BROADENING OUR HORIZONS

ONESTEEL LIMITED ANNUAL REPORT 2011

onesteel

CONTENTS

The OneSteel Group is a diverse portfolio of international and domestic mining, recycling, mining consumables, manufacturing and distribution businesses. OneSteel is an exporter of iron ore and scrap metal and is the largest manufacturer and supplier of grinding media to the global resources sector. OneSteel also manufactures and supplies a range of mining consumables products, including rail wheels and wire ropes, to the resources sector.

OneSteel has a significant presence in Australian steel as an integrated manufacturer of steel and finished steel products. OneSteel is Australia's premier manufacturer of steel long products and is a leading metals distribution company in Australia and New Zealand. The company manufactures and distributes a wide range of steel products including structurals, rail, rod, bar, wire and pipe and tube products, and distributes sheet and coil, piping systems, plate and aluminium products.

Revenue for the 2011 financial year exceeded $7.1 billion.

Annual General Meeting

OneSteel's 2011 Annual General Meeting will be held on Monday 21 November 2011, at the City Recital Hall, 2 Angel Place, Sydney, commencing at 2.30 pm AEDT.

OneSteel Limited

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

THE ONESTEEL GROUP IS A DIVERSE PORTFOLIO OF INTERNATIONAL AND DOMESTIC MINING, RECYCLING, MINING CONSUMABLES, MANUFACTURING AND DISTRIBUTION BUSINESSES

ABOUT ONESTEEL

Our mission

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

Our achievements

Operationally, the resources focused Iron Ore and Mining Consumables segments performed well in the 2011 financial year, underpinned by continued strong mining activity. Our Iron Ore segment was again the standout performer for the year, delivering revenue of $948 million and EBIT of $524 million.

During the year, we acquired and successfully integrated the Moly-Cop Group mining consumables businesses in the Americas. This represented another significant milestone in OneSteel's long-term growth strategy and transformation. The acquisition positions OneSteel as a global player in grinding media with participation in some of the world's largest and most attractive mining consumables markets, as well as providing OneSteel with a solid platform for further growth in mining consumables.

Following completion of the acquisition at the end of 2010, we established a new Mining Consumables segment. This segment also performed well delivering EBIT of $65 million for the year.

THE RESOURCES FOCUSED IRON ORE AND MINING CONSUMABLES SEGMENTS PERFORMED WELL, UNDERPINNED BY CONTINUED STRONG MINING ACTIVITY

The Recycling segment delivered a much improved EBIT result for the year of $21 million, which included a very solid second half performance.

OneSteel's increased emphasis on driving safety improvement and on facilitating greater employee involvement in safety activities helped deliver further improvements to the company's overall safety performance for the year.

OneSteel's balance sheet remains sound. Statutory gearing at year end was 27.7%, which includes debt related to financing the Moly-Cop Group acquisition. The company successfully completed its debt refinancing program during the year to smooth and extend its debt maturity profile. This increased the duration of OneSteel's drawn debt to an average of 5.7 years, compared to 2.6 years at the end of the prior financial year.

OneSteel remains well positioned to continue to manage through difficult domestic and international economic conditions and has significant leverage to economic recovery.

Investment merits

- Miner and exporter of iron ore
- Significant mining consumables business
- Exposure to global resources sector
- Vertically integrated operations
- Self-sufficient in iron ore
- Ability for self-sufficiency in scrap steel
- Flexible steel production with both integrated and electric arc furnace (EAF) processes

Leading market positions

- #1 globally in grinding media
- #1 in general Australian steel distribution
- #1 in Australian reinforcing
- #1 in Australian wire
- #2 in Australian recycling
- #1 in New Zealand general distribution

Strong position in niche markets

- Rail wheels
- Mining ropes
- Rail
- Fluid transmission

CALENDAR OF SIGNIFICANT EVENTS – 2011 FINANCIAL YEAR

2010

July
100th iron ore cape shipment loaded

August
Financial results for the full year ended 30 June 2010

Appointment of Non-Executive Director, Rosemary Warnock

Awarded EPA Sustainability Licence

October
10 year anniversary of spin out from BHP and ASX listing

Official opening of Wire Ropes plastication plant in Newcastle, NSW

November
2010 Annual General Meeting

Announced acquisition of the Moly-Cop Group

December
Completed acquisition of the Moly-Cop Group

2011

January
Mining Consumables reporting segment created

February
Share sale and top-up facility offer

Financial results for the half year ended 31 December 2010

May
Whyalla blast furnace repair and redesign work commenced

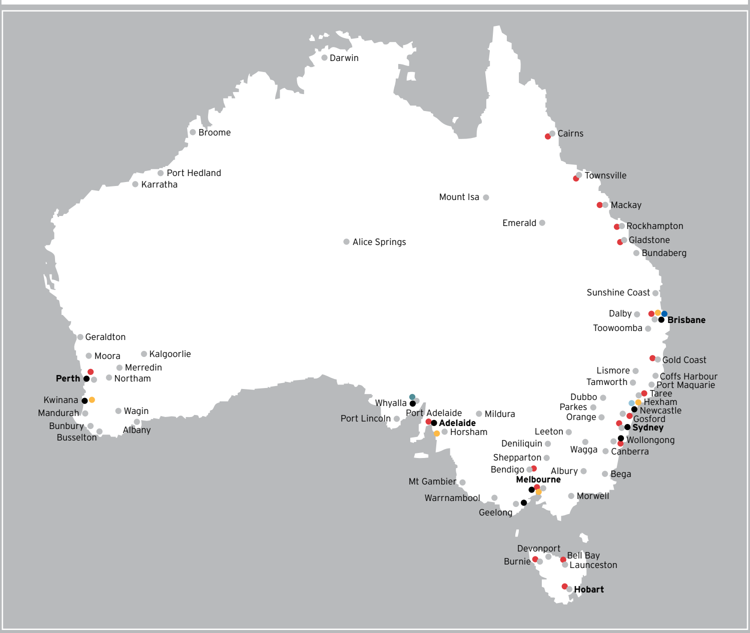
Core values

WE WILL NOT COMPROMISE ON SAFETY
WE WILL MEET OUR PROMISE TO CUSTOMERS

MAP OF OPERATIONS

In addition to our Australian operations, OneSteel operates over 50 facilities overseas, with the majority of these including major mining consumables, manufacturing and recycling sites, in North and South America, New Zealand and Asia.

Australia



North & South America

New Zealand

Asia

- Key Distribution Sites
- Key Manufacturing Sites
- Key Shredding Sites
- Key Recycling Sites
- Mining Consumables
- LiteSteel™ Technologies
- Iron Ore Mine Site

FINANCIAL & OPERATIONAL SUMMARY

Financial overview

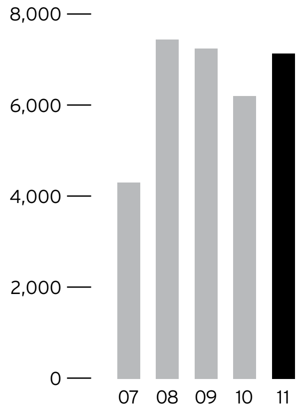
- Sales revenue up 15% to $7,133 million
- Underlying EBIT up 3% to $428 million
- Statutory net profit after tax down 11% to $230 million
- Underlying net profit after tax down 2% to $235 million
- Strong underlying operating cash flow of $477 million
- Statutory net debt increased to $1,728 million following acquisition of the Moly-Cop Group
- Statutory gearing ratio increased 10 points to 27.7% following acquisition of the Moly-Cop Group
- Total dividend for the year 10 cents (unfranked), down from 11 cents in the prior year.

Operational overview

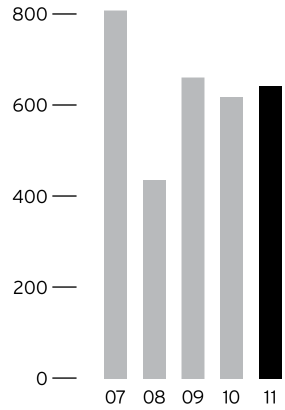
- Overall performance impacted by difficult external environment and ongoing effects of GFC
- Resources focused businesses performed well
- Iron Ore EBIT up 57% to $524 million
- Achieved Iron Ore sales volume of 6 million tonnes
- Confident that there will be sufficient reserves and beneficiated ore to support sales at 6 million tonnes per annum for at least 10 years[1]
- Mining Consumables EBIT $65 million
  - New Moly-Cop Group businesses included from 1 January 2011
- Recycling EBIT $21 million, significant improvement from $8 million in prior year
- Australian steel businesses impacted by adverse external environment
- Manufacturing underlying EBIT loss $185 million
- Australian Distribution underlying EBIT $10 million
- Raw steel production increased to 2.31 million tonnes due to the contribution from AltaSteel
- Significant leverage to economic recovery.

1 Iron ore sales expected to increase to approximately 9-10 million tonnes per annum following announced port expansion at Whyalla and agreement to acquire WPG Resources' iron ore assets

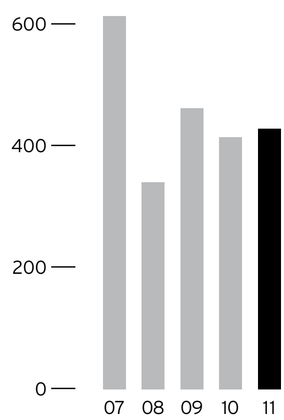
Sales Revenue ($m)



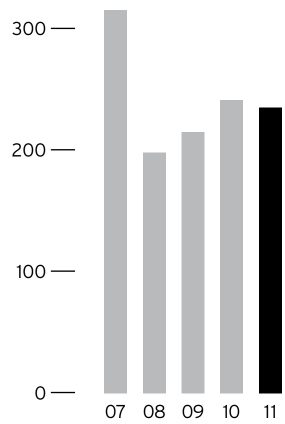
EBITDA ($m)



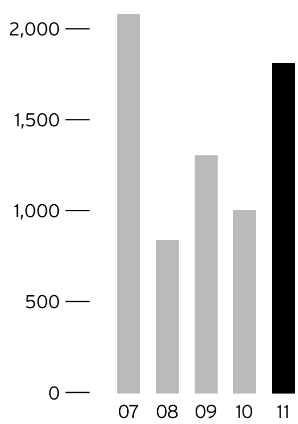
EBIT ($m)



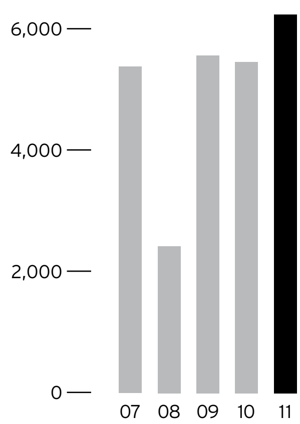
Net Profit After Tax ($m)



Net Debt ($m)



Funds Employed ($m)



$7,133 MILLION

SALES REVENUE – 15% INCREASE

Key financials

Year ended 30 June

	FY11[1] ($m)	FY10[2] ($m)	Change (%)
Sales Revenue	**7,133**	6,205	15%
Other Revenue/Income	**44**	56	(21%)
Total Income	**7,177**	6,261	15%
Gross Profit	**1,376**	1,234	12%
EBITDA – Underlying	**642**	618	4%
Depreciation and Amortisation	**(214)**	(204)	5%
EBIT – Underlying	**428**	414	3%
Finance Costs	**(101)**	(89)	13%
Earnings Before Tax – Underlying	**327**	325	1%
Tax Expense – Underlying	**(85)**	(82)	4%
Profit After Tax – Underlying	**242**	243	0%
Non-controlling Interests	**(7)**	(2)	250%
Net Profit After Tax – Underlying	**235**	241	(2%)
Net Profit After Tax – Statutory	**230**	258	(11%)
Total Assets	**8,315**	7,068	18%
Inventory	**1,605**	1,433	12%
Total Liabilities	**3,809**	2,575	48%
Funds Employed	**6,234**	5,456	14%
Total Equity	**4,506**	4,493	0%
Net Debt	**1,728**	964	79%
Net Debt[3] (Incl Hedging)	**1,814**	1,007	80%
Number of Shares on Issue (millions)	**1,338**	1,332	0%
Operating Cash Flow	**463**	602	(23%)
Free Cash Flow – Underlying	**226**	480	(53%)
Free Cash Flow	**212**	429	(51%)
Capital and Investment Expenditure	**1,244**	207	501%
Return on Assets % – Underlying	**5.6%**	5.9%	(-0.3pts)
Return on Equity % – Underlying	**5.4%**	5.5%	(-0.1pts)
Return on Funds Employed % (ROFE) – Underlying	**7.3%**	7.5%	(-0.2pts)
Sales Margin	**6.0%**	6.7%	(-0.7pts)
Gross Profit Margin	**19.3%**	19.9%	(-0.6pts)
Earnings Per Share (cents) – Underlying (weighted ave)	**17.7**	18.2	(3%)
Dividends Per Share (cents)	**10.0**	11.0	(-1cent)
Dividend Payout Ratio – Underlying	**56.8%**	60.9%	(-4.1pts)
Dividend Payout Ratio – Statutory	**58.0%**	56.7%	1.4pts
Gearing – Statutory (net debt/net debt + equity)	**27.7%**	17.7%	10pts
Gearing – Incl Hedging (net debt/net debt + equity)[3]	**28.7%**	18.3%	10.4pts
Interest Cover (times EBITDA)	**6.4**	6.9	(-0.5 times)
Net Tangible Assets Per Share ($)	**1.39**	1.77	(21%)
Employees	**11,598**	10,598	9%
Sales Per Employee ($000s)	**615**	585	5%
Raw Steel Production	**2.31**	2.15	7%
Steel Tonnes Despatched	**3.19**	2.75	16%

1 FY11 underlying results are before the impact of restructuring costs, including impairment of plant and equipment, tax benefits relating to prior years and direct costs arising from the acquisition of the Moly-Cop Group, which had a net impact of $5.1 million after tax. These statistics include the results of the Moly-Cop Group from 31 December 2010.

2 FY10 underlying results are before the impact of legal claims, accelerated depreciation, restructuring activities, tax consolidation and tax benefits relating to prior years of $17.8 million after tax.

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

CHAIRMAN'S REVIEW

Peter Smedley Chairman

I am pleased to report that the company delivered a statutory net profit after tax of $230 million for the 2011 financial year.

OneSteel's overall profit performance for the year highlights the benefits of the company's strategy to grow its mining and mining consumables businesses and diversify its exposure away from domestic construction and infrastructure cycles.

The first step in this strategy came in 2005 with the commencement of Project Magnet. This included a $400 million investment to convert the Whyalla Steelworks to magnetite iron ore, thereby creating a new revenue stream for the company by freeing up hematite iron ore for export sales. This investment, together with further work through Project Magnet Phase 2 to increase reserves and resources, continues to add significant value for shareholders as seen in the performance of the Iron Ore segment, which was again the standout performer for the year.

The next step in this growth strategy included the addition of a number of mining consumables businesses as part of the Smorgon Steel merger in 2007. These businesses are leveraged to the fast growing resources sector, particularly copper, gold and iron ore.

Building on the success of these businesses, we were pleased to announce last November that the company had signed an agreement to acquire the Moly-Cop Group mining consumables business from Anglo American plc for an enterprise value of US$932 million. The acquisition was completed on 31 December 2010 and positions OneSteel as the global leader in grinding media with participation in some of the world's largest and most attractive mining consumables markets, as well as providing the company with a great platform for further growth in mining consumables.

Even more recently, we were pleased to announce the latest step in the company's growth strategy. In August, the company announced its intention to expand iron ore sales to 9-10 million tonnes per annum facilitated through an estimated $200 million expansion of the company's port facilities at Whyalla, underpinned by an agreement with WPG Resources to purchase its iron ore assets for an estimated $346 million. The acquisition is expected to be completed in October and will allow OneSteel to bring high quality ore to the market quickly, taking advantage of favourable market conditions for iron ore.

Despite the good performance of our Iron Ore and Mining Consumables businesses, our Australian steel businesses continued to be severely affected by the adverse external environment, including very weak domestic and international steel markets and a rapid and significant increase in the Australian dollar.

So, while it has continued to be a very challenging year for our Australian steel businesses, the company has made significant progress in its growth and transformation plans and this is helping to strengthen OneSteel. This is reflected in the change in the proportion of OneSteel's overseas sourced revenue, which has grown from almost nothing at the time of being spun out of BHP 11 years ago, to now more than 40% due to our expanded business portfolio. This diversification strategy is continuing to better position the company for the future.

Operational highlights

Highlights for the year include the very strong performance of our Iron Ore segment as mentioned above, the good performance of our newly established Mining Consumables segment that includes the contribution of the Moly-Cop Group from 1 January 2011, and the turnaround performance of the Recycling segment, which had a very strong second half in particular. The businesses delivered a solid cash outcome for the year, which helped keep statutory gearing to 27.7% at the end of the financial year.

I am also pleased to report that OneSteel has again improved its overall safety performance for the year, with the increased emphasis on driving safety improvement and on facilitating greater employee involvement in safety activities that I discussed last year clearly having a positive impact. Details of OneSteel's safety results for the year are reported in the Sustainability section on page 32.

A level playing field

Although OneSteel has diversified into mining and mining consumables, its Australian steel businesses remain important to the company's business portfolio. At the time of being spun out from BHP and many times since, our Australian steel businesses have gone through considerable challenges, and many people have underestimated the company's ability to work through these challenges and succeed. These businesses are again facing a very challenging external environment, which in the past financial year led to a disappointing and unacceptable performance. OneSteel has always recognised that it is its responsibility to accept and work through the challenges before it and announced in August that it had commenced a review of its steel product portfolio and facilities.

While OneSteel focuses on initiatives to return these businesses to acceptable returns, it is very important that the Government ensures the level playing field is not adversely impacted by its policy decisions. OneSteel has been very vocal on this point over the past year in particular, emphasising the need when setting policy for government to consider how industries or particular companies may be impacted cumulatively by its policies, rather than on an individual policy basis. The potential impact on costs, cash flow and competitive position are key factors affecting a company's investment decisions and these need to be properly factored in by Government.

From OneSteel's perspective, policy areas including carbon reduction, which includes the Carbon Tax, the Renewable Energy Target Scheme and the National Energy Greenhouse Reporting Scheme, the Mineral Resource Rent Tax, Research and Development legislation amendments and ineffective anti-dumping administration have all been areas of concern. We have been liaising with Government on these matters and have been encouraged by recent announcements on the Carbon Tax and anti-dumping in particular. In this current external environment, the pressures on the competitiveness of the Australian steel industry are already significant and for the sake of the future of the industry should not be exacerbated by the cumulative impact of government policy. It needs to be remembered that steel and a viable Australian steel industry is required for the continued growth and prosperity of Australia.

Carbon Tax

Last year I wrote that it was imperative for the Government to get the design of the Carbon Tax right to avoid potential damage to the competitiveness of the Australian steel industry for no environmental benefit. Following the Government's announcement in July of details of its proposed Carbon Tax, OneSteel stated that it was pleased that the Government had listened and responded to our call for a sectoral approach to be adopted for the steel industry, and that it believed this approach including the Government's intention to introduce a $300 million Steel Transformation Plan is both sensible and appropriate.

The proposed assistance package substantially addresses the company's concerns about the potential impact of the tax on the industry's competitive position, at least over the four-year life of the Steel Transformation Plan. OneSteel also supports the Government's recognition of the need for appropriate review mechanisms to be available to address the merits of continued support at the conclusion of the four-year plan, and also in the event that the company believes the cost impact of the Carbon Tax related to scope 3 emissions from coal is being passed through.

Mining Tax

In June and September this year, the Government released Exposure Drafts on the Mineral Resource Rent Tax Bill. While we are encouraged that the Bill includes specific provisions for the purpose of addressing some of our issues, including the impact of the proposed tax on the Whyalla Steelworks, there remains considerable uncertainty around the tax's impact on both our Whyalla steelmaking and iron ore export businesses. We are continuing to discuss these matters with the Government, including ensuring the proposed tax will not adversely impact OneSteel's competitive position and its ability and merits for reinvesting in Whyalla.

Weak domestic demand levels resulted in raw steel production remaining low at 2.31 million tonnes.

I was pleased to announce on behalf of the OneSteel Board a final dividend of 4 cents per share unfranked. This brings the total dividend for the 2011 financial year to 10 cents, slightly down on 11 cents paid for the prior year. We are hopeful of being able to return to franking in the 2012 financial year but this will be subject to the level of tax paid in Australia.

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.

ONESTEEL'S OVERALL PROFIT PERFORMANCE FOR THE YEAR HIGHLIGHTS THE BENEFITS OF THE COMPANY'S STRATEGY TO GROW ITS MINING AND MINING CONSUMABLES BUSINESSES AND DIVERSIFY ITS EXPOSURE AWAY FROM DOMESTIC CONSTRUCTION AND INFRASTRUCTURE CYCLES

Remuneration Report

At last year's Annual General Meeting I indicated that shareholders had expressed concerns around the company's long-term incentive plan (LTIP), including specific matters such as the payment of dividends on unvested shares, the performance hurdle that measures total shareholder return performance against a base index and the approach to retesting. While these concerns were in stark contrast to what the majority of shareholders had been telling us in previous years, I responded by announcing that the Board would review the design of the LTIP and that dividends will not be paid on unvested shares from grants made post November 2010. This review was completed during the financial year and involved input from independent and specialist advisers including Egan Associates and Clayton Utz, with the key change being a Performance Rights Plan replacing share grants under the current LTIP. Other significant changes included modifications to performance hurdles and the discontinuation of retesting. These changes are discussed further in the Remuneration Report.

The year in review

I would now like to comment on OneSteel's financial performance for the year. As I mentioned earlier, the company's performance reflects the strengths in the markets of our different businesses with the resources focused Iron Ore and new Mining Consumables businesses performing well, underpinned by continued strength in the resources sector. The performance of our Recycling business improved for the year, particularly in the second half, but our Australian steel businesses performed poorly due to continued weakness in international and domestic steel markets, and the impact of the significant increase in the Australian dollar.

Sales revenue for the year increased 15% to $7.1 billion due to higher revenue in the Iron Ore and Recycling segments and the contribution of the new Moly-Cop Group businesses from 1 January 2011. The sales margin decreased to 6.0% from 6.7% in the prior year due mainly to lower margins in the Manufacturing and Australian Distribution segments.

The effective tax rate was comparable to the prior year at 21%, and underlying net profit after tax was $235 million, slightly lower than $241 million for the prior year. On a statutory basis, net profit after tax was $230 million, down from $258 million for the prior year. Earnings per share were 17.3 cents and 17.7 cents on a statutory and underlying basis respectively.

Operating cash flow was a very solid $463 million for the year and the interest cover ratio was a comfortable 6.4 times. As I mentioned earlier, statutory gearing increased to 27.7% following increased debt levels related to the Moly-Cop Group acquisition.

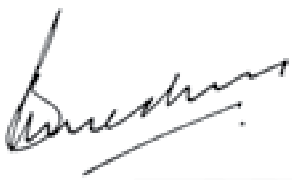
Outlook

In the short term, the outlook remains positive for steelmaking raw materials and mining consumables. For our Australian steel businesses, the immediate outlook for domestic construction activity is expected to continue to be relatively weak. However, we expect increased activity in the resources sector and from Government funded civil works projects.

In the longer term, we expect continued strong growth in demand for iron ore and mining consumables. We remain confident we will see improvements in the fundamentals for key Australian and international steel markets and that Australian steel demand and pricing will improve as economic conditions improve.

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 and visitors to our sites and their dedication to the task of servicing all of OneSteel's customers in Australia and overseas.



Peter Smedley
Chairman

MANAGING DIRECTOR'S REVIEW

Geoff Plummer Managing Director and CEO

I am pleased to present the 2011 financial year results for OneSteel Limited, a year of success, challenges and transformation. OneSteel reported an underlying net profit after tax of $235 million, in line with our market guidance provided in May, which represents a 2% decrease compared to underlying net profit after tax for the prior year of $241 million. The underlying result includes the contribution of the Moly-Cop Group from 1 January 2011, but excludes the direct acquisition costs for the Moly-Cop Group of $14 million, restructuring costs of $8 million after tax, and tax benefits relating to prior years of $17 million.

Market conditions

The 2011 financial year performance clearly reflected the different strengths of the markets of our businesses. The international and resources focused businesses in our portfolio performed well, underpinned by continued strength in the resources sector, whilst our Australian steel businesses performed poorly due to a very difficult external environment. This included continued weak domestic demand compounded by unseasonal wet weather, under-utilisation in international steel markets, high raw material prices, and the rapid and significant appreciation of the Australian dollar during the year. The escalation of the Australian dollar adversely affected prices and margins for our Australian steel businesses and also had an adverse translation impact on earnings, particularly in our Iron Ore, Recycling and Mining Consumables segments.

Performance

The overall profit performance of the company reflects the benefits of our strategic initiatives of growing the resources focused Iron Ore and Mining Consumables businesses, and diversifying away from Australian construction and infrastructure cycles. Despite the very difficult environment for our Australian Steel businesses, the company delivered a very solid $463 million of operating cash flow for the year which helped reduce statutory gearing to 27.7% following the inclusion of debt related to the Moly-Cop Group acquisition at 31 December 2010. The company also continued to deliver reductions to its cost base and made improvements to its working capital position at year end.

I am also pleased to report that we successfully completed our debt refinancing program during the year aimed at smoothing and extending the company's debt maturity profile. This has resulted in the duration of our drawn debt increasing from an average 2.6 years to 5.7 years, and our next material debt maturity moving out to August 2013.

Operationally, our Iron Ore segment was again the standout performer for the year, with earnings before interest and tax (EBIT) up 57% to $524 million due mainly to higher iron ore prices. The business achieved sales for the year of 6 million tonnes despite adverse weather conditions that affected our mining and shipping operations. We continued to progress our ferrous extension drilling and exploration work during the year as part of Project Magnet Phase 2 and while we only added a further 2.5 million tonnes to reserves, we have identified a number of promising opportunities during our exploration work that we expect will further increase our reserves. We remain confident that there will be sufficient reserves and beneficiated ore to enable external sales at the rate of 6 million tonnes per annum for at least 10 years.

I am pleased to report that we were successful in our efforts to purchase the Moly-Cop Group mining consumables businesses from Anglo American plc at the end of 2010 for an enterprise value of US$932 million. The acquisition is consistent with our stated long-term growth strategy of growing our mining and mining consumables businesses, and positions OneSteel as the global leader in grinding media. The acquired businesses, together with OneSteel's existing grinding media production facilities in Australia, the United States and Indonesia, provides us with global scale in the growing grinding media market. The acquisition also provides us with strong positions in new and attractive regions, and leverages OneSteel's core capabilities including product, technical and customer knowledge in mining consumables.

Following this acquisition we established a new Mining Consumables reporting segment. The segment, which also includes the existing OneSteel mining consumables businesses, delivered EBIT of $65 million for the year. Both the newly acquired Moly-Cop Group and our existing grinding media businesses in the United States and Australia performed well, as did the Australian mining ropes business, all underpinned by strong levels of mining activity. In the Australian rail wheels business, prices and sales volumes were impacted heavily by the stronger Australian dollar.

We remain confident that the Moly-Cop business is a quality business with strong growth potential, and that it will be a good foundation for the company's future growth strategy in mining consumables.

Our Recycling segment performance improved, particularly in the second half. EBIT increased to $21 million compared to $8 million for the prior year with our US business being the largest contributor. Overall, the Recycling business achieved higher ferrous and non-ferrous volumes during the year, with average prices also improving. International demand for scrap metal trended up during the year; however, the Australian ferrous market remained challenging as weak industrial and construction activity continued to affect the availability of scrap arisings. The acquisitions made during the last financial year helped improve the Australian Recycling business's competitive position, assisting to secure volumes at source. Operational synergies from the closure of a number of scrap yards during the year have improved the cost base of the Australian business.

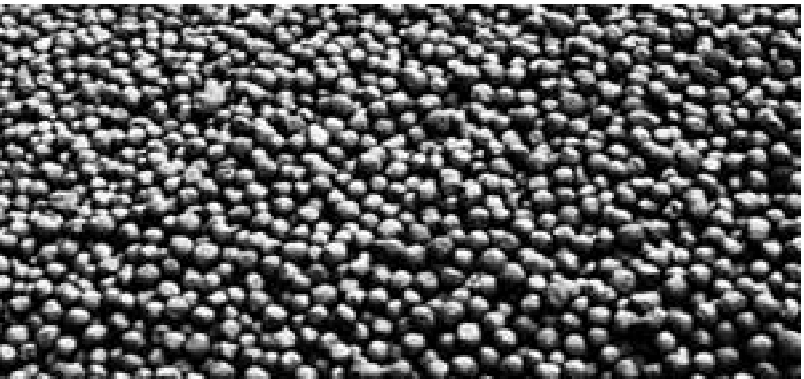
As mentioned previously, our Manufacturing and Australian Distribution segments were significantly adversely impacted by the very difficult external environment. The rapid appreciation of the Australian dollar resulted in further price and margin pressure and a deferral of sales during periods of the year. Domestic demand levels continued to be weak, impacted by a further weakening in confidence levels due to factors such as the uncertainty over proposed new domestic taxes, global debt issues and higher interest rates.

The performance of our Manufacturing segment was also impacted by costs related to the Whyalla blast furnace being down for repair and redesign work during the fourth quarter. This work was completed in line with our guidance on capital cost and time, and is expected to extend the design life of the blast furnace beyond 2020. Due to the flexibility of our steelmaking operations, we were able to supplement the lost production in Whyalla by use of the company's strong broad-based inventory position and ramping up production at our Sydney and Laverton electric arc furnaces.

Cost reduction initiatives

In response to the continuing difficult market conditions, the Australian steel businesses have commenced a further program of labour and other cost reductions to lower the cost bases of the businesses. We expect that this initial review will result in annual labour savings of approximately $40 million. We are also undertaking reviews of our steel product portfolio, facilities and cost base given that further initiatives will be required to address the current economic conditions and the unacceptable financial performance of these businesses.

IT WAS A YEAR OF SUCCESS, CHALLENGES AND TRANSFORMATION



Commitment to safety

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 2011 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), improved 7% and 24%, down to 1.3 and 6.3 respectively.

Outlook

In our international markets, the short-term outlook remains positive for steelmaking raw materials and mining consumables.

In our Iron Ore and Recycling segments, the supply/demand balance is expected to keep prices high compared to historical standards, but with continued volatility.

In Recycling, we expect our international businesses to build on the improved 2011 financial year performance, while in our Australian business, trading conditions are expected to remain challenging until there is a lift in the supply of scrap arisings.

In Mining Consumables, we expect the continued strength in mining activity to underpin strong demand in both the Americas and Australasia.

In Australian steel, the immediate outlook for domestic construction activity is to continue to be relatively weak overall. However, we expect increased activity in the resources sector and from Government funded civil works projects. Prices are expected to remain under pressure from weak confidence, soft international steel markets and the Australian dollar, if it remains at recent high levels.

In the longer term, we expect continued strong growth in demand for mining consumables due to increased mining activity, particularly copper and gold.

In our Australian steel businesses, we remain confident we will see improvements in the fundamentals for key Australian and international steel markets over the longer term, and that Australian steel demand and pricing will improve as economic conditions improve.

We continue to have a positive long-term outlook for both our Iron Ore and Recycling segments, but with continued volatility.

In September, OneSteel announced a number of management changes that better align our organisational structure with the increased scale and scope of the business, particularly following our recent expansion in Mining Consumables and in Iron Ore, including the recently announced port expansion at Whyalla and the agreement to acquire WPG Resources' iron ore assets, as mentioned by the Chairman. These changes better support our ability to deliver value to shareholders, both through delivering on the growth opportunities from our resources focused businesses and from addressing the unique set of challenges currently facing our Australian steel businesses. These changes are now being implemented and will be reflected in next year's annual report.

Thank you

I would like to extend my gratitude to all of OneSteel's employees 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, unwavering support and 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

OPERATIONAL OVERVIEW

The benefits of OneSteel's transformation since being spun out from BHP 11 years ago, including its focus on growing its Iron Ore and Mining Consumables businesses, is clearly evident in the company's overall profit performance for the 2011 financial year. Underlying Net Profit After Tax for the year of $235 million largely reflects the strong performances of the Iron Ore and the newly established Mining Consumables segment.

investments in new mines. The business continues to do work to increase reserves and resources and while only 2.5 million tonnes was added to reserves during the year, a number of promising opportunities were identified that are expected to further increase reserves. Based on current reserves and the beneficiation of low grade ore, we expect to have sufficient ore to maintain sales at the rate of 6 million tonnes per annum for at least 10 years.

THE OVERALL PROFIT PERFORMANCE FOR THE YEAR REFLECTS THE LEVEL OF STRENGTH IN THE MARKETS OF OUR DIFFERENT BUSINESSES

The Mining Consumables segment was established following the acquisition of the Moly-Cop Group from Anglo American plc on 31 December 2010 for an enterprise value of US$932 million. This was another significant step in the execution of OneSteel's long-term growth strategy for creating shareholder value. The acquisition provides the company with increased exposure to the high growth mining consumables sector through Moly-Cop's grinding media businesses in the Americas, and further diversifies OneSteel's exposure away from domestic construction and infrastructure cycles. The company now participates in some of the world's largest and most attractive mining consumables markets with significant leverage to continued growth in copper and gold mining in particular.

The acquisition of these businesses is an ideal strategic fit for the company as OneSteel already has significant industry knowledge and experience gained through its own grinding media and other mining consumables operations such as the wire ropes and rail wheels businesses in Australia. These existing mining consumables businesses are now included in the new Mining Consumables segment.

Following this acquisition, OneSteel's overseas sourced revenue has increased from an insignificant amount at the time of being spun out from BHP 11 years ago, to now more that 40% due to the expansion of its business portfolio over this time.

Operational performance

The overall profit performance for the year reflects the level of strength in the markets of our different businesses, with the international and resources focused businesses again the best performers.

The highlight was the performance of the Iron Ore segment, which recorded another impressive result underpinned by high prices compared to historical levels due to continued strong demand from China.

This business also continued to make good progress with Project Magnet Phase 2 during the year, aimed at increasing iron ore reserves and resources and maintaining iron ore sales at 6 million tonnes per year. Approximately $60 million in capital expenditure was invested during the year on this project and a further $140 million has been committed. Investments include an ore beneficiation plant at Iron Baron, additional mine cutbacks, exploration, infrastructure and roads, expansion of the mining fleet, additional rail wagons and

The new Mining Consumables segment showed the benefits of strong levels of mining activity in Australasia and the Americas. Performance of the Moly-Cop grinding media business was in line with expectations for the six months since acquisition.

There was a significant improvement in the performance of the Recycling segment for the year, particularly in the second half, largely due to the strong contribution from the US Recycling business. The Australian business, although EBITDA positive for the year, continues to be adversely affected by low sales volumes and the short supply of scrap arisings in Australia due to weak levels of construction and industrial activity.

In our Australian steel segments, continued weak domestic demand, higher raw material prices, under-utilisation in international steel markets, unseasonal wet weather and the impact on prices of a 28% run up in the Australian dollar over the year, all led to a very disappointing and unacceptable result.

The Australian steel businesses have commenced a further program of labour and other cost reductions to the businesses' cost base in response to the continuing difficult market conditions. This initial review will involve labour reductions of approximately 400 employees and contractors substantially by the end of the September quarter, and is expected to result in annual labour savings of approximately $40 million. Reviews of the businesses' product portfolio, facilities and cost base are continuing and further initiatives will be required given current economic conditions and the businesses' unacceptable performance.

With steelmaking utilisation levels still well below pre-GFC levels, the Australian steel Manufacturing business remains strongly leveraged to volume as well as price improvements, as does the Australian Distribution business.

Despite the impact of the very challenging external environment on the Australian steel businesses, the company delivered a very strong cash outcome with statutory operating cash flow of $463 million for the year. The balance sheet also remains solid with statutory gearing at 27.7%, which includes the impact of the Moly-Cop Group acquisition.

43%

OF ONESTEEL'S REVENUE NOW SOURCED FROM OVERSEAS
DUE TO EXPANSION OF ITS BUSINESS PORTFOLIO

OPERATIONAL OVERVIEW CONTINUED

KEY BUSINESS DRIVERS

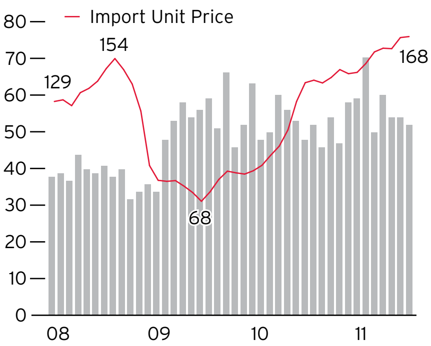
The information included in the following charts illustrates trends in some of the major drivers of OneSteel's businesses, including iron ore demand, world copper and gold production, key sectors of the Australian economy, domestic steel prices, prices of international steel and key inputs into steelmaking. The strength in the markets of our international and resources focused businesses and the weakness in the markets of our domestic steel businesses are evident in the following charts.

ONESTEEL HAS IRON ORE RESERVES IN SOUTH AUSTRALIA, AND EXPORTED 6.04 MILLION TONNES OF HIGH GRADE AND LOWER GRADE IRON ORE DURING THE YEAR

Figure 1

Iron ore imports into China

January 2008 to June 2011
Million tonnes (axis)
Import unit price (US$/t)

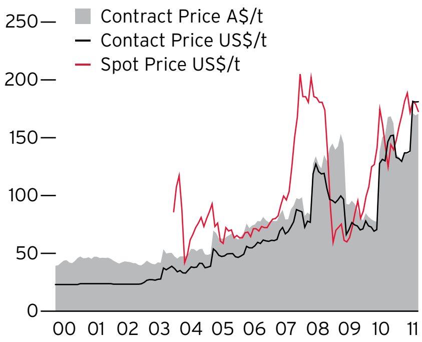


Source: TEX Report

Figure 2

Iron ore fines (62% Fe) – contract and spot prices (cfr China)

July 2000 to June 2011
Dollars per tonne (cfr)

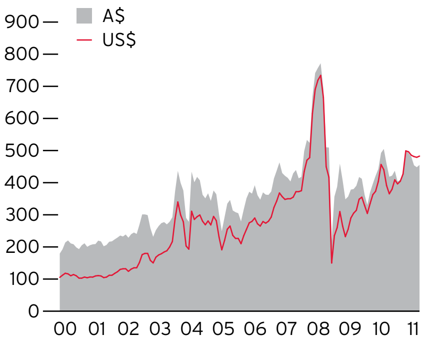


Source: SBB, CRU, Platts

Figure 3

Korean HM1 scrap price (c&f)

July 2000 to June 2011
Dollars per tonne (c&f)



Source: TEX Report

Iron ore imports into China

Figure 1 represents the volume of iron ore that was imported by China. China imported 644 million tonnes of iron ore in FY11, which is 0.6% more than the volume imported in FY10. China's share of the seaborne iron ore trade has risen from ~40% in 2005 to ~60% in 2010. There has been strong demand for imported iron ore from China to support infrastructure developments in their five-year plan.

Iron ore prices

OneSteel has iron ore reserves in South Australia. In FY11, OneSteel exported 6.04 million tonnes of high grade and lower grade iron ore.

Figure 2 shows international movement in iron ore fines prices in both US and Australian dollars. Contract pricing has been in monthly or quarterly periods based on the spot prices in previous periods. Average spot prices for FY11 increased by 37% compared to FY10. Spot prices in FY11 ranged from a low of US$116/t cfr to a high of US$193/t cfr. Iron ore prices have been affected by tight supply due to the export ban imposed by the Indian Government on iron ore exports from the Karnataka region.

Scrap prices

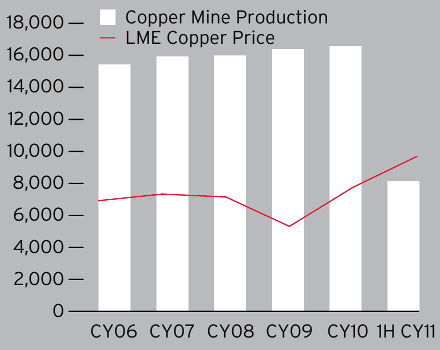
Figure 3 shows prices for scrap steel in US and Australian dollars. In FY11, OneSteel Recycling sold 1.99 million tonnes of ferrous scrap both to internal as well as to external customers. Non-ferrous sales were 0.25 million tonnes.

Korean benchmark average price for HM1 scrap in US dollar terms increased by 20% in FY11 compared to FY10. The prices ranged from a low of US$359/t to a high of US$510/t. The benchmark scrap prices continued to be volatile due to effects caused by global economic uncertainties, geopolitical issues and natural disasters.

Figure 4

World copper mine production and price

January 2006 to June 2011
Thousand tonnes (US$/t)

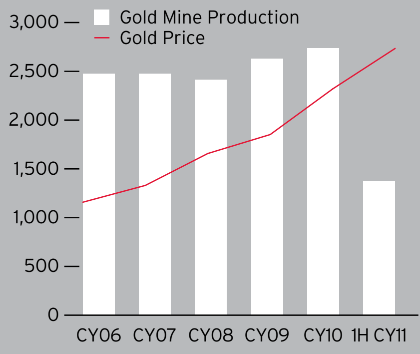


Source: ICSG, LME, OST estimates

Figure 5

World gold mine production and price

January 2006 to June 2011
Thousand tonnes (axis)
Gold price London PM fix (US$/oz)

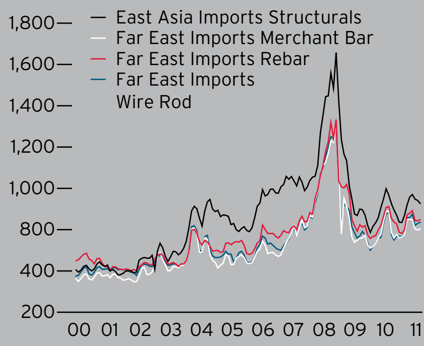


Source: World Gold Council

Figure 6

Long products international prices

July 2000 to June 2011
Australian dollars per tonne (c&f)



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

World copper and gold production

Figure 4 shows the world copper production and LME prices in US dollars. World copper production increased by 1% in CY10 compared to previous year. The LME copper average price for FY11 saw an annual growth of 31%. Copper prices ranged from US$6,354/t to US$10,148/t.

Figure 5 shows the world gold production and the London PM fixed prices in US dollars. World gold production increased by 5% in CY10 compared to previous year. The average gold price for FY11 increased by 26% compared to FY10. Gold prices ranged from US$1,157/oz to US$1,552.50/oz.

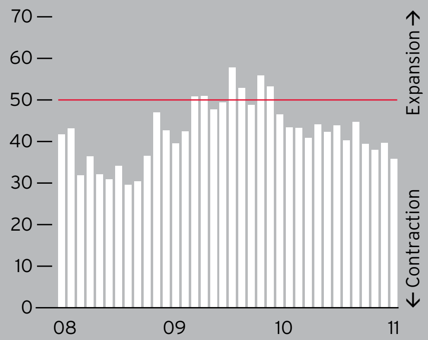
Long products international prices

Figure 6 presents the international benchmark prices for structural beams, merchant bar, reinforcing bar and wire rod. Average prices for structurals and reinforcing bar increased by 4%, merchant bar by 3% and wire rod by 5% in FY11 compared to the previous year. Prices peaked in March 2011 before they started to soften due to the effects of the tsunami that hit Japan and partly affected by the geopolitical unrest in the Middle East.

Figure 7

Australian Performance of Construction Index (PCI)

July 2008 to June 2011
Diffusion index

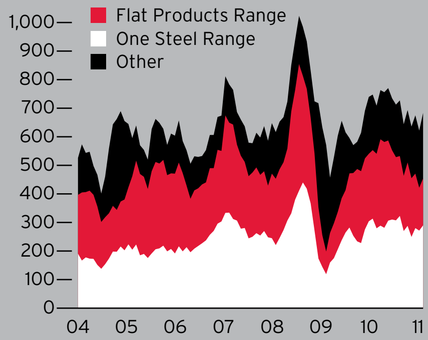


Source: Australian Industry Group

Figure 8

Steel imports into Australia

July 2004 to June 2011
Thousand tonnes

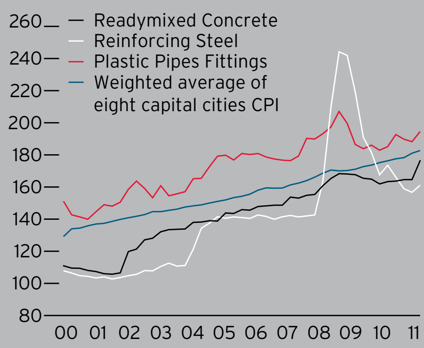


Source: ABS and OneSteel data
3 month moving totals

Figure 9

Prices for steel residential construction materials

June quarter 2000 to June quarter 2011
Index 1989 - 1990 = 100



Source: ABS

Australian Performance of Construction Index

Figure 7 shows that the Australian Performance of Construction Index has been in the "contraction" zone for the FY11 period. PCI ranged from 35.8 to 44.6 in FY11 as compared to the PCI in FY10 which was above 50 ("expansion") for six months.

Import volumes of steel into Australia

Figure 8 shows the import volumes of steel into Australia had increased 10% in FY11 compared to import volumes in FY10. Import volumes in the OneSteel range increased by 14% whereas in the flat products range, volumes increased by 10%. The strong Australian dollar has driven the increase in steel import volumes.

Prices for steel residential construction materials

Figure 9 represents the movement in prices of residential construction materials indexed to 1989/90 prices. The index for reinforcing steel had decreased by 7% in the June 2011 quarter compared to the June 2010 quarter. However, the same index increased by 1% compared to the Index as at December 2010 quarter. The index is now lower than the weighted average of eight capital cities CPI due to the price increases in food items during the year.

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 in a year of mixed performances between our segments due to the different strengths of their markets.

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.

Despite OneSteel's overall profit performance for the year being adversely affected by the impact of a very challenging external environment on the Australian steel businesses, the good performances of the Iron Ore and Mining Consumables segments and the improved performance of the Recycling segment helped the company deliver a very solid cash outcome for the year.

Shareholders are continuing to benefit from the company's investment in Project Magnet with the Iron Ore segment delivering a very strong EBIT result of $524 million for the year, and a return on funds employed of 70%.

OneSteel is continuing to invest to grow its Iron Ore business and made good progress with Project Magnet Phase 2 during the year, aimed at increasing reserves and resources and maintaining sales at the rate of 6 million tonnes per annum for at least 10 years. Approximately $60 million in capital cash expenditure was spent during the financial year on this project with investments including an ore beneficiation plant at Iron Baron, additional mine cutbacks, exploration, infrastructure and roads, expansion of the mining fleet and investments in new mines aimed at increasing capacity. We continue to do work to increase our reserves and resources and whilst we only added a further 2.5 million tonnes to reserves during the year, we have also identified a number of promising opportunities during our exploration work that we expect will further increase our reserves.

In line with OneSteel's long-term growth strategy of growing its mining and mining consumables businesses, the company acquired the Moly-Cop Group during the year from Anglo American plc. The new business complements OneSteel's existing expertise and customer relationships in grinding media and makes OneSteel the largest manufacturer of grinding media globally. The acquisition provides OneSteel with leading positions in some of the world's most attractive markets for mining consumables and increases the company's diversification away from Australian construction and infrastructure cycles.

While OneSteel's growth focus is on mining and mining consumables, the company remains focused on returning its Australian steel businesses to acceptable returns and continues to invest for this purpose. During the fourth quarter, the company invested in repair and redesign work to the Whyalla blast furnace at a cost of $65 million. As a result of this work the design life of the blast furnace is expected to now extend beyond 2020. The impact of this work on the profit performance of the Manufacturing segment, including associated operational inefficiencies leading into the shut, were significant. OneSteel expects improved operational efficiency from the Whyalla blast furnace in the 2012 financial year.

In response to the disappointing and unacceptable performance of the Australian steel businesses during the year, OneSteel has commenced further labour and other cost reductions, as well as a review of its steel product portfolio and facilities.

Below is a summary of how the company performed against our objectives during the financial year ended 30 June 2011.

Improving returns from existing businesses

- Underlying EBIT increased 3% to $428 million
- Iron Ore EBIT increased 57% to $524 million
- Recycling EBIT increased 171% to $21 million
- Australian Distribution underlying EBIT decreased to $10 million
- Manufacturing underlying EBIT decreased to loss of $185 million
- Sales margin decreased to 6.0% from 6.7%
- Return on funds employed decreased slightly to 7.3% from 7.5%
- Return on equity decreased slightly to 5.4% from 5.5%
- Underlying earnings per share decreased to 17.7 cents from 18.2 cents.

The Board declared a final dividend per share of 4 cents (unfranked). Total dividends per share decreased 10% to 10 cents (unfranked). Dividends for the 2011 financial year are unfranked as a result of significant tax benefits received 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 but is hopeful of returning to franking in the 2012 financial year.

Cash generation

- Strong underlying operating cash flow $477 million
- Underlying free cash flow $226 million
- Statutory gearing (net debt/net debt plus equity) increased to 27.7% from 17.7%, following the acquisition of the Moly-Cop Group
- Improvements in working capital during the year despite the acquisition of the Moly-Cop Group.

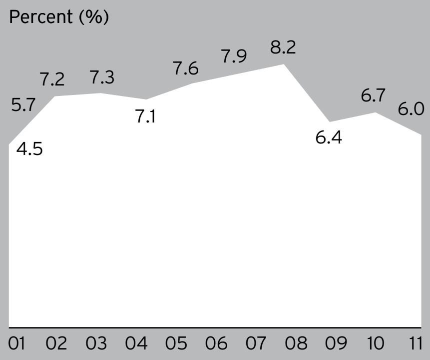
Growing and diversifying earnings

- Revenue increased 15% to $7,133 million
- Now over 40% of OneSteel's revenue is sourced from outside Australia
- Acquisition of the Moly-Cop Group during the year, OneSteel is now the largest manufacturer of grinding media globally
- Continued to make good progress in the Iron Ore business with Project Magnet Phase 2
- Based on our current reserves and the beneficiation of low grade ore, the company expects to have sufficient iron ore for at least a further 10 years at the rate of 6 million tonnes per annum
- Iron ore sales expected to increase to approximately 9-10 million tonnes per annum following announced port expansion at Whyalla and agreement to acquire WPG Resources' iron ore assets
- The company continues to focus on growth options in our resource focused businesses.

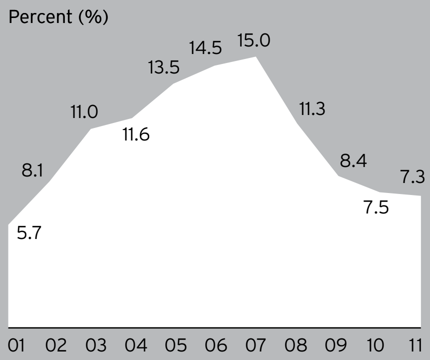
Organisational efficiency and capability

- The company commenced further cost and labour reduction programs during the year in response to the difficult market conditions. This includes a review of our steel product portfolio and facilities
- 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 and repair work 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
- OneSteel continues to invest in talent pipelines and technical training, employing approximately 250 apprentices, cadets and graduates.

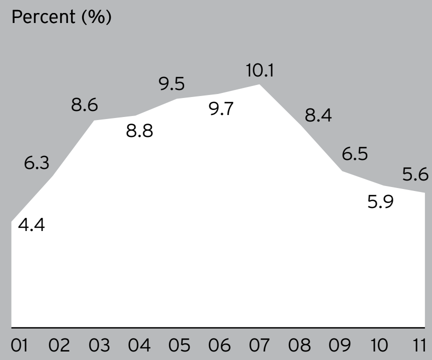
Sales Margin – Underlying



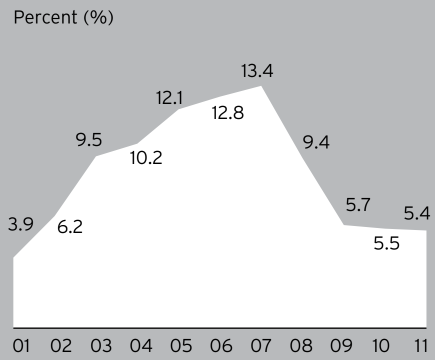
ROFE – Underlying



ROA – Underlying



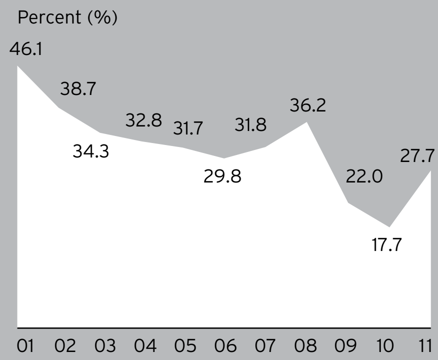
ROE – Underlying



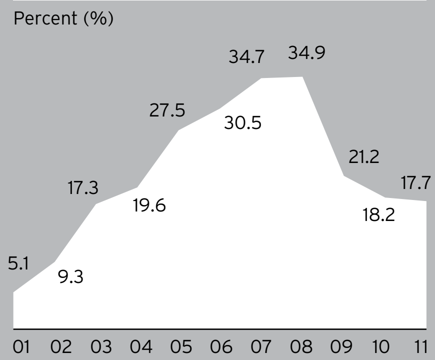
15%

INCREASE IN REVENUE TO $7,133 MILLION

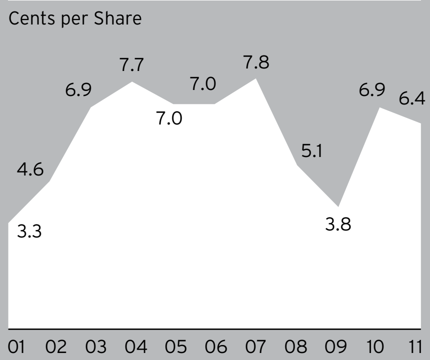
Gearing – Statutory



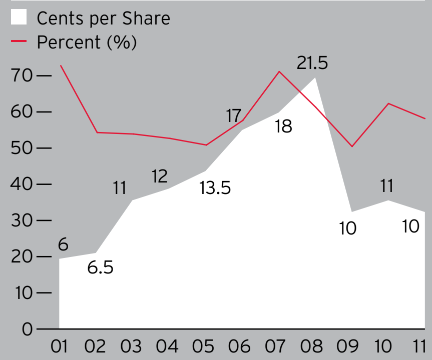
EPS – Underlying



Interest Cover – Times



Dividends and Payout Ratio – Underlying



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

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

Note that the financial information presented for the years 2001–2004 has been adjusted to exclude goodwill amortisation from earnings.

1 FY11 underlying results are before the impact of restructuring costs, tax benefits relating to prior years and direct costs relating to the acquisition of the Moly-Cop Group of $5.1 million after tax. These statistics include the results of the Moly-Cop Group from the date of acquisition on 31 December 2010.

2 FY10 underlying results are before the impact of legal claims, accelerated depreciation, restructuring activities, tax consolidation and tax benefits relating to prior years of $17.8 million after tax.

3 FY09 underlying results are before the impact of restructuring activities, tax consolidation and tax benefits relating to prior years of $14.2 million after tax.

4 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.

5 FY07 underlying results exclude the impact of the derecognition of deferred tax liabilities of $9.5 million.

6 FY06 underlying results exclude the tax benefit of $15.9 million arising from adjustments to tax consolidation values.

7 FY05 underlying results exclude the benefit relating to the reversal of impairment loss on transition to AIFRS of $49.7 million after tax.

8 FY04 underlying results exclude the tax benefit of $19.8 million arising from OneSteel's entry into the tax consolidation regime.

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

REVIEW OF OPERATIONS
AT A GLANCE

IRON ORE

Year ended 30 June	2011 $M	2010 $M	% Change
Total Revenue/Income	**948.4**	782.3	21.2
EBITDA - Underlying	**554.2**	361.2	53.4
EBIT - Underlying	**523.5**	333.4	57.0
Sales Margin (EBIT)	**55.2%**	42.6%	12.6pts
Assets	**948.4**	816.7	16.1
Funds Employed	**776.3**	717.4	8.2
Return on Funds Employed (%)	**70.1%**	47.4%	22.7pts
Employees (number)	**367**	339	8.3

Market conditions
Chinese demand for iron ore remained very strong during the year. While there were some periods of lower demand and prices, these tended to be influenced by external factors such as Chinese power restrictions or lower credit availability due to European debt concerns. The strength in demand is evidenced by record Chinese steel production during the year.

Performance
The Iron Ore business achieved sales volumes of 6.04 million tonnes despite significant delays due to abnormally adverse weather during the year. This not only limited loading of ships but also affected access to mines which resulted in slow processing and loading times.

Initiatives
The business continues to identify and increase iron ore reserves and resources under Project Magnet Phase 2 as well as focus on work to identify non-ferrous opportunities. The business is continuing to invest to develop its mines as well as adding an additional ore beneficiation plant. The company recently announced its intention to expand iron ore sales to 9-10 million tonnes per annum through expansion of the company's Whyalla port facilities, underpinned by an agreement to purchase iron ore assets from WPG Resources.

Outlook
Demand from China is expected to remain strong. The Chinese Government's current outlook combined with higher operating/capital costs across most supply regions, grade reductions in China and other major suppliers and a longer forecasted timeframe to deliver increased supply is expected to keep market pricing above historical averages.

For more information on Iron Ore, refer to page 18.

RECYCLING

Year ended 30 June	2011 $M	2010 $M	% Change
Total Revenue/Income	**1,507.2**	1,123.7	34.1
EBITDA - Underlying	**37.6**	22.9	64.2
EBIT - Underlying	**20.9**	7.7	171.4
Sales Margin (EBIT)	**1.4%**	0.7%	0.7pts
Assets	**652.5**	710.7	(8.2)
Funds Employed	**554.3**	618.4	(10.4)
Return on Funds Employed (%)	**3.6%**	1.3%	2.3pts
Employees (number)	**1,033**	1,019	1.4

Market conditions
International demand for scrap metal trended up during the year, helping to lift US dollar sales prices in both ferrous and non-ferrous markets. However, the Australian ferrous market remained challenging during the year, as weak industrial and construction activity continued to affect the availability of scrap arisings, with competition for the short supply leading to high purchase prices and continued margin pressure.

Performance
Performance improved significantly compared to the prior year with the largest contributor being the US business despite foreign currency translation losses. Both the Australian and Asian businesses have shown improvements largely related to operational efficiencies and through increased volumes of non-ferrous sales.

Initiatives
The segment continues to deliver on its trading strategy for the non-ferrous businesses in Asia and Australia and its growth strategy for the US business. The Australian business consolidated the prior year acquisitions, delivering expected synergy benefits while also delivering further operating and cost improvements.

Outlook
We expect overseas operations to build on current year performance, while conditions in the Australian market will remain challenging in the short term with strong competition for the short supply of scrap arisings. We anticipate USD pricing to remain relatively stable in the short to medium term.

For more information on Recycling, refer to page 20.

MINING CONSUMABLES

Year ended 30 June	2011 $M	2010 $M	% Change
Total Revenue/Income	**1,079.3**	680.1	58.7
EBITDA - Underlying	**97.7**	83.2	17.4
EBIT - Underlying	**65.3**	62.3	4.8
Sales Margin (EBIT)	**6.1%**	9.2%	(3.1pts)
Assets	**2,262.4**	1,158.5	95.3
Funds Employed	**1,945.7**	1,053.6	84.7
Return on Funds Employed (%)	**4.4%**	6.0%	(1.6pts)
Employees (number)	**1,864**	924	101.7

Market conditions
Mining activity in our key markets of Australasia, North and South America remain strong as high metal prices continue to influence existing mines to maximise mineral extraction and processing. Demand for other Mining Consumables products, mining ropes and rail wheels, are driven by coal and iron ore production which also remain strong.

Performance
The newly acquired Moly-Cop and existing grinding media businesses in the United States and Australasia, as well as the Australian ropes business performed well, all underpinned by strong levels of mining activity. In the Australian rail wheels business, prices and sales volumes were significantly adversely impacted by the stronger Australian dollar.

Initiatives
OneSteel acquired the Moly-Cop Group during the year and the new Mining Consumables segment was formed from 1 January 2011. The integration of the new businesses has gone very well and was substantially completed by the end of April.

Outlook
Looking ahead, we expect demand for grinding media to remain strong in the short to medium term driven by copper, gold and iron ore demand in our key markets of North and South America and Australasia, as existing and new mines look to maximise mineral extraction and processing in response to record prices for these commodities. We expect to see continued price pressure for rail products due to the strength of the Australian dollar; however, demand for mining ropes and rail wheels is expected to remain strong in the short to medium term.

For more information on Mining Consumables, refer to page 22.

1 The FY10 results for the Manufacturing segment have been restated to reflect changes in organisation structure following the formation of the new Mining Consumables segment as a result of the acquisition of the Moly-Cop Group. OneSteel's existing Waratah, Newcastle facilities, which include the grinding media and rail wheel businesses, OneSteel's grinding media businesses in the United States and Indonesia, and the wire ropery business at Newcastle previously reported as part of the Manufacturing segment now form part of the Mining Consumables segment.

The 2011 financial year continued to be heavily impacted by the continuing effects of the GFC and the difficult external trading environment. The overall profit performance for the year reflected the level of strength in the markets of our different businesses, with the international and resources focused businesses performing the best. The contribution of the new Moly-Cop businesses and strong performance of the Iron Ore segment increased sales revenue 15% to $7,133 million and helped to generate a very strong cash outcome for the year.

MANUFACTURING

Year ended 30 June[1]	2011 $M	2010 $M	% Change
Total Revenue/Income	**2,425.9**	2,472.9	(1.9)
EBITDA - Underlying	**(86.6)**	96.5	(189.7)
EBIT - Underlying	**(184.6)**	(3.4)	nm
Sales Margin (EBIT)	**(7.6%)**	(0.1%)	(7.5pts)
Assets	**2,594.8**	2,623.9	(1.1)
Funds Employed	**2,042.1**	2,054.5	(0.6)
Return on Funds Employed (%)	**(9.0%)**	(0.2%)	(8.8pts)
Employees (number)	**3,424**	3,394	0.9

Market conditions

Activity levels for many of our key domestic markets continue to be relatively weak and well below pre-GFC levels. Outside of mining, engineering construction and rail infrastructure, other segments remained relatively weak.

Performance

Segment earnings were adversely impacted by lower margins, which were severely affected by higher raw material costs and the impact of the rapid run up in the Australian dollar on domestic prices in an environment of weak demand. Sales volumes continued to be affected by weak domestic construction activity, exacerbated by a further weakening in confidence levels.

Initiatives

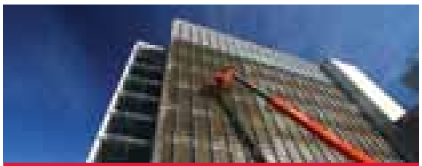
The business commenced repair and redesign work on the Whyalla blast furnace in the fourth quarter to extend its design life beyond 2020. Cost savings and operational improvement initiatives were implemented to improve coke oven yield and hot metal utilisation at Whyalla. The business commenced a further round of cost and labour reductions in response to the continuing difficult market conditions, and has commenced a review of its steel product portfolio and facilities.

Outlook

In the short-term we expect the commercial and non-residential markets to remain weak. We expect to see continued price pressure due to the effect of the high Australian dollar and under-utilisation of international steel capacity.

For more information on Manufacturing, refer to page 24.

AU DISTRIBUTION



Year ended 30 June	2011 $M	2010 $M	% Change
Total Revenue/Income	**2,438.6**	2,520.6	(3.3)
EBITDA - Underlying	**39.6**	91.8	(56.9)
EBIT - Underlying	**10.2**	60.2	(83.1)
Sales Margin (EBIT)	**0.4%**	2.4%	(2pts)
Assets	**1,485.1**	1,509.0	(1.6)
Funds Employed	**1,133.6**	1,128.5	0.5
Return on Funds Employed (%)	**0.9%**	5.2%	(4.3pts)
Employees (number)	**3,498**	3,626	(3.5)

Market conditions

The slow-down in activity levels experienced towards the end of the previous financial year continued through the year with confidence levels impacted by the volatility in the external environment. Across the sectors, mining production activity remained strong despite a slower than anticipated recovery in production following the Queensland floods. There was improvement in the level of publicly funded civil construction activity; however, the residential and non-residential construction and manufacturing sectors remained weak.

Performance

Segment earnings decreased year on year due to a lower average selling price. This result reflected the significant appreciation in the Australian dollar and generally weak market volumes, partly offset by cost savings. Sales volumes remain well below pre-GFC levels.

Initiatives

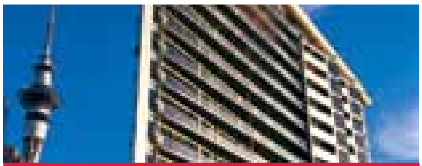
During the year, the Australian Distribution business consolidated the Steel & Tube and Metaland management structures, and the Sheet, Coil & Aluminium and Piping Systems management structures. These initiatives are designed to reduce the cost base of the business and improve customer focus and responsiveness. Towards the end of the financial year, the business implemented additional cost reduction initiatives, including repositioning some businesses for improved profitability, revision of operating models and staff redundancies.

Outlook

The first half of the 2012 financial year is expected to remain challenging. The business continues to review its facilities, cost base and initiatives to conserve cash to ensure the business is positioned for any improvement in market activity.

For more information on Australian Distribution, refer to page 26.

NZ DISTRIBUTION



Year ended 30 June	2011 $M	2010 $M	% Change
Total Revenue/Income	**296.2**	303.8	(2.5)
EBITDA - Underlying	**24.7**	18.2	35.7
EBIT - Underlying	**19.9**	13.0	53.1
Sales Margin (EBIT)	**6.7%**	4.3%	2.4pts
Assets	**173.4**	175.2	(1.0)
Funds Employed	**113.8**	114.9	(1.0)
Return on Funds Employed (%)	**17.4%**	9.7%	7.7pts
Employees (number)	**692**	711	(2.7)

Market conditions

The New Zealand economy struggled to gain momentum through the year, with many of the business's key sectors continuing to deteriorate. Market conditions in the construction segment also remained subdued. Residential construction remains at historical lows and privately funded non-residential construction activity declined further during the year. The manufacturing segment saw a slight improvement in the second half. Government infrastructure projects continued to assist volumes. The rural segment showed signs of recovery and oil and gas projects were reasonably strong.

Performance

Revenue in the segment decreased slightly to $296 million due to generally flat sales volumes and lower prices compared to the prior year. Despite the difficult environment, Steel & Tube maintained its market share in its core products. EBIT for the business increased 53% to $20 million due to a greater focus on operating expenses and improved margins.

Initiatives

The business implemented a new operating model during the year to leverage key differentiating strengths of the business. The company suffered minimal disruptions to business operations as a result of the Christchurch earthquakes. However, it continues to provide ongoing support to affected employees and their families.

Outlook

The business expects the construction segment to remain weak in the short to medium term, with the residential segment improving marginally towards the second half due to the Christchurch rebuild. We expect that the rebuild will be significant, although spread over a long period and we continue to position the company for the opportunities ahead.

For more information on New Zealand Distribution, refer to page 28.

REVIEW OF OPERATIONS CONTINUED

IRON ORE

Greg Waters **Chief Executive Recycling**
Also responsible for Iron Ore marketing

OneSteel's iron ore mines are located in the Middleback Ranges of South Australia approximately 60 kilometres from the Whyalla township.

OneSteel's Iron Ore 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.

Revenue for the year increased 21% to $948 million due to higher iron ore prices reflecting continued strong demand from China. Sales volumes were flat at 6.04 million tonnes and included lower grade ore sales of 2.58 million tonnes, as the business took advantage of favourable market conditions and sold ore that would otherwise have been stockpiled for beneficiation. Iron ore was sold through a combination of sales to long-term contract customers and spot customers.

EBIT for the year increased 57% to $524 million due largely to higher iron ore prices compared to the prior year.

Although there was some price volatility during the year, prices remained above the long-term average. The rapid escalation of the Australian dollar offset some of the year on year price movements but overall, the performance of the Iron Ore segment provided a significant benefit in terms of both net profit and cash generation.

The Iron Ore business continued to progress exploration and drilling to identify and prove up additional ore. Despite 5.1 million tonnes of hematite reserve being depleted during the year, overall reserves only dropped by 2.6 million tonnes due to additional ore being added. Overall, hematite resource increased by approximately 30 million tonnes year on year and we remain confident that further exploration and drilling will enable us to convert a significant proportion of this resource to reserves. Further infill drilling at the Iron Magnet pit planned for financial year 2012 is expected to result in an increase in magnetite reserves. OneSteel has continued to assess non-ferrous targets and plans to carry out further drilling in the 2012 financial year.

In line with OneSteel's Sustainability Principles, the business has continued to progress water saving initiatives such as reuse of tailings water, dust suppressants on roads and continued construction of a reverse osmosis plant to provide process water for the concentrator.

Outlook

Looking ahead, we expect iron ore demand to remain strong. With current supply levels remaining tight we expect prices to remain high compared to historical levels, driven primarily by demand from China.

EBIT FOR THE YEAR INCREASED 57% TO $524 MILLION DUE LARGELY TO HIGHER IRON ORE PRICES COMPARED TO THE PRIOR YEAR

We expect to progress our plans to expand iron ore sales to approximately 9-10 million tonnes per annum following our announcement in August that the company will expand its port facilities at Whyalla for an estimated cost of $200 million, underpinned by an agreement with WPG Resources to acquire its iron ore assets situated in Northern South Australia. The WPG Resources' iron ore assets are estimated to cost $346 million and OneSteel expects to invest an additional $50 million for capital expenditure to complete infrastructure. Sales from these assets are expected to commence in the fourth quarter of the 2012 calendar year.

Work will continue on assessing opportunities from OneSteel's existing mining operations, as well as from the WPG Resources assets, to increase sales above 9-10 million tonnes per annum.

Iron Ore – Historical information

	FY11	FY10	FY09	FY08
Revenue/Income ($m)	**948.4**	782.3	598.5	561.2
EBITDA ($m) - Underlying	**554.2**	361.2	138.0	220.9
EBIT ($m) - Underlying	**523.5**	333.4	113.0	212.9
Sales Margin (%)	**55.2**	42.6	18.9	37.9
Assets ($m)	**948.4**	816.7	769.2	542.0
Funds Employed ($m)	**776.3**	717.4	688.9	461.8
ROFE (%)	**70.1**	47.4	19.6	46.1
Employees (number)	**367**	339	357	152
Total lump & fines (mt)	**6.04**	6.03	5.07	4.46
Pellet & Ore by-products (mt)	**0.72**	0.81	0.69	0.88

$948 MILLION

IRON ORE SALES REVENUE – 21% INCREASE

REVIEW OF OPERATIONS CONTINUED
RECYCLING

Greg Waters Chief Executive Recycling

OneSteel's Recycling business supplies steelmaking raw materials to domestic and international steel mills. The Recycling business operates in 15 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 globally.

Within Australia, the Recycling business now operates from over 36 locations, including five ferrous shredder production facilities. OneSteel's Asian non-ferrous business operates in four countries and carries out the group's non-ferrous trading. Recycling operations in the United States consist of nine locations throughout the East and South East, 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 significant price and foreign exchange volatility stemming from changing world economic performance, European debt issues and economic uncertainty in the US.

Sales revenue for the year strengthened 34% to $1,507 million, reflecting an increase in sales volumes and higher average sales prices in US dollars, partly offset by the appreciation in the Australian dollar. Sales volumes at 2.24 million tonnes were 19% higher, driven by ferrous volumes, up 17%, and non-ferrous volumes, up 32%. The US business led the ferrous volume growth, achieving a 34% increase year on year due to its strong market position and customer focus. Australian ferrous volumes improved 9% despite difficult market conditions including the short supply of scrap arisings resulting from weak construction and industrial activity. Non-ferrous volume performance was a direct outcome of centralising global sales through our Hong Kong trading office and increasing our exposure to end users rather than intermediary customers.

EBIT for the year increased to $21 million compared to $8 million for the prior year. This result reflects a significantly stronger second half performance compared to the $5 million EBIT loss for the first half. Margins were generally flat compared to the prior year partly due to the impact of the stronger Australian dollar, improvements in the US business and the non-ferrous operations in Australia and Asia were the major drivers of the improved result.

The acquisition of the Metals Trading and Ace Metals businesses at the end of the prior year has improved the Australian Recycling business's competitive position, particularly in Victoria, helping to secure volumes at source. Operational synergies have been achieved from the closure of a number of yards during the year, which has improved the cost base of the Australian business.

During the year, Recycling has focused safety efforts on the identification and control of high risk workplace activities, achieving discernible improvements in the interaction of mobile equipment and pedestrians, greater employee awareness and identification of risk. The business was recognised in the OneSteel internal safety awards, winning the OneSteel Safety Initiative of the Year.

IMPROVEMENTS IN THE US BUSINESS AND THE NON-FERROUS OPERATIONS IN AUSTRALIA AND ASIA WERE THE MAJOR DRIVERS OF THE IMPROVED RESULT

Outlook

We expect our US and Asian businesses to build on the improved performance from the 2011 financial year, despite economic uncertainty through a number of supply regions.

We anticipate that the Australian economy will remain challenging until there is a lift in domestic market confidence and the supply of scrap arisings. The Australian business has targeted further substantial cost reductions to support a longer-term sustainable position.

The international demand/supply balance for scrap steel is expected to keep USD prices stable in the short to medium term.

Recycling – Historical information

	FY11	FY10	FY09	FY08
Revenue/Income ($m)	**1,507.2**	1,123.7	1,124.0	1,404.1
EBITDA ($m) - Underlying	**37.6**	22.9	(21.8)	98.4
EBIT ($m) - Underlying	**20.9**	7.7	(38.6)	86.5
Sales Margin (%)	**1.4**	0.7	(3.4)	6.2
Assets ($m)	**652.5**	710.7	614.1	741.5
Funds Employed ($m)	**554.3**	618.4	537.7	620.8
ROFE (%)	**3.6**	1.3	(6.7)	13.9
Employees (number)	**1,033**	1,019	1,016	1,127
Ferrous tonnes - external (mt)	**1.03**	0.75	0.89	0.88
Ferrous tonnes - internal (mt)	**0.96**	0.94	0.77	0.83
Non-ferrous tonnes (mt)	**0.25**	0.19	0.1	0.18

$1,507 MILLION

RECYCLING SALES REVENUE – 34% INCREASE

REVIEW OF OPERATIONS CONTINUED
MINING CONSUMABLES

Andrew Roberts **Chief Executive Mining Consumables & Marketing**

OneSteel's newly formed Mining Consumables segment comprises the Moly-Cop grinding media business, AltaSteel, Waratah Steel Mill and Wire Ropes, with businesses located across North America, South America and Australasia. OneSteel's portfolio of Mining Consumables businesses employs approximately 1,900 people, positioning OneSteel to deliver reliable and high quality mining consumable products to the mining industry from its 12 facilities world-wide. The Mining Consumables businesses produce grinding media, grinding rod, chemicals, wire rope, rail wheels and axles, bar stock (grinding media feed) and rebar.

Sales revenue in this newly formed segment increased 59% to $1,079 million compared to $681 million in the prior year and EBIT increased 5% to $65 million from $62 million in the prior year, due to the contribution of the Moly-Cop and AltaSteel businesses from 1 January 2011, and stronger earnings in the existing grinding media and Australian ropes businesses, partly offset by weaker sales and margins in the Australian rail wheels business.

THE ACQUISITION OF THE MOLY-COP GROUP IN DECEMBER 2010 WAS A STRATEGIC INVESTMENT FOR ONESTEEL AND THE PLATFORM FOR ITS MINING CONSUMABLES STRATEGY

Both the newly acquired Moly-Cop and existing grinding media businesses in the United States and Australasia, as well as the Australian ropes business performed well, all underpinned by strong levels of mining activity. In the Australian rail wheels business, prices and sales volumes were significantly adversely impacted by the appreciation of the Australian dollar.

The integration of the Moly-Cop Group has gone very well and was substantially completed by the end of April.

Looking ahead, we expect demand for grinding media to remain strong in the short to medium term, driven by continued strong demand for copper, gold and iron ore. We expect to see continued price pressure for rail products due to the strength of the Australian dollar; however, demand for mining ropes and rail wheels is expected to remain strong in the short to medium term.

Moly-Cop

The acquisition of the Moly-Cop Group in December 2010 was a significant milestone in the execution of OneSteel's long-term growth strategy for creating shareholder value.

Moly-Cop is positioned in the key grinding media growth markets across the world, including North and South America and Australasia with a footprint of nine facilities close to local markets. Moly-Cop employs approximately 680 people and has the capacity to produce approximately 1.3 million tonnes per annum of grinding media, including both roll formed and forged grinding media products, in a range of different sizes.

The Moly-Cop businesses service their customers from operations in Canada, the USA, Chile, Peru, Mexico, Australia and Indonesia.

Moly-Cop is ideally placed to capitalise upon the expected growth in grinding media demand, driven by demand for copper, gold and iron ore. Through a business focus on product quality, supply assurance and technical support, Moly-Cop has established itself as a leading supplier of grinding media in all its operating regions.

Moly-Cop Canada and Australasia secure a significant proportion of their grinding media bar feed from the AltaSteel steelmaking facility in Edmonton, Canada, and the Grinding and Rail steelmaking facility in Newcastle, Australia respectively, ensuring security of supply for their customers.

OneSteel has rebranded its Comsteel businesses in Australia and Indonesia and OneSteel Grinding Systems business in the USA to Moly-Cop, consolidating Moly-Cop as the world's largest grinding media manufacturer and supplier.

Mining Consumables – Historical information

	FY11	FY10[1]	FY09[1]	FY08[1]
Revenue/Income ($m)	**1,079.3**	680.1	659.8	509.2
EBITDA ($m) – Underlying	**97.7**	83.2	41.7	82.0
EBIT ($m) – Underlying	**65.3**	62.3	22.8	65.6
Sales Margin (%)	**6.1**	9.2	3.5	12.9
Assets ($m)	**2,262.4**	1,158.5	1,125.0	1,104.3
Funds Employed ($m)	**1,945.7**	1,053.6	1,040.1	1,015.0
ROFE (%)	**4.4**	6.0	2.2	6.5
Employees (number)	**1,864**	924	910.0	820.0
External tonnes despatched (mt)	**0.75**	0.39	0.33	0.35
Internal tonnes despatched (mt)	**0.09**	0.10	0.05	–
Steel tonnes produced (mt)	**0.40**	0.24	0.24	0.27

1 The FY08-FY10 results have been restated to reflect changes in organisation structure following the formation of the new Mining Consumables segment as a result of the acquisition of the Moly-Cop Group. OneSteel's existing Waratah, Newcastle facilities, which include the grinding media and rail wheel businesses, OneSteel's grinding media businesses in the United States and Indonesia, and the wire ropery business in Newcastle previously reported as part of the Manufacturing segment now form part of the Mining Consumables segment.

These statistics include the results of the Moly-Cop Group from 31 December 2010.

59%

INCREASE IN MINING CONSUMABLES REVENUE

AltaSteel

Acquired as part of the Moly-Cop Group, AltaSteel is a leading supplier of heat-treated grinding rod to the Americas mining industry and grinding media bar feed for the production of forged grinding balls to Moly-Cop Canada. AltaSteel has capacity to produce around 350 thousand tonnes of product per annum.

AltaSteel operates from its production facility in Edmonton, Canada. AltaSteel provides grinding media bar feed, grinding rod and rebar products to customers in Canada, USA, Mexico and Chile. AltaSteel's facility comprises steelmaking, bar rolling mills and heat treating operations.

AltaSteel's main steelmaking input is scrap, supplied through AltaSteel's recycling businesses, Maple Leaf Metals (100% ownership) and GenAlta (50% joint venture), and through external suppliers located in Edmonton, Canada.

Waratah Steel Mill (including Rail & Forge)

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 steelmaking capacity is approximately 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 bar feed for grinding media, rail wheels and axles, bar products, cold mill rolls and ingots.

The Waratah Steel Mill includes the Moly-Cop Australia grinding media facilities with capacity to manufacture approximately 250 thousand tonnes of grinding media per annum.

OneSteel Rail & Forge is a supplier of rail wheel products to the Australian and select international rail markets. Operating for more than 80 years, the business provides a range of wheels, axles and wheel sets predominantly for heavy haul rail systems.

The business operates from its Waratah production facility in Newcastle, Australia, with capacity to produce approximately 105 thousand wheels per annum and is at the forefront of high hardness heavy haul wheel technology where OneSteel wheels are subject to the highest axle loads in some of the world's most demanding environments.

Wire Ropes

OneSteel Wire Ropes produces a range of wire rope products for mining rope and industrial ropes markets. The OneSteel Wire Ropes business has a long and proud history of ropemaking in Australia, with more than 85 years experience as a trusted manufacturer and supplier to the global mining industry. The business has capacity to produce approximately 20 thousand tonnes per annum and employs more than 100 people.

OneSteel Wire Ropes operates from its production facility in Newcastle, Australia and is a leading supplier of mining wire rope products including dragline rope, plastic infused wire ropes, shovel rope, pendant strand, underground mining rope, flexible roof bolts for underground mining applications and cable hauled conveyor rope. OneSteel's leading market position in the mining ropes segment is underpinned by innovative design, high quality manufacturing and service solutions that deliver reliable, high quality products to its customers.

REVIEW OF OPERATIONS CONTINUED
MANUFACTURING

Leo Selleck **Chief Executive Market Mills**

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, as well as producing rail products and structural steel and, on an opportunistic basis, slab for sale to external customers.

The Market Mills business includes the Sydney and Laverton electric arc furnaces, rod and bar rolling mills, the Wire business and the Australian Tube Mills business. Billets produced from Whyalla and Market Mills are rolled into a wide range of products that are sold directly to external customers, to the Australian Distribution business and to the Wire business. The Australian Tube Mills business manufactures and sells Pipe and Tube products, and includes the LiteSteel™ Beam business based in both Australia and the USA.

Market conditions remained very weak during the year. There was a further weakening in domestic confidence levels due to concerns over potential implications from European and US debt issues, the prospect of new domestic taxes, as well as concerns over further increases in interest rates and the Australian dollar. Domestic demand, particularly in the construction sector, was adversely impacted by weak confidence, wet weather and credit availability issues.

Underlying EBIT for the year decreased significantly to a loss of $185 million, due to weaker demand, lower average prices as a result of a 28% increase in the Australian dollar, higher raw material costs and additional costs related to the blast furnace shut down in May and June.

Sales revenue was down 2% to $2,426 million due to the impact of lower sales volumes and average sales prices compared to the prior year. Sales volumes during the year were adversely impacted by continuing weak domestic construction activity and further weakening in confidence levels. Sales margins were significantly affected by the impact of the rapid appreciation of the Australian dollar and higher raw material costs.

The business continued to focus on cost efficiency improvements during the year which led to favourable outcomes in areas including overheads, labour, electricity purchasing and freight. The business has also commenced further labour and other cost reduction programs in response to the continuing weak external environment. Reviews of our steel product portfolio, existing facilities and cost base are continuing and further initiatives will be required given current economic conditions and the unacceptable performance of the business.

REVIEWS OF OUR STEEL PRODUCT PORTFOLIO, EXISTING FACILITIES AND COST BASE ARE CONTINUING AND FURTHER INITIATIVES WILL BE REQUIRED GIVEN CURRENT ECONOMIC CONDITIONS

Manufacturing – Historical Information

	FY11	FY10[1]	FY09[1]	FY08[1]	FY07	FY06
Revenue/Income ($m)	**2,425.9**	2,472.9	3,100.5	3,128.1	2,155.7	1,560.0
EBITDA ($m) – Underlying	**(86.6)**	96.5	282.4	243.5	216.4	158.8
EBIT ($m) – Underlying	**(184.6)**	(3.4)	187.5	133.3	158.3	103.2
Sales Margin (%)	**(7.6)**	(0.1)	6.0	4.3	7.3	6.6
Assets ($m)	**2,594.8**	2,623.9	2,600.8	2,880.8	1,929.6	1,603.8
Funds Employed ($m)	**2,042.1**	2,054.5	2,150.3	2,202.3	1,518.0	1,268.4
ROFE (%)	**(9.0)**	(0.2)	8.6	6.1	11.4	8.8
Employees (number)	**3,424**	3,394	3,712	4,196	3,346	3,106
External tonnes despatched (mt)	**1.11**	1.05	1.02	1.45	0.98	0.99
Internal tonnes despatched (mt)	**1.03**	1.12	0.97	1.26	0.68	0.63
Steel tonnes produced (mt)	**1.92**	1.92	1.78	2.44	1.73	1.63

1 The FY08-FY10 results have been restated to reflect changes in organisation structure following the formation of the new Mining Consumables segment as a result of the acquisition of the Moly-Cop Group. OneSteel's existing Waratah, Newcastle facilities, which include the grinding media and rail wheel businesses, OneSteel's grinding media businesses in the United States and Indonesia, and the wire ropery business at Newcastle previously reported as part of the Manufacturing segment now form part of the Mining Consumables segment.

$2,426 MILLION

MANUFACTURING SALES REVENUE

Whyalla Steelworks

The 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 iron ore mines in the region.

Steel production from Whyalla totalled 910 thousand tonnes during the year. Throughput was impacted by a carryover of the blast furnace incident in the prior year and the repair and redesign work that occurred during May and June. To mitigate the cost and other impacts during the repair, employees and contractors were rostered off on annual leave, excess raw materials including pellet and coke were sold externally and inventory was built up ahead of the shut to provide feed to downstream rolling mills to enable continuation of operations and deliveries to customers.

The Steelworks continued to progress initiatives to reduce reliance on Murray Water, through water saving initiatives and progressing the construction of an onsite reverse osmosis plant.

Rod and Bar

The Rod and Bar sector of Market Mills produces a wide range of products and services for a diverse range of markets including the construction, rural, mining and manufacturing segments. Products include bar and rod for the reinforcing market, merchant bar, and rod feed for the wire industry. These products are produced from facilities in Sydney, Newcastle and Laverton. The EAF and billet casting facilities at the Laverton and Sydney steel mills have a combined capacity of approximately 1.3 million tonnes per annum. An additional 670 thousand tonnes of billet can be supplied from the Whyalla Steelworks. Residential construction sales volumes for the year continued to be impacted by weak activity levels in key manufacturing and construction segments.

Wire

The Wire business consists of wire mills in Newcastle and Jindera, NSW and Geelong, VIC. The Wire business predominantly services the rural fencing markets through its Waratah and Cyclone brands, domestic reinforcing and manufacturing segments, as well as OneSteel's Mining Rope business. Sales volumes in the rural and Steel-in-Concrete segments were slightly above the previous year, offset by slightly lower sales in the manufacturing and export segments.

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 also 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. Sales volumes were 5% down on the previous year due to weaker construction and manufacturing activity, but market share increased slightly.

LiteSteel™ Technologies

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

As well as a manufacturing site in Australia, there is also a manufacturing site based in Troutville, Virginia, where the key markets are residential and commercial construction. The residential market continues to be difficult both in Australia and the USA.

REVIEW OF OPERATIONS CONTINUED

AUSTRALIAN DISTRIBUTION

Steve Hamer **Chief Executive Distribution**

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.

Revenue decreased 3% to $2,439 million due to a lower average selling price, reflecting the significant appreciation in the Australian dollar and generally weak sales volumes. Underlying EBIT decreased to $10 million from $60 million in the prior year due to margin pressure from lower average prices, partly offset by cost savings.

The slow-down in activity levels experienced towards the end of the prior financial year continued into the 2011 financial year. Domestic demand weakened due to credit availability issues, poor weather and lower confidence levels related to European and US debt issues.

Across the sectors, mining production activity remained strong and there were encouraging signs of improvement in mining investment activity towards the end of the financial year. There was an improvement in publicly funded civil construction work as a number of infrastructure projects commenced, but there was a further decline in privately funded non-residential construction. Residential construction activity was also generally weak due to affordability constraints and lower consumer confidence. In the manufacturing sector, soft demand and the impact of the significantly stronger Australian dollar contributed to a continuation of overall weak activity levels during the year.

Metaland I Steel & Tube

The Metaland I Steel & Tube business processes and distributes a broad range of structural steel and related steel products and is the leading steel distribution business in Australia.

Metaland I Steel & Tube has 81 outlets, including Midalia in Western Australia, which are supported by an extensive dealer network. The business services mining projects and non-residential and engineering construction, fabrication, manufacturing and agricultural segments.

Sales volumes for the year were flat, but were stronger in the second half due to market share gains rather than an improvement in market activity, which continued to be affected by weak levels of construction.

FY11 WAS A YEAR OF REDUCING COSTS AND SIMPLIFYING BUSINESS MODELS. ONESTEEL DISTRIBUTION IS BETTER POSITIONED TO TAKE ADVANTAGE OF ANY UPSWING IN MARKET ACTIVITY

AU Distribution – Historical Information

	FY11	FY10	FY09	FY08	FY07	FY06
Revenue/Income ($m)	**2,438.6**	2,520.6	3,324.4	3,144.7	2,393.4	2,350.9
EBITDA ($m) - Underlying	**39.6**	91.8	217.5	179.8	202.1	210.7
EBIT ($m) - Underlying	**10.2**	60.2	184.5	145.9	173.1	180.9
Sales Margin (%)	**0.4**	2.4	5.5	4.6	7.2	7.7
Assets ($m)	**1,485.1**	1,509.0	1,524.7	1,756.9	1,206.5	1,266.0
Funds Employed ($m)	**1,133.6**	1,128.5	1,176.2	1,227.5	846.9	940.4
ROFE (%)	**0.9**	5.2	15.4	11.9	19.4	18.9
Employees (number)	**3,498**	3,626	3,696	4,015	2,946	3,290
External tonnes despatched (mt)	**1.33**	1.30	1.41	1.73	1.30	1.28

$2,439 MILLION
AUSTRALIAN DISTRIBUTION SALES REVENUE

Reinforcing

Reinforcing steel is used for concrete reinforcement, mining strata control, agriculture 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's Reinforcing presence in the construction segments is represented by two separate and competing businesses. OneSteel Reinforcing offers the construction and mining segments, in particular, a solutions focused offer through its range of innovative reinforcing solutions. ARC (the Australian Reinforcing Company) has leading market positions in most segments complemented by strong customer relationships, flexible offers and a "can do" attitude.

Despite unseasonal wet weather and completion of the Government's Building Education Revolution (BER), volumes were at consistent levels with last year. However, margin pressure increased with the escalating Australian dollar.

Merchandising

The Merchandising portfolio comprises a range of businesses that process and distribute steel and other metal products in Australia. The businesses include OneSteel Sheet and Coil, OneSteel Aluminium, OneSteel Coil Coaters, Building Services, OneSteel Stainless, Fagersta and OneSteel Piping Systems.

Merchandising consists of approximately 30 sites that source metal and related products from a range of domestic and overseas manufacturers. Merchandising also operates Oil & Gas, Fabricated Services and distributes products, primarily to manufacturing and fluid conveyancing segments through its wide portfolio of businesses.

Merchandising revenue increased 5% compared to the prior year due mainly to increased revenue from Oil & Gas projects and stronger Sheet and Coil sales.

Piping Systems performed well and margins remained relatively strong.

Initiatives

During the year, the Australian Distribution business consolidated the Steel & Tube and Metaland management structures, and the Sheet, Coil and Aluminium and Piping Systems management structures. These initiatives are designed to reduce the cost base for the business and improve customer focus and responsiveness.

Outlook

Looking ahead, we expect the overall market to remain relatively weak with residential, non-residential construction and manufacturing to remain soft. Reflecting the two speed economy, the mining segment is expected to remain strong with continued growth in mining investment activity and some increase in infrastructure activity.

REVIEW OF OPERATIONS CONTINUED

NEW ZEALAND DISTRIBUTION

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 the residential and non-residential construction markets and rural industries.

Revenue decreased 3% to $296 million from $304 million in the previous corresponding period due to lower prices and flat volumes. However, EBIT increased 53% to $20 million due to a greater focus on operating expenses and improved margins. The business also implemented a new operating model during the year to leverage key differentiating strengths of the business.

The New Zealand economy struggled to gain momentum through the year, with many of the business's key sectors continuing to deteriorate. Market conditions in the construction segment remained subdued, with weak demand squeezing margins during the period. Residential construction remains at historical lows, with building consents declining by 14% compared to the previous year. Privately funded non-residential construction activity also declined further during the year. Despite the subdued conditions, Steel & Tube has maintained a steady market share position in its core products.

The manufacturing segment started the year slowly with a slight improvement in the second half. Government infrastructure projects continued to assist volumes during the year. The rural segment showed signs of recovery, with record agricultural commodity prices and particularly strong demand for dairy from Asia.

Oil and gas projects were reasonably strong in the first half, with activity expected to improve as new opportunities come on line.

The company suffered minimal disruptions to business operations as a result of the Christchurch earthquakes; however, it continues to provide ongoing support to employees and their families that were impacted. We expect that the rebuild will be significant, although spread over a long period and we continue to position the company for the opportunities ahead.

The business continues to focus on lowering its cost base, cash and balance sheet management, inventory costs and the rationalisation of premises.

Outlook

Looking ahead, we expect the construction segment to remain weak in the short to medium term with the residential segment improving marginally towards the second half due to the Christchurch rebuild. The business continues to position itself to reflect the current and foreseeable economic environment and remains well positioned with strong operating cash flows and a strong balance sheet.

THE BUSINESS CONTINUES TO POSITION ITSELF TO REFLECT THE CURRENT AND FORESEEABLE ECONOMIC ENVIRONMENT AND REMAINS WELL POSITIONED WITH STRONG CASH FLOWS AND A STRONG BALANCE SHEET

NZ Distribution – Historical Information

	FY11	FY10	FY09	FY08	FY07	FY06
Revenue/Income ($m)	**296.2**	303.8	399.9	435.7	405.2	390.4
EBITDA ($m) – Underlying	**24.7**	18.2	42.7	39.0	45.9	48.7
EBIT ($m) – Underlying	**19.9**	13.0	37.2	33.8	40.6	43.7
Sales Margin (%)	**6.7**	4.3	9.3	7.8	10.0	11.2
Assets ($m)	**173.4**	175.2	183.8	206.2	219.6	175.1
Funds Employed ($m)	**113.8**	114.9	154.3	173.9	119.1	106.2
ROFE (%)	**17.4**	9.7	22.7	19.4	36.0	39.1
Employees (number)	**692**	711	787	834	881	907

$296 MILLION

NEW ZEALAND DISTRIBUTION SALES REVENUE

SUSTAINABILITY

OneSteel continually seeks to improve business sustainability by valuing environmental, social, economic and ethical considerations across all of our operations. The fundamentals of sustainability have been with the OneSteel since its inception.

Commencing last year, OneSteel has elected to publish a detailed, stand-alone online Sustainability Report modelled on the Global Reporting Initiative framework in order to better engage with our stakeholders.

The following Sustainability section is a summary of OneSteel's full 2011 Sustainability Report. The 2011 Sustainability Report and information on OneSteel's Sustainability Principles can be viewed online at www.onesteel.sustainability-report.com.au from November 2011.

ONESTEEL'S SUSTAINABILITY PRINCIPLES UNDERPIN OUR APPROACH TO THE WAY WE DO BUSINESS IN THE COMMUNITIES IN WHICH WE OPERATE

SUSTAINABILITY CONTINUED

SAFETY

Our goal is to establish a workplace free from injuries, incidents and illnesses. OneSteel's Safety Principles outline the philosophy guiding OneSteel's approach to safety. 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 measures for the 2011 financial year due to an increased emphasis on driving safety improvements across the business and facilitating greater employee involvement in safety activities. The Lost Time Injury Frequency Rate (LTIFR) of 1.3 was a further 7% improvement from the prior year. The Medical Treatment Injury Frequency Rate (MTIFR) improved 24% to 6.3. (Both figures are inclusive of employees and contractors but exclude the acquired Moly-Cop Group.)

OneSteel's LTIFR of 1.3 is well below the World Steel Association's 2010 Safety Metrics Survey average of 3.25 for the five-year period from 2006 until 2010. OneSteel prides itself on its strong safety performance and will continue to drive towards goal zero.

Occupational Health and Safety plan and leadership

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

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 driving towards a culture of interdependence in regard to safety, whereby employees accept responsibility for their own safety but also actively care for the safety of one another.

A comprehensive OneSteel Occupational Health and Safety (OHS) plan has been cascaded into the OneSteel business units. The plan recognises that injury prevention programs alone will not prevent significant incidents and reflects the need to continue to build the capability and systems in the organisation so that the organisation continually improves its ability to recognise, assess and manage significant risk.

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

External recognition

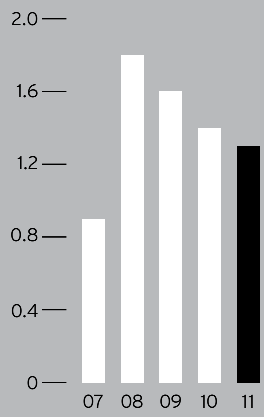
OneSteel featured in the 2010 Australian Steel Institute Safety Awards with Laverton rolling mill maintenance planner Robin Unger receiving the Individual Award . OneSteel Reinforcing received the Improvement Initiative Award for the "Pneumatic Winch Puller".

Whyalla rehabilitation and injury management adviser Rick Santucci received the Outstanding Practitioner Award at the 2010 Self Insurers of South Australia Awards.

The ARC Transiflat System was the winner of the Excellence in Safety – Development and Design Award at the 2010 Lend Lease Australian Incident and Injury Free Awards.

The Chilean National Safety Council recognised the Moly-Cop Talcahuano and Mejillones plants for having the lowest injury frequency rates in their category.

Lost Time Injury Frequency Rate

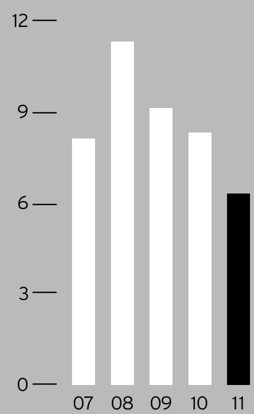


7% DECREASE

LTIFR = (Fatalities + Lost Time Cases) per million hours worked.

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

Medical Treatment Injury Frequency Rate



24% DECREASE

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

CUSTOMERS

We are committed to meeting our promise to customers and dedicated to servicing their requirements today and in the future. Superior and sustainable financial returns are only achievable through strong customer relationships.

Our businesses aim to set relevant and achievable promises to our customers and consistently meet them. To achieve this, underlying principles are applied by each of OneSteel's businesses in a manner that is tailored to suit the markets in which they operate.

Therefore, in order to further satisfy our business mission, customer as a core value is actively embedded throughout OneSteel. Our businesses ensure the creation of value, certainty of supply and reliable performance for all of our customers, complimented by flexibility that builds customer relationships and loyalty.

Our businesses develop market insight that leads to value propositions and value delivery systems for customers within these target market segments, which includes actively seeking and responding to customer feedback.

In order to develop sustainable market offers for the future, OneSteel constantly engages in industry and customer partnerships to better understand, further develop and communicate the role of steel as a sustainable solution. At an industry-wide level, OneSteel proactively promotes steel's inherent environmental merit over the full cycle of products.

OneSteel is currently engaged in various activities and programs to improve the comparability and sustainable use of steel products. Programs include; life cycle analysis, Australian steel value chain footprint and certification studies, waste reduction for product in-use, promoting tools and techniques for more sustainable construction design, Green Building and infrastructure rating tools and Australian Standards development as well as customer communication and collaboration into sustainable product use.

Life cycle thinking

Life cycle information gives customers and the market the opportunity to understand the whole of life impact of materials and not just the impact of production. This enables the assessment of more than just embodied energy, water and greenhouse gas emissions exhausted during steelmaking, and builds in an understanding of the products' low environmental impact in application including durability, ease of retrofit, recyclability, and how these change with further innovative design.

Building products, used in both domestic and commercial construction, make up a significant portion of OneSteel's output. In February 2011, OneSteel's Life Cycle Information (LCI) data for key building products was updated and provided to the Building Product Innovation Council (BPIC) project. The BPIC project was established to develop a common methodology with other building material associations to produce a publicly available database of life cycle information data for major Australian building products. The Building Products Life Cycle Inventory database (BPLCI), provides a nationally consistent method for conducting life cycle analysis of building products. The database is publicly available and includes information for over 100 major generic building products from various building supply industries.

OneSteel Reinforcing wind tower projects

Wind energy is the world's fastest growing energy source in European countries, with Denmark already generating up to 20% of its electricity from wind power.

During the course of this year, OneSteel Reinforcing developed a proprietary package for wind tower bases incorporating the BAMTEC® rebar carpet system and a prefabricated collar for the production of wind towers. This can accelerate the steel fixing time and therefore construction time in producing the wind tower bases.

OneSteel Reinforcing has made a significant contribution to renewable energy projects with its wind towers reinforcing solution. The success of construction design in the wind tower bases presents an excellent opportunity for BAMTEC® rebar carpets and offsite prefabrication, as it saves the builder significant time and cost and helps to deliver renewable energy projects sooner.

OneSteel Reinforcing has completed wind farm projects this year in Victoria and Tasmania, including Waubra, Woolnorth, Portland, Crookwell, Yambuk, Cape Bridgewater and Macarthur.

AS WITH SAFETY, CUSTOMER IS A CORE VALUE AT ONESTEEL. WE ARE COMMITTED TO MEETING OUR PROMISE TO CUSTOMERS

SUSTAINABILITY CONTINUED

PEOPLE & COMMUNITY

OneSteel directly employs approximately 9,500 people across more than 300 sites around Australia, and a further 1,500 employees in our operations in New Zealand, Asia, North America and South America. OneSteel recognises that superior business performance and continued organisational growth require capable and engaged people, combined with the appropriate organisational design and processes to deliver business outcomes.

OneSteel adopts a largely decentralised model for delivering Human Resources support, embedding key resources in its various operations to work alongside business leaders and teams to facilitate business improvement and growth initiatives as well as to implement workplace change. The other key planks of the People and Capability Plan relate to effective attraction, engagement and retention of employees and driving organisational capability through effective talent development and succession management.

Diversity

OneSteel values diversity and has a strong culture of inclusion. In the last 12 months, the OneSteel Board implemented a diversity policy and established a number of specific targets with respect to diversity.

Within OneSteel, the key indicators of diversity are age profiles, including by gender; gender profiles by employment category; gender diversity of talent management and development program participants; and proportion of male/female recruits and internal appointments. Within an extensive policy framework in relation to equity, the company provides employees with access to flexible work arrangements including part-time and job share arrangements, in addition to competitive leave arrangements to support it's diversity objectives.

OneSteel currently has one female Non-Executive Director. Female employees represent just under ten percent of senior executives, who are defined as reporting no more than two levels below the CEO.

Diversity of employees*

	Male	Female
Award employees	98.4%	1.6%
Staff	61.3%	38.7%
Senior staff	84.7%	15.3%
Managers	87.2%	12.8%
Senior managers	87.8%	12.2%
Executives	90.5%	9.5%
Non-Executive Directors	85.7%	14.3%
Overall	**88.7%**	**11.3%**

* OneSteel Australian operations.

Business improvement and growth initiatives

With an improved Australian domestic job market, employee initiated turnover increased by approximately 3% to 10.7% for the year ended 30 June 2011. This remains lower than the industry benchmark rate of 12.3%.

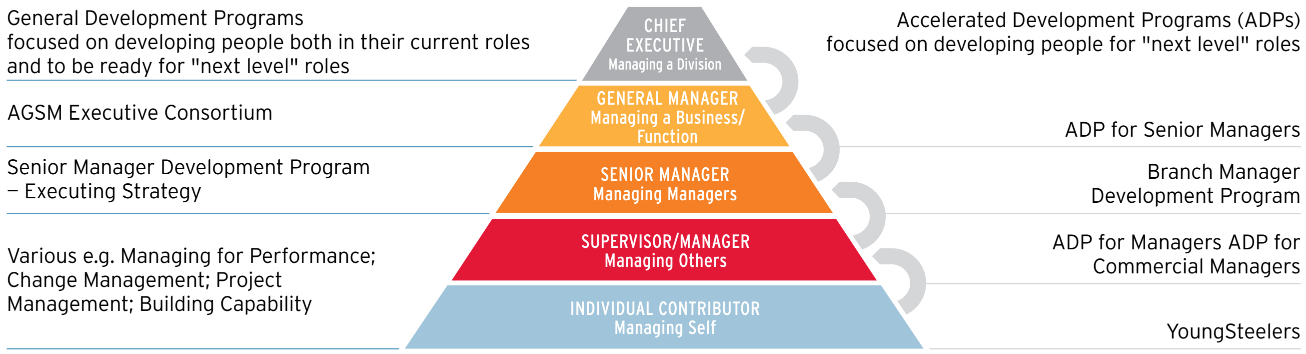
During the 2011 financial year, there was continued focus on achieving labour cost efficiencies. Work has focused on effective organisation design and role clarity following the significant changes of the previous year, redeployment of employees into vacant roles where their previous positions were no longer required, and working with employees at site level to enhance labour flexibility and efficiencies. Work has also focused on a number of exciting growth initiatives including the engagement and development of employees to support mining growth plans in Whyalla and on-boarding 997 employees in North and South America who joined OneSteel when the Moly-Cop Group was acquired in December 2010.

Driving succession, talent and development outcomes

OneSteel has continued to invest in developing the organisational capability required for the future. The company currently employs 136 trade apprentices (six of which are adult apprentices), 60 cadets (primarily in engineering and metallurgy) and 60 recent university graduates across all disciplines. The company has also invested in summer vacation work students and university scholarship programs to bring new talent into the organisation.

Leaders at OneSteel continue to focus on ensuring high calibre successors are available for leadership roles in the future. Over the past 12 months, approximately 90% of senior management roles have been filled through internal succession. Leadership capability has also been extended through some targeted external recruitment, particularly into some key executive roles. In addition, employees continue to be developed through coaching programs, targeted development interventions and development assignments to build the capability of our future leaders.

OneSteel's current key development programs are shown in the diagram below. Both General Development Programs and Accelerated Development Programs are supported by a combination of in-business Human Resources professionals and the corporate Talent and Leadership Development function.



Employees by country

	Number
Australia	9,436
Canada	552
Chile	232
China	2
Fiji	13
Hong Kong	46
Indonesia	53
Malaysia	27
Mexico	88
New Zealand*	12
Philippines	65
Peru	96
South Africa	2
Thailand	64
UK	4
USA	236
Vietnam	1
Total	**10,929**
Overseas	1,492
	13.7%

*Excludes approximately 700 employees of Steel & Tube Holdings Limited, of which OneSteel holds a 50.3% shareholding.

Community investment and engagement

OneSteel recognises the importance of local communities and the value that they contribute to our business operations. Engaging in sustainable long-term relationships with local communities is vital to the ongoing success of OneSteel as an organisation. OneSteel's management have focused on demonstrating social responsibility by promoting values and initiatives that show respect for the people and communities in which we operate.

OneSteel's approach to community support is largely based on the needs of local communities in which OneSteel operates. In addition, OneSteel and its employees pride themselves on physically and monetarily supporting regional and local activities – from providing education and training, donations and sponsorships through to charity fundraising events, all of which require personal commitment and dedication.

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 $215,000. OneSteel is currently engaging employees in order to better understand how we can increase employee participation and ultimately impact communities more positively.

Since the OneCommunity program was established in December 2003, OneSteel and its employees have donated over $1.5 million through the program, and the company wishes to thank all employees who have contributed.

Since 2001, community investments outside the program have exceeded $2.9 million.

In response to the Queensland floods that occurred early in 2011, OneSteel embarked on two major programs to support affected communities. The first of these was a company wide fund raising appeal. OneSteel employees generously donated over $85,000 to this appeal. OneSteel matched this amount, with funds directed towards the appeal and specific community-based support in the regions where our employees live and work. In addition to this financial assistance, OneSteel also supported the "Get the kids back to school" program. As the floods occurred just before the beginning of a new school year, many families and schools did not have the school essentials for their children. OneSteel worked with the Queensland Department of Education and Training to coordinate and collect donations of new and used equipment for school aged children. The program was a great success, supplying approximately 50 schools with urgently needed school equipment, including stationery items, backpacks, school clothing and undergarments, shoes and sporting equipment, teacher's aids and resource materials as well as CD-ROMs, DVDs, memory sticks and $900,000 worth of software to be installed in donated computers. OneSteel would like to thank all the employees that generously donated to these programs.

OneSteel's Comsteel in Indonesia is based in a tropical environment and unfortunately people living in these regions have a higher exposure to diseases like Dengue Fever and Typhus. Working closely with Krakatau Hospital as a training partner, the business conducted an information session during the year which consisted of an intensive seminar on Dengue Fever and the various types, symptoms and warning signs for all of its employees and continues to conduct routine annual medical examinations for all employees. This renewed awareness and health education will benefit not only employees but their families as well.

OneSteel continues its long standing relationship with the Whyallina indigenous group in the Middleback Ranges in South Australia, through supporting cultural and sporting activities and through inviting tenders from Walga Mining.

The Walga Indigenous Mining Business operates a crushing and screening plant at Iron Knight for OneSteel, employing approximately 25 people.

SUSTAINABILITY CONTINUED
ENVIRONMENT

OneSteel is committed to pursuing a high standard of environmental management throughout its operations, as outlined in its Environmental Policy, which is available on OneSteel's website (www.onesteel.com). As an organisation, OneSteel strives for continual improvement of environmental performance, the efficient use of resources, and the minimisation or prevention of pollution.

OneSteel recognises that steelmaking has resource requirements and is emissions intensive. The following section details our performance in environmental areas as the organisation seeks to use energy, fresh water and other resources more efficiently.

Water

OneSteel's annual consumption of townswater from the OneSteel Whyalla and OneSteel Market Mills operations, as well as the major Australian shredder sites, was approximately 8,000 million litres in the 2011 financial year.

OneSteel Whyalla has reduced its Murray River water consumption by approximately 700 million litres per annum since 2008.

The chart on the following page shows townswater consumption from OneSteel's top six operating sites in Australia which represent approximately 98% of water consumption tracked by OneSteel.

ONESTEEL WHYALLA HAS REDUCED ITS MURRAY RIVER WATER CONSUMPTION BY APPROXIMATELY 700 MILLION LITRES PER ANNUM SINCE 2008

Emissions

OneSteel's Australian 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 89% of our Australian greenhouse gas emissions.

2011 Direct, indirect and total greenhouse gas emissions

	Scope 1 million tonnes CO_2-e	Scope 2 million tonnes CO_2-e	**Total million tonnes CO_2-e**
OneSteel Australian operations	2.50	1.33	**3.83**
– Whyalla Steelworks	2.18	0.12	**2.3**
– OneSteel electric arc furnaces (Sydney, Laverton, Waratah)	0.22	0.88	**1.10**
– Rest of OneSteel Australian operations	0.10	0.33	**0.43**
Full year greenhouse gas emissions data for the non-Australian operations, including AltaSteel and Moly-Cop sites are shown below.			
OneSteel non-Australian operations	0.13	0.31	**0.44**
– AltaSteel Edmonton, Canada	0.07	0.20	**0.27**
– Rest of non-Australian operations	0.06	0.11	**0.17**

Energy

In the 2011 financial year, OneSteel's global operations energy consumption was approximately 39.92 petajoules (PJ). Of this, 87% was consumed at the five major steelmaking operations of the integrated steelworks at Whyalla, the electric arc furnaces and manufacturing operations at Waratah, Laverton, Sydney, and AltaSteel.

Recycled materials

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).

OneSteel both trades ferrous scrap and uses it as an input in the manufacture of steel in both the blast furnace and EAF processes.

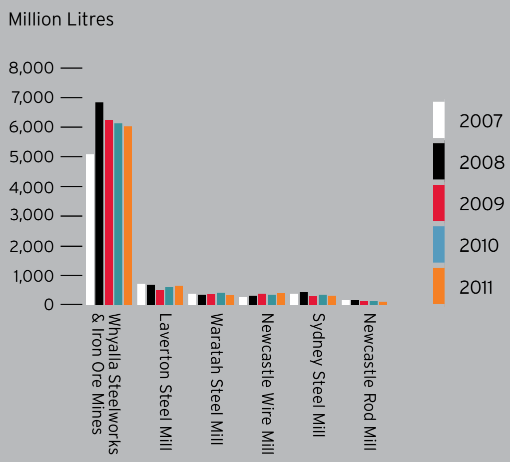
Approximately 67% of OneSteel's Australian steelmaking is produced from recycled steel, including internal site scrap.

Fines

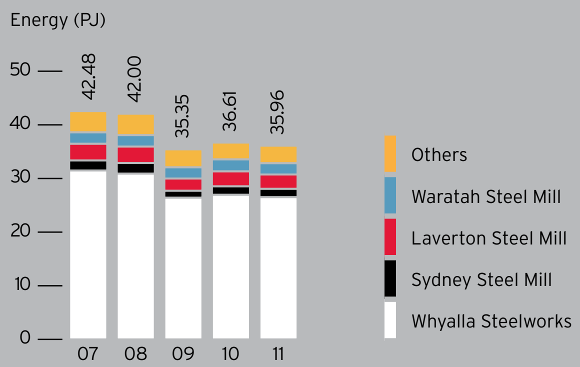
During the 2011 financial year, OneSteel Market Mills received one penalty notice with an associated fine of $1,500.

CONTINUAL IMPROVEMENT OF ENVIRONMENTAL PERFORMANCE, THE EFFICIENT USE OF RESOURCES AND THE MINIMISATION OR PREVENTION OF POLLUTION ARE PARAMOUNT TO ONESTEEL

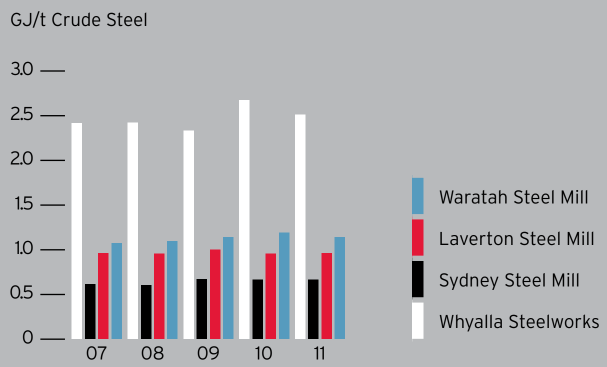
Townswater consumption* – top six sites



Net energy and reductant use*



Greenhouse intensity of steelmaking sites*



* OneSteel Australian operations.

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. The Board would prefer to be at or below the bottom of this target range given the current difficult external environment. OneSteel's statutory gearing level at the end of June 2011 was 27.7%. OneSteel's core debt facilities at the end of June 2011 comprised $2,252 million of syndicated loans provided by a group of banks, with tranches expiring from 2012 to 2016, $297 million of bilaterals expiring in 2013 to 2015, and $630 million of US privately placed debt, with tranches expiring from 2011 to 2023. At the end of June 2011, drawn debt was $1,935 million.

Financial reporting control assurance

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

- Identifying and analysing the key financial processes
- Assessing the inherent and residual risk of each key financial process
- Identifying key financial controls where a risk gap indicates significant reliance on internal controls
- Performing Control Self Assessment tests of key financial controls and Stewardship reviews 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
- Divisional risk owner/management sign-off to support the Chief Executive Officer and Chief Financial Officer sign-offs.

THE OBJECTIVE OF ONESTEEL'S FINANCIAL RISK POLICY IS TO SUPPORT THE DELIVERY OF THE GROUP'S FINANCIAL TARGETS WHILST PROTECTING FUTURE FINANCIAL SECURITY

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 114.

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 their 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 including Moly-Cop and AltaSteel. For the US, Canadian and South American businesses, the Group has considerable natural hedging in place.

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 31000:2009/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 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
- Business transactions are properly authorised and executed.

Internal and external audit

OneSteel's Internal Audit, Control and Risk (IACR) function is headed by a full-time General 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 IACR function and external auditor, KPMG, to minimise any duplication of effort and to maximise knowledge sharing between the assurance providers.

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 geopolitical 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. In addition, supply/demand levels for commodities such as gold, copper etc. could have direct effects on OneSteel's Mining Consumables business. Fluctuations in the global prices of these commodities will impact 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.

Risk of competition also exists in OneSteel's Recycling business where the relatively high operating base of the domestic Recycling business puts it at an increasing disadvantage against its competitors.

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.

Proposed Carbon Tax

OneSteel had concerns with the proposed Carbon Tax as originally announced, due to the likely adverse implications the tax would have had on the industry's competitive position. Steelmaking technology constraints mean there is little the industry can do to materially reduce emissions from its key manufacturing processes. This means that rather than act as a price signal to reduce emissions, the tax as originally announced would merely have been an additional cost burden not faced by our international competition.

OneSteel has been advocating that the Government take a sectoral approach for the steel industry that takes into account the unique aspects of steelmaking technology and its markets to avoid damaging the competitiveness of the industry. We believe that the sectoral approach announced by the Australian Government on 10 July 2011 for the steel industry, including the introduction of the Steel Transition Plan (STP) is both appropriate and sensible. Our concerns about the adverse impacts of the proposed Carbon Tax on our competitive position have been recognised and substantially addressed, at least over the four-year life of the STP. We also support the Government's recognition of the need for appropriate review mechanisms to be available to address the merits of continued support.

Mineral 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 legislated, and how the tax will treat materials used internally by our steelworks. It is our understanding that the MRRT is not intended to affect the Whyalla Steelworks.

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 have resulted in the decision to undertake some repairs and redesign work which has now been completed.

OneSteel's Iron Ore business's operational risks relate to the infrastructure of the supply chain capability in order to meet increasing export demand. Natural disasters that have taken place in the last 12 months such as the floods in Queensland and Cyclone Yasi have illustrated these risks and their potential knock-on effects. The Recycling business is also exposed to operational risks relating to its supply chain.

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 standard ISO9001. 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.

2011 FINANCIAL YEAR ORGANISATIONAL CHART

Chairman	PETER SMEDLEY	
Managing Director and Chief Executive Officer	GEOFF PLUMMER	
Chief Executive Whyalla	MARK PARRY	• Whyalla Steelworks • Iron Ore operations
Chief Executive Recycling	GREG WATERS	• Australian Recycling operations • International Recycling operations • Iron Ore marketing
Chief Executive Mining Consumables & Marketing	ANDREW ROBERTS	• Moly-Cop (Grinding Media) – Australia (Waratah) – Canada – Chile – Indonesia – Mexico – Peru – USA • AltaSteel • Waratah Steel Mill • Wire Ropery • Marketing
Chief Executive Market Mills	LEO SELLECK	• Rod & Bar • Wire • Australian Tube Mills • LiteSteel™ Technologies • Australian Steel Industry and Steel-in-Concrete Channel Management
Chief Executive Australian Distribution	STEVE HAMER	• ARC • OSR • Merchandising • Metaland | Steel & Tube
Chief Financial Officer	ROBERT BAKEWELL	
Executive General Manager, Human Resources and Occupational Health and Safety & Environment	BILL GATELY	
Chief Legal Officer	NAOMI JAMES	

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

Chairman and Non-Independent Director	DEAN PRITCHARD
Chief Executive Officer	DAVE TAYLOR

EXECUTIVE MANAGEMENT

1 Geoff Plummer
Managing Director and Chief Executive Officer
BEc

Age 55. 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.

2 Robert Bakewell
Chief Financial Officer
BComm

Age 47. Mr Bakewell joined OneSteel in April 2010, responsible for accounting, tax, risk management, treasury, business planning, IT and group procurement. Robert has more than 25 years professional experience in executive financial and commercial roles. Prior to joining OneSteel, Robert was Group Senior Vice-President, Chief Financial Officer, Power Products division of ABB Limited, the Swiss-based power and automation technologies group.

3 Mark Parry
Chief Executive Whyalla
BComm

Age 49. 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.

Note: Mark Parry resigned from OneSteel September 2011.

4 Greg Waters
Chief Executive Recycling
BBus (Mktg)

Age 51. 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.

5 Andrew Roberts
Chief Executive Mining Consumables & Marketing
BComm

Age 44. Mr Roberts joined OneSteel from BHP Steel, starting in 1989. Prior to this appointment, Andrew was Chief Executive Market Mills. Andrew has held a number of roles in marketing, sales and general business management across the Manufacturing, Materials, Steel-in-Concrete and Distribution businesses.

6 Leo Selleck
Chief Executive Market Mills
BSc

Age 62. 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 Technology, Safety and Services, Executive GM Whyalla, Executive GM Project Magnet and Executive GM Electric Arc Furnaces & Technology.

7 Steve Hamer
Chief Executive Australian Distribution
BEng (Hons)

Age 54. 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.

8 Bill Gately
Executive General Manager Human Resources & Occupational Health and Safety & Environment
BEc

Age 50. 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.

9 Naomi James
Chief Legal Officer
LLB (Hons), MLM

Age 33. Joined OneSteel in 2005 and has responsibility for legal and company secretarial matters. Ms James is also responsible for OneSteel's mergers and acquisitions activity at a group level. Prior to joining OneSteel, Naomi worked in private practice at law firms in Australia and the UK, specialising in public and private M&A and capital markets transactions, including four years with international law firm Freshfields Bruckhaus Deringer.

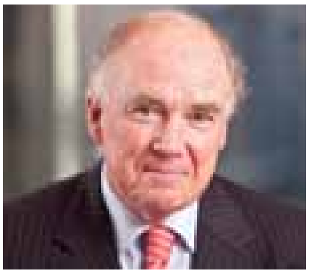
BOARD OF DIRECTORS

P J (Peter) Smedley
Chairman, Independent Non-Executive Director
BComm, MBA, FAICD

Age 68. 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, Orygen Youth Health Research Centre and the Colonial Foundation.
He is also a Director of The Australian Ballet and the Haven Foundation. 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 2008 to 30 June 2011: Spotless Group Limited, appointed 8 December 2006.

R B (Bryan) Davis
Independent Non-Executive Director
BSc (Tech), FAIMM, MAICD

Age 68. 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 Chairman of 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 2008 to 30 June 2011: Coal and Allied Industries Limited since September 2000; Newcrest Mining Limited from April 1998 to October 2008.



C R (Colin) Galbraith, AM
Independent Non-Executive Director
LLB (Hons), LLM, FAICD

Age 63. 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 2008 to 30 June 2011: Commonwealth Bank of Australia since June 2000.

P G (Peter) Nankervis
Independent Non-Executive Director
BEc (Hons), FCPA, GAICD

Age 61. 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 2008 to 30 June 2011: Mitchell Communication Group Limited from 12 March 2007 to 15 January 2010.

K L (Kara) Nicholls
Company Secretary *BBus, MLS, FCIS, MAICD*

Age 35. With over 13 years experience in equity capital markets, Ms Nicholls 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.

G J (Geoff) Plummer
Managing Director & CEO, Non-Independent Executive Director
BEc

Age 55. 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 2008 to 30 June 2011: Nil.

D A (Dean) Pritchard
Independent Non-Executive Director
BE, FIE Aust, CP Eng, FAICD

Age 66. 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 and Spotless Group Limited. Previously, he was Chief Executive Officer of Baulderstone Hornibrook, Chairman of ICS Global Limited, and a Director of Eraring Energy, RailCorp and Zinifex Limited. Other listed company directorships held during the period 1 July 2008 to 30 June 2011: 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.

G J (Graham) Smorgon
Independent Non-Executive Director
BJuris LLB

Age 61. Appointed a Director in 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 2008 to 30 June 2011: Incitec Pivot Limited, since December 2008.

R (Rosemary) Warnock
Independent Non-Executive Director
BA (Media), MAICD

Age 64. Appointed a Director in September 2010. Ms Warnock is a member of the Audit & Compliance Committee and the Occupational Health, Safety & Environment Committee, as well as Chairman of OneSteel's Superannuation Policy Committee. She is a Director of Steel & Tube Holdings Limited, a New Zealand listed company in which OneSteel holds a 50.3% interest. She is also Chairman of Thinc Group Holdings Pty Ltd and a Principal of The Adelante Group. Her previous roles include Executive Mentor with Merryck & Co, Expert Panel Member of the Independent Review of the Environment Protection & Biodiversity Conservation Act, Interim Chief Executive of the Clean Energy Council and numerous global senior executive positions within BP. Other listed company directorships held during the period 1 July 2008 to 30 June 2011: Steel & Tube Holdings Limited since September 2010.

CORPORATE GOVERNANCE STATEMENT

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

Board of Directors

The Board has adopted a Board Charter & Corporate Governance Guidelines (Guidelines).

The Guidelines constitute 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 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, diversity, human resources matters, governance and compliance matters and receives regular Division 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 Company's Code of Conduct formalises the obligation of Directors and employees to act within the law and to 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.

In considering the composition of committees, the Board considers the number of Directors and the skills required to discharge and appropriately share the responsibilities conferred by the Board.

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

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 principles for Directors' conduct and Directors' responsibilities outlined in the 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 applicable 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. Matters considered by the Board may include renewal and succession, size, experience and skill mix, diversity and performance.

A key responsibility of the Board's Governance & Nominations Committee (G&NC) is to consider and make recommendations to the Board in relation to Board composition. The aim of the Directors is to create a Board which has the appropriate mix and depth of skills, experience and attributes to discharge its responsibilities to the highest standard and which, in discharging those responsibilities, vigorously and constructively challenges and motivates the Company's executives to achieve outstanding performance in the interests of all stakeholders.

In considering the appointment or recommendation for appointment of Directors, attributes and matters which are taken into account include diversity in its widest sense, outstanding career performance, impeccable values, capacity to contribute constructively to a team, willingness and capacity to devote the time and effort required, capacity to contribute strongly to the assessment and oversight of risk and risk management, capacity to contribute to the development and implementation of strategy and the Company's policies and a strong appreciation of the responsibilities of the Company to its shareholders, employees, the communities in which it operates, its suppliers, customers and other stakeholders. Where the G&NC considers it appropriate, external professional consultants are engaged to assist in identifying suitable candidates for appointment to the Board.

Refer to pages 42-43 for the period of office held by each Director and to pages 42-43 for 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 during the reporting period in accordance with this process.

Remuneration and diversity

The Human Resources Committee reviews and makes recommendations to the Board in respect of remuneration.

Details concerning diversity matters are set out on page 34.

The remuneration of Key Management Personnel is set out in the Remuneration Report on pages 50 to 59.

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 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 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.

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 38–39.

The Managing Director & Chief Executive Officer (MD & CEO) and Chief Financial Officer (CFO) are required to provide and have provided assurance via a written statement to the Board in accordance with s295A of the Corporations Act.

The Board notes that, due to its nature, internal control assurance from the MD & 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 division Chief Executive and corporate functional head and their respective finance managers to support the assurance provided.

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. Additional 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 Key Management Personnel

The shareholdings of Key Management Personnel are set out in Note 30 of the Financial Report on pages 111 to 113.

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 Securities Dealing 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 hosts:
  - ASX/media releases
  - webcasts
  - corporate governance documents
  - Constitution
  - Dividend Reinvestment Plan rules
  - presentations provided to fund managers, financial analysts and the Annual General Meeting
  - information on the Company, its divisions 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 are available on www.onesteel.com and 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
- Diversity Policy
- Code of Conduct
- Annual Report Corporate Governance Statement
- Sustainability Report.

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

Shares and options

During, or since the end of the financial year, there were no options granted over unissued shares. There were 14,579 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 160,000 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 there are no exercisable options over ordinary shares of the Company.

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 871,322 ordinary shares under the OneSteel Long-Term Incentive Share Plan. These shares will vest between 1 July 2013 and 1 July 2015 subject to performance hurdles. No ordinary shares vested to G J Plummer during the financial year.

The relevant interest of each Director in 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

On 11 July 2011, OneSteel announced the refinancing of its $1.1 billion AUD syndicated loan due to expire in August 2012 with a longer term $1.25 billion AUD multicurrency syndicated loan facility with three to five-year maturities.

There have been no other circumstances arising since 30 June 2011 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.

Future developments

Certain likely developments in the operations of the OneSteel Group known at 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 conducted 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 Non-Executive Directors, indemnifying them against liabilities to any person other than the Company or a related body corporate that may arise from them acting as officers of the Company, notwithstanding that they may have ceased to hold office, except where the liability arises out of conduct involving a lack of good faith.

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

Non-audit services

During the year, OneSteel Group's external auditor, KPMG, provided non-audit services to OneSteel Group entities.

Details of the amounts paid or payable to the auditor, 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 financial 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 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.

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 2011 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

David Rogers
Partner

Sydney
16 August 2011

REMUNERATION REPORT

The Directors of OneSteel Limited present the Remuneration Report, which forms part of the Directors' Report, for the OneSteel Group.

This Remuneration Report has been prepared in accordance with the *Corporations Act 2001* (Cth) 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 is delegated to the Human Resources Committee. The Human Resources Committee responsibilities, which can be referenced in more detail on the Company's website, include:

- 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).

The Human Resources Committee comprising three Non-Executive Directors has direct 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).

The members of the Human Resources Committee, number of meetings and attendance is presented on page 48 of the Directors' Report.

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.

Dealing in Company securities

Directors and relevant executives 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 relevant executives to deal in OneSteel securities during a trading window[1] of four weeks commencing at the conclusion of the event on the date on which each of the following events occurs:

- The Company's Annual General Meeting
- Release of the Company's half yearly results announcement to the ASX
- Release of the Company's yearly results announcement to the ASX, and
- Release of a disclosure document or cleansing notice in connection with an offering of OneSteel securities in the Company.

Directors and executives must not use any derivatives or enter into margin lending arrangements in relation to OneSteel securities without prior approval from the Chairman for Directors and the MD & CEO for others.

The MD & CEO has entitlements to shares under the Long-Term Incentive Share Plan, subject to performance hurdles being met.

Current shareholdings of Directors are shown in Note 30 to the Financial Report.

1 Dealing in OneSteel securities is prohibited if they are aware of inside information.

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 2011. The report is divided into the following sections:

A. REMUNERATION OVERVIEW 2010-2011

There have been some important remuneration-related developments during the year ended 30 June 2011 in relation to remuneration to ensure that the Company continues to apply appropriate and contemporary practices. Whilst these are set out in more detail throughout the report, an overview, including the key developments and changes, is summarised below:

- The Long-Term Incentive (LTI) Plan was reviewed as committed to at last year's Annual General Meeting. The review involved input from independent and specialist advisers including Egan Associates and Clayton Utz with the key change being a Performance Rights Plan (PRP) replacing the Share Plan. Other significant changes included modifications to performance hurdles and the discontinuance of retesting. Refer to Section D of the report.
- As a result of these changes to the LTI, for a transition period the Company will be operating both plans until performance measurement periods expire for grants made under the previous plan. Executives will continue to receive any dividends declared for grants made of OneSteel shares prior to 2011 during this transition period.
- Individual Non-Executive Director fee amounts were last reviewed and amended in September 2007. These were reviewed during the year, again with the involvement of an independent and specialist adviser, Godfrey Remuneration Group. The review followed the significant restructuring of the Board during the year ended 30 June 2011, and resulted in an increase in fees paid to Non-Executive Directors and the introduction of separate committee fees. These changes have been accommodated within the existing Aggregate Fee Limit and were applied from 1 January 2011.
- In February 2011, the Board Chairman and the Executive General Manager Human Resources met with a significant number of OneSteel's major shareholders and two proxyhouse advisers to discuss and receive feedback on key remuneration matters. The process specifically involved consideration of the above mentioned reviews of the LTI Plan and Non-Executive Director remuneration as well as the application of the STI Plan. Feedback obtained from these discussions was taken into account by the Board prior to finalisation of these reviews.
- There were no other significant developments or changes in the Company's approach to remuneration. The financial results for the Company during the year were such that Short-Term Incentive (STI) Plan outcomes for executives were well below the target level and there was no vesting of shares under the LTI Share Plan.

B. 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.

Detailed below are the key principles that underpin the Board's approach to Non-Executive Director remuneration.

Board fees are approved by shareholders

The limit on the current aggregate fee pool for Non-Executive Directors of $2 million was approved at the 2006 Annual General Meeting as required 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 Share 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 is reviewed periodically by the Human Resources Committee and the Board. The Board considers advice from independent external consultants and reviews fees paid to Non-Executive Directors from a cross-section of comparable companies.

Remuneration quantum and structure

Directors' fees per annum, effective 1 January 2011, are:

- $495,000 for the Board Chairman, and
- $165,000 for other Non-Executive Directors.

Additional fees are paid to Non-Executive Directors for serving on Board committees. Committee Member fees are set at $5,000 per annum. Committee Chair fees are set at $15,000 per annum with the exception of the Audit & Compliance Committee Chair who receives $20,000 per annum. The Chairman does not receive any Board committee fees.

Suspension of Non-Executive Director Share Plan

The ability of Non-Executive Directors to acquire shares under the Non-Executive Director Share Plan has been suspended since 2010 as a result of taxation changes affecting the operation of the Plan. Arrangements have now been put in place for Non-Executive Directors to receive 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 remuneration

Fees for Non-Executive Directors were held constant between September 2007 and January 2011. In 2009, a review of the Non-Executive Director fee amount was conducted by an independent and specialist external adviser, Godfrey Remuneration Group. In light of market conditions and the challenges facing the Group at that time, the Board decided that a recommendation to both increase fee amounts in the order of 14% and introduce committee fees would not be applied. This review was revisited in December 2010 and an increase in fees and the introduction of committee fees were confirmed by Godfrey Remuneration Group as still valid and appropriate. Accordingly, a fee increase of 14% was applied to all Non-Executive Director fees and the additional fees relating to serving on Board committees as set out above were implemented.

C. OVERVIEW OF EXECUTIVE REMUNERATION STRATEGY AND STRUCTURE

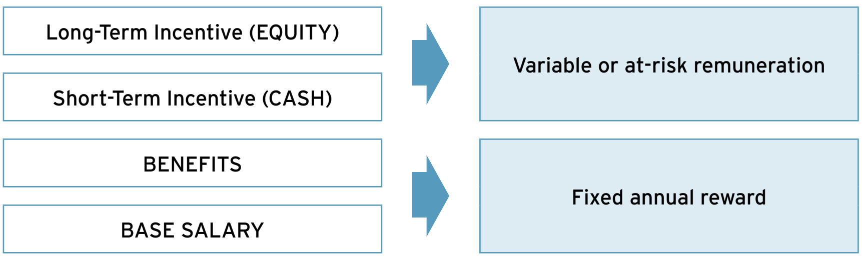
The objective of OneSteel's executive remuneration framework is to pay market competitive remuneration recognising skills and experience and to reward for performance and the achievement of strategic objectives leading to the creation of shareholder value.

OneSteel seeks to provide competitive remuneration that will attract, motivate 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 the Company's and the 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 independent external advisers to ensure its practices are market competitive, flexible and in keeping with emerging trends and good corporate governance. These specifically were Egan Associates and the Hay Group.

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 and Lead Team remuneration arrangements.

The remuneration structure is designed to ensure that executives have a significant portion of remuneration at risk. A review of the market in 2010 further suggested that a greater weighting of at-risk remuneration would be appropriate. Accordingly, for the financial year ended 30 June 2011, the Lead Team STI target payment was reset from 40% to 50% of fixed annual reward. This excluded the MD & CEO's target which was retained at 60% of fixed annual reward. The following sets out the target 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%	25%
Short-Term Incentive	24%	25%
Fixed annual reward	40%	50%

D. 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, employment benefits and appropriate tax) 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 Group financial and safety targets, and individual key performance indicators, and
- 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, division and individual performance, comparative market and internal remuneration information and independent external advice on policies and practices. In all cases, independent advice received from Egan Associates and the Hay Group is used to determine market movement and to provide input into recommended changes to executives' fixed annual reward.

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

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. In broad terms, OneSteel's STI Plan principles and structures for executives are as follows;

- The performance conditions used for the STI Plan are established annually by the Board for the Lead Team and reflect strategic business plans and budgets.
- Payments under the STI Plan are based on a set percentage of fixed annual reward for achievement of goals. Payments can range from nil to 200% of the target range. 200% is only paid on truly outstanding "stretch" outcomes.
- The principal weighting (between 70% and 80%) relates to achievement of financial targets. In 2010–2011, these targets were to deliver set Net Profit After Tax, Earnings Per Share and Cash outcomes.
- All executives have a 10% weighting on safety performance improvements.
- The balance of performance targets (between 10% and 20%) relates to achievement of personal goals.
- In all cases, payments are intended to reward continuous improvement and not to reward maintenance of the status quo.
- 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.
- Lead Team members' actual STI payments are subject to approval by the Board.
- 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.
- 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.

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. In addition to an annual performance review, regular performance discussions with executives 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.

MD & CEO and Lead Team STI payments for outcomes achieved during the year ended 30 June 2011 averaged 42% of target. Financial target outcomes for the year ended 30 June 2011 were not achieved primarily as a result of the very challenging and volatile business environment facing the Company and accordingly no STI payments were made in respect of financial measures.

STI safety payments were applied as a result of a significant reduction in Medical Treatment Injury Frequency Rate and an across the board improvement in the identification and management of significant safety risks.

STI payments in respect of the achievement of individual executive personal goals included consideration of acquisition projects, business restructuring and cost reductions, new business developments and major capital projects.

Long-Term Incentive (LTI)

The objective of the LTI Plan is to reward the participating executives for the sustained creation of shareholder wealth. In broad terms, OneSteel's LTI for executives is as follows:

- 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.
- 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.
- The LTI offers participants the opportunity to own OneSteel ordinary shares if selected Board approved performance hurdles are met over a three-year period.

During the year ended 30 June 2011, the Company replaced the existing LTI Share Plan with a new Performance Rights Plan (PRP). The new PRP will apply from 1 July 2011, with the existing LTI Share Plan remaining in operation until all unvested shares held in Trust have either vested or the executive's entitlement lapses.

A summary of the key attributes of the existing LTI Share Plan and new PRP are set out below.

ATTRIBUTE	LTI SHARE PLAN (FORMER SCHEME)	LTI PERFORMANCE RIGHTS PLAN (NEW SCHEME)
Award	OneSteel shares held in Trust	Rights to fully paid OneSteel ordinary shares
Performance Period	Three years	Three years
Access to Retesting	Yes, up to five years (see detailed explanation below)	No retesting
Performance Hurdles	50% of shares assessed against Relative Total Shareholder Return, measured against the S&P/ASX 200 index, excluding banks, media and telecommunications	50% of rights assessed against Relative Total Shareholder Return, measured against the S&P/ASX 200 index, excluding consumer discretionary, consumer staples, financial services, health, information technology and telecommunications services sectors
	50% of shares assessed against CPI plus 5%	50% of shares assessed against compound annual growth in average earnings per share. Target established by the Board for each allocation
Vesting	Shares vest in proportion to the performance hurdles met (see table below)	Rights vest in proportion to the performance hurdles met (see table below)
Dividends	Paid from initial allocation irrespective of whether shares are vested or unvested	No dividends payable until the rights vest and shares allotted
Voting Rights	Yes	No

Performance Rights Plan (PRP) (New Scheme)

Lead Team members and selected executives will be offered the opportunity to participate in an LTI which is delivered through a Performance Rights Plan (PRP) from 1 July 2011. This replaces the previous LTI Share Plan with all future allocations to be made under the PRP.

There are two performance hurdles under the PRP with 50% of rights vesting against each hurdle. One hurdle is OneSteel's Total Shareholder Return (TSR) relative to a Comparator Index. The second, which replaces the previous CPI-based hurdle, relates to OneSteel's Earnings Per Share (EPS).

The new LTI Plan is delivered in OneSteel performance rights (rights), over ordinary OneSteel shares, which are subject to performance hurdles over a three-year performance period. As executives are issued with rights rather than shares, there are no voting entitlements attached, nor are any dividends paid until such time as the rights vest and the shares are allotted.

These two complementary performance measures have been carefully and specifically determined by the Board so as to provide executives with an incentive to create shareholder wealth over a sustained period.

OneSteel's TSR performance relative to the Comparator Index

TSR measures the growth in the price of OneSteel's ordinary shares plus dividends notionally reinvested. The relative TSR hurdle will measure OneSteel's TSR ranking against entities in the TSR ranking group as at the start of the Performance Period for the TSR hurdle. The TSR ranking group will be all of the companies in the S&P/ASX 200 Index, excluding the consumer discretionary, consumer staples, financial services, health, information technology and telecommunications services sectors (approximately 115 companies in total).

The benchmark companies chosen for the PRP for comparing OneSteel's TSR are not dissimilar from the index which was adopted by the Company under the Former Scheme (refer below). Having regard to the nature of OneSteel's operations, its customer and supplier base and its international reach, it was considered inappropriate for the Company's relative TSR to be compared with local consumer-focused businesses, those in financial services, healthcare, information technology or telecommunications. In adopting the balance of the S&P/ASX 200 index, the comparators contain all industrial companies, all materials and resources companies and significant others which, in the Board's judgement, represent a testing group of relevant comparators. For all rights to vest in respect of this performance hurdle, the Company's TSR over the three-year period will have to out-perform more than 85 of the relevant companies (115) which the Board believes represents an appropriate stretch performance target.

For the 2011 offer, the performance period for the relative TSR hurdle will be the three-year period commencing from 1 July 2011 and ending 30 June 2014 (Performance Period). For the purposes of this measurement, TSR will be calculated over a 10 consecutive trading day period starting two months prior to the end date of the Performance Period and ending two months after the end date of the Performance Period. The relevant 10 consecutive trading day period will be determined by that which gives the highest level of vesting achieved during the Performance Period.

Fifty percent of the total rights 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 table:

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

OneSteel's Earnings Per Share (EPS)

EPS is the base EPS disclosed in OneSteel's full year financial report. The EPS hurdle will measure OneSteel's EPS growth (as an annual compound percentage) between the final year of the performance period for the EPS hurdle (being the year ending 30 June 2014 for the 2011 Offer) and the financial year ending immediately prior to the date of grant of the rights (being the year ended 30 June 2011 for the 2011 Offer). EPS growth is then compared against the EPS targets for OneSteel as determined by the Board for the corresponding period. The EPS targets will comprise a minimum threshold EPS growth target and a maximum EPS growth target. For the 2011 Offer, the threshold EPS growth target will be 5%. The maximum EPS growth target is 12%.

Rights granted and subject to the OneSteel EPS performance hurdle for the 2011 Offer vest according to the following table:

COMPOUND GROWTH IN ONESTEEL EPS OVER PERFORMANCE PERIOD	PROPORTION OF RIGHTS VESTING AS ONESTEEL SHARES
Less than 5%	Nil
5%	25%
Greater than 5% – 12%	Pro-rata straight-line between 25% and 100%
Greater than 12%	100%

There are no retesting provisions under the PRP if rights fail to vest at the conclusion of the Performance Period under the PRP. Prior to the approval of the vesting of rights and allotment of shares, independent external verification will be sought to confirm 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 rights will generally lapse. However, all or some of the rights may vest to an executive on ceasing employment when special circumstances apply at the discretion of the Board including redundancy, death and permanent disability.

Long-Term Incentive Share Plan (Former Scheme)

OneSteel's LTI Share Plan involves OneSteel 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 performance period. Participants in the LTI Share 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 Share 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 Share 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).

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% and 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 except for 2007 share grants which are retested quarterly until the conclusion of the 2012 financial year. 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 F 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 OneSteel ordinary 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.

E. 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.

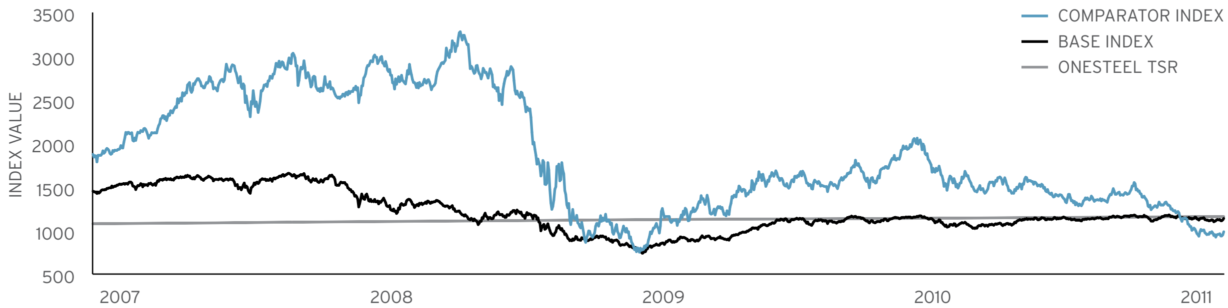
A significant portion of payments under the STI Plan and vesting of all grants under the LTI Plan are contingent upon the financial performance of the Group.

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			
	UNDERLYING			
YEAR ENDED 30 JUNE	NPAT ($m)	EPS (cents)[1]	DIVIDENDS PER SHARE (cents)	KMP STI PAID ($m)
2011	235.4	17.7	10.0	1.6
2010	240.6	18.2	11.0	3.8
2009	215.3	21.2	10.0	0.5
2008	315.0	34.9	21.5	2.8
2007	197.5	34.7	18.5	3.2

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 applicable Comparator Index (the S&P/ASX 200 Index excluding banks, media and telecommunications for previous LTI Share Plan grants) and the Base Index (the Australian CPI plus 5% for previous LTI Plan grants)



F. DETAILS OF NON-EXECUTIVE DIRECTOR AND EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011

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

(a) Compensation of Key Management Personnel

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SHARE-BASED PAYMENTS[1,2,6]	TOTAL	PROPORTION PERFORMANCE RELATED
	SALARY & FEES	CASH BONUS[3]	NON-MONETARY BENEFITS[5]	SUPERANNUATION		SHARES GRANTED		
2011	$	$	$	$	$	$	$	%
Directors[4]								
L G Cox	50,022	–	1,274	4,502	–	–	55,798	–
R B Davis	178,670	–	1,078	13,830	–	–	193,578	–
E J Doyle[7]	50,022	–	3,211	4,502	–	–	57,735	–
C R Galbraith, AM	151,376	–	1,109	13,624	–	–	166,109	–
P G Nankervis	153,670	–	554	13,830	–	–	168,054	–
G J Plummer	1,805,039	388,000	59,011	50,000	–	1,186,528	3,488,578	45.1
D A Pritchard	149,083	–	1,738	13,417	–	–	164,238	–
P J Smedley	465,000	–	3,617	–	–	–	468,617	–
G J Smorgon	153,876	–	–	13,849	–	–	167,725	–
R Warnock	124,377	–	1,435	11,194	–	–	137,006	–
Executives								
R C Bakewell[11]	809,244	286,000	11,862	15,199	–	78,085	1,200,390	30.3
S H Hamer	673,040	145,000	34,492	50,000	–	242,784	1,145,316	33.9
M R Parry	636,017	141,000	68,102	22,361	–	222,402	1,089,882	33.3
A G Roberts	677,794	180,000	33,789	45,943	–	242,784	1,180,310	35.8
L J Selleck	524,321	132,000	73,316	70,782	–	206,476	1,006,895	33.6
G A Waters	529,707	117,000	32,500	55,800	–	196,110	931,117	33.6
D Taylor[8]	481,888	225,885	–	–	–	98,637	806,410	40.2
Total	7,613,146	1,614,885	327,088	398,833	–	2,473,806	12,427,758	

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SHARE-BASED PAYMENTS[1,2,6]	TOTAL	PROPORTION PERFORMANCE RELATED
	SALARY & FEES	CASH BONUS[3]	NON-MONETARY BENEFITS[5]	SUPERANNUATION		SHARES GRANTED		
2010	$	$	$	$	$	$	$	%
Directors[4]								
L G Cox	133,028	–	1,028	11,972	–	–	146,028	–
R B Davis	133,028	–	–	11,972	–	–	145,000	–
E J Doyle	133,028	–	1,701	11,972	–	–	146,701	–
C R Galbraith, AM	133,028	–	1,612	11,972	–	–	146,612	–
P G Nankervis	133,028	–	2,094	11,972	–	–	147,094	–
G J Plummer	1,613,726	1,826,000	62,340	45,825	–	1,384,118	4,932,009	65.1
D A Pritchard	133,028	–	4,652	11,972	–	–	149,652	–
N J Roach[9]	50,387	–	–	4,535	–	–	54,922	–
P J Smedley	435,000	–	13,361	–	–	–	448,361	–
G J Smorgon	133,027	–	–	11,972	–	–	144,999	–
Executives								
R C Bakewell	267,001	–	20,000	2,781	–	–	289,782	–
S H Hamer	598,117	409,000	4,993	45,004	–	240,744	1,297,858	50.1
M R Parry	566,658	390,000	19,018	22,361	–	220,361	1,218,398	50.1
A J Reeves	356,523	–	41,682	24,717	763,545[10]	143,439	1,329,906	10.8
A G Roberts	635,966	403,000	2,314	37,108	–	240,744	1,319,132	48.8
L J Selleck	494,869	355,000	33,800	66,828	–	217,450	1,167,947	49.0
G A Waters	445,252	337,000	32,500	47,250	–	118,025	980,027	46.4
D Taylor[8]	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	

1 There were no share-based payments for Non-Executive Directors for the year ended 30 June 2010 and year ended 30 June 2011 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, fees, and superannuation.

5 Non-monetary benefits include items such as fringe benefits tax paid on benefits provided, rental assistance, living away from home allowance and cost of living allowance.

6 Dividends paid to executives on unvested shares under the LTI Share 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 $229,187 (2010: $93,471); R C Bakewell $12,384 (2010: $nil); L J Selleck $28,348 (2010: $13,522); M R Parry $30,776 (2010: $13,795); A G Roberts $33,324 (2010: $15,705); S H Hamer $33,324 (2010: $15,705); G A Waters $27,390 (2009: $11,255).

7 E J Doyle retired as a Non-Executive Director on 15 November 2010. In addition to the above remuneration she was paid a retirement allowance of $247,900 from the Non-Executive Director retirement plan which was discontinued on 17 November 2003.

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

9 N J 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 Non-Executive Director retirement plan which was discontinued on 17 November 2003.

10 Inclusive of outstanding leave balances paid of $189,545 on leaving the Company.

11 R C Bakewell's remuneration for 2011 and 2010 is inclusive of a sign-on bonus to the value of $125,000 paid in April 2010 and April 2011 respectively. A further bonus to the equivalent value is payable at the completion of two years' service in April 2012.

(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 is 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[3]	FORFEITED	DATE OF GRANT[2]	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[5]
2011	%	%			$	$				%	%	$
Directors												
G J Plummer	34	66	7/05/2007	305,461	4.88	1,490,650	7/05/2012	7/05/2010[1]	7/05/2012	–	–	–
			7/09/2007	327,680	4.62	1,513,882	20/08/2012	20/08/2010[1]	20/08/2012	–	–	–
			26/08/2008	65,110	6.01	391,311	1/07/2013	1/07/2011	1/07/2013	–	–	–
			26/08/2009	340,316	2.88	980,110	1/07/2014	1/07/2012	1/07/2014	–	–	326,703
			25/08/2010	871,322	2.27	1,977,901	1/07/2015	1/07/2013	1/07/2015	–	–	1,318,601
Executives												
R C Bakewell	39	61	25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	156,170
S H Hamer	40	60	7/09/2007	57,344	4.62	264,929	7/09/2012	7/09/2010	7/09/2012	–	–	–
			26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013	–	–	–
			26/08/2009	78,861	2.88	227,120	1/07/2014	1/07/2012	1/07/2014	–	–	75,707
			25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	156,170
M R Parry	43	57	7/09/2007	57,344	4.62	264,929	7/09/2012	7/09/2010	7/09/2012	–	–	–
			26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013	–	–	–
			26/08/2009	57,629	2.88	165,972	1/07/2014	1/07/2012	1/07/2014	–	–	55,324
			25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	156,170
A G Roberts	50	50	7/09/2007	57,344	4.62	264,929	7/09/2012	7/09/2010	7/09/2012	–	–	–
			26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013	–	–	–
			26/08/2009	78,861	2.88	227,120	1/07/2014	1/07/2012	1/07/2014	–	–	75,707
			25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	156,170
L J Selleck	45	55	7/09/2007	57,344	4.62	264,929	7/09/2012	7/09/2010	7/09/2012	–	–	–
			26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013	–	–	–
			26/08/2009	54,596	2.88	157,236	1/07/2014	1/07/2012	1/07/2014	–	–	52,412
			25/08/2010	85,977	2.27	195,213	1/07/2015	1/07/2013	1/07/2015	–	–	130,142
G A Waters	38	62	16/10/2008	67,421	2.79	188,105	16/10/2013	16/10/2011	16/10/2013	–	–	16,198
			26/08/2009	57,629	2.88	165,972	1/07/2014	1/07/2012	1/07/2014	–	–	55,324
			25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	156,170
D Taylor[4]	94	6	26/08/2008	7,873	6.01	47,317	1/07/2011	1/07/2013	1/07/2013	–	–	–

	CASH BONUS		SHARE-BASED COMPENSATION									
	PAID[3]	FORFEITED	DATE OF GRANT[2]	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[5]
2010	%	%			$	$				%	%	$
Directors												
G J Plummer	179	–	7/05/2007	305,461	4.88	1,490,650	7/05/2012	7/05/2010[1]	7/05/2012	–	–	–
			7/09/2007	327,680	4.62	1,513,882	20/08/2012	20/08/2010	20/08/2012	–	–	47,659
			26/08/2008	65,110	6.01	391,311	1/07/2013	1/07/2011	1/07/2013	–	–	126,814
			26/08/2009	340,316	2.88	980,110	1/07/2014	1/07/2012	1/07/2014	–	–	648,869
Executives												
R C Bakewell	–	–	–	–	–	–	–	–	–	–	–	–
S H Hamer	160	–	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
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	57,629	2.88	165,972	1/07/2014	1/07/2012	1/07/2014	–	–	109,879
A J Reeves	–	–	7/05/2007	81,920	4.62	378,470	7/05/2012	7/05/2010	7/05/2012	100	–	–
			26/08/2008	49,790	6.01	299,238	1/07/2013	1/07/2011	1/07/2013	–	100	–
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
L J Selleck	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
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[4]	48	52	26/08/2008	7,873	6.01	47,317	1/07/2011	1/07/2013	1/07/2011	–	–	15,334
A Candy	51	49	–	–	–	–	–	–	–	–	–	–

1 The performance hurdles were not met and no shares were vested to G J Plummer. These shares will be retested in May 2012 in line with retesting arrangements in his Executive Service Agreement.

2 Share grants in respect of the 7 September 2007 allocation to executives other than G J 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 G J Plummer's share grants are subject to annual retesting.

3 Cash bonuses paid in respect of participation by executives in the STI Plan range from nil to 200% of the target range. The date of the grant of the cash bonus was 5 August 2011 (2010: 6 August 2010).

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

108,000 shares (2010 : 45) were issued upon exercise of compensation options by KMP for the year ended 30 June 2011 at an exercise price of $1.0434. Refer to Note 30 of the financial statements.

G. 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 made 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 as described below.

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

(i) Fixed annual reward

Mr Plummer was paid a fixed annual reward of $1,900,000 per annum inclusive of superannuation and novated car leases. This was an increase of $200,000 to Mr Plummer's fixed annual reward for the year ended 30 June 2011, and followed no review in 2010 to reflect the economic circumstances of the Company. 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 is reviewed in consultation with Mr Plummer by assessment of his performance against financial, business, safety and personal targets. Targets are set by the Board in consultation with Mr Plummer at the start of each financial year. Mr Plummer's STI outcome for the year ended 30 June 2011 includes a payment for safety outcomes and personal targets. No payment has been made on the basis of financial outcomes.

(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 relevant performance hurdles detailed in Section D of this Report. Shares granted to Mr Plummer under the LTI Share Plan are set out in Section F of this Report.

In addition to the shares granted under the LTI Share Plan, a grant of share rights was approved by the Board to the value of 1.0 times fixed annual reward. The volume weighted average price of OneSteel ordinary shares in the 10-day period following the Group's full year financial results announcement to the ASX will be used to calculate the number of rights to be issued to Mr Plummer.

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. After considering independent advice, the Company is satisfied that Mr Plummer's termination entitlements as set out 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, together with the following payments:

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 agreed 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.
- 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 granted under the LTI Share 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. ASX releases are available on OneSteel's 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 a 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 Share 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 & Chief Executive Officer

Sydney
16 August 2011

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
- Manufacture of grinding media and steel products.

Income Statement

Sales revenue increased by 15% to $7,133.0 million, reflecting the contribution of the acquired Moly-Cop Group businesses to the Mining Consumables segment together with favourable volumes and pricing in the Iron Ore segment.

Finance costs were $101.1 million, up from $89.2 million in 2010 due to higher levels of debt during the year.

Net profit attributable to equity holders of the parent for the financial year was $230.3 million.

Balance Sheet

Total assets increased by $1,247.4 million primarily due to the acquisition of the Moly-Cop Group.

Total liabilities increased by $1,234.4 million mainly due to the acquisition of the Moly-Cop Group and higher debt balances.

Contributed equity increased by $10.5 million primarily due to shares issued under the Dividend Reinvestment Plan.

Cash Flow Statement

Consolidated net cash flow from operating activities decreased by $139.0 million to $463.1 million, reflecting lower operating profit, income tax refunds received and higher interest costs as a result of higher debt levels.

Consolidated net cash outflow from investing activities was $1,214.4 million, reflecting the acquisition of the Moly-Cop Group during the year.

Consolidated net cash inflow from financing activities was $840.1 million.

Dividends

The Directors have declared an unfranked final dividend for 2011 of 4.0 cents per share payable on 13 October 2011.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE

	NOTES	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
Sales revenue	4	7,133.0	6,204.6
Cost of sales		(5,757.2)	(4,970.6)
Gross profit		1,375.8	1,234.0
Other revenue	4	28.7	23.6
Other income	4	15.5	32.7
Operating expenses including restructuring costs	4	(1,019.0)	(866.3)
Finance costs	4	(101.1)	(89.2)
Share of net profit/(loss) of investments accounted for using the equity method		2.6	(0.8)
Profit before income tax		302.5	334.0
Total income tax expense	5	(65.0)	(73.3)
Profit after tax		**237.5**	**260.7**
Profit attributable to non-controlling interests		(7.2)	(2.3)
Profit attributable to equity holders of the parent		**230.3**	**258.4**
Basic earnings per share (cents per share)	6	17.33	19.51
Diluted earnings per share (cents per share)	6	17.33	19.51

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE

	CONSOLIDATED	
	2011 $m	2010 $m
Profit after tax	**237.5**	**260.7**
Other comprehensive income		
Cash flow hedges:		
– net gains/(losses) taken to equity	3.3	(6.6)
– transferred to profit	(5.4)	12.3
– transferred to initial carrying amount of hedged items	4.3	0.4
Currency translation differences:		
– net investment hedges	16.6	5.3
– exchange fluctuations on overseas net assets	(94.4)	(11.8)
Other comprehensive expense, net of tax	(75.6)	(0.4)
Total comprehensive income	**161.9**	**260.3**
Total comprehensive income attributable to:		
Equity holders of the parent	158.1	256.8
Non-controlling interests	3.8	3.5

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

BALANCE SHEET
AS AT 30 JUNE

	NOTES	CONSOLIDATED 2011 $m	2010 $m
ASSETS			
Current assets			
Cash and cash equivalents	24	153.7	83.4
Receivables	7	925.0	829.3
Derivative financial instruments	8	3.0	5.0
Inventories	9	1,604.7	1,433.0
Other financial assets	10	1.5	–
Other current assets	15	19.7	13.6
Total current assets		**2,707.6**	**2,364.3**
Non-current assets			
Investments accounted for using the equity method	11	13.1	6.6
Derivative financial instruments	8	41.6	16.8
Other financial assets	10	–	2.5
Other non-current assets	15	14.1	1.8
Property, plant and equipment	12	2,579.3	2,302.3
Mine development expenditure	13	207.3	172.2
Other intangibles and goodwill	14	2,590.7	2,070.0
Deferred tax assets	5	161.4	131.2
Total non-current assets		**5,607.5**	**4,703.4**
TOTAL ASSETS		**8,315.1**	**7,067.7**
LIABILITIES			
Current liabilities			
Payables	16	1,007.3	863.1
Derivative financial instruments	8	31.2	3.7
Interest-bearing liabilities	17	72.6	331.9
Current tax liabilities		27.8	11.1
Provisions	18	292.2	278.8
Total current liabilities		**1,431.1**	**1,488.6**
Non-current liabilities			
Derivative financial instruments	8	72.3	51.4
Interest-bearing liabilities	17	1,809.5	715.2
Deferred tax liabilities	5	290.1	201.8
Provisions	18	206.4	118.0
Total non-current liabilities		**2,378.3**	**1,086.4**
TOTAL LIABILITIES		**3,809.4**	**2,575.0**
NET ASSETS		**4,505.7**	**4,492.7**
EQUITY			
Contributed equity	20	3,761.6	3,751.1
Retained earnings	21	770.7	700.4
Reserves	22	(86.5)	(19.0)
Parent interests		4,445.8	4,432.5
Non-controlling interests		59.9	60.2
TOTAL EQUITY		**4,505.7**	**4,492.7**

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE

	NOTES	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
		INFLOWS/(OUTFLOWS)	
Cash flows from operating activities			
Receipts from customers		7,147.8	6,253.8
Payments to suppliers and employees		(6,550.3)	(5,605.4)
Net GST received/(paid)		1.1	(2.8)
Interest received		2.0	2.0
Interest and other finance costs paid		(94.0)	(92.5)
Income taxes (paid)/received		(43.5)	47.0
Net operating cash flows	24(b)	**463.1**	**602.1**
Cash flows from investing activities			
Purchases of property, plant and equipment		(240.0)	(145.7)
Mine development expenditure		(8.3)	(25.4)
Purchases of finite life intangible assets		(3.0)	(2.1)
Purchases of businesses	24(e)	(1.9)	(33.6)
Purchase of controlled entities, net of cash acquired	34	(854.8)	–
Purchase of loan receivable		(136.2)	–
Dividends received from associate and jointly controlled entity		4.0	–
Proceeds from sale of property, plant and equipment		2.4	16.7
Proceeds from sale of associate		23.4	–
Net investing cash flows		**(1,214.4)**	**(190.1)**
Cash flows from financing activities			
Proceeds from issues of shares		0.2	0.1
Purchase of shares under equity-based compensation plans		(7.1)	(4.6)
Proceeds from borrowings		3,209.6	1,174.2
Repayment of borrowings		(2,217.4)	(1,395.2)
Repayment of loan from/(loan to) jointly controlled entity		1.0	(2.5)
Repayment of principal of finance leases		–	(24.7)
Dividends paid		(146.2)	(104.1)
Net financing cash flows		**840.1**	**(356.8)**
Net increase in cash and cash equivalents		**88.8**	**55.2**
Cash and cash equivalents at the beginning of the year		75.3	20.6
Effect of exchange rate fluctuations on cash held		(10.4)	(0.5)
Cash and cash equivalents at the end of the year	24(a)	**153.7**	**75.3**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						NON-CONTROLLING 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 2010		3,769.6	(18.5)	3,751.1	700.4	(19.0)	4,432.5	60.2	4,492.7
Net profit for the year		–	–	–	230.3	–	230.3	7.2	237.5
Other comprehensive income		–	–	–	–	(72.2)	(72.2)	(3.4)	(75.6)
Total comprehensive income/expense for the year, net of tax		–	–	–	230.3	(72.2)	158.1	3.8	161.9
Transactions with equity holders:									
Share-based payments expense	22(c)	–	–	–	–	4.7	4.7	–	4.7
Purchase of shares under equity-based compensation plans	20	–	(7.1)	(7.1)	–	–	(7.1)	–	(7.1)
Dividends paid	23	–	–	–	(160.0)	–	(160.0)	(3.5)	(163.5)
Shares issued, net of transaction costs	20	0.2	–	0.2	–	–	0.2	(0.6)	(0.4)
Shares issued under dividend reinvestment plan	20	17.4	–	17.4	–	–	17.4	–	17.4
Total transactions with equity holders		17.6	(7.1)	10.5	(160.0)	4.7	(144.8)	(4.1)	(148.9)
At 30 June 2011		**3,787.2**	**(25.6)**	**3,761.6**	**770.7**	**(86.5)**	**4,445.8**	**59.9**	**4,505.7**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						NON-CONTROLLING 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 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.

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 2011 was authorised for issue in accordance with a resolution of the Directors on 16 August 2011.

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 2011 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.

Non-controlling 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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

(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 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. The Group does not have any held to maturity investments

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. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Income Statement.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

(o) Property, plant and equipment

Property, plant and equipment assets are carried at cost less any accumulated depreciation and/or impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the reporting period in which they are incurred.

Depreciation of property, plant and equipment.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Buildings:	20–40 years
Plant and equipment:	3–30 years
Capitalised leased assets:	Up to 30 years or life of lease, whichever is shorter.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Income Statement.

(p) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- The exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale, or
- Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the Income Statement.

(q) Mine development expenditure – pre-production

Pre-production mine development expenditure represents the costs incurred in preparing mines for production, and includes stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised on a straight-line basis over the estimated useful life of the mine.

Impairment

The carrying value of pre-production mine development expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of pre-production mine development expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the Income Statement.

(r) Deferred stripping costs

In mining operations, it is necessary to remove overburden and other barren waste materials to access ore from which minerals can be economically extracted. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred before production commences are included within capitalised mine development expenditure and subsequently amortised. The Group defers stripping costs incurred subsequently during the production stage of operation. Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden or waste required to be removed to mine the ore. Deferral of these post-production costs to the Balance Sheet is made, where appropriate, when actual stripping ratios vary from the average life of mine ratio.

Costs which have previously been deferred to the Balance Sheet are recognised in the Income Statement on a unit of production basis utilising the average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets of a cash generating unit for the purposes of undertaking assessments, where necessary, based on future cash flows for the cash generating unit as a whole.

(s) Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable net assets of the acquired subsidiary as at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment losses recognised for goodwill are not subsequently reversed.

Gains and losses on the disposal of an operation include the carrying amount of goodwill relating to the operation sold.

System development costs

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as system development costs. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

System development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Other intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and/or impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Income Statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash generating unit level consistent with the methodology outlined for goodwill. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether indefinite life assessment continues to be supported. If not, the change in useful life assessment to finite is accounted for prospectively as a change in accounting estimate.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and appropriate proportion of overheads. Other development expenditures that do not meet this criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

A summary of the policies applied to the Group's intangible assets is as follows:

	USEFUL LIFE	AMORTISATION METHOD	INTERNALLY GENERATED OR ACQUIRED
Patented technology	Finite	Straight line over estimated useful life (17 years)	Acquired
Brand names and know-how	Indefinite Finite	No amortisation Straight line over estimated useful life (2–3 years)	Acquired
Customer and supplier contracts	Finite	Timing of projected cash flows of the contracts over 1 to 10 years	Acquired
System development and other capitalised development costs	Finite	Straight line over estimated useful life (5 years)	Internally generated

(t) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured.

(u) Provisions

Provisions are recognised when the Group has a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(v) Employee benefits

Wages and salaries, annual leave and long service leave

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with entitlements arising from wages and salaries and annual leave which will be settled after one year, are measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year, are measured at the present value of the estimated future cash outflows to be made for those benefits.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match as closely as possible the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Retirement benefit obligations

A liability or asset in respect of the Group's defined benefit plans is recognised in the Balance Sheet, and is measured as the present value of the defined benefit obligation (using the projected unit credit method) at the reporting date plus unrecognised actuarial gains (less any unrecognised actuarial losses) less the fair value of the plan's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments, which arise from membership of the fund to the reporting date, calculated annually by independent actuaries. Consideration is given to expected future salary levels, experience of employee departures and periods of service.

The "corridor approach" is applied in determining the periodic impact on the Income Statement. Under this approach, cumulative actuarial gains or losses greater than 10% of the present value of the defined benefit obligation or 10% of the fair value of plan assets are recognised through the Income Statement over the average remaining service period of the employees in the plan on a straight-line basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions to the Group's defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

Equity-based compensation arrangements

The OneSteel Group provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for OneSteel Limited ordinary shares (equity-settled transactions). These shares are held in trust and are subject to certain performance conditions.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments or rights granted at the date of the grant. The fair value is determined by an external valuation using a Monte Carlo Simulation option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than those conditions that are linked to the price of the ordinary shares of OneSteel Limited (market conditions).

The cost of the equity-settled transactions is recognised together with a corresponding increase in Equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- The extent to which the vesting period has expired, and
- The number of equity instruments that are estimated to ultimately vest, based on the best available information at the reporting date.

This valuation is formed based on the best available information at balance date. No adjustment is made for the likelihood of market conditions being met, as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is solely based upon a market condition.

The dilutive effect, if any, of outstanding options or unvested shares, is reflected as additional share dilution in the computation of earnings per share.

OneSteel Limited ordinary shares acquired on-market and held in trust are classified and disclosed as Employee Compensation Shares and deducted from Equity.

(w) Restoration and rehabilitation

Restoration costs which are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. The costs include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs. In determining the restoration obligations, there is an assumption that no significant changes will occur in the relevant Federal and State legislation in relation to restoration in the future.

The estimated restoration costs for which the entity has a present obligation are discounted to their net present value. To the extent that the activity that creates this obligation relates to the construction of an asset, a corresponding amount is added to the related asset. Otherwise, the amount is incurred as a current period expense.

Changes in the measurement of the existing provision that result from changes in the estimated timing or amount of cash flows, or a change in the discount rate, are adjusted on a prospective basis against the asset to which the restoration relates. Where the related asset has reached the end of its useful life, all subsequent changes in the provision are recognised in the Income Statement as they occur.

The charge to the Income Statement is a combination of the depreciation of the asset over the estimated mine life and finance cost representing the unwind of the discounting factor.

(x) Interest-bearing liabilities

Borrowings are initially recognised at fair value less any transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost. Any difference between the proceeds (net of the transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current interest-bearing liabilities where there is an obligation to settle the liability within 12 months, and as non-current interest-bearing liabilities where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(y) Finance costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance leases and net receipt or payment from interest rate swaps. Finance costs are expensed in the Income Statement, except where they relate to the financing of projects under construction, where they are capitalised up to the date of commissioning or sale.

(z) Contributed equity

Issued capital

Issued and paid-up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in Equity as a reduction of the share proceeds received, net of tax.

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the OneSteel shareholders.

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.

Employee compensation shares

Shares in the OneSteel Group purchased for equity-based compensation arrangements are held in Trust and deducted from Contributed Equity in employee compensation shares. Upon vesting, the shares are transferred from employee compensation shares into the share-based payments reserve.

These shares carry voting rights and the beneficial holder is entitled to any dividends paid during the vesting period.

(aa) Derivative financial instruments

Derivatives are initially recognised at fair value on the date that a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative qualifies for hedge accounting, and if so, the nature of the item being hedged. The OneSteel Group designates certain derivatives as:

- Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges)
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- Hedges of a net investment in a foreign operation (net investment hedges).

At the inception of a hedge relationship, the Group formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the hedges have been, and will continue to be, highly effective in offsetting changes in the fair values or the cash flows of hedged items throughout the financial reporting periods for which they were designated.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset, liability or firm commitment that are attributable to the hedged risk. The Group discontinues fair value hedge accounting if the hedging instrument expires, or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the Income Statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Equity as a hedging reserve. The change in fair value relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in Equity are transferred to the Income Statement in the periods when the hedged item affects profit or loss such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to Equity are transferred to the initial carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold or terminated or exercised without replacement or rollover, any amounts recognised in Equity remain in Equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, amounts recognised in Equity are immediately transferred to the Income Statement.

Net investment hedges

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in Equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in Equity is transferred to the Income Statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting and are classified as held for trading financial instruments. Changes in the fair value of any such derivatives are recognised immediately in the Income Statement.

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of derivative financial instruments that are not traded in active markets is determined using valuation techniques. The OneSteel Group uses a variety of methods and assumptions that are based on market conditions existing at balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair values of the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at balance date.

(ab) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses based on historical experience and on other various factors it believes to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Significant accounting judgements

Impairment of non-financial assets other than goodwill and intangibles with indefinite useful lives

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset or cash generating unit (CGU) that may lead to impairment. These include business performance, technology, economic and political environments and future business expectations. If an impairment indicator exists, the recoverable amount of the asset is determined. Given the current uncertain economic environment, management considered that the indicators of impairment were significant enough, and as such, these assets have been tested for impairment in this financial period. Based on the recoverable amount estimates, the carrying value of the Group's non-financial assets and groups of assets continues to be supported.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Balance Sheet and in assessing the application of income tax legislation. These judgements are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of tax assets and liabilities recognised on the Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Income Statement.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired on at least an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated using a value in use discounted cash flow methodology. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are detailed in Note 14.

Provision for restoration and rehabilitation

Restoration and rehabilitation costs are a normal consequence of the Group's operations. The provisions include future cost estimates associated with dismantling, closure and decontamination of various sites. The calculation of the provisions requires assumptions such as application of environmental legislation, site closure dates, available technologies and consultant cost estimates. The ultimate cost of restoration and rehabilitation is uncertain and costs can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other sites. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the site. Changes to the estimated future costs for sites are recognised in the Balance Sheet by adjusting both the expense or asset (if applicable) and provision. The assumptions used in the estimation of restoration and rehabilitation provisions are detailed in Note 18.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date of grant. The fair value is determined by an external valuer using a Monte-Carlo Simulation option pricing model, using the assumptions detailed in Note 29. The accounting estimates and assumptions relating to equity-settled share-based payment would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Defined benefit plans

Various actuarial assumptions are required when determining the Group's pension schemes and other post-retirement benefit obligations. These assumptions and the related carrying amounts are disclosed in Note 19.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturer's warranties. In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, provision for rehabilitation, and depreciation and amortisation charges.

Australian Government's proposed carbon pricing mechanism

The Australian Government announced the "Securing a Clean Energy Future – the Australian Government's Climate Change Plan" on 10 July 2011, including details of additional assistance to the Steel Industry. Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue with regard to the impact of any carbon pricing mechanism on the Group as key parts of the legislative scheme have yet to be drafted, and the draft legislation already released must be voted on and passed by both houses of Parliament.

The Group has not incorporated the potential impact of any carbon price mechanism in its impairment testing as at 30 June 2011 because management is of the view that due to the uncertainty it cannot reliably quantify the impact of the proposed carbon pricing mechanism on the recoverability of the carrying amount of assets as at 30 June 2011.

Mineral Resource Rent Tax

On 2 July 2010, the Federal Government announced that it would replace the proposed Resources Super Profits Tax (RSPT) with a Mineral Resource Rent Tax (MRRT). The MRRT applies to only iron ore and coal extraction activities from 1 July 2012. The MRRT applies equally to OneSteel's hematite ore export sales and the magnetite ore used in the Steelworks.

The details of the proposed tax, including treatment of vertically integrated operations, are subject to an ongoing consultation process with government and may change prior to becoming final legislation. As a result, management is of the view that it cannot reliably quantify the impact of the proposed MRRT on the recoverability of the carrying amount of assets at 30 June 2011.

3. SEGMENT INFORMATION

2011	IRON ORE $m	RECYCLING $m	MANUFACTURING $m	MINING CONSUMABLES $m	AUSTRALIAN DISTRIBUTION $m	NEW ZEALAND DISTRIBUTION $m	UNALLOCATED $m	ELIMINATIONS $m	CONSOLIDATED $m
Segment revenues									
Sales to external customers	927.7	1,087.8	1,405.4	1,007.8	2,409.2	295.1	–	–	7,133.0
Intersegment revenue	–	410.5	1,009.2	73.2	26.0	0.1	10.8	(1,529.8)	–
Other revenue/income from external customers	20.7	8.9	11.3	(1.7)	3.4	1.0	0.6	–	44.2
Total income	**948.4**	**1,507.2**	**2,425.9**	**1,079.3**	**2,438.6**	**296.2**	**11.4**	**(1,529.8)**	**7,177.2**
Share of net profit/(loss) of investments accounted for using the equity method	–	(0.2)	–	2.6	–	–	0.2	–	2.6
Earnings before interest, tax, depreciation and amortisation	**554.2**	**37.6**	**(87.8)**	**97.7**	**32.0**	**24.7**	**(39.1)**	**–**	**619.3**
Depreciation and amortisation	(30.7)	(16.7)	(98.0)	(32.4)	(29.4)	(4.8)	(1.5)	–	(213.5)
Impairment of plant and equipment	–	–	(2.2)	–	–	–	–	–	(2.2)
Earnings before interest and tax	**523.5**	**20.9**	**(188.0)**	**65.3**	**2.6**	**19.9**	**(40.6)**	**–**	**403.6**
Finance costs									(101.1)
Income tax expense									(65.0)
Profit after tax									**237.5**
Segment assets	**948.6**	**651.1**	**2,594.5**	**2,256.0**	**1,485.1**	**173.4**	**200.8**	**(168.9)**	**8,140.6**
Investments accounted for using the equity method	–	1.4	–	6.4	–	–	5.3	–	13.1
Tax assets									161.4
Consolidated assets									**8,315.1**
Segment liabilities	**172.1**	**98.2**	**552.4**	**316.7**	**351.5**	**59.6**	**2,104.9**	**(163.9)**	**3,491.5**
Tax liabilities									317.9
Consolidated liabilities									**3,809.4**
Other segment information									
Capital expenditure	78.9	20.1	105.3	30.2	25.1	4.8	9.3	–	273.7

3. SEGMENT INFORMATION (continued)

2010	IRON ORE $m	RECYCLING $m	MANUFACTURING $m	MINING CONSUMABLES $m	AUSTRALIAN DISTRIBUTION $m	NEW ZEALAND DISTRIBUTION $m	UNALLOCATED $m	ELIMINATIONS $m	CONSOLIDATED $m
Segment revenues									
Sales to external customers	770.0	731.4	1,308.9	599.4	2,490.6	304.3	–	–	6,204.6
Intersegment revenue	–	390.4	1,133.0	81.1	19.1	–	9.3	(1,632.9)	–
Other revenue/income from external customers	12.3	1.9	31.0	(0.4)	10.9	(0.5)	1.1	–	56.3
Total income	**782.3**	**1,123.7**	**2,472.9**	**680.1**	**2,520.6**	**303.8**	**10.4**	**(1,632.9)**	**6,260.9**
Share of net loss of investments accounted for using the equity method	–	(0.2)	–	–	–	–	(0.6)	–	(0.8)
Earnings before interest, tax, depreciation and amortisation	**361.2**	**22.9**	**120.8**	**81.4**	**91.8**	**18.2**	**(47.6)**	**(10.4)**	**638.3**
Depreciation and amortisation	(27.8)	(15.2)	(111.1)	(20.9)	(31.6)	(5.2)	(3.3)	–	(215.1)
Earnings before interest and tax	**333.4**	**7.7**	**9.7**	**60.5**	**60.2**	**13.0**	**(50.9)**	**(10.4)**	**423.2**
Finance costs									(89.2)
Income tax expense									(73.3)
Profit after tax									**260.7**
Segment assets	**816.7**	**709.2**	**2,623.9**	**1,158.5**	**1,509.0**	**175.2**	**120.2**	**(182.8)**	**6,929.9**
Investments accounted for using the equity method	–	1.5	–	–	–	–	5.1	–	6.6
Tax assets									131.2
Consolidated assets									**7,067.7**
Segment liabilities	**99.3**	**92.3**	**569.5**	**104.8**	**380.5**	**60.3**	**1,222.4**	**(167.0)**	**2,362.1**
Tax liabilities									212.9
Consolidated liabilities									**2,575.0**
Other segment information									
Capital expenditure	40.1	13.9	50.1	13.8	48.2	3.8	4.4	–	174.3

Identification of reportable segments

The Group has identified its operating segments based on internal reporting that is reviewed and used by the MD & CEO and the executive management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the products provided, with each operating segment representing a strategic business unit that offers different products and serves different markets.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold as these are the sources of the Group's major risks and have the most effect on the rates of return.

Due to the acquisition of the Moly-Cop Group and a change in the management structure of OneSteel Limited during the year ended 30 June 2011, the composition of the segments has changed. A new segment, Mining Consumables, has been identified, which includes the Moly-Cop Group and OneSteel's existing Waratah, Newcastle facilities, which include the grinding media and rail wheel businesses, OneSteel's grinding media businesses in the United States and Indonesia, and the wire ropery business at Newcastle previously reported as part of the Manufacturing segment. The June 2010 comparatives have been restated to reflect the change in segment structure.

Iron Ore

The Iron Ore segment supplies pelletised iron ore to OneSteel's integrated steelworks at Whyalla sourced from OneSteel's mines located in the South Middleback Ranges, approximately 60km from Whyalla, South Australia. The Whyalla steelworks uses magnetite iron ore feed and hematite iron ore is sold externally.

Recycling

The Recycling segment operates in 11 countries through a combination of physical operations and trading offices, supplying steel making raw materials to steel mills operated in Australia and across the globe.

Manufacturing

OneSteel's Manufacturing segment combines the activities of steel production and the product mills. The Whyalla Steelworks produces billet as feedstock for OneSteel's Market Mills operations together with rail products, structural steels and slabs for external sale.

Within Market Mills, the Sydney and Laverton steel mills produce steel billets for the manufacture of reinforcing and bar products on its own rolling mills as well as steel billet to be used as feed in OneSteel's other rolling facilities.

Market Mills manufacture products which are used in a range of applications such as manufacturing, construction, mining and automotive industries.

Mining Consumables

The Mining Consumables segment services the resources sectors of Australia, Asia and North and South America. The business comprises of OneSteel's Grinding Media businesses in Australia, Chile, Peru, Mexico, Canada, the United States and Indonesia, as well as the Waratah Steel Mill and Wire Ropery in Newcastle, Australia and the AltaSteel businesses in Canada and the Moly-Cop Group's grinding media businesses in the Americas. The Waratah Steel Mill produces billet and ingot for the manufacture of specialty steel products servicing the mining and rail industries.

The Moly-Cop Group, together with OneSteel's existing grinding media production facilities in Australia, the United States and Indonesia provides OneSteel global scale in the growing grinding media market.

Australian Distribution

OneSteel's Australian Distribution segment provides a diverse range of steel and metal products to resellers and end-users including structural steel, steel plate, angles, channels, flat sheet, reinforcing steel, sheet steel and coil and a range of aluminium products, pipes, fittings and valves. The reinforcing businesses and pipe and tube business within Australian Distribution manufacture and distribute product throughout Australia for the construction, mining, oil and gas and manufacturing industries.

New Zealand Distribution

This comprises the 50.3% shareholding in Steel & Tube Holdings Limited, a listed company in New Zealand, which processes and distributes a comprehensive range of steel and allied products in the construction, manufacturing and rural industries to the New Zealand market.

Intra/intersegment sales

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

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

Major customers

The Group has a number of customers to which it provides products. No single external customer generates 10% or more of the Group's revenue.

Geographic information

In presenting information on the basis of geographical area, revenue is based on the operation's country of domicile. Non-current assets other than financial instruments and deferred tax assets are based on the geographic location of assets.

2011	AUSTRALIA $m	OTHER FOREIGN COUNTRIES $m
Revenues from external customers		
Sales to external customers	5,730.4	1,402.6
Other revenue/income from external customers	45.9	(1.7)
Total income	**5,776.3**	**1,400.9**
Non-current assets	**4,141.6**	**1,922.1**

2010	AUSTRALIA $m	OTHER FOREIGN COUNTRIES $m
Revenues from external customers		
Sales to external customers	5,403.6	801.0
Other revenue/income from external customers	54.6	1.7
Total income	5,458.2	802.7
Non-current assets	4,051.9	482.1

4. INCOME STATEMENT ITEMS

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
(a) Sales revenue		
Product sales	7,128.5	6,200.7
Rendering of services	4.5	3.9
Total sales revenue	7,133.0	6,204.6
(b) Other revenue		
Interest received from unrelated parties	2.0	2.0
Dividends	0.2	–
Rental revenue	4.6	4.0
Other revenue	21.9	17.6
Total other revenue	28.7	23.6
TOTAL REVENUE	7,161.7	6,228.2
(c) Other income		
Net gains on disposal of property, plant and equipment	1.1	4.8
Net fair value gains[1]	14.4	5.4
Legal claims[2]	–	22.5
Total other income	15.5	32.7
TOTAL INCOME	7,177.2	6,260.9
1 Comprised of:		
Net fair value gain on financial liabilities designated in fair value hedges	16.5	9.0
Net fair value loss on derivatives designated in fair value hedges	(22.5)	(7.8)
Net fair value (loss)/gain on derivatives not qualifying as hedges	(30.2)	1.2
Net gain on financial liabilities measured at amortised cost	37.3	3.0
Net foreign exchange gains	13.3	–
	14.4	5.4

2 Claims proceeds in addition to the interim progress payments and claims preparation costs recognised in prior periods in relation to disruptions to OneSteel's blast furnace operations at Whyalla during the 2005 financial year.

	2011 $m	2010 $m
(d) Operating expenses including restructuring costs		
Manufacturing expenses	103.1	108.2
Distribution expenses	173.6	157.9
Marketing expenses	127.7	100.7
Administrative expenses	614.6	499.5
Total operating expenses including restructuring costs	1,019.0	866.3
(e) Finance costs		
Interest expense related to:		
Bank loans	99.6	88.4
Finance leases	–	0.1
Provision for restoration and rehabilitation discount adjustment	1.5	0.7
Total finance costs	101.1	89.2

	CONSOLIDATED 2011 $m	2010 $m
(f) Profit before income tax includes the following specific expenses:		
Depreciation of property, plant and equipment:		
Buildings	17.0	15.2
Plant and equipment	178.1	183.2
Leased assets	–	1.2
Amortisation of mine development expenditure	5.0	2.0
Amortisation of finite-life intangible assets	13.4	13.5
Impairment of plant and equipment[1]	2.2	–
Writedown/(reversal of writedown) of inventory to net realisable value	13.1	(5.5)
Minimum operating lease rentals	100.4	111.4
Net foreign exchange losses	–	1.2
Restructuring costs[2]	7.9	1.8
Research and development costs[3]	150.3	140.7

1 Impairment of plant and equipment associated with the manufacturing facility closure at Acacia Ridge.

2 Restructuring costs related to redundancies from organisational changes and other direct expenditure associated with business restructures.

3 Research and development costs largely consists of process and product improvement projects undertaken on the production line as part of the continuous drive for manufacturing efficiency and product advancement. OneSteel undertakes many such projects.

	CONSOLIDATED 2011 $m	2010 $m
(g) Employee benefits expense		
Included in employee benefits expense are the following items:		
Defined contribution company contributions	54.6	54.6
Defined benefit plan expense (Note 19)	10.7	24.6
Employee provisions	123.0	124.3
Share-based payments expense	4.6	4.4

5. INCOME TAX

	CONSOLIDATED 2011 $m	2010 $m
(a) Income Statement		
Current income tax charge	72.8	67.3
Over provided in prior years	(20.7)	(20.2)
Deferred tax relating to the origination and reversal of temporary differences	12.9	26.2
Income tax expense recognised in the Income Statement	65.0	73.3
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	302.5	334.0
Prima facie income tax expense calculated at 30% (2010: 30%)	90.8	100.2
Adjustments in respect of income tax expense of previous years[1]	(20.7)	(20.2)
Share of net profit/(loss) of investments accounted for using the equity method	(0.8)	0.2
Research and development allowance	(11.3)	(10.6)
Non-deductible expenses	0.4	0.5
Tax losses utilised not previously recognised	–	(1.9)
Other items	2.5	(6.5)
Difference in overseas tax rates	4.1	2.8
Adjustment to deferred tax liability upon final reset tax values as a consequence of tax entry into tax consolidation	–	8.8
Income tax expense recognised in the Income Statement	65.0	73.3

1 Primarily attributable to Research and Development claims not previously recognised and legislative changes relating to the tax treatment of consumables upon consolidation.

5. INCOME TAX (continued)

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
(c) Movement in deferred tax balances not recognised directly in Equity		
Deferred tax assets		
Employee benefit provisions (including retirement benefit obligations)	12.3	(0.1)
Other provisions	14.9	(3.4)
Inventory provisions	0.2	(2.1)
Derivative financial instruments	(4.9)	(0.1)
Net unrealised foreign exchange	5.6	–
Other items	2.1	(2.4)
	30.2	(8.1)
Deferred tax liabilities		
Property, plant and equipment	57.4	14.3
Intangible assets	18.3	–
Stores and spares	2.6	0.2
Deferred charges	5.9	8.7
Share-based payments	0.5	0.1
Derivative financial instruments	5.7	–
Net unrealised foreign exchange	(1.2)	(8.2)
Other items	(0.9)	4.0
	88.3	19.1
(d) Deferred tax recognised in the Balance Sheet		
Deferred tax assets		
Employee benefit provisions (including retirement benefit obligations)	91.1	78.8
Other provisions	45.9	31.0
Inventory provisions	8.4	8.2
Derivative financial instruments	–	4.9
Net unrealised foreign exchange	5.6	–
Other items	10.4	8.3
	161.4	131.2
Deferred tax liabilities		
Property, plant and equipment	194.6	137.2
Intangible assets	18.3	–
Stores and spares	25.4	22.8
Deferred charges	38.5	32.6
Share-based payments	2.6	2.1
Derivative financial instruments	5.7	–
Net unrealised foreign exchange	–	1.2
Other items	5.0	5.9
	290.1	201.8
(e) Deferred tax recognised directly in Equity		
Net gain on revaluation of cash flow hedges	(8.8)	(5.7)
Share-based payments expense	0.5	0.3
Total deferred tax credited to equity	(8.3)	(5.4)

(f) Tax effect accounting by members of the tax consolidated group

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

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) assumed from controlled entities in the tax consolidated group.

The amounts receivable or payable under the tax sharing agreement are due upon receipt of the funding advice from the head entity which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

(g) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of capital losses amounting to $4.1m (2010: $4.1m).

The deductible temporary differences do not expire under current tax legislation. However, tax losses are subject to continuity of ownership tests. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits.

6. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Company's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares which comprise share options granted to employees.

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

(a) Earnings

	2011 $m	2010 $m
Profit attributable to equity holders of the parent	230.3	258.4
Earnings used in calculating basic and diluted earnings per share	230.3	258.4

(b) Number of ordinary shares

	NUMBER OF SHARES	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,328,619,998	1,324,634,147
Dilutive effect of executive share options[1]	27,782	108,955
Dilutive effect of employee compensation shares	–	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	1,328,647,780	1,324,743,102
Basic earnings per share (cents per share)	17.33	19.51
Diluted earnings per share (cents per share)	17.33	19.51

1 Executive share options relate solely to ordinary shares. All potential ordinary shares, being options to acquire ordinary shares, are considered dilutive. There were no outstanding options at 30 June 2011.

Issues after 30 June 2011

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

7. RECEIVABLES

	CONSOLIDATED	
	2011 $m	2010 $m
Current		
Trade receivables[1]	893.7	758.1
Provision for doubtful debts (a)	(3.7)	(5.7)
	890.0	752.4
Other receivables	35.0	76.9
	925.0	829.3

1 $10.8m (2010: $12.3m) of the Australian Distribution external trade receivables are known as Metalcard receivables whereby interest is charged on the outstanding balance at an average interest rate throughout the year of 12.52% (2010: 11.46%).

Trade receivables (excluding Metalcard receivables within the Australian Distribution segment) are non-interest bearing and are generally on 30 to 60 day terms.

(a) Provision for doubtful debts

A provision for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation or default or delinquency in payments are considered indicators that the trade receivable is impaired.

Movements in the provision for doubtful debts during the year were as follows:

	CONSOLIDATED	
	2011 $m	2010 $m
At the beginning of the year	(5.7)	(9.2)
Business combination	(0.9)	–
Provision recognised during the year	(2.2)	(4.9)
Receivables written off during the year as uncollectible	3.8	8.4
Reversal of unutilised amounts	1.1	–
Net foreign currency differences on translation of foreign operations	0.2	–
At the end of the year	(3.7)	(5.7)

Amounts charged to the provision for doubtful debts are written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

The total value of impaired receivables at 30 June is $3.7m (2010: $5.7m). These receivables are all greater than 30 days overdue and have been fully provided for.

(b) Past due but not impaired

At balance date, receivables of $72.1m (2010: $69.1m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these receivables is as follows:

	CONSOLIDATED	
	2011 $m	2010 $m
1 to 30 days	56.3	53.0
31 to 60 days	8.9	9.7
61 to 90 days	6.0	3.9
Over 90 days	0.9	2.5
	72.1	69.1

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying values are assumed to approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

(d) Foreign exchange and interest rate risk

The Group's exposure to foreign exchange and interest rate risk related to trade and other receivables is disclosed in Note 32.

8. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2011 $m	2010 $m
Current assets		
Forward contracts – cash flow hedges	0.2	0.4
Forward contracts – held for trading	2.8	4.6
	3.0	5.0
Non-current assets		
Forward contracts - held for trading	28.8	–
Interest rate swap contracts – fair value hedges	12.8	16.8
	41.6	16.8
Current liabilities		
Forward contracts – cash flow hedges	3.0	0.2
Forward contracts – held for trading	6.2	3.1
Forward contracts – net investment	–	0.4
Interest rate swap contracts – cash flow hedges	0.3	–
Cross-currency interest rate swap contracts – cash flow hedges	19.8	–
Cross-currency interest rate swap contracts – net investment hedges	1.9	–
	31.2	3.7
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	6.4	8.6
Cross-currency interest rate swap contracts – fair value hedges	37.6	19.3
Cross-currency interest rate swap contracts – cash flow hedges	28.3	23.5
	72.3	51.4

Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 32).

(a) Interest rate swap contracts – cash flow hedges

Australian dollar-denominated bank loans of the Group currently bear an average variable interest rate of 6.12% (2010: 5.3%). It is the Group's policy to hedge part of the loans from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps in place cover 58% (2010: 63%) of the variable AUD loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 5.89% and 7.51% (2010: 5.89% and 7.55%) and the variable rates between 4.78% and 4.93% (2010: 4.47% and 4.60%) compared with three month BBSW which at balance date was 5.03% (2010: 4.92%).

The Group also has US dollar-denominated bank loans that currently bear an average variable interest rate of 1.96%. It is the Group's policy to hedge part of the loans from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps in place cover 24% of the variable USD loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 1.25% and 1.74% and the variable rates at 0.28% compared with three month LIBOR which at balance date was 0.25%.

The Group has entered into a Canadian dollar swap where it is obliged to receive interest at a variable rate and to pay interest at a fixed rate. The fixed interest rate is 2.59% and the variable rate is based on three month CDOR. This is to hedge the highly probable forecast issuance of Canadian dollar-denominated bank loans.

The contracts require settlement of net interest receivable or payable at 90 day intervals. The contracts are settled on a net basis where master netting agreements are in place. The majority of the settlement dates coincide with the dates on which interest is payable on the underlying debt.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the cash flow hedge reserve to the extent that the hedge is effective. It is reclassified into the Income Statement when the hedged interest expense is recognised. During the year, a net loss of $3.0m (2010: loss of $6.7m) was reclassified into the Income Statement and included as finance costs. The ineffective portion is recognised in the Income Statement immediately. There was no material hedge ineffectiveness recognised in the Income Statement in the current or prior year.

(b) Interest rate swap contracts – fair value hedges

At 30 June 2011, the Group had a series of interest rate swaps in place with a notional amount of USD230m (2010: USD230m) whereby it receives an average fixed interest rate of 3.5% (2010: 3.5%) in USD and pays a floating rate of interest equal to LIBOR in USD on the notional amount quarterly.

Swaps currently in place cover 100% (2010: 100%) of the loan principal outstanding. The swaps are being used to protect the value of USD denominated debt against changes in fair value due to changes in the benchmark interest rate. The fixed interest rates range between 3.00% and 3.89% (2010: 3.00% and 3.89%) and the variable rates between 0.27% and 0.53% (2010: 0.29% and 0.34%) compared with the three month LIBOR which at balance date was 0.25% (2010: 0.54%). Interest payments on the debt are made semi-annually.

8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(c) Cross-currency interest rate swap contracts – fair value hedges

At balance date, the Group had a series of cross-currency interest rate swaps in place with a notional amount of USD60m (2010: USD60m) whereby it receives a fixed interest rate of 5.5% (2010: 5.5%) and pays a floating rate of interest equal to BBSW in AUD on the notional amount quarterly.

Swaps currently in place cover 100% (2010: 100%) of the loan principal outstanding. The swaps are being used to hedge the exposure to changes in the fair value of its US Private Placement, fixed interest USD denominated senior notes raised in April 2003 (a 12 year tranche of USD60m expiring in April 2015). The fixed interest rate is 5.55% (2010: 5.55%) and the variable rate is 6.3% (2010: 5.98%) compared with the three month BBSW which at balance date was 5.03% (2010: 4.92%), interest payments on the debt are made semi-annually.

The expiration of the cross-currency interest rate swaps is matched to the expiry of the underlying debt.

(d) Cross-currency interest rate swaps – cash flow hedges

At balance date, the Group had a series of cross-currency interest rate swaps in place with a notional amount of USD85m (2010: USD85m) whereby it receives a fixed interest rate of 5.8% (2010: 5.8%) in USD and pays a fixed interest rate of 7.3% (2010: 7.3%) in AUD on the notional amount semi-annually.

The swaps are being used to hedge the exposure to fluctuations in cash flow due to fluctuations to the AUD/USD spot exchange rate on USD denominated senior notes.

Swaps currently in place cover 100% of the designated loan principal outstanding (2010: 100%) and are timed to expire as each loan repayment falls due. The fixed interest rates range between 7.2% and 7.3% (2010: 7.2% to 7.3%).

The contracts require settlement of interest receivable or payable at 180 day intervals. The contracts are settled on a net basis where master netting agreements are in place. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the cash flow hedge reserve, to the extent that the hedge is effective, and reclassified into the Income Statement when the hedged interest expense is recognised. The ineffective portion is recognised in the Income Statement immediately. During the year, a net loss of $3.2m (2010: loss of $4.3m) was reclassified into the Income Statement and included as finance costs. There was no material hedge ineffectiveness recognised in the Income Statement in the current or prior year.

The expiration of the cross-currency interest rate swaps is matched to the expiry of the underlying debt.

(e) Forward contracts – cash flow hedges

The Group is exposed to foreign exchange risk through primary financial assets and liabilities and anticipated future transactions modified through derivative financial instruments such as forward exchange contracts, currency options and currency swaps.

These contracts hedge highly probable forecast or committed purchases for the ensuing financial year. The contracts are timed to mature when payments for the purchases are scheduled to be made.

The portion of the gain or loss on the forward contract that is determined to be an effective hedge is recognised directly in equity in the cash flow hedge reserve. When the cash flows occur, the amount recognised in equity is adjusted against the asset recognised on the Balance Sheet.

At balance date, the details of outstanding contracts are:

	CONSOLIDATED					
	2011			2010		
	AVERAGE EXCHANGE RATE	BUY	SELL	AVERAGE EXCHANGE RATE	BUY	SELL
		$m	$m		$m	$m
Currency						
United States Dollar						
Up to 3 months	0.91	26.0	2.2	0.86	8.6	5.2
More than 3 months to 12 months	0.99	16.8	–	0.82	9.7	1.2
		42.8	2.2		18.3	6.4
Japanese Yen						
Up to 3 months	74.77	0.4	–	–	–	–
More than 3 months to 12 months	78.64	1.0	–	74.20	7.2	–
		1.4	–		7.2	–
Euro						
Up to 3 months	0.75	1.1	–	–	–	–
		1.1	–		–	–
Great British Pound						
Up to 3 months	0.60	1.4	–	–	–	–
		1.4	–		–	–
Chilean Peso						
Up to 3 months	442.0	43.9	20.1	–	–	–
		43.9	20.1		–	–

(f) Forward contracts – held for trading

The Group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting. These contracts are accounted for as held for trading financial instruments and are subject to the same risk management policies as all other derivative contracts (refer to Note 32). Gains or losses from remeasuring forward exchange contracts at fair value are recognised in the Income Statement.

	CONSOLIDATED					
	2011			2010		
	AVERAGE EXCHANGE RATE	BUY	SELL	AVERAGE EXCHANGE RATE	BUY	SELL
		$m	$m		$m	$m
Currency						
United States Dollar						
Up to 3 months	1.05	197.8	133.3	0.85	167.9	146.3
More than 3 months to 12 months	1.03	8.3	–	0.83	10.5	2.1
		206.1	133.3		178.4	148.4
Japanese Yen						
Up to 3 months	82.6	6.1	–	77.52	2.4	–
More than 3 months to 12 months	81.2	7.7	–	80.03	3.5	–
		13.8	–		5.9	–
New Zealand Dollar						
Up to 3 months	1.31	7.3	12.5	1.23	4.1	6.2
		7.3	12.5		4.1	6.2
Euro						
Up to 3 months	0.71	2.4	0.7	–	–	–
More than 3 months to 12 months	–	–	–	0.65	–	3.2
		2.4	0.7		–	3.2
Canadian Dollar						
Up to 3 months	0.97	1.3	0.4	–	–	–
		1.3	0.4		–	–
Great British Pound						
Up to 3 months	0.65	0.8	–	–	–	–
More than 3 months to 12 months	0.64	0.6	–	–	–	–
		1.4	–		–	–
Singapore Dollar						
Up to 3 months	1.32	0.1	–	–	–	–
		0.1	–		–	–

(g) Forward exchange contracts – net investment hedges

At balance date, the Group had no forward exchange contracts designated as a hedge of the net investment of its US subsidiaries (2010: USD65m).

A net gain on the hedge of the net investment of $11.4m (2010: $4.2m gain), net of tax was recognised in equity for the period.

There has been no hedge ineffectiveness recognised in the Income Statement on this hedge.

(h) Cross-currency interest rate swap contracts – net investment hedges

At balance date, the Group had a cross-currency interest rate swap in place with a notional amount of CAD200m (2010: nil) whereby it pays a floating interest rate of 1.21% in CAD and receives a floating interest rate of 4.91% in AUD.

The swap is designated as a hedge of net investment of the Group's Canadian operations. A net loss on the hedge of $1.2m was recognised in equity for the period. There has been no material hedge ineffectiveness recognised in the Income Statement.

Credit risk

The maximum exposure to credit risk at balance date is the carrying amount of each class of derivative financial asset disclosed above.

9. INVENTORIES

	CONSOLIDATED	
	2011 $m	2010 $m
Raw materials		
At cost	290.2	265.8
At net realisable value	15.9	26.1
	306.1	291.9
Work in progress		
At cost	293.3	214.6
At net realisable value	23.2	0.1
	316.5	214.7
Finished goods		
At cost	715.1	700.3
At net realisable value	85.0	69.3
	800.1	769.6
Stores, spares and other – at cost	182.0	156.8
Total inventories		
At cost	1,480.6	1,337.5
At net realisable value	124.1	95.5
	1,604.7	1,433.0

10. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2011 $m	2010 $m
Current		
Loan to jointly controlled entity	1.5	–
	1.5	–
Non-current		
Loan to jointly controlled entity	–	2.5
	–	2.5

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED	
	2011 $m	2010 $m
Investment in jointly controlled entities[1]	11.7	5.1
Investment in associate[2]	1.4	1.5
	13.1	6.6

1 The Group has a 50% ownership interest and voting power in BOSFA Pty Ltd (2010: 50%) and GenAlta Recycling Inc. (2010: nil). BOSFA Pty Ltd is a company incorporated in Australia involved in the manufacture of steel wire products with a balance date of 31 December. GenAlta Recycling Inc. is a company involved in the recycling and sale of scrap metals and has a balance date of 31 December.

2 The Group has a 20% interest and voting power in Suntech Metals Company (2010: 20%), a company incorporated in Thailand involved in the collection and sale of non-ferrous scrap metal. Its balance date is 31 December.

There were no impairment losses relating to investments accounted for using the equity method. There are no commitments or contingencies.

The following information illustrates summarised financial information relating to the Group's investments accounted for using the equity method:

	CONSOLIDATED	
	2011 $m	2010 $m
Share of jointly controlled entities and associate's income, expenses and results[3]		
Income	55.2	14.7
Expenses	(51.4)	(15.6)
Net profit/(loss) before income tax	3.8	(0.9)
Income tax (expense)/benefit	(1.2)	0.1
Net profit/(loss) after income tax	2.6	(0.8)
Share of jointly controlled entities and associate's assets and liabilities		
Current assets	8.6	7.9
Non-current assets	11.8	6.1
Current liabilities	(5.8)	(4.9)
Non-current liabilities	(1.5)	(2.5)
Net assets	13.1	6.6

3 Includes share of income, expenses and results of Donhad Pty Ltd in which OneSteel acquired a 40% interest as part of the acquisition of the Moly-Cop Group on 31 December 2010, for the period 1 January 2011 to 24 June 2011. OneSteel's 40% interest in Donhad Pty Ltd was sold on 24 June 2011 in accordance with the divestment undertaking given by OneSteel to the ACCC.

12. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			
2011	LAND $m	BUILDINGS $m	PLANT AND EQUIPMENT $m	TOTAL $m
Movements in carrying amounts				
Cost				
At the beginning of the year	185.9	487.0	3,013.0	3,685.9
Acquisitions through business combinations	19.9	55.8	170.9	246.6
Additions	2.3	10.7	249.4	262.4
Disposals	–	(0.3)	(19.7)	(20.0)
Net foreign currency differences on translation of foreign operations	(1.7)	(6.6)	(35.0)	(43.3)
At the end of the year	206.4	546.6	3,378.6	4,131.6
Accumulated depreciation and impairment				
At the beginning of the year	–	(162.2)	(1,221.4)	(1,383.6)
Depreciation	–	(17.0)	(178.1)	(195.1)
Impairment loss	–	–	(2.2)	(2.2)
Disposals	–	0.3	18.4	18.7
Net foreign currency differences on translation of foreign operations	–	0.6	9.3	9.9
At the end of the year	–	(178.3)	(1,374.0)	(1,552.3)
Net carrying amount at 30 June 2011	206.4	368.3	2,004.6	2,579.3

	CONSOLIDATED				
2010	LAND $m	BUILDINGS $m	PLANT AND EQUIPMENT $m	LEASED ASSETS $m	TOTAL $m
Movements in carrying amounts					
Cost					
At the beginning of the year	178.2	478.2	2,785.3	70.9	3,512.6
Additions	13.2	15.5	117.6	–	146.3
Acquisitions through business combinations	–	–	12.0	–	12.0
Disposals	(5.4)	(6.5)	(24.4)	–	(36.3)
Transfers	–	–	126.1	(70.9)	55.2
Net foreign currency differences on translation of foreign operations	(0.1)	(0.2)	(3.6)	–	(3.9)
At the end of the year	185.9	487.0	3,013.0	–	3,685.9
Accumulated depreciation and impairment					
At the beginning of the year	–	(148.8)	(975.6)	(19.2)	(1,143.6)
Depreciation	–	(15.2)	(183.2)	(1.2)	(199.6)
Disposals	–	1.8	26.3	–	28.1
Transfers	–	–	(88.5)	20.4	(68.1)
Net foreign currency differences on translation of foreign operations	–	–	(0.4)	–	(0.4)
At the end of the year	–	(162.2)	(1,221.4)	–	(1,383.6)
Net carrying amount at 30 June 2010	185.9	324.8	1,791.6	–	2,302.3

13. MINE DEVELOPMENT EXPENDITURE

2011	CONSOLIDATED DEFERRED STRIPPING $m	PRE-PRODUCTION EXPENDITURE $m	TOTAL $m
Movements in carrying amounts			
Cost			
At the beginning of the year	108.6	75.1	183.7
Additions	–	8.3	8.3
Net deferral	19.6	–	19.6
Other movement	–	12.2	12.2
At the end of the year	128.2	95.6	223.8
Accumulated amortisation			
At the beginning of the year	–	(11.5)	(11.5)
Amortisation	–	(5.0)	(5.0)
At the end of the year	–	(16.5)	(16.5)
Net carrying amount at 30 June 2011	128.2	79.1	207.3

2010	CONSOLIDATED DEFERRED STRIPPING $m	PRE-PRODUCTION EXPENDITURE $m	TOTAL $m
Movements in carrying amounts			
Cost			
At the beginning of the year	79.6	38.3	117.9
Additions	–	25.4	25.4
Net deferral	29.0	–	29.0
Other movement	–	11.4	11.4
At the end of the year	108.6	75.1	183.7
Accumulated amortisation			
At the beginning of the year	–	(9.5)	(9.5)
Amortisation	–	(2.0)	(2.0)
At the end of the year	–	(11.5)	(11.5)
Net carrying amount at 30 June 2010	108.6	63.6	172.2

14. OTHER INTANGIBLES AND GOODWILL

2011	CONSOLIDATED GOODWILL $m	SYSTEM DEVELOPMENT COSTS $m	CUSTOMER RELATIONSHIPS $m	SUPPLIER CONTRACTS $m	KNOW-HOW $m	BRAND NAMES $m	PATENTS $m	TOTAL $m
Movements in carrying amounts								
Cost								
At the beginning of the year	1,973.9	76.8	29.8	10.1	–	78.5	9.7	2,178.8
Acquisitions through business combinations	483.6	0.3	76.4	3.9	17.1	45.3	–	626.6
Additions	–	3.0	–	–	–	–	–	3.0
Disposals	–	(2.4)	–	–	–	–	–	(2.4)
Net foreign currency differences on translation of foreign operations	(88.7)	0.6	(1.7)	(0.2)	(0.8)	(1.7)	–	(92.5)
At the end of the year	2,368.8	78.3	104.5	13.8	16.3	122.1	9.7	2,713.5
Accumulated amortisation								
At the beginning of the year	–	(64.2)	(28.7)	(1.5)	–	(6.2)	(8.2)	(108.8)
Amortisation	–	(5.9)	(4.0)	(0.4)	(2.4)	–	(0.7)	(13.4)
Disposals	–	2.4	–	–	–	–	–	2.4
Net foreign currency differences on translation of foreign operations	–	(0.4)	(2.0)	(0.2)	(0.3)	–	(0.1)	(3.0)
At the end of the year	–	(68.1)	(34.7)	(2.1)	(2.7)	(6.2)	(9.0)	(122.8)
Net carrying amount at 30 June 2011	2,368.8	10.2	69.8	11.7	13.6	115.9	0.7	2,590.7

2010	CONSOLIDATED GOODWILL $m	SYSTEM DEVELOPMENT COSTS $m	CUSTOMER RELATIONSHIPS $m	SUPPLIER CONTRACTS $m	BRAND NAMES $m	PATENTS $m	TOTAL $m
Movements in carrying amounts							
Cost							
At the beginning of the year	1,968.1	73.0	30.4	10.1	78.5	9.7	2,169.8
Acquisitions through business combinations	19.7	–	–	–	–	–	19.7
Additions	–	2.6	–	–	–	–	2.6
Disposals	–	(0.2)	–	–	–	–	(0.2)
Transfers	–	1.4	–	–	–	–	1.4
Net foreign currency differences on translation of foreign operations	(13.9)	–	(0.6)	–	–	–	(14.5)
At the end of the year	1,973.9	76.8	29.8	10.1	78.5	9.7	2,178.8
Accumulated amortisation							
At the beginning of the year	–	(55.0)	(26.8)	(1.0)	(5.6)	(6.8)	(95.2)
Amortisation	–	(9.3)	(1.7)	(0.5)	(0.6)	(1.4)	(13.5)
Transfers	–	0.1	–	–	–	–	0.1
Net foreign currency differences on translation of foreign operations	–	–	(0.2)	–	–	–	(0.2)
At the end of the year	–	(64.2)	(28.7)	(1.5)	(6.2)	(8.2)	(108.8)
Net carrying amount at 30 June 2010	1,973.9	12.6	1.1	8.6	72.3	1.5	2,070.0

Description of the Group's intangible assets

Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis and whenever there is an indication of impairment.

System development costs

System development costs are carried at cost less accumulated amortisation and impairment losses. These have been assessed as having a finite life and amortised on a straight-line basis. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Customer relationships, supplier contracts, know-how, patents and finite life brand names

These intangibles have been acquired through business combinations and are carried at cost less accumulated amortisation and impairment losses. These intangible assets have been determined to have finite lives. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Indefinite life brand names

Included in Brand Names are indefinite life brand names with a carrying amount of $115.9m as at 30 June 2011 (2010: $72.3m). These brand names are core to the continuing operations of the Group and accordingly have been assessed as having an indefinite useful life as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. Indefinite life brand names are carried at cost less accumulated impairment losses. These assets are subject to impairment testing on an annual basis and whenever there is an indication of impairment.

Impairment testing of goodwill and intangibles with indefinite useful lives

(a) Carrying amount of goodwill and intangibles with indefinite useful lives allocated to each of the cash generating units (CGUs)

For the purpose of impairment testing, goodwill and/or indefinite life intangibles have been allocated to the Group's CGUs/groups of CGUs which represent the lowest level within the Group at which they are monitored for internal management purposes.

The aggregate carrying value of goodwill and indefinite life brand names according to business segment and country of operation are as follows:

	CONSOLIDATED		
2011	GOODWILL $m	INDEFINITE LIFE INTANGIBLES $m	TOTAL $m
Recycling	325.2	–	325.2
Manufacturing	621.8	26.4	648.2
Mining Consumables	1,130.1	43.6	1,173.7
Australian Distribution	279.5	45.9	325.4
New Zealand Distribution	12.2	–	12.2
	2,368.8	115.9	2,484.7

	CONSOLIDATED		
2010	GOODWILL $m	INDEFINITE LIFE INTANGIBLES $m	TOTAL $m
Recycling	355.9	–	355.9
Manufacturing	621.8	26.4	648.2
Mining Consumables	703.9	–	703.9
Australian Distribution	279.4	45.9	325.3
New Zealand Distribution	12.9	–	12.9
	1,973.9	72.3	2,046.2

14. OTHER INTANGIBLES AND GOODWILL (continued)

(b) Key assumptions used in value in use calculations

The recoverable amount of the CGUs/groups of CGUs to which goodwill and/or indefinite life brand names have been allocated has been determined based on a value in use calculation using the cash flow projections based on the five-year forecast approved by the Board. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

	DISCOUNT RATE		TERMINAL GROWTH RATE	
CGUS/GROUPS OF CGUS	2011 %	2010 %	2011 %	2010 %
Recycling				
United States	10.6	10.3	2.0	2.0
Asia	7.5	8.5	2.0	2.0
Australia	14.2	11.6	2.0	2.0
Manufacturing				
Australia	11.6	11.0	2.0	2.0
Mining Consumables				
North Americas	8.3	11.9	2.0	2.0
South Americas	8.6	–	2.0	2.0
Australia	11.6	11.0	2.0	2.0
Australian Distribution	14.2	12.4	2.0	2.0
New Zealand Distribution	11.9	13.4	2.0	2.0

The calculation of value in use is most sensitive to the following assumptions:

- Discount rates
- Gross margins
- Raw materials price inflation
- Market conditions including exchange rates
- Growth rate used to extrapolate cash flows beyond the forecast period.

Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each CGU/group of CGUs that are not already reflected in the cash flows. In determining appropriate discount rates for each unit, regard has been given to a weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit. The Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above.

Gross margins – the basis used to determine the value assigned to the margins in the CGUs are the actual margins achieved, adjusted for efficiency improvement as well as movements in input costs and international steel prices in line with external sources of information.

Raw materials price inflation – values assigned to this key assumption are consistent with external sources of information except for OneSteel owned mines, where the value assigned is in line with mining contracts and other cost escalators such as oil.

Market conditions – assumptions on key domestic market segment activity including construction, mining, agriculture and manufacturing are consistent with external sources of information. Assumptions including GDP, CPI and wages escalation are consistent with external sources of information. Long-term forecast AUD/USD and NZD exchange rates are used which are consistent with the average exchange rates forecast by a selection of major financial institutions and economic forecasting consultants.

Growth rate estimates – are based on published industry research and do not exceed the growth rate of the markets or country to which the CGUs/groups of CGUs are dedicated.

Sensitivity to changes in assumptions

The value in use tests are sensitive to all the assumptions noted above. The Group has performed detailed sensitivity analysis to ensure that the results of its impairment testing are reasonable. The sensitivity analysis includes increasing the discount rate by 1%, reducing the terminal growth rate to nil and reducing forecasted cash flows by 10%. None of these scenarios result in an impairment.

15. OTHER ASSETS

	CONSOLIDATED	
	2011 $m	2010 $m
Current		
Other assets	19.7	13.6
	19.7	13.6
Non-current		
Defined benefit asset (Note 19)	14.1	1.7
Other assets	–	0.1
	14.1	1.8

16. PAYABLES

	CONSOLIDATED	
	2011 $m	2010 $m
Trade payables	866.4	740.7
Other payables	140.9	122.4
	1,007.3	863.1

Trade payables are non-interest bearing and are generally settled on 30 to 60 day terms. Other payables are non-interest bearing.

Fair values

Due to the short-term nature of these payables, their carrying amounts are assumed to approximate their fair values.

Foreign exchange risk

The Group's exposure to foreign exchange risk related to trade and other payables is disclosed in Note 32.

17. INTEREST-BEARING LIABILITIES

	CONSOLIDATED	
	2011 $m	2010 $m
Current		
HRC Securitisation facility[1]	3.4	–
Unsecured		
Bank loans	31.7	331.9
US Private Placement – at amortised cost[3]	37.5	–
	72.6	331.9
Non-current		
HRC Securitisation facility	–	16.7
Unsecured		
Bank loans	1,291.4	231.9
US Private Placement – at fair value[2,4,5]	74.4	95.6
US Private Placement – at amortised cost[3,4,5,6]	443.7	371.0
	1,809.5	715.2

1 Committed tripartite inventory financing facility of $3.4m expiring in July 2012.

2 US Private Placement undertaken in April 2003 for USD128m. This consists of USD60m at 5.6% payable in April 2015. USD68m was repaid in April 2010. This has been hedged using a series of cross-currency interest rate swaps and accounted for as a fair value hedge – refer to Notes 8 and 32.

3 US Private Placement debt recognised on acquisition of Smorgon Steel Group Limited in August 2007. This consists of USD40m at 5.78% payable in July 2011; USD25m at 5.88% payable in June 2013; USD30m at 6.08% payable in July 2014 and USD20m at 6.08% payable in June 2015. USD45m at 5.69% was repaid in June 2010.

Of this balance, USD85m (2010: USD85m) has been hedged using a series of cross-currency swaps accounted for as a cash flow hedge – refer to Notes 8 and 32.

4 USD30m of the US Private Placement debt recognised on acquisition of Smorgon Steel Group Limited in August 2007 has been designated as a hedge of the net investment in US subsidiaries. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. A net loss on the hedge of the net investment of $5.2m (2010: $1.1m) was recognised in equity for the period, net of tax. There has been no hedge ineffectiveness recognised in the Income Statement on this hedge.

Interest rate risk on the USD30m has been hedged using an interest rate swap to receive a fixed interest rate of 3.0% (2010: 3.0%) in USD and pay a floating rate of interest equal to LIBOR in USD on the notional amount quarterly. The underlying debt continues to be carried at amortised cost. The future interest payment cash flows, being the hedged item, are carried at fair value.

5 US Private Placement undertaken in July 2008 for USD200m. This consists of USD50m at 7.0% payable in July 2015, USD97m at 7.3% payable in July 2018 and USD53m at 7.4% payable in July 2020. Interest rate risk on the debt has been hedged using a series of interest rate swaps to receive a fixed interest rate of 3.5% (2010: 3.5%) in USD and pay a floating rate of interest equal to LIBOR in USD on the notional amount quarterly. The underlying debt continues to be carried at amortised cost. The future interest payment cash flows, being the hedged item, are carried at fair value.

6 US Private Placement undertaken in June 2011 for USD200m. This consists of USD50m at 4.95% payable in June 2018, USD125m at 5.61% payable in June 2021 and USD25m at 5.71% payable in June 2023.

At 30 June 2011, the fair value of US Private Placement debt carried at amortised cost on Balance Sheet is $482.1m (2010: $371.2m).

Fair values

With the exception of the above, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing interest rates.

Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 32.

18. PROVISIONS

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
Current		
Employee benefits (Note 29)	265.3	256.9
Restoration and rehabilitation	11.2	9.9
Legal and customer claims	7.3	7.8
Restructuring	8.4	4.2
	292.2	278.8
Non-current		
Employee benefits (Note 29)	44.2	39.2
Defined benefit liability (Note 19)	41.1	–
Restoration and rehabilitation	117.3	75.0
Legal and customer claims	3.4	3.2
Restructuring	0.4	0.6
	206.4	118.0

2011	CONSOLIDATED LEGAL AND CUSTOMER CLAIMS $m	RESTORATION AND REHABILITATION $m	RESTRUCTURING $m	TOTAL $m
Movements in carrying amounts				
Carrying amount at the beginning of the year	11.0	84.9	4.8	100.7
Additional amounts provided	6.9	13.8	10.1	30.8
Business combinations	0.5	36.6	0.8	37.9
Reversal of unutilised amounts	(3.0)	(0.9)	(2.2)	(6.1)
Amounts utilised	(4.7)	(6.7)	(4.3)	(15.7)
Net foreign currency differences on translation of foreign operations	–	(0.7)	(0.4)	(1.1)
Unwinding of discount to present value	–	1.5	–	1.5
Carrying amount at the end of the year	10.7	128.5	8.8	148.0

Provisions for restoration and rehabilitation

Provisions for restoration and rehabilitation relate to reclamation, site closure and other costs.

Provisions for legal and customer claims

Provisions for legal and customer claims relate to estimates of settlement of legal claims with regulators, customers and other third parties for alleged liability and/or legal costs associated with such claims.

Provisions for restructuring

Provisions for restructuring comprise of obligations relating to redundancies from organisational changes and other direct expenditure associated with business restructures.

19. RETIREMENT BENEFIT OBLIGATIONS

The OneSteel Group participates in a number of superannuation and pension funds in Australia, New Zealand and Canada. The funds provide benefits either on a defined benefit or cash accumulation basis, for employees on retirement, resignation, disablement, or to their dependants on death.

Accumulation funds

The benefits provided by accumulation funds are based on contributions and income thereon held by the fund on behalf of the member. Contributions are made by the member and the Company based on a percentage of the member's salary, as specified by the fund rules. These contributions are expensed in the period in which they are incurred. Contributions by the Group of 9% of employee's wages and salaries are legally enforceable in Australia.

Defined benefit funds

Australia

The Group has two superannuation plans, one of which has defined benefit sections and defined contribution sections. The benefits provided by the defined benefit sections of the plan are based on the length of service of the member and the salary of the member at or near retirement. Member contributions, based on a percentage of salary, are specified by the fund rules. The defined benefit sections are now closed to new members.

Employer contributions are made each month to the fund in accordance with the advice of the actuary to the fund, at levels deemed to be adequate to fund benefit payments in accordance with the fund's Trust Deed. These contributions are expensed in the period in which they are incurred.

Canada

The pension plans are defined benefit plans funded by employer contributions made in accordance with the most recent actuarial valuations for funding purposes. Of the three defined benefit plans in Canada, one of these representing around 3% of the liability is wholly unfunded. Contributions to this unfunded plan are made on a pay-as-you-go basis as benefits are paid.

The Group also operates a number of plans in Canada, which provide employees with post-retirement benefits in respect of medical costs. These plans are unfunded. Contributions are made on a pay-as-you-go basis as benefits are paid.

The following tables summarise the components of the net defined benefit expense recognised in the Income Statement and the funded status and amounts recognised in the Balance Sheet for the respective plans.

	DEFINED BENEFIT PENSION PLANS		POST-RETIREMENT MEDICAL BENEFITS
2011	AUSTRALIA $m	CANADA $m	CANADA $m
Net defined benefit expense			
Current service cost	11.6	1.0	0.4
Interest cost on benefit obligation	12.6	3.3	0.9
Expected return on plan assets	(19.8)	(3.8)	–
Salary sacrifice contributions	4.5	–	–
Net defined benefit expense	8.9	0.5	1.3
Actual return on plan assets	38.0	2.6	–
Defined benefit asset/(liability) included in the Balance Sheet			
Fair value of plan assets	324.3	114.1	–
Present value of defined benefit obligation	(333.5)	(124.0)	(31.9)
Deficit at the end of the year	(9.2)	(9.9)	(31.9)
Net actuarial losses not yet recognised	23.3	0.7	–
Net defined benefit asset – non-current (refer to Note 15)	14.1	–	–
Net defined benefit (liability) – non-current (refer to Note 18)	–	(9.2)	(31.9)

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

2010	DEFINED BENEFIT PENSION PLANS AUSTRALIA $m
Net defined benefit expense	
Current service cost	16.4
Interest cost on benefit obligation	16.1
Expected return on plan assets	(20.1)
Salary sacrifice contributions	3.9
Net actuarial losses recognised in the year	4.8
Effect of curtailments and settlements	3.5
Net defined benefit expense	24.6
Actual return on plan assets	43.7
Defined benefit asset included in the Balance Sheet	
Fair value of plan assets	298.6
Present value of defined benefit obligation	(322.4)
Deficit at the end of the year	(23.8)
Net actuarial losses not yet recognised	25.5
Net defined benefit asset – non-current (refer to Note 15)	1.7

The Group has no legal obligation to settle any defined benefit liability with an immediate contribution or additional one-off contributions.

	DEFINED BENEFIT PENSION PLANS		POST-RETIREMENT MEDICAL BENEFITS
2011	AUSTRALIA $m	CANADA $m	CANADA $m
Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation	322.4	–	–
Interest cost	12.6	3.3	0.9
Current service cost	11.6	1.0	0.4
Contributions by plan participants	5.2	–	–
Benefits paid	(34.1)	(3.0)	(0.5)
Business combinations	–	124.8	31.7
Actuarial losses on obligation	15.8	–	–
Net foreign exchange differences	–	(2.1)	(0.6)
Closing defined benefit obligation	333.5	124.0	31.9
Changes in the fair value of plan assets			
Opening fair value of plan assets	298.6	–	–
Expected return	19.8	3.8	–
Contributions by employer	21.2	3.0	0.5
Contributions by plan participants	0.6	–	–
Benefits paid	(34.1)	(3.0)	(0.5)
Business combinations	–	113.6	–
Actuarial gains/(losses)	18.2	(1.3)	–
Net foreign exchange differences	–	(2.0)	–
Fair value of plan assets	324.3	114.1	–

2010	DEFINED BENEFIT PENSION PLANS AUSTRALIA $m
Changes in the present value of the defined benefit obligation	
Opening defined benefit obligation	376.4
Interest cost	16.1
Current service cost	16.4
Contributions by plan participants	6.0
Benefits paid	(54.3)
Settlements	(24.7)
Actuarial gains on obligation	(13.5)
Closing defined benefit obligation	322.4
Changes in the fair value of plan assets	
Opening fair value of plan assets	303.8
Expected return	20.1
Contributions by employer	28.0
Contributions by plan participants	2.1
Benefits paid	(54.3)
Settlements	(24.7)
Actuarial gains	23.6
Fair value of plan assets	298.6

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	DEFINED BENEFIT PENSION PLANS	
2011	AUSTRALIA %	CANADA %
Equity instruments	58.0	65.1
Property	6.0	–
Debt instruments	28.0	34.1
Alternatives	8.0	0.8

2010	DEFINED BENEFIT PENSION PLANS AUSTRALIA %
Equity instruments	52.5
Property	7.5
Debt instruments	28.0
Alternatives	12.0

The expected rate of return on plan assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories.

The principal actuarial assumptions used in determining defined benefit obligations for the Group's defined benefit plans are shown below:

	DEFINED BENEFIT PENSION PLANS		POST-RETIREMENT MEDICAL BENEFITS
2011	AUSTRALIA	CANADA	CANADA
Principal actuarial assumption	%	%	%
Discount rate	5.1	5.4	5.7
Expected rate of return on assets	7.4	6.6	N/A
Future salary increases	4.2	3.3	3.1
CPI inflation	2.5	N/A	N/A
Immediate health care trend rate	N/A	N/A	7.4
Ultimate health care trend rate	N/A	N/A	4.5

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

	DEFINED BENEFIT PENSION PLANS
2011	AUSTRALIA
Principal actuarial assumption	%
Discount rate	4.9
Expected rate of return on assets	7.2
Future salary increases	4.1
CPI inflation	2.5

Assumed health care cost trend rates have a significant effect on the amounts recognised in the Income Statement. A one percentage point change in assumed health care cost trend rates would have the following effects:

	POST-RETIREMENT MEDICAL BENEFITS	
2011 **Sensitivity to trend assumptions**	Valuation trend + 1%	Valuation trend - 1%
Effect on total service cost and interest cost components	0.3	(0.2)
Effect on post-retirement benefit obligation for medical costs	5.2	(4.2)

	DEFINED BENEFIT PENSION PLANS				
	AUSTRALIA				
	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m
Historic summary					
Defined benefit plan obligation	(333.5)	(322.4)	(376.4)	(361.3)	(356.5)
Plan assets	324.3	298.6	303.8	348.4	393.7
Surplus/(Deficit)	(9.2)	(23.8)	(72.6)	(12.9)	37.2
Experience adjustments arising on plan liabilities	(17.3)	17.8	(2.5)	(29.6)	(9.3)
Experience adjustments arising on plan assets	18.2	23.6	(54.7)	(86.3)	33.9

	DEFINED BENEFIT PENSION PLANS	POST-RETIREMENT MEDICAL BENEFITS
2011	CANADA $m	CANADA $m
Historic summary[1]		
Defined benefit plan obligation	(124.0)	(31.9)
Plan assets	114.1	–
Surplus/(Deficit)	(9.9)	(31.9)
Experience adjustments arising on plan liabilities	–	–
Experience adjustments arising on plan assets	(1.3)	–

1 No historic data is provided for Canada as the plans were acquired as part of the Moly-Cop Group on 31 December 2010.

Employer contributions – Australia

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% (2010: 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" contributions expected to be paid by the Group in respect of the defined benefit sections for the year ending 30 June 2012 are $8.9m.

Employer contributions – Canada

Total employer contributions to pension and post-employment medical plans in Canada expected to be paid for the year ending 30 June 2012 are $2.2m.

20. CONTRIBUTED EQUITY

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
Contributed equity		
Issued capital (a)	3,787.2	3,769.6
Employee compensation shares (b)	(25.6)	(18.5)
Total contributed equity	3,761.6	3,751.1
(a) Issued capital		
Number of ordinary shares: 1,338,106,652 (2010: 1,331,583,166)		
Issued and paid-up	3,787.2	3,769.6
(b) Employee compensation shares		
Number of ordinary shares: 6,283,917 (2010: 3,856,030)		
Shares held in trust under equity-based compensation arrangements	(25.6)	(18.5)

	NUMBER OF ORDINARY SHARES		VALUE OF ORDINARY SHARES	
	2011	2010	2011 $m	2010 $m
Movement in issued capital for the period				
On issue at the beginning of the year	1,331,583,166	1,325,811,294	3,769.6	3,749.8
Shares issued on the exercise of options[1]	160,500	144,506	0.2	0.1
Shares issued under a dividend reinvestment plan[2]	6,362,986	5,627,366	17.4	19.7
On issue at the end of the year	1,338,106,652	1,331,583,166	3,787.2	3,769.6
Movements in employee compensation shares for the period				
Held in trust at the beginning of the year	(3,856,030)	(2,569,901)	(18.5)	(14.6)
Shares vested and transferred to share-based payments reserve (Note 22)	14,579	92,100	–	0.6
Shares purchased on-market	(2,442,466)	(1,378,229)	(7.1)	(4.5)
Held in trust at the end of the year	(6,283,917)	(3,856,030)	(25.6)	(18.5)

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 The dividend reinvestment plan provides shareholders with an opportunity to acquire additional ordinary shares in lieu of cash dividends. Shares were issued at $3.05 (October 2010) and $2.45 (April 2011).

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 2011 $m	CONSOLIDATED 2010 $m
At the beginning of the year	700.4	561.5
Net profit	230.3	258.4
Dividends paid (Note 23)	(160.0)	(119.5)
At the end of the year	770.7	700.4

22. RESERVES

	CONSOLIDATED 2011 $m	CONSOLIDATED 2010 $m
Foreign currency translation reserve	(104.2)	(29.5)
Cash flow hedge reserve	2.9	0.4
Share-based payments reserve	13.0	8.3
Asset revaluation reserve	1.8	1.8
	(86.5)	(19.0)
(a) Foreign currency translation reserve		
At the beginning of the year	(29.5)	(22.0)
Net investment hedges	16.6	5.3
Exchange fluctuations on overseas net assets	(91.3)	(12.8)
At the end of the year	(104.2)	(29.5)
(b) Cash flow hedge reserve		
At the beginning of the year	0.4	(5.5)
Gains/(losses) taken to Equity	3.5	(6.6)
Transferred to finance costs	(5.4)	12.3
Transferred to initial carrying amount of hedged items on Balance Sheet	4.4	0.2
At the end of the year	2.9	0.4
(c) Share-based payments reserve		
At the beginning of the year	8.3	4.2
Expense recognised	4.7	4.7
Transferred from employee compensation shares (Note 20)	–	(0.6)
At the end of the year	13.0	8.3
(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 hedges 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:

	ON ORDINARY SHARES $m	DIVIDEND PER ORDINARY SHARE Cents
2011		
Interim unfranked dividend for 2011, paid 14 April 2011	80.1	6.0
Final unfranked dividend for 2010, paid on 14 October 2010	79.9	6.0
	160.0	12.0
2010		
Interim unfranked dividend for 2010, paid 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

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 4.0 cents per fully paid ordinary share (2010: 6.0 cents, unfranked). The aggregate amount of the proposed dividend expected to be paid on 13 October 2011 but not recognised as a liability at year end is $53.5m (2010: $79.9m).

Dividend franking

	PARENT	
	2011 $m	2010 $m
The amount of franking credits available for the subsequent financial year based on tax rate at 30% (2010: 30%)	0.7	–

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	
	2011 $m	2010 $m
Cash and cash equivalents	153.7	83.4
At call bank loan	–	(8.1)
	153.7	75.3
(b) Reconciliation of profit after tax to net cash flows from operating activities:		
Profit after tax	237.5	260.7
Adjusted for non-cash items		
Depreciation and amortisation	213.5	215.1
Impairment of plant and equipment	2.2	–
Net gains on disposal of property, plant and equipment and intangible assets	(1.1)	(4.8)
Share of net (profit)/loss of investments accounted for using the equity method	(2.6)	0.8
Net fair value change on derivative financial instruments	1.0	(2.3)
Unrealised foreign exchange (gains)/losses	(25.8)	(2.7)
Share-based payment expense	4.6	4.4
Finance costs	7.1	2.8
Changes in assets and liabilities net of effects of purchase and sale of controlled entities and business		
Decrease/(Increase) in receivables	(2.4)	0.8
Decrease/(Increase) in inventories	(44.7)	(188.3)
Decrease/(Increase) in deferred tax balances	12.0	59.1
Decrease/(Increase) in other assets	(27.8)	(77.3)
(Decrease)/Increase in tax provisions	9.5	61.2
(Decrease)/Increase in payables	81.7	287.0
(Decrease)/Increase in provisions	(1.6)	(14.4)
Net cash flow from operating activities	463.1	602.1

24. NOTES TO THE CASH FLOW STATEMENT (continued)

(c) Non-cash investing and financing activities

During the year, dividends of $17.4m (2010: $19.7m) 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
Gateway Brokers, Inc	2 August 2010

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

	CONSOLIDATED
	$m
Cash paid	1.9
Total purchase consideration	1.9
Fair value of net identifiable assets acquired:	
Property, plant and equipment	0.3
Provisions	(0.1)
	0.2
Goodwill arising on acquisition	1.7

It is not practicable to determine the revenues and profit of the Group had the combinations taken place at 1 July 2010 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 2011 $m	2010 $m
Property, plant and equipment		
Payable:		
Within one year	67.3	25.4
Total capital commitments	67.3	25.4

(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 follows:

	CONSOLIDATED 2011 $m	2010 $m
Within one year	69.4	70.4
After one year but not more than five years	138.0	139.7
Longer than five years	43.6	42.5
Total operating lease commitments	251.0	252.6

26. CONTINGENCIES

Contingent liabilities

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

	CONSOLIDATED 2011 $m	2010 $m
Guarantees and indemnities		
Bank guarantees covering:		
Workers' compensation self-insurance licences[1]	50.6	47.0
Performance of contracts	45.6	46.4

1 In Australia, OneSteel Limited has given guarantees to various state workers' compensation authorities as a pre-requisite for self-insurance. Of this amount, a total of $32.3m (2010: $36.5m) 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 business, products or 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 2011 include the following controlled entities:

ENTITY	NOTES	COUNTRY OF INCORPORATION	% OF SHARES HELD 2011	2010
OneSteel Limited	(a)	Australia		
A.B. Metal Pty Limited	(d)	Australia	100.0	100.0
A.C.N 006 769 035		Australia	100.0	100.0
A.C.N. 124 092 173 Pty Ltd	(d)	Australia	100.0	100.0
A.T. Pty Ltd	(d)	Australia	100.0	100.0
Akkord Pty Limited		Australia	100.0	100.0
Alta Steel Chile S.A	(c)	Chile	100.0	–
AltaSteel Ltd.	(c)	Canada	100.0	–
ANI Australia Pty Limited	(d)	Australia	100.0	100.0
ANI Construction (W.A.) Pty Ltd		Australia	100.0	100.0
ANI Finance (UK) Ltd		United Kingdom	100.0	100.0
ANI Mineral Processing, LLC		USA	100.0	100.0
ANI Mining Services Pty Ltd	(d)	Australia	100.0	100.0
ANI Monosteel Pty Limited	(d)	Australia	100.0	100.0
ANI Xatal Pty Ltd	(d)	Australia	100.0	100.0
Aquila Steel Company Pty Ltd	(d)	Australia	100.0	100.0
Arnall's Engineering Pty Ltd	(d)	Australia	100.0	100.0
Ashland Investments Pty Ltd	(d)	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	(d)	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 Ltd		Australia	100.0	100.0
AWI Holdings Pty Limited		Australia	100.0	100.0
B.G.J. Holdings Proprietary Limited		Australia	100.0	100.0
Banana Coast Recyclers Pty Limited	(d)	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 Limited		Australia	100.0	100.0
Dane Taylor Holdings Proprietary Limited	(d)	Australia	100.0	100.0
David Crozier Limited		New Zealand	50.3	50.3
E. & G. Products Pty Limited	(d)	Australia	100.0	100.0
E. & G. Steel Pty Ltd	(d)	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 Ltd		Australia	100.0	100.0
Email Management Superannuation Pty Limited		Australia	100.0	100.0
Email Metals Pty Ltd		Australia	100.0	100.0
Email Pty Ltd		Australia	100.0	100.0
Email Superannuation Pty Limited		Australia	100.0	100.0
EMCO Group Limited		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 Pty Ltd	(b)	Australia	100.0	100.0
Fagersta Steels Pty Ltd	(b)	Australia	100.0	100.0
GCG (JB) Sdn Bhd		Malaysia	100.0	100.0
GSF Management Pty Limited		Australia	100.0	100.0
GST Philippines Inc.	(c)	Philippines	100.0	–
Helix Cables International Pty Ltd	(d)	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

ENTITY	NOTES	COUNTRY OF INCORPORATION	% OF SHARES HELD 2011	2010
HPR Industrial (JB) Sdn Bhd		Malaysia	100.0	100.0
Inversiones Moly-Cop S.A	(c)	Chile	100.0	–
Investment Acceptance Pty Ltd	(d)	Australia	100.0	100.0
J Murray-More (Holdings) Pty Ltd		Australia	100.0	100.0
John McGrath (QP) Pty Limited	(d)	Australia	100.0	100.0
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	(d)	Australia	100.0	100.0
M.I. Steel (Qld) Pty. Ltd.	(d)	Australia	100.0	100.0
M.I. Steel (Sydney) Pty. Limited	(d)	Australia	100.0	100.0
M.I. Steel (Tas) Pty. Limited	(d)	Australia	100.0	100.0
M.I. Steel (Vic) Pty Limited	(d)	Australia	100.0	100.0
Maple Leaf Metals (A Partnership)	(c)	Canada	100.0	–
M-Asia Enterprise (KL) Sdn 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	(d)	Australia	100.0	100.0
Moly-Cop Adesur S.A	(c)	Peru	94.1	–
Moly-Cop Canada (A Partnership)	(c)	Canada	100.0	–
Moly-Cop Chile S.A	(c)	Chile	100.0	–
Moly-Cop Group S.a.r.l	(c)	Luxembourg	100.0	–
Moly-Cop Mexico S.A de C.V	(c)	Mexico	100.0	–
Moly-Cop Peru S.A.C	(c)	Peru	100.0	–
MolyCop Steel Inc.	(c)	Canada	100.0	–
Moly-Cop USA LLC (previously OneSteel Grinding Systems LLC)		United States	100.0	100.0
N.K.S. (Holdings) Proprietary Limited		Australia	100.0	100.0
National Valve and Engineering Company Proprietary Limited	(d)	Australia	100.0	100.0
Northern Service Supplies Pty Ltd	(d)	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 Americas Holdings Pty Limited		Australia	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 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	(b)	Australia	100.0	100.0
OneSteel MBS Pty Limited	(b)	Australia	100.0	100.0
OneSteel NSW Pty Limited	(b)	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 (PNG) Limited		PNG	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 Pty Limited	(b)	Australia	100.0	100.0
OneSteel Recycling, Inc.		USA	100.0	100.0

27. CONTROLLED ENTITIES (continued)

ENTITY	NOTES	COUNTRY OF INCORPORATION	% OF SHARES HELD 2011	2010
OneSteel Reinforcing Pty Limited	(b)	Australia	100.0	100.0
OneSteel Technologies Pty Limited		Australia	100.0	100.0
OneSteel Trading Pty Limited	(b)	Australia	100.0	100.0
OneSteel UK Holdings Limited		United Kingdom	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		Australia	100.0	100.0
OneSteel Victoria Pty Ltd	(d)	Australia	100.0	100.0
OneSteel Wire Pty Limited	(b)	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
Palmer Tube Mills Pty Limited	(b)	Australia	100.0	100.0
Pipeline Supplies of Australia Pty Limited		Australia	100.0	100.0
PT Commonwealth Steel Indonesia		Indonesia	100.0	100.0
QMR Inc		Philippines	100.0	100.0
Reosteel Pty. Ltd.		Australia	100.0	100.0
Roentgen Ray Pty Ltd		Australia	100.0	100.0
Servicios Moly-Cop S.A de C.V	(c)	Mexico	100.0	–
Somerville Rehabilitation Services Pty. Ltd.	(d)	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	(d)	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	(d)	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.	(d)	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 Somerton Pty Limited		Australia	100.0	100.0
W.A. Mining Engineering Services Pty Ltd	(d)	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	(d)	Australia	100.0	100.0
X.D.I.R. Pty. Limited	(d)	Australia	100.0	100.0
X.M.A.L. Pty. Limited	(d)	Australia	100.0	100.0
X.P. Pty. Limited	(d)	Australia	100.0	100.0
XEM (Aust) Pty Limited		Australia	100.0	100.0

ENTITY	NOTES	COUNTRY OF INCORPORATION	% OF SHARES HELD 2011	2010
XLA Pty Ltd		Australia	100.0	100.0
XLL Pty Ltd		Australia	100.0	100.0
XMS Holdings Pty Limited	(b)	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 St, Sydney NSW 2000, Australia.

(b) These entities have entered into a Deed of Cross Guarantee (Deed) with OneSteel Limited (Holding Company) dated 10 June 2008 pursuant to ASIC Class Order 98/1418 and are, as at the date of execution of the Deed, eligible for the benefit of the individual class order.

(c) These companies became wholly-owned controlled entities on 31 December 2010 as a result of the acquisition of Moly-Cop Group S.a.r.l by OneSteel Limited. These companies' balance date is 31 December.

(d) These companies are in liquidation.

The financial years of all controlled entities with the exception of Wembley Insurance Pte Ltd (balance date 31 March) and the Moly-Cop Group entities (balance date 31 December (refer to (c) above)) are the same as that of the parent entity, OneSteel Limited.

Deed of cross guarantee

Financial information for the class order closed group

	CLOSED GROUP 2011 $m	CLOSED GROUP 2010 $m
Income Statement		
Sales revenue	5,423.8	5,118.4
Cost of sales	(4,024.5)	(3,812.4)
Gross profit	1,399.3	1,306.0
Other revenue	26.3	25.4
Other income	38.6	59.9
Operating expenses including restructuring activities	(1,190.2)	(1,227.3)
Finance costs	(80.1)	(82.0)
Share of net loss of investments accounted for using the equity method	(0.2)	(0.2)
Profit before income tax	193.7	81.8
Income tax expense	(53.8)	(57.1)
Profit after tax	139.9	24.7
Statement of Comprehensive Income		
Profit after tax	139.9	24.7
Other comprehensive income		
Cash flow hedges:		
– net gains/(losses) taken to equity	3.9	(6.8)
– transferred to profit	(5.4)	12.3
– transferred to initial carrying amount of hedged items	4.4	0.4
Currency translation differences:		
– net investment hedges	16.6	5.3
Other comprehensive income for the year, net of tax	19.5	11.2
Total comprehensive income for the year	159.4	35.9
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	335.3	430.1
Net profit	139.9	24.7
Dividends	(160.0)	(119.5)
Retained earnings at the end of the year	315.2	335.3

27. CONTROLLED ENTITIES (continued)

	CLOSED GROUP	
	2011 $m	2010 $m
Balance Sheet		
Current assets		
Cash and cash equivalents	71.4	42.3
Receivables	1,723.5	748.6
Derivative financial instruments	2.9	5.1
Inventories	1,234.0	1,201.4
Other assets	10.4	11.1
Total current assets	3,042.2	2,008.5
Non-current assets		
Derivative financial instruments	12.7	16.8
Other financial assets	405.2	404.2
Property, plant and equipment	1,989.5	1,926.1
Mine development expenditure	207.3	172.2
Intangibles	1,839.5	1,848.6
Deferred tax assets	157.7	137.3
Other assets	14.0	1.7
Total non-current assets	4,625.9	4,506.9
TOTAL ASSETS	7,668.1	6,515.4
Current liabilities		
Payables	810.3	780.2
Derivative financial instruments	30.5	3.7
Interest-bearing liabilities	394.8	576.7
Current tax liabilities	36.2	4.9
Provisions	255.7	248.3
Total current liabilities	1,527.5	1,613.8
Non-current liabilities		
Derivative financial instruments	72.3	51.4
Interest-bearing liabilities	1,610.3	446.4
Deferred tax liabilities	257.6	221.7
Provisions	82.3	78.5
Total non-current liabilities	2,022.5	798.0
TOTAL LIABILITIES	3,550.0	2,411.8
NET ASSETS	4,118.1	4,103.6
Equity		
Contributed equity	3,761.6	3,751.1
Retained earnings	315.2	335.3
Reserves	41.3	17.2
TOTAL EQUITY	4,118.1	4,103.6

28. RELATED PARTY DISCLOSURES

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

During 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
- Dividends were received
- Tax related transactions occurred within the tax consolidated group.

(b) Transactions with jointly controlled entities

	CONSOLIDATED	
TRANSACTION TYPE	2011 $m	2010 $m
Product sales to jointly controlled entities	6.0	0.7
Product purchases from jointly controlled entities	0.9	0.7
Dividends received from jointly controlled entities	0.5	–
Repayment of loan (from)/loan to jointly controlled entities	(1.0)	2.5
Amounts receivable from jointly controlled entities	2.4	2.5

These transactions were undertaken on commercial terms and conditions.

(c) Transactions with associate

	CONSOLIDATED	
TRANSACTION TYPE	2011 $m	2010 $m
Product sales to associate	0.4	1.5
Amounts receivable from associate	0.2	1.4

(d) Ultimate controlling entity

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

29. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2011 Number	2010 Number
Employees as at 30 June	11,598	10,598
	$m	$m
The aggregate employee benefit liability is comprised of:		
Provisions (current)	265.3	256.9
Provisions (excluding defined benefit liability) (non-current)	44.2	39.2
Total employee benefit liabilities	309.5	296.1

(a) Self-insured workers' compensation provision

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

	CONSOLIDATED	
	2011 $m	2010 $m
New South Wales	21.8	24.2
Queensland	2.5	3.3
Victoria	4.9	2.3
South Australia	2.3	5.3
Western Australia	0.9	1.4
Total self-insurance workers' compensation provision	32.4	36.5

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 2011 to eligible employees as at 1 April 2011. All Australian resident permanent employees (excluding OneSteel Directors) are eligible to participate in either, or both, the Tax Exempt or Tax Deferred share plans. 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 ($375 employee contribution) or $250 ($750 employee contribution) per year for employees participating in the Tax Exempt Plan and $333 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.

29. EMPLOYEE BENEFITS (continued)

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.

	2011	2010
Total number purchased by employees during the year ('000s)	1,444	–
Weighted average fair value of shares granted during the period ($)	2.57	–

(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.

	2011		**2010**	
	NUMBER '000s	WEIGHTED AVERAGE FAIR VALUE $	NUMBER '000s	WEIGHTED AVERAGE FAIR VALUE $
Outstanding at the beginning of the year	3,856	4.01	2,570	4.43
Shares vested during the year	(15)	4.93	(92)	4.57
Shares purchased during the year	2,443	2.91	1,378	2.88
Outstanding at the end of the year	6,284	3.59	3,856	4.01

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. Of the shares purchased during the year, 2,406,000 were granted (2010: 1,378,000).

The following table lists the inputs to the model used.

	2011	2010
Dividend yield	5.32%	2.66%
Expected volatility	40%	45%
Risk-free interest rate	4.45%	5.23%
Expected life	3 years	3 years
Weighted average share price at grant date	$2.95	$3.34

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 was subject to the Company achieving specific performance hurdles and a three-year qualifying period. The exercise price of each option was 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 related 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 vested subject to OneSteel's TSR performance to the Base Index and the remaining 50% of shares vested subject to OneSteel's performance to the Comparator Index.

All options expired on the earlier of their expiry date or termination of the employee's employment. All remaining outstanding options expired on 21 December 2010.

The contractual life of each option granted was nine years. There were no cash settlement alternatives.

The options did 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 and all outstanding options were exercised during the year.

The following table illustrates the number and weighted average exercise price of and movement in the Executive Option Plan:

	2011			2010		
	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	160	1.0434	–	305	1.0099	–
Exercised during the period	(160)	1.0434	2.84	(145)	0.9665	3.35
Outstanding and exercisable at the end of the year	–	–	–	160	1.0434	–

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.

Steel & Tube Holdings Limited

In 2011, 197,700 shares (2010: nil) were purchased whilst nil shares (2010: 30,830 shares) were vested in the employee share purchase scheme and 223,528 shares (2010: nil) were purchased and nil shares (2010: 18,805 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

L G Cox	Director (Independent, non-executive) (retired 15 November 2010)
R B Davis	Director (Independent, non-executive)
E J Doyle	Director (Independent, non-executive) (retired 15 November 2010)
C R Galbraith, AM	Director (Independent, non-executive)
P G Nankervis	Director (Independent, non-executive)
G J Plummer	Managing Director and Chief Executive Officer
D A Pritchard	Director (Independent, non-executive)
P J Smedley	Chairman (Independent, non-executive)
G J Smorgon	Director (Independent, non-executive)
R Warnock	Director (Independent, non-executive) (appointed 1 September 2010)

Executives

R C Bakewell	Chief Financial Officer
S H Hamer	Chief Executive, Distribution
M R Parry	Chief Executive, Whyalla
A G Roberts	Chief Executive, Mining Consumables
L J Selleck	Chief Executive, Market Mills
G A Waters	Chief Executive, Recycling
D Taylor	Chief Executive Officer, Steel & Tube Holdings Limited

Compensation of Key Management Personnel

	CONSOLIDATED	
	2011 $	2010 $
Short-term benefits	9,555,119	10,952,331
Post-employment benefits	398,833	380,213
Termination benefits	–	763,545
Share-based payments	2,473,806	2,606,385
	12,427,758	14,702,474

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.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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.

(b) Option holdings of key management personnel

2011	HELD AT 1 JULY 2010 Number	GRANTED AS REMUNERATION Number	OPTIONS EXERCISED Number	NET CHANGE OTHER Number	HELD AT 30 JUNE 2011 Number	VESTED AND EXERCISABLE AT 30 JUNE 2011 Number
Directors						
G J Plummer	90,000	–	(90,000)	–	–	–
Executives						
S H Hamer	18,000	–	(18,000)	–	–	–
Total	108,000	–	(108,000)	–	–	–

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						
S H Hamer	18,000	–	–	–	18,000	18,000
M R Parry	45	–	(45)	–	–	–
Total	108,045	–	(45)	–	108,000	108,000

(c) Shareholdings of key management personnel[2]

2011	HELD AT 1 JULY 2010 Number	GRANTED AS REMUNERATION[1] Number	ON EXERCISE OF OPTIONS Number	NET CHANGE OTHER Number	HELD AT 30 JUNE 2011 Number
Directors					
R B Davis	68,995	–	–	20,000	88,995
C R Galbraith, AM	156,056	–	–	–	156,056
P G Nankervis	56,890	–	–	–	56,890
D A Pritchard	143,921	–	–	–	143,921
G J Plummer	2,722,546	871,322	90,000	–	3,683,868
P J Smedley	410,455	–	–	–	410,455
G J Smorgon	15,107	–	–	–	15,107
R Warnock	–	–	–	10,244	10,244
Executives					
R C Bakewell	–	103,196	–	–	103,196
S H Hamer	194,549	103,196	18,000	–	315,745
M R Parry	269,643	103,196	–	(111,500)	261,339
A G Roberts	236,271	103,196	–	–	339,467
L J Selleck	601,792	85,997	–	(115,465)	572,324
G A Waters	128,198	103,196	–	141	231,535
D Taylor	31,023	–	–	–	31,023
Total	5,035,446	1,473,299	108,000	(196,580)	6,420,165

2010	HELD AT 1 JULY 2009 Number	GRANTED AS REMUNERATION[1] Number	ON EXERCISE OF OPTIONS Number	NET CHANGE OTHER Number	HELD AT 30 JUNE 2010 Number
Directors					
L G Cox	301,797	–	–	–	301,797
R B Davis	68,995	–	–	–	68,995
E J Doyle	169,169	–	–	–	169,169
C R Galbraith, AM	156,056	–	–	–	156,056
P G Nankervis	46,890	–	–	10,000	56,890
G J Plummer	2,382,230	340,316	–	–	2,722,546
D A Pritchard	143,921	–	–	–	143,921
P J Smedley	410,455	–	–	–	410,455
G J Smorgon	66,325	–	–	(51,218)	15,107
Executives					
R C Bakewell	–	–	–	–	–
S H Hamer	115,688	78,861	–	–	194,549
M R Parry	211,969	57,629	45	–	269,643
A G Roberts	157,410	78,861	–	–	236,271
L J Selleck	544,269	54,596	–	2,927	601,792
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

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:

2011	HELD AT 1 JULY 2010 Number	GRANTED AS REMUNERATION Number	ON EXERCISE OF OPTIONS Number	NET CHANGE OTHER Number	HELD ON CEASING TO BE KMP Number
Directors					
L G Cox	301,797	–	–	–	301,797
E J Doyle	169,169	–	–	–	169,169

31. AUDITORS' REMUNERATION

	CONSOLIDATED 2011 $	2010 $
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	1,511,000	1,006,265
Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	59,691	723
Assurance related	128,702	188,408
	1,699,393	1,195,396
Amounts paid or payable to other auditors for:		
An audit or review of the financial report of certain controlled entities in the consolidated group	151,457	169,619
Other services	–	86,799
	151,457	256,418

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), 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 maintain 30% to 70% of the less of the expected usage of borrowings or the committed exposure to 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	
	2011 $m	2010 $m
Financial assets		
Cash and cash equivalents	153.7	83.4
Trade receivables	10.8	12.3
Financial liabilities		
HRC Securitisation facility	(3.4)	(16.7)
Bank loans	(1,323.1)	(563.8)
Net exposure before hedging	(1,162.0)	(484.8)
Cross-currency and interest rate swaps[1]	247.0	223.7
Net exposure to cash flow interest rate risk	(915.0)	(261.1)

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 $10.2m lower/$10.9m higher (2010: $15.7m lower/$15.7m higher), mainly as a result of higher/lower interest expense resulting on variable rate debt. Other components of equity would have been $8.6m higher/$8.6m lower (2010: $3.2m higher/$3.2m 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 USD30m of the Group's net investment in foreign operations is hedged in this manner (refer to Note 17 and Note 8).

As well as its US operations, the Group has foreign currency translation risk on the net assets of its Canadian-based operations. This risk is mitigated through the designation of a CAD200m cross-currency interest rate swap as a net investment hedge.

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.

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

	CONSOLIDATED							
	2011					2010		
	USD $m	NZD $m	CAD $m	CLP $m	OTHER[1] $m	USD $m	NZD $m	OTHER $m
Cash and cash equivalents	99.9	2.6	–	–	2.0	41.3	1.0	0.1
Net investment in foreign operations	987.1	117.5	252.8	–	–	418.0	111.1	–
Trade and other receivables	28.5	0.8	–	46.2	0.1	44.1	3.5	0.9
Trade and other payables	(66.3)	–	–	(46.4)	(5.8)	(20.3)	(2.6)	(4.5)
Commodity contracts	(0.4)	–	–	–	–	(1.1)	–	–
Bank loans and US Private Placement debt[2]	(1,138.3)	–	–	–	–	(214.6)	–	–
Net exposure before hedging	(89.5)	120.9	252.8	(0.2)	(3.7)	267.4	113.0	(3.5)
Forward exchange contracts – buy	248.8	7.3	–	43.9	23.0	189.4	4.1	13.7
Forward exchange contracts – sell	(135.5)	(12.5)	–	(20.1)	(1.1)	(148.6)	(6.2)	(3.7)
Cross-currency interest rate swaps and US Private Placement debt[2,3]	163.8	–	(193.2)	–	–	260.1	–	–

1 Japanese Yen, Indonesian Rupiah, Pounds Sterling, Mexican Peso and Euro.

2 Includes USD30m designated as a net investment hedge of the net assets of US-based operations.

3 Notional principal amounts.

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 $3.9m lower/$4.2m higher (2010: $4.1m lower/$0.3m lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Other components of equity would have been $1.6m higher/$0.7m lower (2010: $33.1m higher/$33.1m lower) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising from foreign forward exchange contracts designated as cash flow hedges. 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, nickel and aluminium purchases which are made in Australian dollars but with prices set in US dollars; energy purchases made in US dollars, Canadian dollars or 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.

The Group's exposure to commodity risk on financial instruments 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.

32. FINANCIAL RISK MANAGEMENT (continued)

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	
	2011 $m	2010 $m
Floating rate		
Expiring within one year	22.4	–
Expiring beyond one year	1,278.5	1,538.2
	1,300.9	1,538.2

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
2011				
Financial assets				
Cash and cash equivalents	153.7	–	–	153.7
Trade and other receivables	925.0	–	–	925.0
Forward exchange contracts	422.9	28.8	–	451.7
Commodity contracts	1.4	–	–	1.4
Interest rate swaps	15.3	37.4	11.6	64.3
Cross-currency interest rate swaps	44.1	112.3	–	156.4
Other financial assets	1.5	–	–	1.5
	1,563.9	178.5	11.6	1,754.0
Financial liabilities				
Trade and other payables	1,007.3	–	–	1,007.3
Forward exchange contracts	430.1	–	–	430.1
Commodity contracts	1.7	–	–	1.7
Interest rate swaps	17.7	23.9	0.7	42.3
Cross-currency interest rate swaps	70.7	198.1	–	268.8
Bank loans	31.7	1,131.4	180.8	1,343.9
US Private Placement – Senior Notes	69.9	306.6	413.7	790.2
HRC Securitisation facility	3.4	–	–	3.4
	1,632.5	1,660.0	595.2	3,887.7
Net contractual cash flows	(68.6)	(1,481.5)	(583.6)	(2,133.7)

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	366.5	–	–	366.5
Commodity contracts	0.6	–	–	0.6
Interest rate swaps	7.9	13.7	–	21.6
Other financial assets	–	2.5	–	2.5
	1,287.7	16.2	–	1,303.9
Financial liabilities				
Trade and other payables	863.1	–	–	863.1
Forward exchange contracts	364.9	–	–	364.9
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
	1,600.2	819.3	554.0	2,973.5
Net contractual cash flows	(312.5)	(803.1)	(554.0)	(1,669.6)

(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:

	2011		2010	
CONSOLIDATED	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2) $m	TOTAL $m	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2) $m	TOTAL $m
Financial assets				
Forward exchange contracts	31.8	31.8	5.0	5.0
Interest rate swaps	12.8	12.8	16.8	16.8
	44.6	44.6	21.8	21.8
Financial liabilities				
Forward exchange contracts	9.2	9.2	3.7	3.7
Interest rate swaps	6.7	6.7	8.6	8.6
Cross-currency interest rate swaps	87.6	87.6	42.8	42.8
	103.5	103.5	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.

32. FINANCIAL RISK MANAGEMENT (continued)

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 to 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	
	2011 $m	2010 $m
Total debt	1,882.1	1,047.1
Less: Cash and cash equivalents	(153.7)	(83.4)
Net debt	**1,728.4**	**963.7**
Total equity	4,505.7	4,492.7
Less: Non-controlling interests	(59.9)	(60.2)
Equity	**4,445.8**	**4,432.5**
Net debt plus equity	**6,174.2**	**5,396.2**
Gearing ratio	**28.0%**	**17.9%**

33. PARENT ENTITY DISCLOSURES

The parent company of the Group, as at and during the year ended 30 June 2011, was OneSteel Limited.

Presented below is supplementary information about the parent entity.

	PARENT	
	2011 $m	2010 $m
Result of the parent entity		
Profit after tax	82.7	121.2
Other comprehensive income	–	–
Total comprehensive income for the year	82.7	121.2
Financial position of the parent entity at year end		
Current assets	142.0	213.5
Non-current assets	3,731.6	3,715.8
Total assets	3,783.6	3,929.3
Current liabilities	21.5	14.9
Total liabilities	21.5	14.9
Total equity of the parent entity comprising:		
Share capital	3,761.6	3,751.1
Retained earnings	79.1	156.4
Reserves	11.4	6.9
Total equity	3,852.1	3,914.4

Guarantees, contingent liabilities and capital commitments of the parent entity

OneSteel Limited has given guarantees amounting to $50.6m (2010: $47.0m) to various state workers' compensation authorities in Australia as a pre-requisite for self insurance. Refer to Note 26.

Parent entity guarantees in respect of debts of its subsidiaries

As explained in Note 27, the Company has entered into a Deed of Cross Guarantee in accordance with a class order issued by the 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 2011 (2010: nil).

34. BUSINESS COMBINATIONS

Acquisition of the Moly-Cop Group

On 31 December 2010, OneSteel acquired 100% of the issued share capital of Moly-Cop Group S.a.r.l, a limited liability company registered in Luxembourg which owns subsidiaries consisting of the Moly-Cop and AltaSteel businesses (together the "Moly-Cop Group") previously managed by the Scaw Metals Group of Anglo American plc.

The total cash consideration paid to the Anglo American Group for the shares in Moly-Cop Group S.a.r.l was USD937.6 million.

(a) Assets and liabilities acquired

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

	ACQUIREE CARRYING AMOUNT $m	FAIR VALUE $m
Cash and cash equivalents	67.0	67.0
Receivables	108.5	108.5
Inventory	155.8	154.4
Current tax assets	2.6	0.3
Investments	24.6	31.7
Property, plant and equipment	224.6	246.8
Intangibles	16.4	143.0
Deferred tax asset	18.3	26.1
Other assets	38.6	38.6
Payables	(217.3)	(217.3)
Deferred tax liability	(46.4)	(66.2)
Other provisions	(78.3)	(92.1)
Net assets	314.4	440.8
Net identifiable assets acquired	314.4	440.8

The initial accounting for the Moly-Cop Group acquisition has been determined provisionally as at 30 June 2011. In accordance with Accounting Standard AASB 3 "Business Combinations", the Group has 12 months from the date of acquisition to complete the allocation of the cost of the business combination to the assets, liabilities and contingent liabilities acquired.

In the six months to 30 June 2011, the Moly-Cop Group contributed revenue of $428m and profit of $20m to the Group's results.

It is not practicable to determine the revenues and profit of the Group had the combination taken place at 1 July 2010 due to differences in accounting policy and as the fair value of identifiable assets and liabilities of the acquired business is not known at that date.

(b) Cost of combinations

	$m
Cash paid	921.8
Total purchase consideration	921.8
Fair value of net identifiable assets	440.8
Goodwill arising on acquisition	481.0

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

- The acquisition provides OneSteel with global scale in grinding media with participation in some of the world's largest and most attractive mining consumables markets
- The new businesses offer attractive growth potential and financial outcomes and provide increased diversification from Australian construction and infrastructure cycles in OneSteel's overall business profile. Demand in these businesses is driven by mine expansion, new mining projects and the expected strong demand for commodities, particularly copper and gold
- The acquisition provides OneSteel with a platform for further growth in mining consumables
- The acquisition provides an ideal strategic fit given OneSteel already has significant industry knowledge and experience gained through its own grinding media, steel manufacturing and metal recycling businesses, as well as having other mining consumables operations such as our wire ropes and rail wheel businesses in Australia.

35. EVENTS AFTER BALANCE SHEET DATE

On 11 July 2011, OneSteel announced the refinancing of its $1.1 billion AUD syndicated loan due to expire in August 2012 with a longer term $1.25 billion AUD multicurrency syndicated loan facility with three to five-year maturities.

There have been no other circumstances arising since 30 June 2011 that have significantly affected or may significantly affect:

(a) the operations

(b) the results of those operations, or

(c) the state of affairs of OneSteel Group in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the consolidated financial statements and accompanying notes set out on pages 61 to 119 and the Remuneration Report on pages 50 to 59 of the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards and the Corporations Regulations 2001, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of their performance for the financial year ended on that date, and

(b) the consolidated 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 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 &
Chief Executive Officer

Sydney
16 August 2011

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ONESTEEL LIMITED

Report on the financial report

We have audited the accompanying financial report of OneSteel Limited (the company), which comprises the balance sheet as at 30 June 2011, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, Notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising OneSteel Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 "Presentation of Financial Statements", that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair 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 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards 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 50 to 59 of the directors' report for the year ended 30 June 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

David Rogers
Partner

Sydney
16 August 2011

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION AS AT 16 SEPTEMBER 2011

OneSteel Limited has 100,131 shareholders holding 1,338,106,652 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	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	38,598	20,121,086	1.50
1,001 – 5,000	41,600	98,401,844	7.36
5,001 – 10,000	10,797	79,367,416	5.93
10,001 – 100,000	8,842	196,582,147	14.69
100,001 and over	294	943,634,159	70.52
Total	**100,131**	**1,338,106,652**	**100.00**

TOP 20 HOLDERS

RANK	NAME	SECURITIES	% OF UNITS
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	241,660,409	18.06
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	181,338,325	13.55
3.	NATIONAL NOMINEES LIMITED	160,723,584	12.01
4.	CITICORP NOMINEES PTY LIMITED	135,680,155	10.14
5.	J P MORGAN NOMINEES AUSTRALIA LIMITED	25,064,423	1.87
6.	COGENT NOMINEES PTY LIMITED	21,165,992	1.58
7.	QUEENSLAND INVESTMENT CORPORATION	15,239,095	1.14
8.	UBS NOMINEES PTY LTD	10,467,000	0.78
9.	CPU SHARE PLANS PTY LTD	9,139,007	0.68
10.	LEVERTON DOWNS PTY LTD	7,977,930	0.60
11.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	7,820,083	0.58
12.	RAYLOU INVESTMENTS PTY LTD	7,753,072	0.58
13.	CPU SHARE PLANS PTY LTD	6,405,800	0.48
14.	ARGO INVESTMENTS LIMITED	6,079,109	0.45
15.	AMP LIFE LIMITED	4,917,326	0.37
16.	UCA GROWTH FUND LTD	4,000,000	0.30
17.	MILTON CORPORATION LIMITED	3,995,301	0.30
18.	PANDA INVESTMENTS (VIC) PTY LTD	3,722,602	0.28
19.	CITICORP NOMINEES PTY LIMITED	3,166,796	0.24
20.	CS FOURTH NOMINEES PTY LTD	3,074,035	0.23
Total top 20 holders		**859,390,044**	**64.22**
Total remaining holders		**478,716,608**	**35.78**

HOLDERS OF AN UNMARKETABLE PARCEL

There were 13,198 holders with less than a marketable parcel of 376 securities.

AUSTRALIAN SECURITIES EXCHANGE LISTING

OneSteel Limited listed on Australian Securities Exchange (ASX) on 23 October 2000. The Company's fully paid ordinary securities are quoted on the ASX under Issuer Code OST.

SUBSTANTIAL HOLDERS

Substantial shareholders, as defined by the *Corporations Act 2001* (Cth) as at 16 September 2011 were:

	HOLDER	NUMBER OF SECURITIES
1.	The AXA Group	112,070,890
2.	Government of Singapore Investment Corporation Pte Ltd	67,176,426

SHARE REGISTRY

Shareholders with queries about anything related to their holding should contact OneSteel's Share Registry, Computershare Investor Services Pty Limited by telephone 1300 364 787 (toll free within Australia) or +61 3 9415 4026 (for callers outside Australia). Alternatively, shareholders may wish to write to:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia

Computershare can also be contacted by email:

onesteelshareregistry@computershare.com.au

Details of individual shareholdings can be checked conveniently and simply by visiting www.computershare.com and clicking on the Investor Centre button. For security reasons, you will be required to enter your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) along with your family name and postcode.

DIVIDENDS

OneSteel Limited discloses dividend information in the notes to the financial statements which are lodged with the ASX under Issuer Code OST.

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.

TAX FILE NUMBERS

OneSteel is required to withhold tax on unfranked components of dividends or interest paid to investors residing in Australia who have not supplied the Company with a Tax File Number (TFN) or exemption form. Shareholders are encouraged to submit a TFN notification to OneSteel's Share Registry, Computershare, but are not required by law to provide their TFN if they do not wish to do so.

INTERNET ADDRESS

OneSteel has a range of charters, policies and codes in connection with its governance practices. These documents are available on www.onesteel.com.

BUY-BACKS

There are no current on-market buy-backs in operation.

PUBLICATIONS AND SHAREHOLDER COMMUNICATION

The Company's Annual Report is a valuable source of information for shareholders and investors and is provided to shareholders who have elected to receive a copy.

Visit our website to view the Annual Report and to access other sources of Company information.

Shareholders wishing to receive Company information electronically are encouraged to register their email address online. Visit www.computershare.com, then click on Investor Centre.

CHANGE OF ADDRESS

Issuer sponsored shareholders should notify Computershare of any change to their registered address. For added security, shareholders should quote their previous address and SRN/HIN. CHESS uncertificated shareholders should advise their sponsoring broker or non-broker participant.

REMOVAL FROM MAILING LIST

Shareholders who do not wish to receive the Annual Report should contact the Share Registry.

CHANGE OF NAME

Shareholders who change their name should notify the Share Registry. A certified copy of your marriage certificate or deed poll will be required.

SPINOUT OF ONESTEEL LIMITED – CAPITAL GAINS TAX COST BASE INFORMATION

The cost base for Australian Capital Gains Tax purposes of OneSteel Limited 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).

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.

For further information, please visit the ATO website (www.ato.gov.au) or talk to your own financial adviser.

STATISTICAL SUMMARY

$A millions	FY11[1]	FY10[2]	FY09[3]	FY08[4]	FY07[5]	FY06[6]	FY05[7]	FY04[8]	FY03	FY02	FY01 Excl Prov Proforma	FY01 Incl Prov Proforma	% CHANGE FY11 to FY10
Sales revenue	7,133.0	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	2,637.7	15.0%
Other revenue/income	44.2	56.3	66.3	50.5	33.9	39.0	34.6	70.1	39.5	80.5	141.5	141.5	(21.5%)
Total income	7,177.2	6,260.9	7,307.8	7,484.8	4,334.5	4,043.6	3,973.1	3,339.3	3,100.1	2,986.5	2,779.2	2,779.2	14.6%
Gross profit	1,375.8	1,234.0	1,587.5	1,681.2	837.2	798.7	787.0	642.6	626.2	528.4	489.6	489.6	11.5%
EBITDA – underlying	642.0	617.6	661.2	807.7	436.1	396.7	377.1	324.2	307.6	251.0	202.6	181.7	4.0%
Depreciation and amortisation	(213.5)	(203.9)	(199.5)	(194.9)	(96.2)	(94.0)	(97.5)	(87.1)	(86.5)	(84.2)	(84.2)	(107.0)	4.7%
EBIT – underlying	428.5	413.7	461.7	612.8	339.9	302.7	279.6	237.1	221.1	166.8	118.4	74.7	3.6%
Finance costs	(101.1)	(89.2)	(172.2)	(159.6)	(55.8)	(56.7)	(53.6)	(42.2)	(44.5)	(54.4)	(61.8)	(61.8)	13.3%
Profit before tax – underlying	327.4	324.5	289.5	453.2	284.1	246.0	226.0	194.9	176.6	112.4	56.6	12.9	0.9%
Tax expense – underlying	(84.8)	(81.6)	(64.1)	(128.0)	(74.7)	(60.8)	(55.4)	(53.4)	(53.3)	(39.0)	(12.1)	2.1	3.9%
Profit after tax – underlying	242.6	242.9	225.4	325.2	209.4	185.2	170.6	141.5	123.3	73.4	44.5	15.0	(0.1%)
Non-controlling interests	(7.2)	(2.3)	(10.1)	(10.2)	(11.9)	(13.6)	(17.5)	(12.4)	(9.5)	(7.4)	(5.9)	(5.9)	213.0%
Net profit after tax – underlying	235.4	240.6	215.3	315.0	197.5	171.6	153.1	129.1	113.8	66.0	38.6	9.1	(2.2%)
Non-trading items, net of tax	(5.1)	17.8	14.2	(70.1)	9.5	15.9	49.7	(1.2)	(19.8)	(18.9)	(15.0)	(37.0)	(128.7%)
Net profit after tax – statutory	230.3	258.4	229.5	244.9	207.0	187.5	202.8	127.9	94.0	47.1	23.6	(27.9)	(10.9%)
EBITDA – statutory	619.3	638.3	597.0	731.2	436.1	396.7	377.1	324.2	307.6	251.0	202.6	181.7	(3.0%)
EBIT – statutory	403.6	423.2	395.3	518.7	339.9	302.7	279.6	216.1	201.3	147.9	103.4	37.7	(4.6%)
Profit before tax – statutory	302.5	334.0	223.1	359.1	284.1	246.0	226.0	194.9	176.6	112.4	56.6	(24.1)	(9.4%)
Profit after tax – statutory	237.5	260.7	239.6	255.1	218.9	201.1	170.6	120.5	103.5	54.5	29.5	(22.0)	(8.9%)
Net profit after tax – statutory	230.3	258.4	229.5	244.9	207.0	187.5	153.1	108.1	94.0	47.1	23.6	(27.9)	(10.9%)
Total assets	8,315.1	7,067.7	6,933.1	7,291.5	3,569.5	3,138.8	3,087.1	2,803.2	2,577.0	2,582.0	2,710.8	2,710.8	17.7%
Inventory	1,604.7	1,433.0	1,239.9	1,298.9	836.3	758.9	836.7	704.6	591.0	574.1	540.3	540.3	12.0%
Total liabilities	3,809.4	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	1,594.6	47.9%
Funds employed	6,234.1	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	2,069.6	14.3%
Total equity	4,505.7	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	1,116.2	0.3%
Net debt [9]	1,728.4	963.7	1,223.9	1,947.2	769.8	638.8	645.3	669.0	670.2	771.6	953.4	953.4	79.4%
Net debt (incl hedging) [10]	1,814.1	1,006.5	1,305.2	2,080.8	840.8	692.4	645.3	669.0	670.2	771.6	953.4	953.4	80.2%
Number of shares on issue (millions)	1,338.1	1,331.6	1,325.8	878.7	575.7	569.3	563.8	554.8	546.9	538.6	460.3	460.3	0.5%
Operating cash flow	463.1	602.1	368.0	350.8	276.5	250.8	235.9	188.3	257.7	92.6	290.3	170.1	(23.1%)
Free cash flow – underlying	225.7	480.0	183.2	215.3	157.4	203.4	109.0	43.9	156.2	21.8	220.8	0.0	(53.0%)
Free cash flow	211.8	428.9	180.4	43.9	(81.4)	36.4	109.0	43.9	156.2	21.8	220.8		(50.6%)
Capital and investment expenditure	1,244.2	206.8	190.9	2,475.0	360.5	227.6	127.5	151.4	130.9	70.8	108.4	108.4	501.6%
Return on assets % – underlying	5.6%	5.9%	6.5%	8.4%	10.1%	9.7%	9.5%	8.8%	8.6%	6.3%	4.4%	2.8%	(-0.3pts)
Return on equity % – underlying	5.4%	5.5%	5.7%	9.4%	13.4%	12.8%	12.1%	10.2%	9.5%	6.2%	3.9%	1.3%	(-0.1pts)
Return on funds employed % (ROFE) – underlying	7.3%	7.5%	8.4%	11.3%	15.0%	14.5%	13.5%	11.6%	11.0%	8.1%	5.7%	3.6%	(-0.2pts)
Sales margin – underlying	6.0%	6.7%	6.4%	8.2%	7.9%	7.6%	7.1%	7.3%	7.2%	5.7%	4.5%	2.8%	(-0.7pts)
Gross profit margin – underlying	19.3%	19.9%	21.9%	22.6%	19.5%	19.9%	20.0%	19.7%	20.5%	18.2%	18.6%	18.6%	(-0.6pts)
Earnings per share (cents) – year end – underlying	17.6	18.1	16.2	35.8	34.3	30.1	27.2	23.3	20.8	12.3	5.1	(6.0)	(2.8%)
Earnings per share (cents) – weighted average – underlying	17.7	18.2	21.2	34.9	34.7	30.5	27.5	19.6	17.3	9.3	5.1	(6.0)	(2.8%)
Earnings per share (cents) – weighted average – statutory	17.3	19.5	22.6	27.1	36.3	33.3	36.4	23.2	17.3	9.3	5.1	(6.0)	(11.3%)
Dividends per share (cents)	10.0	11.0	10.0	21.5	18.5	17.0	13.5	12.0	11.0	6.5	6.0	6.0	(-1 cent)
Dividend payout ratio – underlying	56.8%	60.9%	49.2%	59.9%	69.6%	56.3%	49.6%	51.4%	52.6%	53.0%	71.2%	302.2%	(-4.1pts)
Dividend payout ratio – statutory	58.0%	56.7%	46.2%	77.1%	66.4%	51.5%	37.5%	51.9%	63.7%	74.3%	116.5%	(98.6%)	1.4pts
Gearing – (incl hedging) (net debt/net debt + equity)[10]	28.7%	18.3%	23.1%	37.8%	33.8%	31.6%	31.7%	32.8%	34.3%	38.7%	46.1%	46.1%	10.4pts
Gearing – statutory (net debt/net debt + equity)[9]	27.7%	17.7%	22.0%	36.2%	31.8%	29.8%	31.7%	32.8%	34.3%	38.7%	46.1%	46.1%	10pts
Interest cover (times EBITDA)	6.4	6.9	3.8	5.1	7.8	7.0	7.0	7.7	6.9	4.6	3.3	1.2	(-0.5 times)
Interest cover incl capitalised interest (times)	6.4	6.9	3.8	4.5	6.1	6.5	7.0	7.4	6.6	4.6	3.3	1.2	(-0.5 times)
Net tangible assets per share ($)	1.39	1.77	1.66	1.53	2.38	2.15	1.95	1.93	1.77	1.69	1.81	1.81	(21.5%)
Employees	11,598	10,598	11,104	11,678	7,526	7,527	7,395	7,272	7,054	6,989	7,379	7,379	9.4%
Sales per employee ($000s)	615	585	652	637	571	532	533	450	434	416	357	357	5.1%
Raw steel production (mt)	2.31	2.15	2.03	2.67	1.73	1.63	1.35	1.62	1.62	1.58	1.44	1.44	7.4%
Steel tonnes despatched (mt)	3.19	2.75	2.76	3.51	2.28	2.28	2.26	2.16	2.22	2.18	2.13	2.13	16.0%

The financial information presented for the years 2001 to 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 to 2004 have been adjusted to exclude goodwill amortisation.

1 FY11 underlying results are before the impact of restructuring costs including impairment of plant and equipment, over provision of tax in prior years and direct costs arising from the acquisition of the Moly-Cop Group of $5.1 million after tax. These statistics include the results of the Moly-Cop Group from 31 December 2010.
2 FY10 underlying results are before the impact of legal claims, accelerated depreciation, restructuring costs, tax consolidation and over provision of tax in prior years of $17.8 million after tax.
3 FY09 underlying results are before the impact of restructuring activities, tax consolidation and over provisions of tax in prior years of $14.2m after tax.
4 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 $70.1m after tax. The statistics include the results of the Smorgon Steel Group Limited from 20 August 2007 only.
5 FY07 underlying results exclude the impact of the derecognition of deferred tax liabilities of $9.5m.
6 FY06 underlying results exclude the tax benefit of $15.9m arising from adjustments to tax consolidation values.
7 FY05 underlying results exclude the benefit relating to the reversal of impairment loss on transition to IFRS of $49.7m after tax.
8 FY04 underlying results exclude the tax benefit of $19.8m arising from OneSteel's entry into the tax consolidation regime.
9 Net debt under previous AGAAP has been adjusted to include securitisation which was previously classified as off-balance sheet.
10 Includes the impact of cross-currency swaps hedging foreign currency denominated debt.

RESOURCES STATEMENT

Ore Reserves and Mineral Resources

The information in this report that relates to the mineral resources and ore reserves is based on information compiled by Paul Leevers, who is a member of the Australasian 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 of 2.5Mt have been included after depletion of 5.1Mt due to mining based on exploration activities carried out during the year ended 30 June 2011. Significant tonnages were identified at the Iron Baron Mining Area where exploration continues. 7.4Mt of probable reserves are included from the Iron Princess area and is subject to Native Heritage Clearance. This matter is currently under consideration by the relevant State Minister.

OneSteel remains committed to active mineral exploration on its tenement holdings.

All Resource and Reserve figures represent estimates as at 30 June 2011, unless otherwise stated. Rounding of tonnes and grade information may result in small differences presented in the totals.

Magnetite reserves are inclusive of magnetite stockpile, which will be depleted during life of mine.

WHYALLA (MIDDLEBACK RANGE) HEMATITE RESERVES

CATEGORY		PROVED ORE RESERVE			PROBABLE ORE RESERVE			TOTAL ORE RESERVES AS AT 30 JUNE 2011			TOTAL ORE RESERVES AS AT 30 JUNE 2010			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	9.5	60.7	0.09	34.1	60.5	0.09	43.6	60.5	0.09	46.2	60.9	0.09	100	P. Leevers

WHYALLA (MIDDLEBACK RANGE) MAGNETITE RESERVES

CATEGORY		PROVED ORE RESERVE		PROBABLE ORE RESERVE		TOTAL ORE RESERVES AS AT 30 JUNE 2011		TOTAL ORE RESERVES AS AT 30 JUNE 2010		ONESTEEL INTEREST	COMPETENT PERSON
	ORE TYPE	Tonnes (m)	DTR Grade (%)	Tonnes (m)	DTR Grade (%)	Tonnes (m)	DTR Grade (%)	Tonnes (m)	DTR Grade (%)	%	
Total Quantity	Magnetite	35.3	41.4	41.9	40.2	77.2	40.8	83.4	40.9	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 SiO_2 <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

CATEGORY		MEASURED RESOURCES		INDICATED RESOURCES		INFERRED RESOURCES		TOTAL RESOURCES 2011 (AS AT 30 JUNE 2011)		TOTAL RESOURCES 2010 (AS AT 30 JUNE 2010)		ONESTEEL INTEREST	COMPETENT PERSON
	TYPE	Tonnes (m)	Fe Grade (%)	Tonnes (m)	Fe Grade (%)	Tonnes (m)	Fe Grade (%)	Tonnes (m)	Fe Grade (%)	Tonnes (m)	Fe Grade (%)	%	
Total Quantity	Hematite, Goethite, Limonite, Minor magnetite	17.3	60.5	79.3	59.9	51.2	56.9	147.8	58.9	117.0	59.0	100	P. Leevers
Quantity excluded from Ore Reserves	Hematite, Goethite, Limonite, Minor magnetite	6.2	60.0	33.8	59.7	43.8	56.6	83.8	58.1	54.4	57.0	100	P. Leevers

WHYALLA (MIDDLEBACK RANGE) MAGNETITE RESOURCES

CATEGORY		MEASURED RESOURCES		INDICATED RESOURCES		INFERRED RESOURCES		TOTAL RESOURCES 2011 (AS AT 30 JUNE 2011)		TOTAL RESOURCES 2010 (AS AT 30 JUNE 2010)		ONESTEEL INTEREST	COMPETENT PERSON
	TYPE	Tonnes (m)	Fe Grade (%)	Tonnes (m)	Fe Grade (%)	Tonnes (m)	Fe Grade (%)	Tonnes (m)	Fe Grade (%)	Tonnes (m)	Fe Grade (%)	%	
Total Quantity	Magnetite	38.7	41.1	82.5	39.6	112.5	37.2	233.7	38.7	238.9	38.5	100	P. Leevers
Quantity excluded from Ore Reserves	Magnetite	6.8	41.0	35.9	39.6	107.7	37.3	150.4	38.0	156.5	38.0	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 at Iron Duke. A new facility is currently under construction at Iron Baron. Both draw feed from current and future 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 remained the same after depletion due to processing being matched by mining additions.

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 2011.

WHYALLA (MIDDLEBACK RANGE) HEMATITE RESOURCES								**AS AT 30 JUNE 2011**		**AS AT 30 JUNE 2010**			
CATEGORY		MEASURED RESOURCES		INDICATED RESOURCES		INFERRED RESOURCES		TOTAL RESOURCES 2011		TOTAL RESOURCES 2010		ONESTEEL INTEREST	COMPETENT PERSON
	TYPE	Tonnes (Mt dry)	Fe Grade (% un-calcined)	Tonnes (Mt dry)	Fe Grade (% un-calcined)	Tonnes (Mt dry)	Fe Grade (% un-calcined)	Tonnes (Mt dry)	Fe Grade (% un-calcined)	Tonnes (Mt dry)	Fe Grade (% un-calcined)	%	
Total Quantity	Hematite, Goethite, Limonite, Minor magnetite	4.0	53.6	5.7	53.2	10.2	53.9	19.9	53.6	19.9	53.7	100	P. Leevers

GLOSSARY

The Company	OneSteel Limited and/or its subsidiaries, as the context admits. Also referred to as OneSteel.
The Group	OneSteel Limited and/or its subsidiaries, as the context admits. Also referred to as OneSteel.
The Moly-Cop Group	The Moly-Cop and AltaSteel businesses acquired by OneSteel on 31 December 2010 from Anglo American plc.
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.
C&F, CFR	Cost and freight, amount includes freight cost.
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 a 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 600 and 1800mm wide and 12 metres long.
Steel & Tube NZ	Steel & Tube Holdings Limited and/or its subsidiaries, as the context admits.
Structural steel	Large steel sections used for frames for buildings, factories, bridges and other infrastructure.
Tex Report	A daily newspaper published in Japan that reports news on trade in steel products, coal and coke, iron ore, pig iron and ferrous scrap and ferro-alloys.
WPG Resources	WPG Resources Limited and/or its subsidiaries, as the context admits.

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
CY	Calendar Year
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
NPAT	Net Profit After Tax and Minorities
NZ	New Zealand
OHS	Occupational Health and Safety
TSR	Total Shareholder Return
UK	United Kingdom
USA	United States of America
USD	United States Dollar

CORPORATE DIRECTORY

ACN 004 410 833
ABN 63 004 410 833

Directors

Mr Peter J Smedley (Chairman)
Mr R Bryan Davis
Mr Colin R Galbraith, AM
Mr Peter G Nankervis
Mr Geoffrey J Plummer
Mr Dean A Pritchard
Mr Graham J Smorgon
Ms Rosemary Warnock

Company Secretary

Ms Kara L Nicholls

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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 2011 Annual Report is available on our website www.onesteel.com. You can request a copy, by calling +61 2 9239 6666 or email investorenquiries@onesteel.com

Annual General Meeting

The 11th Annual General Meeting of OneSteel Limited will be held at the City Recital Hall, 2 Angel Place, Sydney on Monday, 21 November 2011 commencing at 2.30 pm AEDT. Registration will commence at 1.30 pm AEDT. For a copy of the Notice of Meeting and associated documents, visit our website www.onesteel.com

Financial calendar (subject to change)

21 November 2011
Annual General Meeting

31 December 2011
End of first half of financial year

21 February 2012
Half year results and interim dividend announced

OST securities quoted on a cum basis for interim dividend

5 March 2012
OST securities quoted on an ex basis for interim dividend

9 March 2012
Interim dividend – Record date

Last day for securityholders to elect to participate in the Dividend Reinvestment Plan for interim dividend

Last day for securityholders to advise Computershare of their TFN for interim dividend

19 April 2012
Interim dividend – Payment date

30 June 2012
End of financial year

21 August 2012
Full year results and final dividend announced

OST securities quoted on a cum basis for final dividend

10 September 2012
OST securities quoted on an ex basis for final dividend

Last day for securityholders to elect to participate in the Dividend Reinvestment Plan for final dividend

Last day for securityholders to advise Computershare of their TFN for final dividend

14 September 2012
Final dividend – Record date

18 October 2012
Final dividend – Payment date

18 October 2012
Annual Report and Notice of Meeting dispatched

19 November 2012
Annual General Meeting

CREATED BY DESIGNATE

WWW.ONESTEEL.COM