitments

The OneSteel Group has entered into various non-cancellable operating leases on property, plant and equipment. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also leases various plant and machinery under cancellable operating leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED	
	2010 $m	2009 $m
Within one year	70.4	80.1
After one year but not more than five years	139.7	158.9
Longer than five years	42.5	29.7
Total operating lease commitments	252.6	268.7

PUBLIC FILE 107

25. COMMITMENTS (continued)

(c) Finance lease commitments

The Group has finance lease and hire purchase contracts for various items of plant and machinery.

Commitments in relation to finance leases are payable as follows:

	CONSOLIDATED 2010 $m	2009 $m
Within one year	-	25.3
After one year but not more than five years	-	-
Minimum lease payments	-	25.3
Less: Future finance charges	-	(0.6)
Total lease liability	-	24.7
Lease liability – current	-	24.7
Lease liability – non current	-	-
Total lease liability	-	24.7

The weighted average interest rate implicit in the leases in 2009 was 8.2%.

26. CONTINGENCIES

(a) Contingent liabilities

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

	CONSOLIDATED 2010 $m	2009 $m
Guarantees and indemnities		
Bank guarantees covering:		
Workers' compensation self-insurance licences	47.0	47.9
Performance of contracts	46.4	30.1

In Australia, OneSteel Limited has given guarantees to various state workers' compensation authorities as a prerequisite for self-insurance. Of this amount, a total of $36.5 million (2009: $35.1 million) has been provided for in the consolidated financial statements as recommended by independent actuarial advice.

Third party claims

The 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.

27. CONTROLLED ENTITIES

The consolidated financial statements at 30 June 2010 include the following controlled entities:

ENTITY	NOTES	COUNTRY OF INCORPORATION	% OF SHARES HELD 2010	2009
OneSteel Limited	(a)	Australia		
A.B. Metal Pty Limited		Australia	100.0	100.0
A.C.N 006 769 035		Australia	100.0	100.0
A.C.N. 124 092 173 Pty Ltd		Australia	100.0	100.0
A.I. Pty Ltd		Australia	100.0	100.0
Akkord Pty Limited		Australia	100.0	100.0
ANI Australia Pty Limited		Australia	100.0	100.0
ANI Construction (W.A.) Pty Ltd		Australia	100.0	100.0
ANI Finance (UK) Ltd		England	100.0	100.0
ANI Metal Products, LLC		USA	100.0	100.0
ANI Mineral Processing, LLC		USA	100.0	100.0
ANI Mining Services Pty Ltd		Australia	100.0	100.0
ANI Monosteel Pty Limited (in liquidation)		Australia	100.0	100.0
ANI Xatal Pty Ltd		Australia	100.0	100.0
Aquila Steel Company Pty Ltd		Australia	100.0	100.0
Arnall's Engineering Pty Ltd		Australia	100.0	100.0
Ashland Investments Pty Ltd		Australia	100.0	100.0
Atlas Group Employees Superannuation Fund Pty Ltd		Australia	100.0	100.0
Atlas Group Staff Superannuation Fund Pty Ltd		Australia	100.0	100.0
Atlas Group Superannuation Plan Pty Ltd		Australia	100.0	100.0
Austral Steel Holdings Pty Limited		Australia	100.0	100.0
Australian National Industries Pty Ltd		Australia	100.0	100.0
Australian Tube Mills Pty Limited	(b)	Australia	100.0	100.0
Australian Wire Industries Pty Limited		Australia	100.0	100.0
AWI Holdings Pty Limited		Australia	100.0	100.0
B.G.J. Holdings Proprietary Ltd		Australia	100.0	100.0
Banana Coast Recyclers Pty Limited		Australia	100.0	100.0
Bradken Consolidated Pty Limited		Australia	100.0	100.0
Certified Roofing Specialists Limited		New Zealand	50.3	50.3
Cockatoo Dockyard Pty Limited		Australia	100.0	100.0
Commonwealth Steel Company Pty Limited		Australia	100.0	100.0
Comsteel Pty Ltd		Australia	100.0	100.0
Dane Taylor Holdings Proprietary Limited		Australia	100.0	100.0
David Crozier Limited		New Zealand	50.3	50.3
E. & G. Products Pty Limited		Australia	100.0	100.0
E. & G. Steel Pty Ltd		Australia	100.0	100.0
Eagle & Globe Pty Limited		Australia	100.0	100.0
Email Accumulation Superannuation Pty Ltd		Australia	100.0	100.0
Email Executive Superannuation Pty Ltd		Australia	100.0	100.0
Email Holdings Pty Limited		Australia	100.0	100.0
Email Management Superannuation Pty Ltd		Australia	100.0	100.0
Email Metals Pty Ltd		Australia	100.0	100.0
Email Pty Limited		Australia	100.0	100.0
Email Superannuation Pty Ltd		Australia	100.0	100.0
EMCO Group Ltd		New Zealand	50.3	50.3
Emwest Holdings Pty Ltd		Australia	100.0	100.0
Emwest Properties Pty Limited		Australia	100.0	100.0
Fagersta Australia Proprietary Limited	(b)	Australia	100.0	100.0
Fagersta Steels Pty Ltd	(b)	Australia	100.0	100.0
GSF Management Pty Limited		Australia	100.0	100.0
Helix Cables International Pty Ltd		Australia	100.0	100.0
HP Metal Recycling (HK) Limited		Hong Kong	100.0	100.0
HP Metal Recycling Inc		Philippines	100.0	100.0
HPR Industrial (JB) Sdn Bhd		Malaysia	100.0	100.0
Investment Acceptance Pty Ltd		Australia	100.0	100.0
J Murray-More (Holdings) Pty Ltd		Australia	100.0	100.0
John McGrath (OP) Pty Limited		Australia	100.0	100.0

PUBLIC FILE 105

27. CONTROLLED ENTITIES (continued)

ENTITY	NOTES	COUNTRY OF INCORPORATION	% OF SHARES HELD 2010	2009
John McGrath Pty Ltd		Australia	100.0	100.0
Kelvinator Australia Pty Ltd		Australia	100.0	100.0
Linstar Holdings Sdn Bhd		Malaysia	100.0	100.0
Litesteel Products Pty Ltd		Australia	100.0	100.0
Litesteel Technologies America LLC		USA	100.0	100.0
Litesteel Technologies Pty Ltd	(b)	Australia	100.0	100.0
M.I. Steel (N.S.W.) Pty Limited		Australia	100.0	100.0
M.I. Steel (Qld) Pty Ltd		Australia	100.0	100.0
M.I. Steel (Sydney) Pty Limited		Australia	100.0	100.0
M.I. Steel (Tas) Pty Limited		Australia	100.0	100.0
M.I. Steel (Vic) Pty Limited		Australia	100.0	100.0
M-Asia Enterprise (KL) Bhd		Malaysia	100.0	100.0
Metals Properties Pty Ltd		Australia	100.0	100.0
Metalstores Pty Limited		Australia	100.0	100.0
Metpol Pty Ltd		Australia	100.0	100.0
Mittagong Engineering Pty Ltd		Australia	100.0	100.0
N.K.S. (Holdings) Proprietary Limited		Australia	100.0	100.0
National Valve and Engineering Company Proprietary Limited		Australia	100.0	100.0
Northern Service Supplies Pty Ltd		Australia	100.0	100.0
NZMC Limited		New Zealand	50.3	50.3
O Dee Gee Co. Pty Ltd		Australia	100.0	100.0
OneSteel Asia Limited		Hong Kong	100.0	100.0
OneSteel Australian Tube Mills Pty Limited	(b)	Australia	100.0	100.0
OneSteel Building Supplies Pty Limited		Australia	100.0	100.0
OneSteel Coil Coaters Pty Ltd	(b)	Australia	100.0	100.0
OneSteel Finance Pty Limited	(b)	Australia	100.0	100.0
OneSteel Grinding Systems LLC		USA	100.0	100.0
OneSteel Group (US Holdings) Inc		USA	100.0	100.0
OneSteel Insurance Pte Ltd		Singapore	100.0	100.0
OneSteel Investments Pty Limited		Australia	100.0	100.0
OneSteel Manufacturing Pty Limited		Australia	100.0	100.0
OneSteel MBS Pty Limited		Australia	100.0	100.0
OneSteel NSW Pty Limited		Australia	100.0	100.0
OneSteel NZ Holdings Limited		New Zealand	100.0	100.0
OneSteel NZ Limited		New Zealand	100.0	100.0
OneSteel Queensland Pty Limited		Australia	100.0	100.0
OneSteel Recycling (Fiji) Limited		Fiji	100.0	100.0
OneSteel Recycling Asia Limited		Hong Kong	100.0	100.0
OneSteel Recycling Holdings Pty Ltd	(b)	Australia	100.0	100.0
OneSteel Recycling Hong Kong Limited		Hong Kong	100.0	100.0
OneSteel Recycling NZ Limited		New Zealand	100.0	100.0
OneSteel Recycling Overseas Pty Limited	(b)	Australia	100.0	100.0
OneSteel Recycling PNG Limited		PNG	100.0	100.0
OneSteel Recycling Pty Limited	(b)	Australia	100.0	100.0
OneSteel Recycling Inc		USA	100.0	100.0
OneSteel Reinforcing Pty Limited		Australia	100.0	100.0
OneSteel Technologies Pty Limited		Australia	100.0	100.0
OneSteel Trading Pty Limited		Australia	100.0	100.0
OneSteel US Investments		USA	100.0	100.0
OneSteel US Investments 1 Pty Ltd	(b)	Australia	100.0	100.0
OneSteel US Investments 2 Pty Ltd	(b)	Australia	100.0	100.0
OneSteel Victoria Pty Ltd		Australia	100.0	100.0
OneSteel Wire Pty Limited		Australia	100.0	100.0
Overseas Corporation (Australia) Pty Ltd		Australia	100.0	100.0
P & T Tube Mills Pty Ltd	(b)	Australia	100.0	100.0
Palmer Tube Mills (NZ) Limited		New Zealand	100.0	100.0

ENTITY	NOTES	COUNTRY OF INCORPORATION	% OF SHARES HELD 2010	2009
Palmer Tube Mills Pty Limited	(b)	Australia	100.0	100.0
Pipeline Supplies (Malaysia) Sdn Bhd		Malaysia	100.0	100.0
Pipeline Supplies of Australia Pty Limited		Australia	100.0	100.0
PT Commonwealth Steel Indonesia		Indonesia	100.0	100.0
OMR Inc		Philippines	100.0	100.0
Reosteel Pty Ltd		Australia	100.0	100.0
Roentgen Ray Pty Ltd		Australia	100.0	100.0
Somerville Rehabilitation Services Pty Ltd		Australia	100.0	100.0
SSG Investments Pty Ltd		Australia	100.0	100.0
SSG No.2 Pty Ltd		Australia	100.0	100.0
SSG No.3 Pty Ltd		Australia	100.0	100.0
SSGL Share Plan Nominees Pty Ltd		Australia	100.0	100.0
SSX Acquisitions Pty Limited	(b)	Australia	100.0	100.0
SSX Employees Superannuation Fund Pty Ltd		Australia	100.0	100.0
SSX Holdings Pty Limited		Australia	100.0	100.0
SSX International Pty Limited	(b)	Australia	100.0	100.0
SSX Pty Limited	(b)	Australia	100.0	100.0
SSX Recycling New Zealand Pty Ltd		Australia	100.0	100.0
SSX Retirement Fund Pty Ltd		Australia	100.0	100.0
SSX Services Pty Limited	(b)	Australia	100.0	100.0
SSX Singapore Pte Ltd		Singapore	100.0	100.0
SSX Staff Superannuation Fund Pty Ltd		Australia	100.0	100.0
Steel & Tube Holdings Limited		New Zealand	50.3	50.3
Steel & Tube New Zealand Limited		New Zealand	50.3	50.3
Steelmark Properties Pty Ltd		Australia	100.0	100.0
Stube Industries Limited		New Zealand	50.3	50.3
Tasco Superannuation Management Pty Ltd		Australia	100.0	100.0
Thai Metal Recycling Limited		Thailand	100.0	100.0
The ANI Corporation Pty Limited		Australia	100.0	100.0
The Australian Steel Company (Operations) Pty Ltd	(b)	Australia	100.0	100.0
Titan Mining & Engineering Pty Ltd		Australia	100.0	100.0
TMR Loha Holdings Limited		Thailand	100.0	100.0
Tube Estates Pty Ltd		Australia	100.0	100.0
Tube Street Pty Ltd		Australia	100.0	100.0
Tube Technology Pty Ltd		Australia	100.0	100.0
Tubemakers of Australia Pty Limited		Australia	100.0	100.0
Tubemakers of Somerton Pty Limited		Australia	100.0	100.0
W.A. Mining Engineering Services Pty Ltd		Australia	100.0	100.0
Wembley Insurance Pte Ltd		Singapore	100.0	100.0
Western Consolidated Industries Pty Ltd		Australia	100.0	100.0
X.C.E. Pty Ltd		Australia	100.0	100.0
X.C.H. Pty Ltd		Australia	100.0	100.0
X.D.I.R. Pty Limited		Australia	100.0	100.0
X.M.A.L. Pty Limited		Australia	100.0	100.0
X.P. Pty Limited		Australia	100.0	100.0
XEM (Aust) Pty Limited		Australia	100.0	100.0
XJM (Malaysia) Sdn Bhd		Malaysia	100.0	100.0
XLA Pty Ltd		Australia	100.0	100.0
XLL Pty Ltd		Australia	100.0	100.0
XMS Holdings Pty Limited		Australia	100.0	100.0
Zinctek Pty Ltd		Australia	100.0	100.0

(a) OneSteel Limited is a public company limited by shares, incorporated and domiciled in Australia. The registered office is c/- Company Secretary, Level 40, 259 George Street, Sydney NSW 2000, Australia.

(b) These companies have entered into a Deed of Cross Guarantee with OneSteel Limited (Holding Company) dated 10 June 2008 pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare an audited financial report.

The financial years of all controlled entities with the exception of Wembley Insurance Pte Ltd (balance date 31 March) are the same as that of the parent entity, OneSteel Limited.

PUBLIC FILE 103

27. CONTROLLED ENTITIES (continued)

Deed of Cross Guarantee

Financial information for the class order closed group:

	CLOSED GROUP	
	2010 $m	2009 $m
Income Statement		
Sales revenue	5,118.4	6,017.3
Cost of sales	(3,812.4)	(4,667.8)
Gross profit	1,306.0	1,349.5
Other revenue	25.4	60.2
Other income	59.9	38.2
Operating expenses including restructuring activities	(1,227.3)	(1,049.5)
Finance costs	(82.0)	(167.0)
Share of net loss of investments accounted for using the equity method	(0.2)	(1.7)
Profit before income tax	81.8	229.7
Income tax expense	(57.1)	(35.4)
Profit after tax	24.7	194.3
Statement of Comprehensive Income		
Profit after tax	24.7	194.3
Other comprehensive income		
Cash flow hedges:		
– net gains / (losses) taken to equity	23.8	(4.0)
– transferred to profit	(18.1)	(14.6)
– transferred to initial carrying amount of hedged items	0.2	(4.8)
Currency translation differences:		
– net investment hedges	5.3	(11.0)
Other comprehensive income for the year, net of tax	11.2	(34.4)
Total comprehensive income for the year	35.9	159.9
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	430.1	407.4
Net profit	24.7	194.3
Dividends provided for or paid	(119.5)	(171.6)
Retained earnings at the end of the year	335.3	430.1
Balance Sheet		
Current assets		
Cash and cash equivalents	42.3	12.8
Receivables	748.6	3,476.8
Derivative financial instruments	5.1	12.6
Inventories	1,201.4	1,038.2
Current tax assets	–	53.4
Other assets	11.1	10.6
Total current assets	2,008.5	4,604.4

	CLOSED GROUP	
	2010 $m	2009 $m
Non-current assets		
Derivative financial instruments	16.8	-
Other financial assets	404.2	1,656.8
Property, plant and equipment	1,926.1	1,909.5
Mine development expenditure	172.2	108.4
Intangibles	1,848.6	1,940.1
Deferred tax assets	137.3	156.1
Other assets	1.7	0.3
Total non-current assets	4,506.9	5,771.2
TOTAL ASSETS	6,515.4	10,375.6
Current liabilities		
Payables	780.2	529.8
Derivative financial instruments	3.7	55.4
Interest-bearing liabilities	576.7	4,214.3
Current tax liabilities	4.9	-
Provisions	248.3	252.2
Total current liabilities	1,613.8	5,051.7
Non-current liabilities		
Derivative financial instruments	51.4	58.1
Interest-bearing liabilities	446.4	826.1
Deferred tax liabilities	221.7	214.8
Provisions	78.5	59.3
Total non-current liabilities	798.0	1,158.3
TOTAL LIABILITIES	2,411.8	6,210.0
NET ASSETS	4,103.6	4,165.6
Equity		
Contributed equity	3,751.1	3,735.2
Retained earnings	335.3	430.1
Reserves	17.2	0.3
TOTAL EQUITY	4,103.6	4,165.6

PUBLIC FILE 101

28. RELATED PARTY DISCLOSURES

(a) Transactions with related parties in the wholly-owned group

Throughout the year, the parent entity, OneSteel Limited, entered into the following transactions with members of the wholly-owned group:

- Loans were received
- Interest was paid
- Management fees were received and paid
- Dividends were received
- Tax related transactions occurred within the tax consolidated group
- Loans were forgiven.

(b) Transactions with jointly controlled entities

	CONSOLIDATED	
TRANSACTION TYPE	2010 $m	2009 $m
Loan to jointly controlled entity	2.5	-

These transactions were undertaken on commercial terms and conditions.

(c) Ultimate controlling entity

The ultimate controlling entity of the OneSteel Group is OneSteel Limited.

29. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2010 NUMBER	2009 NUMBER
Employees as at 30 June	10,598	11,104
	$m	$m
The aggregate employee benefit liability is comprised of:		
Provisions (current)	256.9	221.9
Provisions (non-current)	39.2	37.8
Total employee benefit liabilities	296.1	259.7

(a) Self-insured workers' compensation provision

Obligations under self-insurance workers' compensation licences included in provision for employee benefits:

	CONSOLIDATED	
	2010 $m	2009 $m
New South Wales	24.2	25.1
Queensland	3.3	2.3
Victoria	2.3	4.3
South Australia	5.3	2.4
Western Australia	1.4	1.0
Total self-insurance workers' compensation provision	36.5	35.1

OneSteel provides the following share and option plans for employees:

(b) Employee share plans

OneSteel has two share plans under which eligible employees may acquire ordinary shares in the Company. The most recent offer under the employee share plan was made in May 2010 to eligible employees as at 1 April 2010. All Australian resident permanent employees (excluding OneSteel Directors) are eligible to participate in either, or both, the Tax Exempt or Tax Deferred Share Plan. Both the Tax Exempt and Tax Deferred plans enable participating employees to make salary sacrifice contributions to purchase shares on-market on a monthly basis. Under both plans, the Company also grants to contributing participants a parcel of fully paid ordinary shares to the value of $125 per year for employees participating in the Tax Exempt plan and $250 per year for employees participating in the Tax Deferred Plan for no cash consideration. The shares must be held in the plan for a minimum of three years whilst the participant remains an employee of OneSteel for both the Tax Exempt Plan and Tax Deferred Plan before they can be withdrawn. For the Tax Deferred Plan, employee contribution shares must be held in the Plan for a minimum of 12 months, and company contribution shares must be held in the plan for 24 months before they can be withdrawn.

The matching shares granted by the Company are purchased on-market or allocated from surplus shares forfeited under either the employee share plan or the executive share plan. The matching shares are allocated each month at the same time as the employee contributed shares, which are purchased on the 15th of each month. The number of shares allocated to the employee is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange on the date of the purchase. During the year ended 30 June 2010, the share plans were suspended due to changes in the taxation legislation and so no matching shares were granted. The plans were relaunched in May 2010 for the year ending 30 June 2011.

Offers under the scheme are at the discretion of the Company. All OneSteel shares acquired under the Tax Exempt and Tax Deferred plans rank equally with all other OneSteel shares and carry dividend and voting rights.

All plan management and administration costs relating to the plans are met by the Company.

	2010	2009
Total number purchased by employees during the year ('000s)	-	2,124
Weighted average fair value of shares granted during the period ($)	-	3.45

(c) Long-Term Incentive (LTI) Plan

The LTI Plan for senior management provides for grants of OneSteel Limited ordinary shares. During the year, shares were granted to eligible executives. The shares granted are held in trust until vested to the participant.

Vesting is subject to the Company achieving specific performance hurdles and a three-year qualifying period. If the shares do not vest immediately at the end of the three-year qualifying period, provisions exist that enable retesting of the performance hurdles. In addition, all or some of these shares may vest to an individual on termination when special circumstances apply. At the discretion of the Board, these include redundancy, death and permanent disability. There are no cash settlement alternatives.

The shares held in trust carry voting rights and the holder is entitled to any dividends paid during the vesting period.

The performance hurdles 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. 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.

	2010		2009	
	NUMBER '000s	WEIGHTED AVERAGE FAIR VALUE $	NUMBER '000s	WEIGHTED AVERAGE FAIR VALUE $
Outstanding at the beginning of the year	2,570	4.43	2,511	3.76
Shares vested during the year	(92)	4.57	(761)	3.00
Shares purchased during the year	1,378	2.88	820	5.14
Outstanding at the end of the year	3,856	4.01	2,570	4.43

The fair value of the equity-settled shares granted under the LTI Plan is estimated at the grant date using a Monte Carlo Simulation analysis taking into account the terms and conditions upon which the shares were granted.

PUBLIC FILE 97

29. EMPLOYEE BENEFITS (continued)

The following table lists the inputs to the model used.

	2010	2009
Dividend yield	2.66%	4.05% - 8.58%
Expected volatility	45%	35%
Risk-free interest rate	5.23%	4.81% - 6.61%
Expected life	3 years	3 years
Weighted average share price at grant date	$3.34	$6.33

The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome.

(d) Executive Option Plan

Prior to the year ended 30 June 2002, options were issued to executives as part of the Executive Option Plan. Vesting is subject to the company achieving specific performance hurdles and a three-year qualifying period. The exercise price of each option is based on the weighted average price of OneSteel Limited shares traded on the Australian Securities Exchange for the five days up to and including the date they are granted.

The performance hurdles 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. 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.

All options expire on the earlier of their expiry date or termination of the employee's employment. No options expired during the year.

The contractual life of each option granted is nine years. There are no cash settlement alternatives.

The options do not entitle the holder to participate in any share issues of the Company.

These options were all fully vested during the year ended 30 June 2005. No further options have been issued since those referred to above.

The following table illustrates the number and weighted average exercise price of and movement in the executive option plan:

	2010			2009		
	NUMBER '000s	WEIGHTED AVERAGE EXERCISE PRICE $	WEIGHTED AVERAGE SHARE PRICE AT DATE OF EXERCISE $	NUMBER '000s	WEIGHTED AVERAGE EXERCISE PRICE $	WEIGHTED AVERAGE SHARE PRICE AT DATE OF EXERCISE $
Outstanding at the beginning of the year[1]	305	1.0099	-	340	1.0057	-
Exercised during the period	(145)	0.9665	3.35	(35)	0.9657	5.98
Outstanding and exercisable at the end of the year[1,2]	160	1.0434	-	305	1.0099	-

1 All options within this balance have not been recognised in accordance with AASB 2 as the options were granted on or before 1 November 2002. These options have not been subsequently modified therefore do not need to be accounted for in accordance with AASB 2.

2 The remaining contractual life for the share options outstanding and exercisable as at 30 June 2010 is 21 December 2010.

Steel and Tube Holdings Limited

In 2010, no shares (2009: 60,710 shares) were purchased whilst 30,830 shares (2009: 50,390 shares) were vested in the employee share purchase scheme and no shares (2009: 64,975 shares) were purchased and 18,805 shares (2009: 16,365 shares) were vested in the executive share plan. Both schemes have a vesting period of a minimum of three years from grant date. The employee share scheme provides financial assistance, to a maximum of $2,340 in any three-year period, to eligible employees to purchase Company shares. Rights to shares in the executive share scheme vest upon achieving Board approved targets based on total shareholder returns.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

Directors

P J Smedley	Chairman (Independent, non-executive)
G J Plummer	Managing Director and Chief Executive Officer
R B Davis	Director (Independent, non-executive)
E J Doyle	Director (Independent, non-executive)
C R Galbraith	Director (Independent, non-executive)
P G Nankervis	Director (Independent, non-executive)
D A Pritchard	Director (Independent, non-executive)
L G Cox	Director (Independent, non-executive)
G J Smorgon	Director (Independent, non-executive)
N J Roach	Director (Independent, non-executive) (retired 16 November 2009)

Executives

A J Reeves	Chief Financial Officer (until 11 December 2009)
R C Bakewell	Chief Financial Officer (appointed 19 April 2010)
L J Selleck	Executive General Manager, Technology, Safety & Services
M R Parry	Chief Executive, Whyalla
A G Roberts	Chief Executive, Market Mills
S H Hamer	Chief Executive, Distribution
G A Waters	Chief Executive, Recycling
D Taylor	Chief Executive Officer, Steel & Tube Holdings Limited (appointed 5 October 2009)
A Candy	Acting Chief Executive Officer, Steel & Tube Holdings Limited (until 5 October 2009)

Compensation of Key Management Personnel

	CONSOLIDATED	
	2010 $	2009 $
Short-term benefits	10,952,331	8,251,273
Post-employment benefits	380,213	581,220
Other long-term benefits	-	569,295
Termination benefits	763,545	3,010,697
Share-based payments	2,606,385	2,748,324
	14,702,474	15,160,809

The company has applied the exemption under Corporations Regulation 2M.3.03 which relieves listed companies from providing detailed remuneration disclosures in relation to their Key Management Personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report which has been audited.

Loans to Key Management Personnel

There were no loans made to or outstanding from Key Management Personnel during the current or prior year.

Other transactions and balances with Key Management Personnel

Key Management Personnel of OneSteel Limited and its related parties or their related entities, conduct transactions with entities within the OneSteel Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Key Management Personnel or their related entity at an arm's length in similar circumstances. These transactions include the following and have been quantified below where the transactions are considered to be of interest to users of these financial statements.

PUBLIC FILE 97

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Option holdings of Key Management Personnel

2010	HELD AT 1 JULY 2009 NUMBER	GRANTED AS REMUNERATION NUMBER	OPTIONS EXERCISED NUMBER	NET CHANGE OTHER NUMBER	HELD AT 30 JUNE 2010 NUMBER	VESTED AND EXERCISABLE AT 30 JUNE 2010 NUMBER
Directors						
G J Plummer	90,000	-	-	-	90,000	90,000
Executives						
M R Parry	45	-	(45)	-	-	-
Total	90,045	-	(45)	-	90,000	90,000

2009	HELD AT 1 JULY 2008 NUMBER	GRANTED AS REMUNERATION NUMBER	OPTIONS EXERCISED NUMBER	NET CHANGE OTHER NUMBER	HELD AT 30 JUNE 2009 NUMBER	VESTED AND EXERCISABLE AT 30 JUNE 2009 NUMBER
Directors						
G J Plummer	90,000	-	-	-	90,000	90,000
Executives						
M R Parry	45	-	-	-	45	45
Total	90,045	-	-	-	90,045	90,045

(c) Shareholdings of Key Management Personnel[2]

2010	HELD AT 1 JULY 2009 NUMBER	GRANTED AS REMUNERATION NUMBER	ON EXERCISE OF OPTIONS NUMBER	NET CHANGE OTHER NUMBER	HELD AT 30 JUNE 2010 NUMBER
Directors					
P J Smedley	410,455	-	-	-	410,455
G J Plummer	2,382,230	340,316	-	-	2,722,546
R B Davis	68,995	-	-	-	68,995
E J Doyle	169,169	-	-	-	169,169
C R Galbraith	156,056	-	-	-	156,056
P G Nankervis	46,890	-	-	10,000	56,890
D A Pritchard	143,921	-	-	-	143,921
L G Cox	301,797	-	-	-	301,797
G J Smorgon	66,325	-	-	(51,218)	15,107
Executives					
R C Bakewell	-	-	-	-	-
L J Selleck	544,269	54,596	-	2,927	601,792
M R Parry	211,969	57,629	45	-	269,643
A G Roberts	157,410	78,861	-	-	236,271
S H Hamer	115,688	78,861	-	-	194,549
G A Waters	70,490	57,629	-	79	128,198
D Taylor	23,150	7,873	-	-	31,023
Total	4,868,814	675,765	45	(38,212)	5,506,412

2009	HELD AT 1 JULY 2008 NUMBER	GRANTED AS REMUNERATION NUMBER	ON EXERCISE OF OPTIONS NUMBER	NET CHANGE OTHER NUMBER	HELD AT 30 JUNE 2009 NUMBER
Directors					
P J Smedley	251,418	41,764	-	117,273	410,455
G J Plummer	2,115,609	65,110	-	201,511	2,382,230
R B Davis	38,144	11,138	-	19,713	68,995
E J Doyle	128,031	11,138	-	30,000	169,169
C R Galbraith	100,330	11,138	-	44,588	156,056
P G Nankervis	35,752	11,138	-	-	46,890
D A Pritchard	90,889	11,138	-	41,894	143,921
N J Roach	216,104	11,138	-	159,497	386,739
L G Cox	269,431	11,138	-	21,228	301,797
G J Smorgon	55,187	11,138	-	-	66,325
Executives					
A J Reeves	374,394	49,790	-	207,834	632,018
L J Selleck	476,650	38,300	-	29,319	544,269
M R Parry	173,320	38,300	-	349	211,969
A G Roberts	119,110	38,300	-	-	157,410
S H Hamer	75,908	38,300	-	1,480	115,688
G A Waters	2,074	67,421	-	995	70,490
Total	4,522,351	466,389	-	875,681	5,864,421

1 Shares granted as remuneration to the MD & CEO and Executives are held in trust on the participant's behalf during the performance period. Participants are not able to withdraw shares from the trust until the shares vest as a result of the performance conditions being achieved.

2 Include ordinary shares held directly, indirectly or beneficially including held by their related parties.

The shareholdings of former Key Management Personnel, at the date they ceased to be Key Management Personnel, were as follows:

2010	HELD AT 1 JULY 2009 NUMBER	GRANTED AS REMUNERATION NUMBER	ON EXERCISE OF OPTIONS NUMBER	NET CHANGE OTHER NUMBER	HELD ON CEASING TO BE KMP NUMBER
Directors					
N J Roach	386,739	-	-	-	386,739
Executives					
A J Reeves	632,018	(49,790)[1]	-	(200,037)	382,191

1 Shares under the LTI Plan forfeited upon leaving the Company.

PUBLIC FILE 95

31. AUDITORS' REMUNERATION

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
Amounts paid or payable to the auditor of OneSteel Limited, for		
An audit or review of the financial report of the entity and any other entity in the consolidated group	1,006,265	985,000
Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	723	8,179
Assurance related	188,408	380,136
	1,195,396	1,373,315
Amounts paid or payable to other auditors for:		
An audit or review of the financial report of certain controlled entities in the consolidated group	169,619	201,305
Other services	86,799	67,502
	256,418	268,807

32. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, US Private Placements (Senior Notes), finance leases, cash and short-term deposits and derivative financial instruments.

The Group manages its exposure to key financial risks including interest rate and currency risk in accordance with the Group's financial risk management policy. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions, principally interest rate swaps, cross currency swaps and forward exchange contracts. Derivatives held for trading relating to forward contracts provide economic hedges but do not qualify for hedge accounting and are based on limits set by the Board. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, commodity risk and credit risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts comparing projected debt levels for the next 12 months against total committed facilities.

Primary responsibility for identification and control of financial risks rests with the Treasury Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt borrowings. The objective of Group policy is to neutralise exposures within levels of tolerance acceptable to the Board, minimising interest expense whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk where the borrowings are carried at fair value. The Group's policy is to manage its interest cost using a mix of fixed and floating interest rate debt, where fixed is defined as a fixed rate for 12 months or longer. The Group's policy is to keep between 30% – 70% of the expected borrowings for a minimum of five years at fixed rates of interest, using interest rate swaps to achieve this when necessary.

The Group analyses its interest rate exposure on a dynamic basis. Within this analysis, consideration is given to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates. Based on the various considerations, the Group manages its cash flow interest rate risk by using floating to fixed or fixed to floating interest rate swaps. Such swaps have the economic effect of converting borrowings from floating rates to fixed rates or fixed rates to floating rates. Under interest rate swaps, the Group agrees with other parties to exchange at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

At balance date, the Group had the following financial assets and liabilities exposed to variable interest rates:

	CONSOLIDATED	
	2010 $m	2009 $m
Financial assets		
Cash and cash equivalents	83.4	54.9
Trade receivables	12.3	14.8
Financial liabilities		
HRC Securitisation facility	(16.7)	(2.1)
Bank loans	(563.8)	(644.1)
Net exposure before hedging	(484.8)	(576.5)
Cross currency and interest rate swaps[1]	(238.3)	365.1
Net exposure to cash flow interest rate risk	(723.1)	(211.4)

1 Notional principal amounts of cross currency and interest rate swaps and fair value of hedged portion of underlying debt.

Sensitivity

If interest rates had increased by 100 or decreased by 100 basis points as at 30 June and with all other variables held constant, post-tax profit for the year would have been $15.7 million lower/$15.7 million higher (2009: $3.2 million lower/$3.2 million higher, mainly as a result of higher/lower interest expense on variable rate debt. Other components of equity would have been $3.2 million higher/$3.2 million lower (2009: $5.5 million higher/$5.5 million lower) as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

(b) Foreign currency risk

The Group's primary sources of foreign currency risk are sales of product and purchases of inventory by business units in a currency other than the functional currency; purchases of commodity inputs priced in US dollars or with an Australian dollar price determined by a US dollar-based international price; capital expenditure denominated in foreign currency and overseas operations.

The Group requires all business units to use forward exchange contracts to eliminate the currency exposures on any individual transactions in excess of USD500,000 or equivalent. Committed exposures will be 100% covered when the transaction is contracted, whilst projected exposures (contract underpinning) will be 50% covered where there are ongoing sales or purchases and the transaction is relatively certain. It is the Group's policy to negotiate the terms of the forward exchange contracts to exactly match the terms of the underlying purchase to maximise hedge effectiveness.

Net investment hedges

The Group seeks to mitigate its exposure to foreign currency translation risk on the value of the net assets of its US-based operations by borrowing in US dollars. The first USD95 million of the Group's net investment in foreign operations is hedged in this manner (refer to Note 17 and Note 8).

OneSteel also has foreign currency exposure arising from its US Private Placements of senior notes (Note 17). Part of this exposure has been hedged using a series of cross-currency interest rate swaps designed either as fair value or cash flow hedges.

The Group has exposure to foreign exchange translation in relation to New Zealand dollar denominated net assets of its 50.3% share of Steel & Tube Holdings Limited. The Group does not seek to hedge this exposure, but instead monitors the position so as 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.

PUBLIC FILE 93

32. FINANCIAL RISK MANAGEMENT (continued)

The Group's exposure to foreign currency risk at balance date was as follows (in Australian dollars):

	CONSOLIDATED					
	2010			2009		
	USD $m	NZD $m	OTHER[1] $m	USD $m	NZD $m	OTHER[1] $m
Cash and cash equivalents	41.3	1.0	0.1	5.4	1.6	0.1
Net investment in foreign operations	418.0	111.1	-	420.3	113.1	-
Trade and other receivables	44.1	3.5	29.8	54.0	1.9	0.9
Trade and other payables	(0.2)	(2.6)	(1.7)	(34.6)		(10.7)
Commodity contracts	(1.1)					
Bank loans	(214.6)	-	-	(362.8)	-	-
Net exposure before hedging	**287.5**	**113.0**	**28.2**	**82.3**	**116.6**	**(9.7)**
Forward exchange contracts - buy	189.4	4.1	13.7	193.7	0.6	8.8
Forward exchange contracts - sell	148.6	6.2	3.7	63.6	0.8	7.1

1 Japanese Yen, Swedish Kroner, Pounds Sterling, Canadian Dollars and Euro.

Sensitivity

Had the Australian dollar weakened/strengthened against the US dollar by 10% as at 30 June and with all other variables held constant, the Group's post-tax profit for the year would have been $4.1 million lower/$0.3 million lower (2009: $10.8 million lower/$11.0 million higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2010 than in 2009 because of the increased amount of US dollar denominated borrowings. Other components of equity would have been $33.1 million higher/$33.1 million lower (2009: $16.9 million higher/$16.6 million lower) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising from foreign forward exchange contracts designated as cash flow hedges. Equity is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2010 than 2009 because of the increased amount of forward foreign exchange contracts. The Group's exposure to other foreign exchange movements is not material.

(c) Commodity price risk

The primary sources of commodity risk for the Group are zinc and nickel purchases in US dollars; aluminium purchases which are made in Australian dollars but with prices set in US dollars; energy purchases made in Australian dollars that can be subject to long term contracts; scrap purchases made outside the OneSteel Group and diesel purchases. Commodity risk is measured by the effect of price movement sensitivities applied to annual usage estimated by the business units.

Commodity price risk is managed by either putting in place fixed price contracts, fixed price swaps or options. The Group's exposure to commodity risk is not significant.

(d) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, and derivative instruments. The Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not hold any credit derivatives to offset its credit exposure. The credit risk of any one counterparty with respect to receivables and derivative financial instruments is not significant.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board and are regularly monitored. In addition, receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant.

For financial instruments, limits for each counterparty are set primarily on credit rating, adjusted for country rating and the nominal level of shareholders' funds. The Group does not expect any counterparties to fail to meet their obligations given their high credit ratings. For financial assets and liabilities measured at fair value through profit and loss, the amount of change in fair value that is attributable to credit risk is not material.

(e) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, US private placement senior notes and finance leases. In addition to committed facilities, OneSteel has 11am money market lines and an overdraft facility that assists with the intra-month cash management. Debt maturities are spread out to limit risk on debt rollover.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at balance date:

	CONSOLIDATED 2010 $m	2009 $m
Floating rate		
Expiring within one year	–	–
Expiring beyond one year	1,538.2	1,554.0
	1,538.2	1,554.0

Maturity analysis of financial assets and liabilities

The tables below analyse the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table reflect all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the reporting date.

For all other obligations, the respective undiscounted cash flows are presented. Cash flows for financial assets and liabilities without fixed maturity are based on the conditions existing at balance date.

CONSOLIDATED	LESS THAN 12 MONTHS $m	1 – 5 YEARS $m	GREATER THAN 5 YEARS $m	TOTAL CONTRACTUAL CASH FLOWS $m
2010				
Financial assets				
Cash and cash equivalents	83.4	–	–	83.4
Trade and other receivables	829.3	–	–	829.3
Forward exchange contracts	158.4	–	–	158.4
Commodity contracts	0.6	–	–	0.6
Interest rate swaps	7.9	13.7	–	21.6
Other financial assets	–	2.5	–	2.5
	1,079.6	16.2	–	1,095.8
Financial liabilities				
Trade and other payables	863.1	–	–	863.1
Forward exchange contracts	207.1	–	–	207.1
Commodity contracts	1.5	–	–	1.5
Interest rate swaps	4.8	5.6	0.4	10.8
Cross-currency interest rate swaps	5.7	72.6	–	78.3
Bank loans	331.9	235.0	–	566.9
US Private Placement – Senior Notes	28.3	489.4	553.6	1,071.3
HRC Securitisation facility	–	16.7	–	16.7
	1,442.4	819.3	554.0	2,815.7
Net contractual cash flows	(362.8)	(803.1)	(554.0)	(1,719.9)

32. FINANCIAL RISK MANAGEMENT (continued)

CONSOLIDATED	LESS THAN 12 MONTHS $M	1 - 5 YEARS $M	GREATER THAN 5 YEARS $M	TOTAL CONTRACTUAL CASH FLOWS $M
2009				
Financial assets				
Cash and cash equivalents	54.9	-	-	54.9
Trade and other receivables	827.1	-	-	827.1
Forward exchange contracts	154.2	4.1	-	158.3
Other financial assets	2.2	-	-	2.2
	1,038.4	4.1	-	1,042.5
Financial liabilities				
Trade and other payables	613.7	-	-	613.7
Forward exchange contracts	200.0	3.2	-	203.2
Interest rate swaps	13.9	7.4	-	21.3
Cross-currency interest rate swaps	37.4	21.1	12.6	71.1
Bank loans	25.0	610.0	-	635.0
US Private Placement - Senior Notes	156.5	148.2	689.7	994.4
HRC Securitisation facility	-	2.1	-	2.1
Finance lease liabilities	25.3	-	-	25.3
	1,071.8	792.0	702.3	2,566.1
Net contractual cash flows	(33.4)	(787.9)	(702.3)	(1,523.6)

(f) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Group uses various methods in estimating the fair value of a financial instrument. These comprise:

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised below:

CONSOLIDATED	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2) $m	TOTAL $m
2010		
Financial assets		
Forward exchange contracts	4.5	4.5
Commodity contracts	0.5	0.5
Interest rate swaps	16.8	16.8
	21.8	**21.8**
Financial liabilities		
Forward exchange contracts	2.2	2.2
Commodity contracts	1.5	1.5
Interest rate swaps	8.6	8.6
Cross-currency interest rate swaps	42.8	42.8
	55.1	**55.1**

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, cross-currency interest rate swaps and forward exchange contracts not traded on a recognised exchange. These instruments are included in Level 2.

Transfer between categories

There were no transfers between categories during the year.

(g) Capital risk management

The Group's objective when managing capital is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio (net debt to net debt plus equity). The targeted range for debt considered appropriate in the normal circumstances is 30% – 40%. The Board is comfortable with the current lower level of gearing given the external environment.

The Group is subject to externally imposed capital requirements and has complied with these requirements during the current and prior year. The gearing ratios at the balance date were as follows:

	CONSOLIDATED	
	2010 $m	2009 $m
Total debt	1,047.1	1,278.8
Less: Cash and cash equivalents	(83.4)	(54.9)
Net debt	**963.7**	**1,223.9**
Total equity	4,492.7	4,336.3
Less: Minority interests	(60.2)	(61.1)
Equity	**4,432.5**	**4,275.2**
Net debt plus equity	**5,396.2**	**5,499.1**
Gearing ratio	17.9%	22.3%

PUBLIC FILE 89

33. PARENT ENTITY DISCLOSURES

The parent company of the Group, as at and throughout financial year ended 30 June 2010, was OneSteel Limited.

Presented below is supplementary information about the parent entity.

	PARENT	
	2010 $m	2009 $m
Result of the parent entity		
Profit after tax	121.2	181.5
Other comprehensive income	-	-
Total comprehensive income for the year	121.2	181.5
Financial position of the parent entity at year end		
Current assets	213.5	253.2
Non-current assets	3,715.8	3,735.9
Total assets	3,929.3	3,989.1
Current liabilities	14.9	96.2
Non-current liabilities	-	-
Total liabilities	14.9	96.2
Total equity of the parent entity comprising:		
Share capital	3,751.1	3,735.2
Retained earnings	156.4	154.6
Reserves	6.9	3.1
Total equity	3,914.4	3,892.9

Guarantees, contingent liabilities and capital commitments of the parent entity

OneSteel Limited has given guarantees amounting to $47.0 million (2009: $47.9 million) to various state workers' compensation authorities in Australia as a prerequisite for self insurance. Refer to Note 26.

As explained in Note 27, OneSteel has entered into a Deed of Cross Guarantee in accordance with a class order issued by Australian Securities and Investments Commission. OneSteel Limited, and all the controlled entities which are party to the deed, have guaranteed the repayment of all current and future creditors in the event that any of these companies are wound up.

The Company is also a guarantor in respect of certain financing arrangements including wholly-owned subsidiaries which are not party to the Deed of Cross Guarantee.

The parent entity does not have any capital commitments for acquisition of property, plant and equipment as at 30 June 2010 (2009: nil).

34. EVENTS AFTER BALANCE SHEET DATE

There have been no circumstances arising since 30 June 2010 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 OneSteel Group in future financial years.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and accompanying notes set out on pages 62 to 124 are in accordance with the Corporations Act 2001, including:

(i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date, and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

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

(d) at the date of this declaration, there are reasonable grounds to be believe that the members of the extended closed group identified in Note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 27.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001

This declaration is made in accordance with a resolution of the Directors.

Peter Smedley
Chairman

Geoff Plummer
Managing Director

Sydney
17 August 2010

PUBLIC FILE 57

Independent Auditor's Report

KPMG

TO THE MEMBERS OF ONESTEEL LIMITED

Report on the financial report

We have audited the accompanying financial report of the Group comprising OneSteel Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the Balance Sheet as at 30 June 2010, and Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a description of significant accounting policies and other explanatory Notes 1 to 34 and the Directors' Declaration.

Directors' responsibility for the financial report

The Directors of OneSteel Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These 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 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the Corporations Act 2001, including

  (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 51 to 60 of the Directors' Report for the year ended 30 June 2010. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of OneSteel Limited for the year ended 30 June 2010, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

David Rogers
Partner

Sydney
17 August 2010

PUBLIC FILE 86

Shareholder Information

SHAREHOLDER INFORMATION AS AT 17 SEPTEMBER 2010

OneSteel Limited has 104,699 shareholders holding 1,331,704,207 fully paid ordinary shares. The company's constitution specifies the general terms with respect to issued share capital and variation of rights.

Range of holders

RANGE	HOLDERS	SECURITIES	% OF ISSUED CAPITAL
1 - 1,000	42,675	21,299,634	1.60
1,001 - 5,000	43,035	100,498,351	7.55
5,001 - 10,000	10,583	76,726,606	5.76
10,001 - 100,000	8,141	173,541,725	13.03
100,001 - 9,999,999,999	265	959,637,891	72.06
Total	104,699	1,331,704,207	100.00

Top 20 holders

RANK	HOLDER	SECURITIES	% OF SECURITIES
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	221,687,540	16.65
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	209,309,375	15.64
3.	NATIONAL NOMINEES LIMITED	185,562,587	13.93
4.	CITICORP NOMINEES PTY LTD	77,140,379	5.79
5.	CITICORP NOMINEES PTY LIMITED	36,516,905	2.74
6.	COGENT NOMINEES PTY LIMITED	27,463,086	2.06
7.	AMP LIFE LIMITED	15,103,012	1.13
8.	ANZ NOMINEES LIMITED	15,072,663	1.13
9.	CPU SHARE PLANS PTY LTD	8,967,193	0.67
10.	UBS NOMINEES PTY LTD	8,789,192	0.66
11.	RAYLOU INVESTMENTS PTY LTD	8,686,072	0.65
12.	QUEENSLAND INVESTMENT CORPORATION	8,496,486	0.64
13.	LEVERTON DOWNS PTY LTD	7,977,930	0.60
14.	COGENT NOMINEES PTY LIMITED	7,890,962	0.59
15.	CPU SHARE PLANS PTY LTD	6,836,197	0.51
16.	JP MORGAN NOMINEES AUSTRALIA LIMITED	6,433,821	0.48
17.	ARGO INVESTMENTS LIMITED	5,779,109	0.43
18.	PANDA INVESTMENTS (VIC) PTY LTD	3,722,602	0.28
19.	BOND STREET CUSTODIANS LIMITED	3,633,647	0.27
20.	BRETANGE PTY LTD	2,987,288	0.22
Total Top 20 holders		867,056,048	65.11

Holders of an unmarketable parcel

There were 3,531 holders with less than a marketable parcel of 164 securities.

ASX listing

OneSteel Limited listed on ASX on 23 October 2000. The company's fully paid ordinary securities are quoted on the Australian Securities Exchange under Issuer Code OST.

Substantial holders

Substantial shareholders, as defined by the Corporations Act as at 17 September 2010 were:

Holder:	Number of securities:
1. BlackRock Investment Management (Australia) Limited	66,791,846
2. Commonwealth Bank of Australia Limited	92,895,799

Unquoted equity securities

As at 21 September 2010, 40,000 fully vested options remain unexercised. The exercise price is $1.0434.

The options expire on 21 December 2010. The options were issued under the OneSteel Executive Option Plan.

PUBLIC FILE 86

Shareholder Information

SHAREHOLDER INFORMATION AS AT 17 SEPTEMBER 2010

OneSteel Limited has 104,699 shareholders holding 1,331,704,207 fully paid ordinary shares. The company's constitution specifies the general terms with respect to issued share capital and variation of rights.

Range of holders

RANGE	HOLDERS	SECURITIES	% OF ISSUED CAPITAL
1 – 1,000	42,675	21,299,634	1.60
1,001 – 5,000	43,035	100,498,351	7.55
5,001 – 10,000	10,583	76,726,606	5.76
10,001 – 100,000	8,141	173,541,725	13.03
100,001 – 9,999,999,999	265	959,637,891	72.06
Total	104,699	1,331,704,207	100.00

Top 20 holders

RANK	HOLDER	SECURITIES	% OF SECURITIES
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	221,687,540	16.65
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	208,309,375	15.64
3.	NATIONAL NOMINEES LIMITED	185,562,587	13.93
4.	CITICORP NOMINEES PTY LTD	77,140,379	5.79
5.	CITICORP NOMINEES PTY LIMITED	36,516,905	2.74
6.	COGENT NOMINEES PTY LIMITED	27,463,088	2.06
7.	AMP LIFE LIMITED	15,103,012	1.13
8.	ANZ NOMINEES LIMITED	15,072,663	1.13
9.	CPU SHARE PLANS PTY LTD	8,967,193	0.67
10.	UBS NOMINEES PTY LTD	8,789,192	0.66
11.	RAYLOU INVESTMENTS PTY LTD	8,686,072	0.65
12.	QUEENSLAND INVESTMENT CORPORATION	8,496,486	0.64
13.	LEVERTON DOWNS PTY LTD	7,977,930	0.60
14.	COGENT NOMINEES PTY LIMITED	7,890,962	0.59
15.	CPU SHARE PLANS PTY LTD	6,836,197	0.51
16.	JP MORGAN NOMINEES AUSTRALIA LIMITED	6,433,821	0.48
17.	ARGO INVESTMENTS LIMITED	5,779,109	0.43
18.	PANDA INVESTMENTS (VIC) PTY LTD	3,722,602	0.28
19.	BOND STREET CUSTODIANS LIMITED	3,633,647	0.27
20	BRETANGE PTY LTD	2,987,288	0.22
Total: Top 20 holders		867,056,048	65.11

Holders of an unmarketable parcel

There were 3,531 holders with less than a marketable parcel of 164 securities.

ASX listing

OneSteel Limited listed on ASX on 23 October 2000. The company's fully paid ordinary securities are quoted on the Australian Securities Exchange under Issuer Code OST.

Substantial holders

Substantial shareholders, as defined by the Corporations Act as at 17 September 2010 were:

Holder:	Number of securities:
1. BlackRock Investment Management (Australia) Limited	66,791,846
2. Commonwealth Bank of Australia Limited	92,895,799

Unquoted equity securities

As at 21 September 2010, 40,000 fully vested options remain unexercised. The exercise price is $1.0434.

The options expire on 21 December 2010. The options were issued under the OneSteel Executive Option Plan.

SHAREHOLDER INFORMATION (continued)

Dividends

OneSteel Limited's dividend information can be located in the Shareholder Communication Policy located on our website.

Dividend Reinvestment Plan

OneSteel Limited's Dividend Reinvestment Plan (DRP) is available to shareholders with a registered address in Australia or New Zealand. To view OneSteel's Dividend Reinvestment Plan Policy, visit our website.

Buy backs

There are no current on-market buy-backs in operation.

Spinout of OneSteel Limited – Capital Gains Tax cost base information

The cost base for Australian Capital Gains Tax purposes of OneSteel shares acquired under the fully paid scheme upon spinout from BHP in October 2000 equals $2.64 per share. There is a corresponding reduction in the cost base of BHP shares of $0.66 per share, being $2.64/4 (1 for 4 issue).

Visit our website to view the tax implications section of the BHP Scheme Booklet.

For more information, visit the ATO website (www.ato.gov.au) or talk to your own financial adviser.

Smorgon Steel Group Limited Scheme of Arrangement – information for former Smorgon Steel Group Limited shareholders

The ATO has issued a class ruling for shareholders of Smorgon Steel Group Limited at the time of the merger with OneSteel Limited in August 2007. The document provides instructions that will enable specified individual shareholders to determine the income tax obligations arising from the merger and to update Capital Gains Tax records. Visit our website to view the class ruling.

For further information, please visit the ATO website (www.ato.gov.au) or talk to your own financial adviser.

Statistical Summary

FINANCIAL RATIOS

Year ended 30 June 2010

($m)	FY10[1]	FY09[2]	FY08[3]	FY07[4]	FY06[5]	FY05	FY04[7]	FY03	FY02	FY01 EXCL PROV PROFORMA	% CHANGE FY10 TO FY09
Sales	6,204.6	7,241.5	7,434.3	4,300.6	4,004.6	3,938.5	3,269.2	3,060.6	2,906.0	2,637.7	(14.3%)
Other revenue/income	56.3	66.3	50.5	33.9	39.0	34.6	70.1	39.5	80.5	141.5	(15.1%)
Total income	6,260.9	7,307.6	7,484.8	4,334.5	4,043.6	3,973.1	3,339.3	3,100.1	2,986.5	2,779.2	(14.3%)
Gross profit	1,234.0	1,587.5	1,681.2	837.2	798.7	787.0	642.6	626.2	528.4	489.6	(22.3%)
EBITDA – underlying	617.6	661.2	807.7	436.1	396.7	377.1	324.2	307.6	251.0	202.6	(6.6%)
Depreciation and amortisation	(203.9)	(199.5)	(194.9)	(96.2)	(94.0)	(97.5)	(87.1)	(86.5)	(84.2)	(84.2)	2.2%
EBIT – underlying	413.7	461.7	612.8	339.9	302.7	279.6	237.1	221.1	166.8	118.4	(10.4%)
Finance costs	(89.2)	(172.2)	(159.6)	(55.9)	(56.7)	(53.6)	(42.2)	(44.5)	(54.4)	(61.8)	(48.2%)
Profit before tax – underlying	324.5	289.5	453.2	284.1	246.0	226.0	194.9	176.6	112.4	56.6	12.1%
Tax expense – underlying	(81.6)	(64.1)	(128.0)	(74.7)	(60.8)	(55.4)	(53.4)	(53.3)	(39.0)	(12.1)	27.3%
Profit after tax – underlying	242.9	225.4	325.2	209.4	185.2	170.6	141.5	123.3	73.4	44.5	7.8%
Minority interests	(2.3)	(10.1)	(10.2)	(11.9)	(13.6)	(17.5)	(12.4)	(9.5)	(7.4)	(5.9)	(77.2%)
Net profit after tax – underlying	240.6	215.3	315.0	197.5	171.6	153.1	129.1	113.8	66.0	38.6	11.6%
Non-trading items, net of tax	17.8	14.2	(70.1)	9.5	15.9	49.7	(1.2)	(19.8)	(18.9)	(15.0)	25.4%
Net profit after tax – statutory	258.4	229.5	244.9	207.0	187.5	202.8	127.9	94.0	47.1	23.6	12.6%
Total assets	7,067.7	6,933.1	7,291.5	3,569.5	3,338.8	3,087.1	2,803.2	2,577.0	2,582.0	2,710.8	1.9%
Inventory	1,433.0	1,239.9	1,298.9	826.3	758.9	836.7	704.6	591.0	574.1	540.3	15.6%
Total liabilities	2,575.0	2,596.8	3,862.1	1,919.5	1,637.2	1,698.8	1,429.8	1,292.0	1,359.4	1,594.6	(0.8%)
Funds employed	5,456.4	5,560.2	5,376.6	2,419.8	2,140.4	2,033.6	2,042.4	1,955.2	1,994.2	2,069.6	(1.9%)
Total equity	4,492.7	4,336.3	3,429.4	1,650.0	1,501.6	1,388.3	1,373.4	1,285.0	1,222.6	1,116.2	3.6%
Net debt[8]	963.7	1,223.9	1,947.2	769.8	638.8	645.3	669.0	670.2	771.6	953.4	(21.3%)
Net debt (incl hedging)[9]	1,006.5	1,305.2	2,080.8	840.9	692.4	645.3	669.0	670.2	771.6	953.4	(22.9%)
Number of shares on issue (millions)	1,331.6	1,323.2	876.2	572.4	566.2	560.8	554.9	546.9	538.6	460.3	0.6%
Operating cash flow	602.1	368.0	350.8	276.5	250.8	235.9	168.3	257.7	92.6	290.3	63.6%
Free cash flow – underlying	480.0	183.2	215.3	157.4	203.4						162.0%
Free cash flow	428.9	180.4	43.9	(81.4)	36.4	109.0	43.9	156.2	21.8	220.8	137.8%
Capital and investment expenditure	206.8	190.9	2,475.0	360.5	227.6	127.5	151.4	130.9	70.8	108.4	8.3%
Return on assets % – underlying	5.9%	6.5%	8.4%	10.1%	9.7%	9.5%	8.8%	8.6%	6.3%	4.4%	0.6pts
Return on equity % – underlying	5.5%	5.7%	9.4%	13.4%	12.8%	12.1%	10.2%	9.5%	6.2%	3.9%	0.2pts
Return on funds employed % (ROFE) – underlying	7.5%	8.4%	11.3%	15.0%	14.5%	13.5%	11.6%	11.0%	8.1%	5.7%	0.9pts
Sales margin – underlying	6.7%	6.4%	8.2%	7.9%	7.6%	7.1%	7.3%	7.2%	5.7%	4.5%	0.3pts
Gross profit margin – underlying	19.9%	21.9%	22.6%	19.5%	19.9%	20.0%	19.7%	20.5%	18.2%	18.6%	2pts
Earnings per share (cents) – year end – underlying	18.1	16.3	36.0	34.5	30.3	27.3	23.3	20.8	12.3	5.1	11.0%
Earnings per share (cents) – weighted average – underlying	18.2	21.2	34.9	34.7	30.5	27.5	19.6	17.3	9.3		(14.1%)
Earnings per share (cents) – weighted average – statutory	19.5	22.6	27.1	36.3	33.3	36.4	23.2	17.3	9.3		(13.7%)
Dividends per share (cents)	11.0	10.0	21.5	18.5	17.0	13.5	12.0	11.0	6.5	6.0	1cents
Dividend payout ratio – underlying	60.8%	49.2%	59.9%	69.6%	56.3%	49.6%	51.4%	52.6%	53.0%	71.2%	11.6pts
Dividend payout ratio – statutory	56.6%	46.2%	77.1%	66.4%	51.5%	37.5%	51.9%	63.7%	74.3%	116.5%	10.5pts
Gearing – (incl hedging) (net debt/net debt + equity)[9]	18.3%	23.1%	37.8%	33.8%	31.6%	31.7%	32.8%	34.3%	38.7%	46.1%	4.8pts
Gearing – statutory (net debt/net debt + equity)[1]	17.7%	22.0%	36.2%	31.8%	29.8%	31.7%	32.8%	34.3%	38.7%	46.1%	4.3pts
Interest cover (times EBITDA)	6.9	3.8	5.1	7.8	7.0	7.0	7.7	6.9	4.6	3.3	3.1 times
Interest cover incl capitalised interest (times)	6.9	3.8	4.5	6.1	6.5	7.0	7.4	6.6	4.6	3.3	3.1 times
Net tangible assets per share ($)	1.77	1.66	1.53	2.40	2.16	1.95	1.93	1.77	1.69	1.81	6.6%
Employees	10,598	11,104	11,678	7,526	7,527	7,395	7,272	7,054	6,989	7,379	(4.6%)
Sales per employee ($000s)	585	652	637	571	532	533	450	434	416	357	(10.3%)
Raw steel production (mt)	2.15	2.03	2.67	1.73	1.63	1.25	1.62	1.62	1.58	1.44	6.0%
Steel tonnes despatched (mt)	2.75	2.76	3.51	2.28	2.28	2.26	2.16	2.22	2.18	2.13	(0.5%)

The financial information presented for the years 2001 – 2004 has been presented under previous AGAAP and has not been restated under International Financial Reporting Standards (IFRS). The nature of the main adjustments to make the information comply with IFRS include:

- recognition of additional provisions relating to rehabilitation and make good and defined benefit obligations,
- restatement of deferred tax balances using the balance sheet method,
- 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 underlying earnings presented for the years 2001 – 2004 has been adjusted to exclude goodwill amortisation.

1 FY10 underlying results are before the impact of legal claims, accelerated depreciation, restructuring activities, tax consolidation and over provisions of tax in prior years of $17.9 million after tax.
2 FY09 underlying results are before the impact of restructuring activities, tax consolidation and over provisions of tax in prior years of $14.2 million after tax.
3 FY08 underlying results are before the impact of restructuring costs and impairment of plant and equipment associated with the integration of the Smorgon Steel Group and Australian Tube Mills businesses of $70.1 million net of tax. These statistics include the results of the Smorgon Steel Group Limited from 20 August 2007 only.
4 FY07 underlying results exclude the impact of the derecognition of deferred tax liabilities of $9.5 million.
5 FY06 underlying results exclude the tax benefit of $15.9 million arising from adjustments to tax consolidation values.
6 FY05 underlying results exclude the benefit relating to the reversal of impairment loss on transition to AIFRS of $49.7 million after tax.
7 FY04 underlying results exclude the tax benefit of $19.8 million arising from OneSteel's entry into the tax consolidation regime.
8 Net debt under previous AGAAP has been adjusted to include securitisation which was previously classified as off-balance sheet.
9 Includes the impact of cross currency swaps hedging foreign currency denominated debt.

PUBLIC FILE 83

Resources Statement

Ore Reserves and Mineral Resources

The information in this report that relates to the exploration results, mineral reserves and ore resources is based on information compiled by Paul Leevers who is a member of the Australian Institute on Mining and Metallurgy.

Mr Leevers is a full time employee of the company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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". Mr Leevers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Additional hematite reserves have been included based on the results of the exploration and extension drilling carried out at the Iron Duchess, Iron Monarch and Iron Princess during financial year ended 30 June 2010. 6.8Mt included from the Iron Princess area is subject to Aboriginal Heritage Clearance. This matter is currently under consideration by the relevant State Minister.

Total Magnetite Ore Reserves remain unchanged from 30 June 2009 despite continued mining due to inclusion of previously mined stocks scheduled for depletion during the Life of Mine.

OneSteel has reviewed all previously mined areas and is furthering exploration activity to establish the potential to further increase hematite reserves. OneSteel holds an exploration lease that extends from Iron Knob in the North to Iron Duke in the South that covers an area of significant mineralisation.

All Resource and Reserve figures represent estimates as at 30 June 2010, unless otherwise stated. Rounding of tonnes and grade information may result in small differences presented in the totals.

WHYALLA (MIDDLEBACK RANGE) HEMATITE RESERVES — AS AT 30 JUNE 2010 — AS AT 30 JUNE 2009

CATEGORY		PROVED ORE RESERVE			PROBABLE ORE RESERVE			TOTAL ORE RESERVES			TOTAL ORE RESERVES			ONESTEEL INTEREST	COMPETENT PERSON
	ORE TYPE	Tonnes (m)	FE GRADE (%)	P (%)	TONNES (m)	FE GRADE (%)	P (%)	TONNES (m)	FE GRADE (%)	P (%)	TONNES (m)	FE GRADE (%)	P (%)	%	
Total Quantity	Hematite, Goethite, Limonite, Minor magnetite	12.0	61.4	0.09	34.2	60.7	0.09	46.2	60.9	0.09	32.5	61.5	0.08	100	P Leevers

WHYALLA (MIDDLEBACK RANGE) MAGNETITE RESERVES — AS AT 30 JUNE 2010 — AS AT 30 JUNE 2009

CATEGORY		PROVED ORE RESERVE		PROBABLE ORE RESERVE		TOTAL ORE RESERVES		TOTAL ORE RESERVES		ONESTEEL INTEREST	COMPETENT PERSON
	ORE TYPE	Tonnes (m)	DTP Grade (%)	Tonnes (m)	DTR Grade (%)	Tonnes (m)	DTR Grade (%)	Tonnes (m)	DTP Grade (%)	%	
Total Quantity	Magnetite	38.4	42.6	45.0	39.5	83.4	40.9	83.3	42.1	100	P Leevers

Mineral Resources

The table below shows OneSteel's in-situ resource base adjacent to existing operations at a cut-off grade of Fe 50% and SiO2 <20%.

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 2010** — **AS AT 30 JUNE 2009**

CATEGORY	TYPE	MEASURED RESOURCES Tonnes (Mt)	MEASURED RESOURCES Fe Grade (%)	INDICATED RESOURCES Tonnes (Mt)	INDICATED RESOURCES Fe Grade (%)	INFERRED RESOURCES Tonnes (Mt)	INFERRED RESOURCES Fe Grade (%)	TOTAL RESOURCES 2010 Tonnes (Mt)	TOTAL RESOURCES 2010 Fe Grade (%)	TOTAL RESOURCES 2009 Tonnes (Mt)	TOTAL RESOURCES 2009 Fe Grade (%)	ONESTEEL INTEREST %	COMPETENT PERSON
Total Quantity	Hematite, Goethite, Limonite, Minor magnetite	19.0	61.5	56.9	59.7	41.1	55.9	117.0	59.0	91.8	59.2	100	P Leevers
Quantity excluded from Ore Reserves	Hematite, Goethite, Limonite, Minor magnetite	5.5	62.0	16.3	58.4	32.6	55.4	54.4	57.0	52.8	56.6	100	P Leevers

WHYALLA (MIDDLEBACK RANGE) MAGNETITE RESOURCES — **AS AT 30 JUNE 2010** — **AS AT 30 JUNE 2009**

CATEGORY	TYPE	MEASURED RESOURCES Tonnes (Mt)	MEASURED RESOURCES Fe Grade (%)	INDICATED RESOURCES Tonnes (Mt)	INDICATED RESOURCES Fe Grade (%)	INFERRED RESOURCES Tonnes (Mt)	INFERRED RESOURCES Fe Grade (%)	TOTAL RESOURCES 2010 Tonnes (Mt)	TOTAL RESOURCES 2010 Fe Grade (%)	TOTAL RESOURCES 2009 Tonnes (Mt)	TOTAL RESOURCES 2009 Fe Grade (%)	ONESTEEL INTEREST %	COMPETENT PERSON
Total Quantity	Magnetite	41.1	40.5	81.7	39.1	116.1	37.4	238.9	38.5	234.2	40.0	100	P Leevers
Quantity excluded from Ore Reserves	Magnetite	7.0	40.0	37.4	38.9	112.2	37.6	156.5	38.0	150.2	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 2005 financial year and draws feed from current mining activities and the Ore Beneficiation Stockpiles.

Ore suitable for beneficiation is constantly being added to Stockpiles at the mining operations due to recovery of resource outside of declared reserve.

Beneficiation Stockpile tonnes have reduced slightly due to additions to these stockpiles and depletion due to processing by the Ore Beneficiation Plant.

The Ore Beneficiation Stockpiles with a mean estimated grade exceeding 45% Fe that can be beneficiated to meet current export grade 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 as at 30 June 2010.

ONESTEEL ORE BENEFICIATION STOCKPILES — **AS AT 30 JUNE 2010** — **AS AT 30 JUNE 2009**

CATEGORY	TYPE	MEASURED RESOURCES Tonnes (Mt dry)	MEASURED RESOURCES Fe Grade (% uncalcined)	INDICATED RESOURCES Tonnes (Mt dry)	INDICATED RESOURCES Fe Grade (% uncalcined)	INFERRED RESOURCES Tonnes (Mt dry)	INFERRED RESOURCES Fe Grade (% uncalcined)	TOTAL RESOURCES 2010 Tonnes (Mt dry)	TOTAL RESOURCES 2010 Fe Grade (% uncalcined)	TOTAL RESOURCES 2009 Tonnes (Mt dry)	TOTAL RESOURCES 2009 Fe Grade (% uncalcined)	ONESTEEL INTEREST %	COMPETENT PERSON
Total Quantity	Hematite, Goethite, Limonite, Minor magnetite	4.0	54.1	5.2	52.3	10.7	54.2	19.9	53.7	20.5	53.9	100	P Leevers

PUBLIC FILE 81

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.

Corporations Act – *Corporations Act 2001* (Cth).

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 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 Fe_3O_4.

Medical Treatment Injury Frequency Rate – A statistical measure of safety performance.

A medical 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 Reserve – Represents what is currently economically feasible to mine.

Ore Resource – Refers to the total ore body.

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.

Platts – Global provider of energy and metals information and source of benchmark price assessments in the physical energy markets.

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.

Scope 1 – Direct emissions generated. Emissions that are the release of greenhouse gases into the atmosphere as a direct result of an activity, or series of activities (including ancillary activities) that constitute the facility.

Scope 2 – Indirect emissions generated. Emissions that are the release of greenhouse gases into the atmosphere as a direct result of one or more activities that generate electricity, heating, cooling or steam that is consumed by the facility but do not form part of the facility.

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 1600 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.

Townswater – Water withdrawn from a climate sensitive source that provides water to regional and urban populations.

ABBREVIATIONS

ABS – Australian Bureau of Statistics

ARC – Australian Reinforcing Company

ASIC – Australian Securities and Investments Commission

ASX – Australian Securities Exchange

ATM – Australian Tube Mills

AUD – Australian Dollar

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

CPI – Consumer Price Index

DMTU – Dry Metric Tonne Unit

DRP – Dividend Reinvestment Plan

EAF – Electric Arc Furnace

EBIT – Earnings Before Interest and Tax

EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation

EPA – Environment Protection Authority

ETS – Emissions Trading Scheme

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

GFC – Global Financial Crisis

GM – General Manager

GST – Goods and Services Tax

HRC – Hot rolled coil

ISO 31000:2009 – Risk management standard – principles and guidelines prepared by Joint Standards Australia/Standards New Zealand Committee OB-007 to supersede AS/NZS 4360:2004

ISO 9001/9002 – Global quality management standard

JORC Code – The 1999 Australasian Code for Reporting of Mineral Resources and Ore Reserves

MRRT – Mineral Resource Rent Tax

MT – Million tonnes

MTPA – Million tonnes per annum

NPAT – Net Profit After Tax and Minorities

NZ – New Zealand

OHS – Occupational Health and Safety

OST – OneSteel Limited

RSPT – Resource Super Profits Tax

TSR – Total Shareholder Return

UK – United Kingdom

USA – United States of America

PUBLIC FILE 80

Corporate Directory

ACN 004 410 833

ABN 63 004 410 833

DIRECTORS

Mr Peter J Smedley (Chairman)

Mr Laurence G Cox, AO

Mr R Bryan Davis

Dr Eileen J Doyle

Mr Colin R Galbraith, AM

Mr Peter G Nankervis

Mr Geoffrey J Plummer

Mr Dean A Pritchard

Mr Graham J Smorgon

Ms Rosemary Warnock (appointed 1 September 2010)

COMPANY SECRETARY

Ms Kara L Nicholls

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

c/- Company Secretary, OneSteel Limited

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

Computershare Investor Services Pty Limited

GPO Box 2975

Melbourne VIC 3001 Australia

Telephone: 1300 364 787 or +61 3 9415 4026

Facsimile: +61 3 9473 2500

Email: onesteelshareregistry@computershare.com.au

Internet: www.computershare.com

EXTERNAL AUDITOR

KPMG

AUSTRALIAN SECURITIES EXCHANGE LISTING

OneSteel Limited listed on the Australian Securities Exchange on 23 October 2000 under Issuer Code OST

ANNUAL REPORT

The 2010 Annual Report is available on the OneSteel website www.onesteel.com, by calling +61 2 9239 6666 or emailing investorenquiries@onesteel.com

CALENDAR OF FINANCIAL EVENTS

15 November 2010

Annual General Meeting

31 December 2010

End of first half of financial year

22 February 2011

Half year results and interim dividend announced

OST securities quoted on a cum basis for interim dividend

25 February 2011

OST securities quoted on an ex basis for interim dividend

3 March 2011

Interim dividend - Record date

Last day for shareholders to elect to participate in the Dividend Reinvestment Plan for interim dividend

Last day for shareholders to advise Computershare of their TFN for interim dividend

14 April 2011

Interim dividend - Payment date

30 June 2011

End of financial year

16 August 2011

Full year results and final dividend announced

OST securities quoted on a cum basis for final dividend

19 August 2011

OST securities quoted on an ex basis for final dividend

25 August 2011

Final dividend – Record date

Last day for shareholders to elect to participate in the Dividend Reinvestment Plan for final dividend

Last day for shareholders to advise Computershare of their TFN for final dividend

13 October 2011

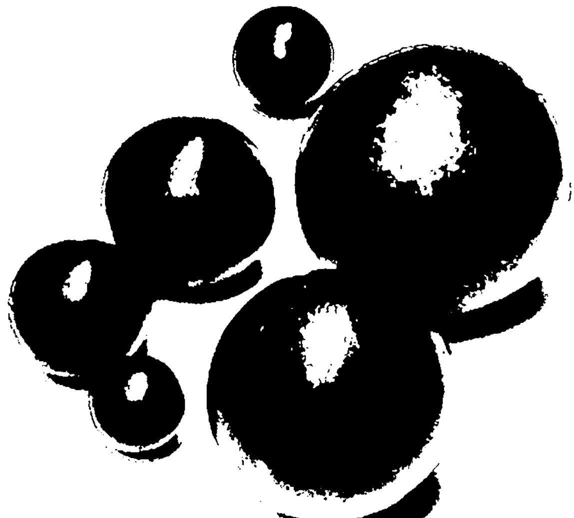
Final dividend – Payment date

Annual Report and Notice of Meeting dispatched

21 November 2011

Annual General Meeting

DESIGNED AND PRODUCED BY DESIGNATE INVESTOR



onesteel