ASX RELEASE

16 August 2011

Full Year Statutory Net Profit After Tax $230m
Full Year Underlying Net Profit After Tax $235m

(ASX:OST) OneSteel Limited announced today a statutory net profit after tax of $230 million for the year ended 30 June 2011, a decrease of 11% compared to the statutory net profit after tax for the prior year of $258 million.

Underlying net profit after tax for the year was $235 million, slightly down on the prior year underlying net operating profit after tax of $241 million, but in line with the market guidance provided in May. The underlying result excludes direct costs related to the recent Moly-Cop mining consumables acquisition of $14 million, restructuring costs of $8 million after tax and tax benefits relating to prior years of $17 million. The underlying results include an amortisation charge of $4 million after tax related to intangible assets recognised on acquisition of the Moly-Cop Group.

Underlying earnings before interest and tax (EBIT) was $428 million, up 3% on EBIT for the prior year of $414 million.

RESULTS AT A GLANCE

STATUTORY	FY11 $M	FY10 $M	CHANGE %
Sales revenue	7,133	6,205	15
EBITDA	619	638	(3)
EBIT	404	423	(5)
Net Profit After Tax	230	258	(11)
Operating cash flow	463	602	(23)
Net debt	1,728	964	79
Gearing (net debt/net debt + equity)	28%	18%	10 pts
Earnings per share (weighted average)	17.3c	19.5c	(11)

UNDERLYING	FY11 $M	FY10 $M	CHANGE %
Sales revenue	7,133	6,205	15
EBITDA	642	618	4
EBIT	428	414	3
Net Profit After Tax	235	241	(2)
Operating cash flow	477	653	(27)
Net debt – including hedging	1,814	1,007	80
Gearing – including hedging (net debt/net debt + equity)	29%	18%	11 pts
Earnings per share (weighted average)	17.7 c	18.2c	(3)

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OneSteel's Managing Director and Chief Executive Officer, Mr Geoff Plummer said; "Our overall profit performance for the year reflects the level of strength in the markets of our different businesses, with our international and resources focused businesses again the best performers.

"The highlight was our Iron Ore business which recorded another very impressive result, underpinned by high prices compared to historical levels due to continued strong demand from China. Our new Mining Consumables segment, established following completion of the Moly-Cop Group acquisition on 31 December 2010, also performed well assisted by strong levels of mining activity in Australasia and the Americas.

"We have now owned the Moly-Cop Group for a little over half a year and its performance to date has been in line with our expectations. We remain confident that it 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.

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

"Internationally, higher raw material costs pushed up international steel prices in the second and third quarters, but the rapid appreciation in the Australian dollar meant that this was not reflected in domestic prices until around March/April.

"The factors that led to the poor performance of the domestic steel businesses in the first half continued into the third quarter. However, the businesses were on track for a much improved fourth quarter due to significantly improved pricing, but a rapid run up in the Australian dollar to new highs above $1.10 early in that quarter resulted in further price and margin pressure and a deferral of sales, particularly in the Manufacturing business.

"Both the Manufacturing and Australian Distribution businesses have commenced a further program of labour and other cost reductions to lower 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 our facilities product portfolio and cost base are continuing and further initiatives will be required given current economic conditions and our current unacceptable financial performance.

"With steelmaking utilisation levels still well below normal, we remain strongly leveraged to volume as well as price improvements and we will have an improved cost base due to our current cost reduction program and the expected improved operational performance from the blast furnace," Mr Plummer said.

We continued to make good progress with Project Magnet Phase 2 during the year, aimed at increasing our reserves and resources and analysing opportunities

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for addressing supply chain bottlenecks. Approximately $60 million in capital expenditure was spent 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 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. Based on our current reserves and the beneficiation of low grade ore we expect to have sufficient iron ore for at least a further 10 years at the rate of 6 million tonnes per annum.

SEGMENT ANALYSIS

In the **Iron Ore** segment, total revenue was up 21% to $948 million for the year. The increase is due to higher prices and flat sales volumes at just over 6 million tonnes. The increased sales revenue for the year incorporates 2.58 million tonnes of medium and lower grade ore. Demand from China strengthened further during the year leading to a higher average price compared to the prior year.

EBIT for the Iron Ore segment for the year was up 57% to $524 million, due mainly to higher US dollar prices and lower freight rates, partly offset by higher operating costs and the impact of the stronger Australian dollar.

In the **Recycling** segment, total revenue increased 34% to $1,507 million due to a 17% and 32% increase in ferrous and non-ferrous sales volumes respectively, and higher average selling prices compared to the prior year.

The US business continued to improve strongly with average prices, volumes and margins all up compared to the prior year. US ferrous and non-ferrous sales volumes were up 34% and 5% respectively. In Australia, despite continued difficult market conditions including the short supply of arisings resulting from weak levels of construction and industrial activity, ferrous sales volumes increased 9% and non-ferrous sales volumes were up 32% on the prior year. Sales prices were higher for both ferrous and non-ferrous sales, but margins were generally flat compared to the prior year due partly to the impact of the stronger Australian dollar.

EBIT for the year increased to $21 million from $8 million in the prior year. This reflects a significant improvement in second half performance compared to the EBIT loss of $5 million for the first half. The largest contributor to the stronger result was the US business, but both the Australian and Asian businesses have shown improvement and were EBIT positive for the year.

In the newly established **Mining Consumables** segment, sales revenue increased 59% to $1,079 million due to the contribution of the Moly-Cop and AltaSteel businesses from 1 January 2011, partly offset by weaker sales in the Australian rail wheels business. Both the newly acquired Moly-Cop Group and existing grinding media businesses in the United States and Australasia performed well, as

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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 significantly adversely impacted by the stronger Australian dollar.

EBIT for the Mining Consumables segment increased 5% to $65 million reflecting the contribution of the Moly-Cop Group businesses in the second half, earnings growth in the existing grinding media and ropes businesses, partly offset by a much weaker performance in the Australian rail wheels business compared to the prior year.

In the **Manufacturing** and **Australian Distribution** segments, sales volumes remained at weak levels of around 15%-20% below pre-GFC levels. Sales volumes were up slightly in the Australian Distribution business compared to the prior year, but were slightly down in the Manufacturing business.

There was a further weakening in domestic confidence levels during the year 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 the weak confidence, wet weather and availability of credit.

Margins were significantly affected by downward pressure on sales prices due to the rapid appreciation in the Australian dollar in an environment of weak demand. In the Manufacturing business, margins were also adversely impacted by higher raw material costs that could not be fully recovered through higher prices due to the appreciation of the Australian dollar. Significant price increases were implemented during February to April reflecting higher raw material costs and related to the earlier increase in international steel prices, and the businesses were on track for a much improved EBIT performance in the fourth quarter. However, a rapid increase in the Australian dollar around Easter led to a reduction in prices in June and customers deferring purchases leading to weaker sales in May and June.

Across market sectors, resources, particularly mining consumables, continued to be strong. There were encouraging signs towards the end of the year of improved demand from mining investment and activity in civil works improved as a number of Government funded infrastructure projects commenced. However, privately funded non-residential construction continued to be weak. Despite activity in residential construction improving during most of the previous financial year, the impact of a number of interest rate increases and lower Government incentives has meant generally weak activity persisted during the year.

Both Manufacturing and Australian Distribution segments continued to focus on initiatives to conserve cash and lower their cost bases. These initiatives involve new labour and other cost reduction programs. Cost reductions currently being implemented will lead to annual cost savings of approximately $40 million split 50% Manufacturing and 50% Australian Distribution. Restructuring costs of $8 million (after tax) have been recorded in the 2011 financial year.

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In the **Manufacturing** segment, total revenue decreased 2% to $2,426 million due mainly to a decline in both sales volumes and average prices compared to the prior year. Underlying EBIT decreased significantly to a loss of $185 million due to margin pressure from lower prices and higher raw material costs, reduced volumes and the impact of the Whyalla blast furnace shut in May and June, partly offset by cost savings related to initiatives implemented during and since the GFC.

Production levels at OneSteel's Sydney and Laverton electric arc furnaces were relatively flat compared to the prior year with an average capacity utilisation of approximately 75% for the year. Steelmake was 430 thousand tonnes at the Sydney Steel Mill and 580 thousand tonnes at Laverton for the year. In Whyalla, steelmake was also flat at 910 thousand tonnes due to interruptions for repairs in both years, and steelmake at the Waratah electric arc furnace was slightly higher at 250 thousand tonnes for the year.

In the **Australian Distribution** segment, total revenue decreased 3% to $2,439 million due to a lower average selling price compared to the prior year and generally weak sales volumes. Underlying EBIT decreased to $10 million for the year compared to $60 million for the prior year due to margin pressure from lower average prices, partly offset by cost savings.

FINAL DIVIDEND

The OneSteel Board announced today an unfranked final dividend of 4 cents per share. The unfranked dividend is the result of insufficient franking credits. The extent to which OneSteel is able to frank future dividends will depend on the level of franking credits generated from tax paid in Australia, but we currently anticipate franking will recommence in the 2012 financial year.

OUTLOOK

In our international markets, the short term outlook remains positive for steel making 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.

We are targeting iron ore external sales of between 6.0 to 6.3 million tonnes for the 2012 financial year, including 2.5 to 3.0 million tonnes of medium grade ore.

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. However, initiatives implemented in the Australian business during the past year have improved its ability to manage through these challenges. Non-ferrous trading is expected to continue to improve.

In Mining Consumables, we expect the continued strength in mining activity to underpin strong demand in both the Americas and Australasia. Increasing demand in our grinding media businesses is expected to be underpinned by strong

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demand for copper and gold in particular. We are putting in place measures to improve operational and cost performance at the AltaSteel mill.

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.

Despite our continued focus and good progress on reducing the cost base of our Australian steel businesses, we do not expect the benefits to be sufficient to offset the impact of the very challenging external environment. In addition to continuing to focus on cost reduction and cash generation in these businesses, we have commenced a review of our steel product portfolio and footprint.

Production and operating levels are expected to be relatively flat for the first half of the 2012 financial year. Steelmake for our Sydney and Laverton electric arc furnaces is expected to be approximately 480 thousand tonnes for the first half, Waratah is expected to be approximately 120 thousand tonnes and Whyalla is expected to be approximately 525 thousand tonnes for the half. The Whyalla blast furnace ramp up and resumption in steel production has been ahead of plan and we are very encouraged with the blast furnace performance to date following the repair and redesign work.

The high level of uncertainty around key factors that affect OneSteel's earnings such as; the Australian dollar, Australian and international prices for steel and steelmaking inputs, the international economy and the level and nature of growth in the domestic economy, means that it is not appropriate to provide quantitative earnings guidance at this time. However, overall performance early this financial year reflects the continuation of the external environment from the previous half, which was positive for our resources focused businesses, but adverse for our Australian steel businesses.

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.

ENDS

Further information about OneSteel Limited can be accessed via the website **www.onesteel.com.**

The ASX Release forms part of a package of information about the company's Full Year Financial Results for the period ended 30 June 2011 and should be read in conjunction with the other Full Year 2011 financial results materials including the Review of Operations, FY11 Results Presentation and the Full Year Financial Report for the 12 months to 30 June 2011.

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RECONCILIATION BETWEEN STATUTORY AND UNDERLYING NPAT	FY11 $M	FY10 $M
Statutory NPAT	**230**	**258**
Restructuring costs including impairment[1]	8	1
Tax benefits relating to prior years[2]	(17)	(20)
Acquisition costs[3]	14	-
Legal claim settlement[4]	-	(16)
Accelerated depreciation on blast furnace staves[5]	-	9
Tax consolidation expense/(benefit)[6]	-	9
Underlying NPAT	**235**	**241**

1 Restructuring costs relate to redundancies from organisational changes and other direct expenditure associated with business restructures
2 Tax benefits relating to prior years primarily relate to Research & Development claims, capital and consumables deductions not previously recognised
3 Direct costs relating to the acquisition of the Moly-Cop Group
4 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
5 Accelerated depreciation on certain blast furnace staves as a result of disruptions occurring during the year ended 30 June 2010
6 Tax consolidation adjustments arising on finalisation of reset tax values

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FINANCIAL RATIOS

YEAR ENDED 30 JUNE

	FY11[1] $m	FY10[2] $m	Change %
Sales Revenue	**7,133**	6,205	15%
Other Revenue/Income	**44**	56	(21%)
Total Income	**7,177**	6,261	15%
Gross Profit	**1,376**	1,234	12%
EBITDA - Underlying	**642**	618	4%
Depreciation & Amortisation	**(214)**	(204)	5%
EBIT - Underlying	**428**	414	3%
Finance costs	**(101)**	(89)	13%
Earnings before tax - Underlying	**327**	325	1%
Tax expense - Underlying	**(85)**	(82)	4%
Profit after tax - Underlying	**242**	243	0%
Non-controlling Interests	**(7)**	(2)	250%
Net Profit After Tax - Underlying	**235**	241	(2%)
Net Profit after Tax - Statutory	**230**	258	(11%)
Total Assets	**8,315**	7,068	18%
Inventory	**1,605**	1,433	12%
Total Liabilities	**3,809**	2,575	48%
Funds Employed	**6,234**	5,456	14%
Total Equity	**4,506**	4,493	0%
Net Debt	**1,728**	964	79%
Net Debt[3] (incl hedging)	**1,814**	1,007	80%
Number of shares on issue (millions)	**1,338**	1,332	0%
Operating Cash flow	**463**	602	(23%)
Free Cash Flow - Underlying	**226**	480	(53%)
Free Cash Flow	**212**	429	51%
Capital and investment expenditure	**1,244**	207	501%
Return on Assets % - Underlying	**5.6%**	5.9%	-0.3 pts
Return on Equity % - Underlying	**5.4%**	5.5%	-0.1 pts
Return on Funds Employed % (ROFE) - Underlying	**7.3%**	7.5%	-0.2 pts
Sales Margin	**6.0%**	6.7%	-0.7 pts
Gross Profit Margin	**19.3%**	19.9%	-0.6 pts
Earnings Per Share (cents) - Underlying (weighted ave)	**17.7**	18.2	(3%)
Dividends per share (cents)	**10.0**	11.0	-1 cents
Dividend payout ratio - Underlying	**56.8%**	60.9%	-4.1 pts
Dividend payout ratio - Statutory	**58.0%**	56.7%	1.4 pts
Gearing - Statutory (net debt/net debt + equity)	**27.7%**	17.7%	10 pts
Gearing - incl hedging (net debt/net debt + equity)[3]	**28.7%**	18.3%	10.4pts
Interest cover (times EBITDA)	**6.4**	6.9	-0.5 times
Net tangible assets per share ($)	**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 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.

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REVIEW OF OPERATIONS

12 MONTHS TO 30 JUNE 2011

KEY POINTS

- Statutory net profit after tax down 11% to $230 million
- Underlying net profit after tax down 2% to $235 million
- Statutory operating cash flow $463 million
- Final dividend 4 cents per share unfranked
- Underlying EBIT up 3% to $428 million
- Iron ore sales volume 6.04 million tonnes
- Iron Ore EBIT up 57% to $524 million
- Mining consumables EBIT of $65 million
    - New Moly-Cop Group businesses included from 1 January 2011
- Recycling EBIT up 171% to $21 million
- Australian Distribution underlying EBIT down to $10 million
- Manufacturing underlying EBIT loss $185 million
- Statutory gearing 27.7%
- Statutory net debt up 79% due to acquisition of the Moly-Cop Group
- Raw steel production up 7% to 2.31 million tonnes

FINANCIAL OVERVIEW - 12 MONTHS TO 30 JUNE

	STATUTORY		UNDERLYING	
	FY11[1] $M	FY10 $M	FY11 $M	FY10 $M
Sales revenue	7,133	↑ 15% from 6,205	7,133	↑ 15% from 6,205
Earnings before interest, tax, depreciation & amortisation **(EBITDA)**	619	↓ 3% from 638	642	↑ 4% from 618
Depreciation & amortisation	214	↓ 1% from 215	214	↑ 5% from 204
Impairment of plant and equipment	2	↑ from nil	-	-
Earnings before interest and tax **(EBIT)**	404	↓ 5% from 423	428	↑ 3% from 414
Finance costs	101	↑ 13% from 89	101	↑ 13% from 89
Net profit after tax and minorities **(NPAT)**	230	↓ 11% from 258	235	↓ 2% from 241
Earnings per share **(EPS)** weighted average	17.3 cents	↓ 11% from 19.5 cents	17.7 cents	↓ 3% from 18.2 cents
Operating cash flow	463	↓ 23% from 602	477	↓ 27% from 653
Return on funds employed **(ROFE)**	6.9%	↓ from 7.7%	7.3%	↓ from 7.5%
Return on equity **(ROE)**	5.3%	↓ from 5.9%	5.4%	↓ from 5.5%
Gearing (net debt/net debt + equity)	27.7%	↑ from 17.7%	28.7%	↑ from 18.3%
Net debt	1,728	↑ 79% from 964	1,814	↑ 80% from 1,007
Dividends per share	10	↓ from 11 cents	10	↓ from 11 cents

OPERATIONAL OVERVIEW – 12 MONTHS TO 30 JUNE

	FY11 MT	FY10
Total steel tonnes despatched	3.19	↑ from 2.75mt
• Australian tonnes despatched	2.50	↑ from 2.44mt
• Export and overseas tonnes despatched	0.69	↑ from 0.31mt
Total raw steel production[1]	2.31	↑ from 2.15mt

[1] FY11 results include the Moly-Cop Group from 1 January 2011

High grade iron ore tonnes sold Medium and lower grade iron ore tonnes sold	3.46 2.58	↓ from 5.60mt ↑ from 0.43mt
Recycled metals – ferrous tonnes sold Recycled metals – non-ferrous tonnes sold	1.99 0.25	↑ from 1.70mt ↑ from 0.19mt
Staff numbers • Sales per staff member	11,598 $615,000	↑ 9% from 10,598 ↑ 5% from $585,000
Safety Performance • Lost Time Injury Frequency Rate • Medical Treatment Injury Frequency Rate	1.3 6.3	↓ from 1.4 ↓ from 8.3

The commentary below refers to the underlying results.

COMPANY OVERVIEW

Sales revenue for the twelve months ended 30 June 2011 increased 15% to $7,133 million due to higher sales revenue in the Iron Ore and Recycling segments and the contribution of the new mining consumables businesses from 1 January 2011, partly offset by lower sales revenue in the Manufacturing, Australian Distribution and New Zealand Distribution segments.

Revenue for the Iron Ore segment increased 21% to $948 million from $782 million in the prior year. The increase was due to higher iron ore prices as a result of continued strong demand from China. Sales volumes were relatively flat at 6.04 million tonnes compared to 6.03 million tonnes in the prior year. Sales volumes for the 2011 financial year were adversely impacted by a series of severe and unseasonal weather events. Iron ore tonnes sold during the year include 2.58 million tonnes of medium and lower grade ore.

In the Recycling segment, revenue increased 34% to $1,507 million compared to $1,124 million in the prior year. The increase was due to an improvement in demand in both the Australian and international operations and a higher average sales price achieved for both ferrous and non-ferrous scrap. Ferrous tonnes sold increased to 1.99 million tonnes from 1.70 million tonnes in the prior year, while non-ferrous tonnes sold increased to 0.25 million tonnes from 0.19 million tonnes in the prior year.

In the new Mining Consumables segment, revenue increased 59% to $1,079 million compared to $681 million in the prior year due to the contribution of the Moly-Cop and AltaSteel businesses from 1 January 2011, increased revenue in the existing grinding media and ropes businesses, partly offset by reduced revenue in the Australian rail wheels business. Sales volumes increased 68% to 0.84 million tonnes compared to 0.5 million tonnes in the prior year mainly due to the contribution of the new businesses.

Revenue in the Manufacturing and Australian Distribution segments was down 2% to $2,426 million and 3% to $2,439 million respectively, due to the impact of the rapid and significant appreciation in the Australian dollar on prices and volumes together with further weakness in domestic demand. The Australian dollar increased 28% during the year, finishing the financial year at near historical highs.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $642 million for the year, an increase of 4% over the prior year due to increased earnings in the Iron Ore, Recycling and New Zealand Distribution segments and the contribution of the new mining consumables businesses, partly offset by lower earnings in the Manufacturing and Australian Distribution segments.

Finance costs were $101 million, up from $89 million in the prior year mainly due to the acquisition of the new mining consumables businesses on 31 December 2010. The average interest rate for the year was lower than the previous year as a result of lower cost refinancing in USD.

The **sales margin** for the half decreased to 6.0% from 6.7% in the prior year due to lower margins in the Manufacturing, Australian Distribution and Mining Consumables segments, more than offsetting increased margins in the Iron Ore, Recycling and New Zealand Distribution segments.

Net profit after tax and minorities for the period was $235 million, down from $241 million for the prior year due to much weaker performances in the domestic steel businesses, which largely offset stronger performances in the other segments and the contribution of the new mining consumables businesses in the second half. Statutory net profit after tax decreased to $230 million for the period, down on the $258 million for the prior year. Underlying earnings per share for the twelve months to 30 June 2011 (weighted average) was 17.7 cents, down from 18.2 cents for the prior year.

The **effective tax rate** of 21% largely reflects the company tax rate of 30% less the benefit of R&D tax allowances and tax refunds arising from previous years' tax return amendments.

SEGMENT OVERVIEW[2,3]

IRON ORE

12 MONTHS TO	JUN-11 $M	JUN-10 $M	% CHG
Total Revenue/Income	**948**	782	21
EBITDA - Underlying	**554**	361	53
EBIT - Underlying	**524**	333	57
Sales Margin (EBIT)	**55.2%**	42.6%	12.6pts
Assets	**948**	817	16
Funds Employed	**776**	717	8
Return on Funds Employed (%)	**70.1%**	47.4%	22.7pts
Employees (number)	**367**	339	8

Revenue increased 21% to $948 million due to higher iron ore prices reflecting continued strong demand from China. Sales volumes were relatively flat at 6.04 million tonnes compared to 6.03 million tonnes for the prior year. The poor weather conditions at the end of the first half recurred during the second half, adversely affecting mining operations and shipping.

Total iron ore sales for the year of 6.04 million tonnes includes medium and lower grade ore sales of 2.58 million tonnes, in line with the company's guidance provided in May. The business continues to investigate medium grade ore opportunities to take advantage of current favourable market conditions.

Pellet sales for the half were 250 thousand tonnes, and include 130 thousand tonnes of excess pellets generated as a result of the Whyalla blast furnace repair/redesign work.

We continued to make good progress with Project Magnet Phase 2 during the year, aimed at increasing our reserves and resources and analysing opportunities for addressing supply chain bottlenecks. Approximately $60 million in capital expenditure was spent 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 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. Based on our current reserves and the beneficiation of low grade ore, we expect to have sufficient iron ore for at least a further 10 years at the rate of 6 million tonnes per annum.

Commencement of target drilling work related to the non-ferrous exploration program was significantly later than planned due to delays in receiving native title clearances. These have now been received and drilling work has recently commenced. Approximately 11,000 metres of target drilling is expected in the 2012 financial year.

[2] Segment revenues reported include inter-segment sales
[3] 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 on 31 December 2010. The Waratah, ropery and grinding media businesses in the US and Indonesia previously forming part of the Manufacturing segment now form part of the Mining Consumables segment.

EBIT for the segment increased 57% to $524 million compared to $333 million for the prior year due largely to higher iron ore prices compared to the prior year.

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.

RECYCLING

12 MONTHS TO	JUN-11 $M	JUN-10 $M	% CHG
Total Revenue/Income	**1,507**	1,124	34
EBITDA - Underlying	**38**	23	64
EBIT - Underlying	**21**	8	171
Sales Margin (EBIT)	**1.4%**	0.7%	0.7pts
Assets	**653**	711	(8)
Funds Employed	**554**	618	(10)
Return on Funds Employed (%)	**3.6%**	1.3%	2.3pts
Employees (number)	**1,033**	1,019	1.4

In the **Recycling** segment, revenue increased 34% to $1,507 million due to an increase in both ferrous and non-ferrous sales volumes and higher average sales prices compared to the prior year. Ferrous sales volumes increased 17% to 1.99 million tonnes from 1.70 million tonnes in the prior year, and non-ferrous sales volumes were 0.25 million tonnes, up 32% from 0.19 million tonnes in the prior year.

International demand for scrap metal during the year trended up, helping to lift US dollar sales prices in both ferrous and non-ferrous markets. However, Australian dollar prices continued to be significantly impacted by the appreciation in the Australian dollar.

In Australia, the 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 exacerbated by the rapid increase in the Australian dollar. In the United States, there was some modest improvement in price and volumes, with both ferrous and non-ferrous markets finishing the year stronger.

Performance of the US business continued to trend up with higher prices, volumes and margins compared to the prior year. US ferrous and non-ferrous sales volumes were up 34% and 5% respectively. In Australia, despite continued difficult market conditions, ferrous sales volumes increased 9% and non-ferrous sales volumes were up 32%. Average sales prices in Australia were higher for both ferrous and non-ferrous sales, but margins were generally flat compared to the prior year due partly to the impact of the stronger Australian dollar.

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

EBIT for the year increased to $21 million from $8 million in the prior year. This reflects a significant improvement in second half performance over the EBIT loss of $5 million incurred in the first half. The largest contributor to the stronger result was the US business despite foreign currency translation losses, but both the Australian and Asian businesses have shown improvements in the second half and were EBIT positive for the year.

Looking ahead, we expect conditions in the Australian market to remain challenging in the short term with strong competition for the short supply of scrap arisings. We anticipate USD pricing to remain stable in the short to medium term.

We expect the international businesses to continue to perform strongly, with the US business focusing on growth opportunities in niche markets and the Asian businesses building on their existing physical and trading operations.

MINING CONSUMABLES

12 MONTHS TO	JUN-11 $M	JUN-10 $M	% CHG
Total Revenue/Income	**1,079**	681	59
EBITDA - Underlying	**98**	83	17
EBIT - Underlying	**65**	62	5
Sales Margin (EBIT)	**6.1%**	9.2%	(3.1pts)
Assets	**2,262**	1,159	95
Funds Employed	**1,946**	1,054	85
Return on Funds Employed (%)	**4.4%**	6.0%	(1.6pts)
Employees (number)	**1,864**	924	102

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

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 impact of the stronger Australian dollar.

In the South American grinding media business, the impact of the Chilean earthquake had an adverse impact on earnings due to higher priced imported bar being consumed in the second half.

The integration of the new businesses has gone very well and was substantially completed by the end of April, with some ongoing areas handed to line management.

The new Moly-Cop business has performed well and to management's expectations, while the performance of AltaSteel was poor but as expected. The acquired businesses contributed US$43 million EBITDA during the second half. Factors contributing to the poor result in AltaSteel included a dispute between its electricity provider, TransCanada and contracted generator, TransAlta, which directly impacted AltaSteel's electricity contracts, lower margin grinding rod carried over from second half of FY10, and generally poor operational performance. These issues had an adverse impact of approximately US$11 million EBITDA during the second half. These issues have now been either addressed or are in the process of being addressed.

EBIT increased 5% to $65 million from $62 million in the prior year reflecting the contribution of the new businesses in the second half, earnings growth from the company's existing grinding media and Australian ropes businesses, partly offset by a much weaker performance in the Australian rail wheels business compared to the prior year.

Looking ahead, we expect demand for grinding media to remain strong in all of our key markets in the short to medium term with continued high metal prices pushing existing mines to maximise mineral extraction and processing. 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.

MANUFACTURING

12 MONTHS TO	JUN-11 $M	JUN-10 $M	% CHG
Total Revenue/Income	**2,426**	2,473	(2)
EBITDA - Underlying	**(87)**	97	(190)
EBIT - Underlying	**(185)**	(3)	-
Sales Margin (EBIT)	**(7.6)%**	(0.1)%	(7.5pts)
Assets	**2,595**	2,624	(1)
Funds Employed	**2,042**	2,055	(1)
Return on Funds Employed (%)	**(9.0)%**	(0.2)%	(8.8pts)
Employees (number)	**3,424**	3,394	0.9

In the **Manufacturing** segment, revenue decreased 2% to $2,426 million due mainly to a decline in sales volumes and the average sales price compared to the prior year.

Sales volumes during the year were adversely impacted by continuing weak domestic construction activity exacerbated by a further weakening in confidence levels due to factors such as uncertainty over proposed new domestic taxes, European and US debt issues, higher interest rates and wet weather conditions throughout the year. Sales volumes in Manufacturing were around 20% below pre-GFC levels during the year.

Margins were significantly adversely affected by the impact of the rapid run up in the Australian dollar on domestic prices in an environment of weak demand and from higher raw material costs. Internationally, higher raw material costs pushed up international steel prices in the second and third quarters, but this was not reflected in domestic prices until around March/April due to the impact of the rapid increase in the Australian dollar. The business was on track for a much improved fourth quarter due to significantly improved pricing but a further rapid run up in the Australian dollar early in that quarter resulted in further price and margin pressure and a deferral of sales volumes in May and June.

The **Rod and Bar** business continued to be adversely impacted by weak activity levels in key manufacturing and construction segments. Sales volumes from the Steel in Concrete segment were down approximately 6% compared to the prior year, due primarily to weaker demand from privately funded non-residential construction, cessation of Federal Government spending on the Building Education Revolution (BER) and the removal of the first home owners grant, impacting new housing starts. Average prices were also lower than in the prior year due to the impact of the stronger Australian dollar. Mebar volumes were flat year on year. Rod and Bar margins were adversely affected by weaker prices due to the impact of the stronger Australian dollar and higher raw material costs.

Sales volumes in the **Wire** business were mixed, with rural sales increasing slightly and manufacturers' sales down 8% driven primarily by a combination of general market softness and increased competition in a range of products. The average wire price was down marginally due to the impact of the stronger Australian dollar.

In the **Australian Tube Mills** business, volumes were down 5% compared to the prior year, but market share increased slightly. Volumes were impacted by weak construction and manufacturing activity and de-stocking by distributors, resellers and end users as prices trended down during the third and fourth quarter and working capital constraints became a significant issue. Margins were adversely affected by the impact of the stronger Australian dollar on prices.

LiteSteel™ Technologies market penetration in Australia during the year slowed due to the winding down of the Government stimulus BER and weak activity in residential construction. The business launched residential flooring solutions during the year, gaining market acceptance and is well positioned for growth. In the US, the environment continues to be challenging due to a combination credit availability issues, high unemployment and weak consumer and business confidence. The business is continuing to support its marketing partner, Maruichi Steel Tube Ltd in the Japanese domestic market.

Steel production for the year increased to 2.31 million tonnes compared to 2.15 million tonnes in the prior year. Included in the 2011 financial year production is 0.15 million tonnes from AltaSteel from 1 January 2011. Excluding AltaSteel, production would have been flat year on year. Steelmake was 430 thousand tonnes at the Sydney Steel Mill, 580 thousand tonnes at Laverton, 250 thousand tonnes at Waratah and 910 thousand tonnes at Whyalla.

The Whyalla blast furnace underwent repair and re-design work to address accelerated wear around the bosh and lower stack components of the furnace over most of May and June and was ramped up to normal operating levels during July. The total capital cost of this work was $65 million and the net impact of the work on the company's EBIT for the FY11 year was negative $15 million. The company expects this will extend the design life of the blast furnace beyond 2020.

The business continued to focus on cost and 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 continued weak external environment. This initial review will involve labour reductions across the Manufacturing and Australian Distribution businesses. 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.

EBIT for the year decreased significantly to a loss of $185 million compared to an EBIT loss of $3 million in the prior year. The poor and unacceptable performance was due to a further deterioration in the external environment that led to a further decline in demand levels, lower average prices as a result of the impact of the rapid and significant appreciation in the Australian dollar, higher raw material costs, and additional costs related to the blast furnace shut in May and June.

Looking ahead, we expect to see continued price pressure due to the effect of the high Australian dollar and under utilisation of international steel capacity. The Manufacturing segment continues to focus on cost reduction initiatives, with a continued focus on labour costs and working capital improvements.

AUSTRALIAN DISTRIBUTION

12 MONTHS TO	JUN-11 $M	JUN-10 $M	% CHG
Total Revenue/Income	**2,439**	2,521	(3)
EBITDA - Underlying	**40**	92	(57)
EBIT - Underlying	**10**	60	(83)
Sales Margin (EBIT)	**0.4%**	2.4%	(2.0pts)
Assets	**1,485**	1,509	(2)
Funds Employed	**1,134**	1,129	1
Return on Funds Employed (%)	**0.9%**	5.2%	(4.3pts)
Employees (number)	**3,498**	3,626	(4)

In the **Australian Distribution** segment, revenue decreased 3% to $2,439 million due a lower average selling price, reflecting the significant appreciation in the Australian dollar and generally weak sales volumes. 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 sales margin decreased 2 percentage points to 0.4%, compared to 2.4% for the prior year.

The slow down in activity levels experienced towards the end of the previous financial year continued through the first half with confidence levels impacted by factors such as uncertainty around new taxes, the Federal election, doubt in international steel markets and higher interest rates. Domestic demand also weakened due to the continued tight availability of credit, and margins came under further pressure from lower prices related to the strong Australian dollar. This adverse external environment continued into the second half and was exacerbated by further weakness in confidence levels related to the European and US debt issues, and adverse weather leading to the deterioration in already weak activity levels.

Across the sectors, mining production activity remained strong despite a slower than anticipated recovery in production following the Queensland floods early in the second half, and in mining investment there were encouraging signs towards the end of the financial year that activity is starting to improve. There was an improvement in publicly funded civil construction work during the year as a number of infrastructure projects commenced, but there was a further decline in privately funded non-residential construction due to continued credit availability issues. 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 weak activity levels over the year.

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 for the business and improve customer focus and responsiveness.

Towards the end of the financial year the Australian Distribution business implemented cost initiatives across the business, including repositioning some businesses for improved profitability, revision of operating models and staff redundancies. The business continues to review its facilities and cost base and focus on initiatives to conserve cash.

In the **Metaland/Steel & Tube** businesses, volumes were flat compared to the prior year, however volumes in the second half were up 10% on the previous half due to market effectiveness and market share gains rather than an improvement in market activity which continued to be affected by weak levels of commercial construction, partly offset by improved mining investment activity.

In the **Merchandising (Sheet, Coil & Aluminium and Piping Systems)** businesses, revenue increased 5% compared to the prior year due mainly to increased revenue from Oil and Gas projects and stronger Sheet and Coil sales. Piping Systems performed well and margins remained relatively strong.

In **Steel in Concrete**, sales volumes in the OneSteel Reinforcing business were down 2% from the previous year due mainly to record levels of wet weather. Prices and margins in the business were also down, impacted by the significant run up in the Australian dollar over the year and under utilisation of international steel capacity. In the ARC business, volumes were up 3% on the prior year, but prices were down also due to the stronger Australian dollar. Margins were adversely affected by the impact of the stronger Australian dollar on prices.

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

NEW ZEALAND DISTRIBUTION

12 months to	JUN-11 $M	JUN-10 $M	% chg
Total Revenue/Income	**296**	304	(3)
EBITDA - Underlying	**25**	18	36
EBIT - Underlying	**20**	13	53
Sales Margin (EBIT)	**6.7%**	4.3%	2.4pts
Assets	**173**	175	(1)
Funds Employed	**114**	115	(1)
Return on Funds Employed (%)	**17.4%**	9.7%	7.7pts
Employees (number)	**692**	711	(3)

In the **New Zealand Distribution** segment, revenue decreased 3% to $296 million from $304 million in the previous corresponding period due to lower prices and flat volumes. EBIT increased 53% to $20 million due to a greater focus on operating expenses and improved margins. The business has also implemented a new operating model 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.

The manufacturing segment started the year slowly with a slight improvement in the second half with Government infrastructure projects continuing to assist volumes. 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, including cash and balance sheet management, inventory costs and the rationalisation of premises.

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.

ONESTEEL OUTLOOK

In our international markets, the short term outlook remains positive for steel making 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.

We are targeting iron ore external sales of between 6.0 to 6.3 million tonnes for the 2012 financial year, including 2.5 to 3.0 million tonnes of medium grade ore.

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. However, initiatives implemented in the Australian business during the past year have improved its ability to manage through these challenges. Non-ferrous trading is expected to continue to improve.

In Mining Consumables, we expect the continued strength in mining activity to underpin strong demand in both the Americas and Australasia. Increasing demand in our grinding media businesses is expected to be underpinned by strong demand for copper and gold in particular. We are putting in place measures to improve operational and cost performance at the AltaSteel mill.

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 if the Australian dollar continues at recent high levels.

Despite our continued focus and good progress on reducing the cost base of our Australian steel businesses, we do not expect the benefits to be sufficient to offset the impact of the very challenging external environment. In addition to continuing to focus on cost reduction and cash generation in these businesses, we have commenced a review of our steel product portfolio and footprint options.

Production and operating levels are expected to be relatively flat for the first half of the 2012 financial year. Steelmake for our Sydney and Laverton electric arc furnaces is expected to be approximately 480 thousand tonnes for the first half, Waratah is expected to be approximately 120 thousand tonnes and Whyalla is expected to be approximately 525 thousand tonnes for the half. The Whyalla blast furnace ramp up and resumption in steel production has been ahead of plan and we are very encouraged with the blast furnace performance to date following the repair and redesign work.

The high level of uncertainty around key factors that affect OneSteel's earnings such as; the Australian dollar, Australian and international prices for steel and steelmaking inputs, the international economy and the level and nature of growth in the domestic economy, means that it is not appropriate to provide quantitative earnings guidance at this time. However, overall performance early this financial year reflects the continuation of the external environment from the previous half that were positive for our resources focused businesses, but adverse for our Australian steel businesses.

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.

FINANCIAL SUMMARY

Profit & Loss Summary - Underlying Year ended 30 June	FY11[1] $m	FY10[2] $m	FY09[3] $m	FY08[4] $m	FY07[5] $m	FY06[6] $m	FY05[7] $m	FY04[8] $m	FY03 $m	FY02 $m	FY01 $m
Revenue/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**
EBITDA	**642.0**	**617.6**	**661.2**	**807.7**	**436.1**	**396.7**	**377.1**	**324.2**	**307.6**	**251.0**	**202.6**
Depreciation & Amortisation	(213.5)	(203.9)	(199.5)	(194.9)	(96.2)	(94.0)	(97.5)	(87.1)	(86.5)	(84.2)	(84.2)
EBIT	**428.5**	**413.7**	**461.7**	**612.8**	**339.9**	**302.7**	**279.6**	**237.1**	**221.1**	**166.8**	**118.4**
Finance costs	(101.1)	(89.2)	(172.2)	(159.6)	(55.8)	(56.7)	(53.6)	(42.2)	(44.5)	(54.4)	(61.8)
Profit before Tax	**327.4**	**324.5**	**289.5**	**453.2**	**284.1**	**246.0**	**226.0**	**194.9**	**176.6**	**112.4**	**56.6**
Tax Expense	(84.8)	(81.6)	(64.1)	(128.0)	(74.7)	(60.8)	(55.4)	(53.4)	(53.3)	(39.0)	(12.1)
Profit after Tax	**242.6**	**242.9**	**225.4**	**325.2**	**209.4**	**185.2**	**170.6**	**141.5**	**123.3**	**73.4**	**44.5**
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)
Net Profit after Tax	**235.4**	**240.6**	**215.3**	**315.0**	**197.5**	**171.6**	**153.1**	**129.1**	**113.8**	**66.0**	**38.6**

Cashflow Summary Year ended 30 June	FY11 $m	FY10 $m	FY09 $m	FY08 $m	FY07 $m	FY06 $m	FY05 $m	FY04 $m	FY03 $m	FY02 $m	FY01[9] $m
Profit after tax adjusted for non-cash items	220.7	258.9	237.6	271.6	210.4	200.0	155.1	125.2	108.5	47.8	(20.8)
Depreciation, Amortisation & Impairment	215.7	215.1	201.8	212.5	96.2	94.0	91.7	108.1	106.3	103.1	99.2
Working capital movements	26.7	128.1	(71.4)	(133.3)	(30.1)	(43.2)	(10.9)	(45.0)	42.9	(58.3)	211.9
Capital & investment expenditure	(1,244.2)	(206.8)	(190.9)	(740.1)	(360.5)	(227.6)	(127.5)	(151.4)	(130.9)	(70.8)	(108.4)
Asset sales	25.8	16.7	32.6	3.8	12.2	6.7	4.9	45.3	16.7	56.2	116.8
Other	4.0	-	-	0.8	(0.8)	1.9	0.8	2.7	(1.0)	65.9	(128.6)
Operating and investing cash flows	**(751.3)**	**412.0**	**209.7**	**(384.7)**	**(72.6)**	**31.8**	**114.1**	**84.9**	**142.5**	**143.9**	**170.1**
Movement in securitisation			-	-	-	-	(201.2)	-	-	-	-
Dividends paid	(163.6)	(123.8)	(178.7)	(170.2)	(114.9)	(94.2)	(84.9)	(73.3)	(54.1)	(35.1)	(16.0)
Capital movements	10.5	15.3	797.3	37.0	27.4	16.9	12.3	16.7	13.0	66.3	-
Total Cash Flow	**(904.4)**	**303.5**	**828.3**	**(517.9)**	**(160.1)**	**(45.5)**	**(159.7)**	**28.3**	**101.4**	**175.1**	**154.1**

Balance Sheet As at 30 June	FY11 $m	FY10 $m	FY09 $m	FY08 $m	FY07 $m	FY06 $m	FY05 $m	FY04 $m	FY03 $m	FY02 $m	FY01 $m
Cash	153.7	83.4	54.9	151.2	59.5	19.6	55.0	54.2	19.5	11.4	14.1
Receivables	925.0	829.3	827.1	1,185.3	640.9	635.4	643.1	487.8	439.9	452.8	561.5
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
Property, plant and equipment	2,579.3	2,302.3	2,369.0	2,361.1	1,537.1	1,339.7	1,190.9	1,188.2	1,167.4	1,160.0	1,224.2
Intangibles	2,590.7	2,070.0	2,074.6	2,031.3	214.3	220.2	226.7	246.9	260.1	261.4	234.4
Other Assets	461.7	349.7	367.6	263.7	281.4	165.0	134.7	121.5	99.1	122.3	136.3
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**
Interest-bearing liabilities	1,882.1	1,047.1	1,278.8	2,098.4	829.3	658.4	700.3	523.2	489.7	583.0	776.5
Creditors	1,007.3	863.1	613.7	1,014.8	635.1	545.4	615.7	569.9	467.7	425.1	444.4
Provisions	498.6	396.8	407.4	419.7	207.5	208.8	212.5	188.1	191.5	212.2	237.0
Other Liabilities	421.4	268.0	296.9	329.2	247.6	224.6	170.3	148.6	143.1	139.1	136.7
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**
NET ASSETS	**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**
Contributed equity	3,761.6	3,751.1	3,735.2	2,929.9	1,153.6	1,126.2	1,107.9	1,096.3	1,079.6	1,066.6	995.0
Non-controlling interests	59.9	60.2	61.1	57.7	63.3	56.7	61.8	56.7	54.7	53.1	52.1
Retained earnings & Reserves	684.2	681.4	540.0	441.8	433.1	318.7	218.6	220.4	150.7	102.9	69.1
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**

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 $14.2m 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 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 $9.5m.
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 AIFRS 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 Excluding provisions, pro forma.

Year ended 30 June	Total Revenue/Income			EBITDA - Underlying			EBIT - Underlying			Assets		
$ millions	**2011**	2010	% Chg	**2011**	2010	% Chg	**2011**	2010	% Chg	**2011**	2010	% Chg
Iron Ore	**948.4**	782.3	21.2	**554.2**	361.2	53.4	**523.5**	333.4	57.0	**948.4**	816.7	16.1
Recycling	**1,507.2**	1,123.7	34.1	**37.6**	22.9	64.2	**20.9**	7.7	171.4	**652.5**	710.7	(8.2)
Manufacturing[1]	**2,425.9**	2,472.9	(1.9)	**(86.6)**	96.5	(189.7)	**(184.6)**	(3.4)	-	**2,594.8**	2,623.9	(1.1)
Mining Consumables	**1,079.3**	680.1	58.7	**97.7**	83.2	17.4	**65.3**	62.3	4.8	**2,262.4**	1,158.5	95.3
Australian Distribution	**2,438.6**	2,520.6	(3.3)	**39.6**	91.8	(56.9)	**10.2**	60.2	(83.1)	**1,485.1**	1,509.0	(1.6)
NZ Distribution	**296.2**	303.8	(2.5)	**24.7**	18.2	35.7	**19.9**	13.0	53.1	**173.4**	175.2	(1.0)
Unallocated	**11.4**	10.4	9.6	**(25.2)**	(45.8)	(45.0)	**(26.7)**	(49.1)	(45.6)	**367.5**	256.5	43.3
Intersegment eliminations	**(1,529.8)**	(1,632.9)	(6.3)	**-**	(10.4)	(100.0)	**-**	(10.4)	(100.0)	**(169.0)**	(182.8)	(7.5)
Consolidated	**7,177.2**	6,260.9	14.6	**642.0**	617.6	4.0	**428.5**	413.7	3.6	**8,315.1**	7,067.7	17.6

1 The FY10 results for the Manufacturing segment has 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.

Year ended 30 June	Iron Ore[1]			Recycling			Manufacturing[1]		
$ millions	**2011**	2010	% Chg	**2011**	2010	% Chg	**2011**	2010	% Chg
Total Revenue/Income	**948.4**	782.3	21.2	**1,507.2**	1,123.7	34.1	**2,425.9**	2,472.9	(1.9)
EBITDA - Underlying	**554.2**	361.2	53.4	**37.6**	22.9	64.2	**(86.6)**	96.5	(189.7)
EBIT - Underlying	**523.5**	333.4	57.0	**20.9**	7.7	171.4	**(184.6)**	(3.4)	-
Sales Margin (EBIT)	**55.2%**	42.6%	12.6pts	**1.4%**	0.7%	0.7pts	**(7.6%)**	(0.1%)	-7.5pts
Assets	**948.4**	816.7	16.1	**652.5**	710.7	(8.2)	**2,594.8**	2,623.9	(1.1)
Funds Employed	**776.3**	717.4	8.2	**554.3**	618.4	(10.4)	**2,042.1**	2,054.5	(0.6)
Return on Funds Employed (%)	**70.1%**	47.4%	22.7pts	**3.6%**	1.3%	2.3pts	**(9.0%)**	(0.2%)	-8.8pts
Employees (number)	**367**	339	8.3	**1,033**	1,019	1.4	**3,424**	3,394	0.9

Year ended 30 June	Mining Consumables			Australian Distribution			NZ Distribution		
$ millions	**2011**	2010	% Chg	**2011**	2010	% Chg	**2011**	2010	% Chg
Total Revenue/Income	**1,079.3**	680.1	58.7	**2,438.6**	2,520.6	(3.3)	**296.2**	303.8	(2.5)
EBITDA - Underlying	**97.7**	83.2	17.4	**39.6**	91.8	(56.9)	**24.7**	18.2	35.7
EBIT - Underlying	**65.3**	62.3	4.8	**10.2**	60.2	(83.1)	**19.9**	13.0	53.1
Sales Margin (EBIT)	**6.1%**	9.2%	-3.1pts	**0.4%**	2.4%	-2pts	**6.7%**	4.3%	2.4pts
Assets	**2,262.4**	1,158.5	95.3	**1,485.1**	1,509.0	(1.6)	**173.4**	175.2	(1.0)
Funds Employed	**1,945.7**	1,053.6	84.7	**1,133.6**	1,128.5	0.5	**113.8**	114.9	(1.0)
Return on Funds Employed (%)	**4.4%**	6.0%	-1.6pts	**0.9%**	5.2%	-4.3pts	**17.4%**	9.7%	7.7pts
Employees (number)	**1,864**	924	101.7	**3,498**	3,626	(3.5)	**692**	711	(2.7)

1 The FY10 results for the Manufacturing segment has 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.

Variances between Underlying and Statutory Earnings	EBITDA		EBIT		Profit before tax		Net profit after tax		Tax benefit / (expense)	
	FY11 $m	**FY10 $m**	**FY11 $m**	**FY10 $m**	**FY11 $m**	**FY10 $m**	**FY11 $m**	**FY10 $m**	**FY11 $m**	**FY10 $m**
Statutory result	**619**	638	**404**	423	**303**	334	**230**	258	**(65)**	(76)
Restructuring costs including impairment[1]	**9**	2	**11**	2	**11**	2	**8**	1	**(3)**	(1)
Tax benefits relating to prior years[2]	**-**	-	**-**	-	**-**	-	**(17)**	(20)	**(17)**	(20)
Acquisition costs[3]	**14**	-	**14**	-	**14**	-	**14**	-	**-**	-
Legal claim settlement[4]	**-**	(23)	**-**	(23)	**-**	(23)	**-**	(16)	**-**	7
Tax consolidation expense/(benefit)[5]	**-**	-	**-**	-	**-**	-	**-**	9	**-**	9
Accelerated depreciation on blast furnace staves[6]	**-**	-	**-**	11	**-**	11	**-**	9	**-**	(2)
Underlying result	**642**	617	**429**	413	**327**	324	**235**	241	**(85)**	(83)

1 Restructuring costs relate to redundancies from organisational changes and other direct expenditure associated with business restructures.
2 Tax benefits relating to prior years primarily relate to Research & Development claims, capital and consumables deductions not previously recognised.
3 Direct costs relating to the acquisition of the Moly-Cop Group.
4 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.
5 Tax consolidation adjustments arising on finalisation of reset tax values.
6 Accelerated depreciation on certain blast furnace staves as a result of disruptions occurring during the year ended 30 June 2010.

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of OneSteel and certain plans and objectives of the management of OneSteel. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', ‘anticipate’, ‘believe’, ‘estimate’, ‘may’, ‘should’, ‘will’ or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of OneSteel, which may cause the actual results or performance of OneSteel to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this announcement. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, the cyclical nature of the steel industry, the level of activity in the Australian construction, manufacturing, mining, agricultural and automotive industries and, to a lesser extent, the same industries in Asia and New Zealand, mining activity in the Americas, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, OneSteel's relationships with, and the financial condition of, its suppliers and customers, legislative changes, regulatory changes or other changes in the laws which affect OneSteel's business, including environmental laws and the Carbon Tax, and operational risk. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements.

Further information about OneSteel Limited can be accessed via the website at **www.onesteel.com**. The Review of Operations forms part of a package of information about the company’s financial results and should be read in conjunction with the other Full Year Financial Results materials for the period ended 30 June 2011 including the ASX Release, FY11 Results Presentation and the Full Year Financial Report for the period ended 30 June 2011.

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FINANCIAL RATIOS

YEAR ENDED 30 JUNE

$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 11/10
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 & 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 - Statutory	1,728.4	963.7	1,223.9	1,947.2	769.8	638.8	645.3	469.0	470.2	571.6	762.4	762.4	79.4%
Securitisation (to Jan 2005)								200.0	200.0	200.0	191.0	191.0	
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	-1cents
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 - 2004 has been presented under previous AGAAP and have not been restated under International Financial Reporting Standards (IFRS). The nature of the main adjustments to make the information comply with IFRS include:

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

Note that the underlying earnings presented for the years 2001 - 2004 have been adjusted to exclude goodwill amortisation.

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 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.

FY11 Results Presentation

Geoff Plummer, Managing Director & CEO
Robert Bakewell, Chief Financial Officer

16 August 2011

The FY11 Results Presentation forms part of a package of information about the Company’s financial results for the year ended 30 June 2011 and should be read in conjunction with the other FY11 Results materials including the ASX Release, Review of Operations, and the Full Year Financial Report for the year ended 30 June 2011.

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of OneSteel and certain plans and objectives of the management of OneSteel. Forward-looking statements can generally be identified by the use of words such as ‘project’, ‘foresee’, ‘plan’, ‘expect’, ‘aim’, ‘intend’, ‘anticipate’, ‘believe’, ‘estimate’, ‘may’, ‘should’, ‘will’ or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of OneSteel, which may cause the actual results or performance of OneSteel to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this presentation. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, the cyclical nature of the steel industry, the level of activity in the construction, manufacturing, mining, agricultural and automotive industries in Australia and North and South America and, to a lesser extent, the same industries in Asia and New Zealand, mining activity in the Americas, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, OneSteel's relationships with, and the financial condition of, its suppliers and customers, legislative changes, regulatory changes or other changes in the laws which affect OneSteel's business, including environmental laws, a carbon tax, proposed mining tax and operational risk. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements.

The information in this presentation that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Paul Leevers, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Leevers is a full-time employee of OneSteel Manufacturing Pty Ltd. Mr Leevers 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 this presentation of the matters based on his information in the form and context in which it appears.

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FY11 overview

- Statutory net profit after tax $230* million, down 11% pcp
- Underlying net profit after tax $235* million, down 2% pcp
  - Excludes direct costs of Moly-Cop Group acquisition, restructuring costs and tax benefits relating to prior years
- Balance sheet sound
  - Statutory gearing 27.7%
  - Completed debt refinancing program in July 2011
- Solid cash generation
- Final dividend 4 cents per share (unfranked)
- Performance reflects level of strength in markets of our different businesses, with Iron Ore, Mining Consumables and other international businesses performing best
- Iron Ore segment was again the highlight
- Recycling segment showed solid improvement in second half
- Mining Consumables segment performed well, with Moly-Cop results in line with expectations
- Australian steel segments' performance was poor and unacceptable, affected by significant appreciation in AUD, continued weak demand exacerbated by poor weather, and impact of Whyalla blast furnace shut

*Includes earnings from the Moly-Cop Group acquisition from 1 January 2011

FY11 overview

Statutory and underlying results

	Statutory		Underlying		
	FY11 $m	% change from FY10	FY11 $m	% change from FY10	Comment
Net profit after tax	230	↓ 11	235	↓ 2	Underlying net profit excludes direct costs related to acquisition of $14m, restructuring costs of $8m and tax benefits relating to prior years of $17m (all net of tax)
Operating cash flow	463	↓ 23	477	↓ 27	Underlying operating cash flow excludes the cash impact of direct costs related to the Moly-Cop Group acquisition

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FY11 overview

Statutory and underlying results

	FY11 $m	FY10 $m		% change
Net debt - statutory	1,728	964	↑	79
Net debt - underlying*	1,814	1,007	↑	80
Gearing ratio – statutory (net debt to net debt plus equity)	27.7%	17.7%	↑	10.0pts
Gearing ratio – underlying* (net debt to net debt plus equity)	28.7%	18.3%	↑	10.4pts

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

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FY11 operational overview

- Resources focused Iron Ore and Mining Consumables segments performed well, improved performance in Recycling and New Zealand Distribution businesses, but overall operational performance continued to be impacted by adverse external environment, particularly in Australian steel businesses
  - Further weakness in Australian steel demand
  - Steel margins adversely impacted by:
    - Lower steel prices due to further appreciation in AUD
    - Higher raw material costs
- Underlying EBIT up 3% to $428m vs $414m pcp
- Iron Ore EBIT up 57% to $524m – higher prices due to continued strong demand from China
- Recycling EBIT up 171% to $21m – Australian and international businesses EBIT positive for year, higher average prices and volumes for both ferrous and non-ferrous
- Mining Consumables EBIT $65m – continued strong mining activity, grinding media and Australian ropes businesses the best performers
- Manufacturing underlying EBIT $185m loss
  - Lower volumes and prices, and higher raw material costs
  - 28% appreciation in AUD over year
- Australian Distribution underlying EBIT down 83% to $10m – continued weak volumes, margins significantly adversely affected by impact of 28% appreciation in AUD on domestic prices

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Market conditions and external factors

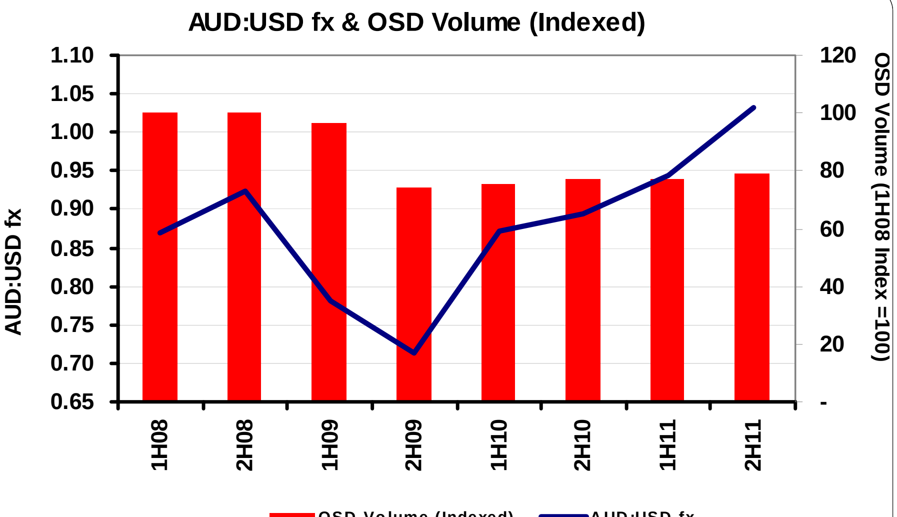
International

- Chinese demand for iron ore and spot prices stronger through the year, but particularly in second half with prices close to near record highs
- Improvement in scrap market, especially non-ferrous. Improved volumes but still volatile and well below pre-GFC levels. Scrap prices stronger and relatively stable in second half for ferrous, and availability of scrap arisings remained tight
- Continued strong mining activity
- Steel prices generally driven by raw material costs. Utilisation rates improved but still low, particularly in developed countries
- Steel margins still tight

Market conditions and external factors

Australia

- Further weakness in Australian demand following stall in recovery last May
  - Minimal recovery from effects of GFC on Australian construction activity, delays in commencement of some significant civil works projects
  - De-stocking/deferral of sales during 1H and in fourth quarter
  - Weaker confidence levels (factors such as new taxes, European debt issues, interest rate and AUD concerns)
  - Wet weather
- Weaker Australian steel prices due to rapid appreciation of AUD
- International steel prices trended up through 1H but domestic prices trended down due to impact of stronger AUD and lag impact. Domestic prices increased through February to April, but rapid appreciation of AUD early 4th quarter led to less than planned price increases being achieved in May and reductions from June



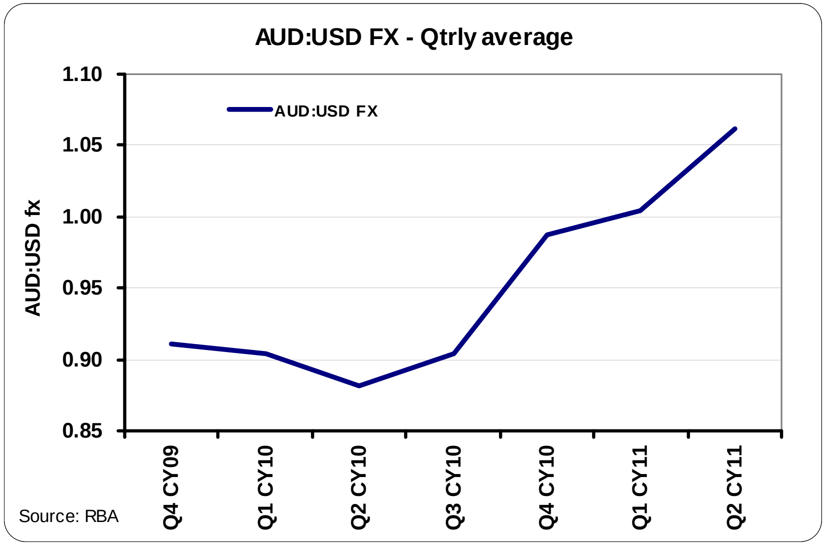
Source: RBA, OST

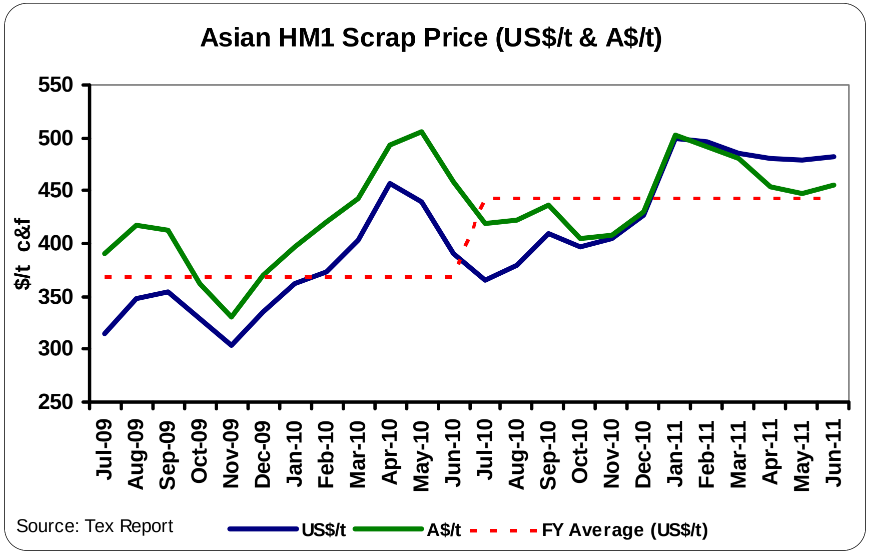
Market conditions and external factors

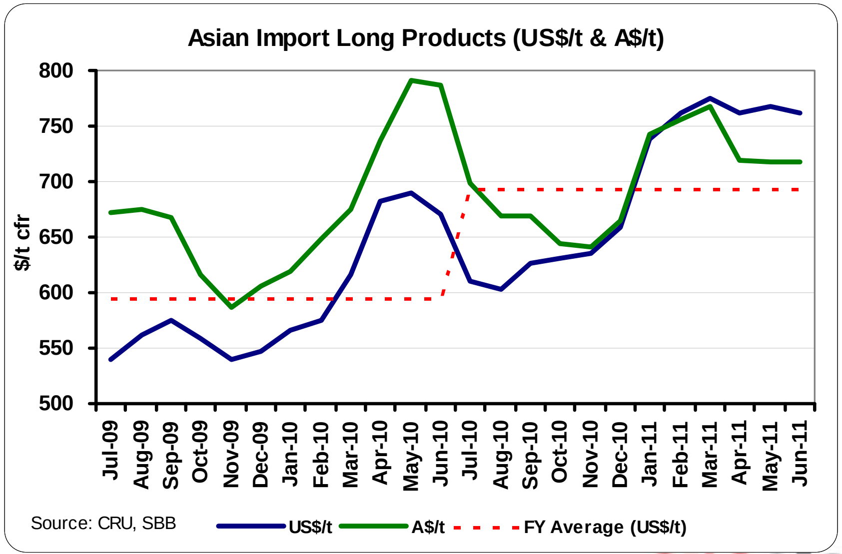
- Australian steel segments – on balance continued very weak markets with:
  - Resources: relatively strong, particularly in mining consumables and starting to see improvement in mining investment towards from end of FY11
  - Engineering construction: some improvement in 2H due to commencement of Government funded infrastructure projects
  - Non-residential construction: privately funded non-residential construction continued to be very weak
  - Residential construction: weaker due to multiple interest rate increases, low confidence and reduced Government incentives
  - Other: rural mixed and manufacturing continues to reflect two-speed economy

Market conditions and external factors

- Australian steel margins adversely affected by impact of significant and rapid increase in AUD and higher raw material costs







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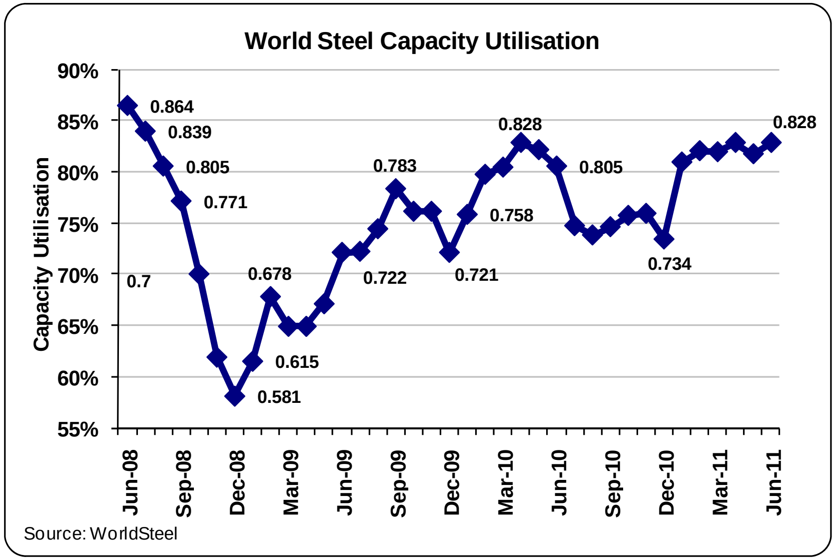
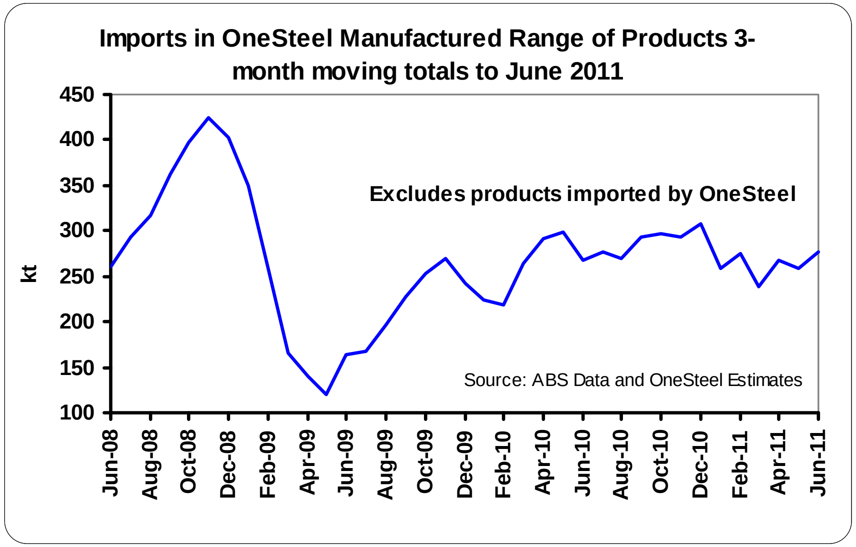
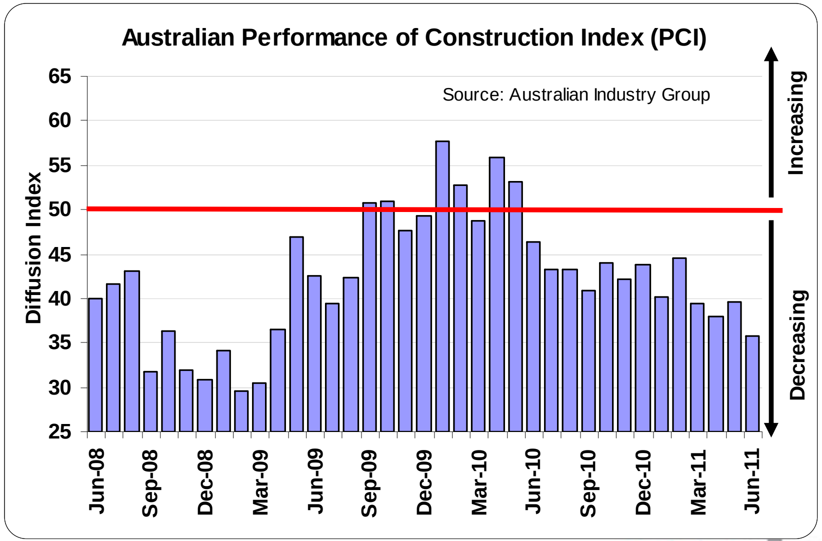
Market conditions and external factors

- Australian steel demand and pricing adversely impacted by weak domestic construction activity, underutilisation in international steel markets and impact of stronger AUD on domestic prices

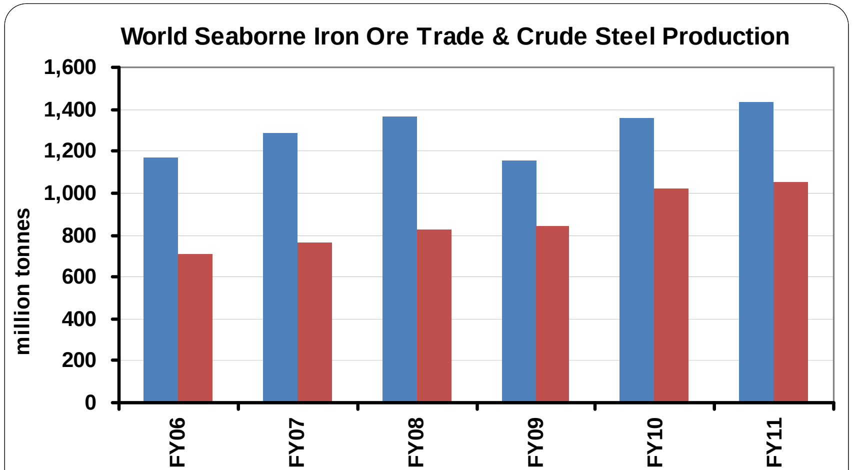




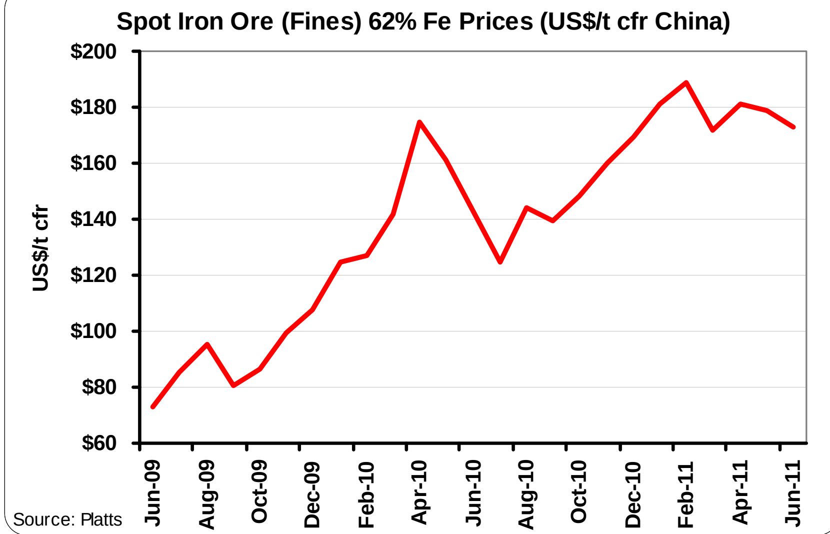


Market conditions and external factors

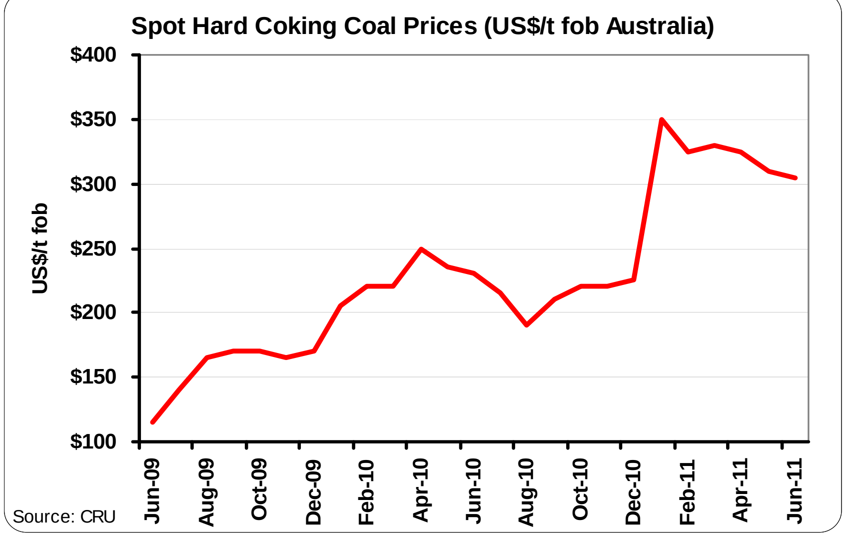
- Overall steel production and demand growing strongly, underpinning high raw material prices



Source: CRU, Macquarie Research, WorldSteel



Source: Platts



Source: CRU

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FY11 segment structure

Iron Ore	Recycling	Manufacturing	Mining Consumables	Australian Distribution
Iron ore mines Iron ore lump Iron ore fines Lower grade ore Pellet plant **Dolomite mines**	**Australian Recycling** **International Recycling** Asia USA	**Whyalla Steelworks** Structural Rolling Mills Rail Products Facilities Slabs & Billets Steelmaking by-products (e.g. coke) **Laverton Steel Mill** Electric Arc Furnace Laverton Rolling Mills **Sydney Steel Mill** Electric Arc Furnace Sydney Bar Mill **Wire Mills** Newcastle Wire Mill Geelong Wire Mill **Newcastle Rod Mill** **Australian Tube Mills** **LiteSteel™ Technologies**	**Moly-Cop (Grinding Media)** Australia (Waratah) Indonesia Canada USA Chile Peru Mexico **AltaSteel** Electric Arc Furnace Rolling Mill Scrap **Waratah Steel Mill** Electric Arc Furnace Bar Mill, Rail & Forge **Wire Ropery**	**ARC - Australian Reinforcing Company** **OSR - OneSteel Reinforcing** **Merchandising** **Metaland/Steel & Tube**

New Zealand Distribution segment not shown (represents OST's 50.3% shareholding in Steel & Tube Holdings Limited)

FY11 Iron Ore results

	FY11 $m	FY10 $m		% change
Total revenue/income	948	782	↑	21
EBITDA	554	361	↑	53
EBIT	524	333	↑	57
Sales margin	55.2%	42.6%	↑	12.6pts
Assets	948	817	↑	16
Funds employed	776	717	↑	8
Return on funds employed	70.1%	47.4%	↑	22.7pts
Employees (number)	367	339	↑	8
External lump & fines iron ore sales	6.04mt	6.03mt	↑	-
Other ore by products etc.	470kt	460kt	↑	2
Pellet sales	250kt	350kt	↓	(29)

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FY11 Iron Ore results

Key Points

- Sales:
  - 6.04 million tonnes of hematite iron ore
    - Includes 3.46mt HGO, 2.50mt MGO, 0.08mt LGO
    - Contract sales 70%, Spot sales 30%
    - Mix approximately 55% fines, 45% lump
  - Ore by products 470kt
  - Pellets 250kt
    - Includes 40kt and 130kt related to FY10 and FY11 blast furnace work respectively
    - Remaining pellets from blast furnace shut absorbed in ramp up due to decision to undertake pellet plant maintenance in July 2011
- Very poor weather during year affected mining and supply chain resulting in MGO replacing some forecast HGO sales and reduction of volumes by equivalent of two cape shipments
- Spot prices trended up to reach near record highs in February and remained near this level over balance of year
- Average freight rates lower compared to prior year
- Loaded cost on ship* A$36 per tonne
- EBIT of $524m up 57% pcp – higher prices and lower freight rates

*Excludes depreciation, freight, overheads and costs related to pellet sales

FY12 Iron Ore outlook

- Sales target 6.0 - 6.3 million tonnes, plus approx. 100kt pellets
  - Includes approximately 2.5 – 3.0mt of medium grade ore (Fe 56% - 60%)
    - Helps to support production and sales given mining constraints
    - Take advantage of current market conditions
- Sales mix expected to be approximately 55% fines, 45% lump
- Loaded cost on ship* expected to increase due to higher royalty charges and increased costs related to opening up of new mining areas
  - Cost expected to be in A$40 – 45* range, reflecting increased royalty costs and additional costs associated with moving to new mining areas

*Excludes depreciation, freight, overheads and costs related to pellet sales

FY11 Recycling results

	FY11 $m	FY10 $m	% change	
Total revenue/income	1,507	1,124	↑	34
EBITDA	38	23	↑	64
EBIT	21	8	↑	171
Sales margin	1.4%	0.7%	↑	0.7pts
Assets	653	711	↓	(8)
Funds employed	554	618	↓	(10)
Return on funds employed	3.6%	1.3%	↑	2.3pts
Employees (number)	1,033	1,019	↑	1
Scrap recycling tonnes	2.24mt	1.88mt	↑	19

FY11 Recycling results

Key Points

- Improved performance in Australian and international businesses compared to pcp, but domestic margins still adversely impacted by weak sales volumes, reduced margins (due to competition for the short supply of arisings related to weak construction and industrial activity), and impact of appreciation in AUD
- Sales revenue up 34% - higher prices and improved ferrous and non-ferrous volumes
- Ferrous market
  - Sales volumes up 17% but international demand remained volatile. Compared to pre-GFC levels, Australian volumes still down around 15-20%
  - Average USD and AUD margins impacted compared to pcp, but AUD prices impacted by appreciation in AUD
- Non-ferrous market – pricing and volumes relatively strong
- EBIT improved to $21m compared to EBIT of $8m in prior year. Much stronger second half EBIT of $26m compared to first half EBIT loss of $5m. International businesses performed best but all businesses improved and were EBIT positive for year

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FY11 Mining Consumables results

	FY11 $m	FY10 $m	% change	
Total revenue/income	1,079	680	↑	59
EBITDA	98	83	↑	17
EBIT	65	62	↑	5
Sales margin	6.1%	9.2%	↓	(3.1pts)
Assets	2,262	1,159	↑	95
Funds employed	1,946	1,054	↑	85
Return on funds employed	4.4%	6.0%	↓	(1.6pts)
Employees (number)	1,864	924	↑	102
External steel despatches	0.75mt	0.39mt	↑	92
Internal steel despatches	0.09mt	0.10mt	↓	(10)
Steel tonnes produced	0.40mt	0.24mt	↑	67

FY11 Mining Consumables results

Key Points

- Results include newly acquired businesses from 1 January 2011
- Revenue up 59% due to contribution of Moly-Cop and increased revenue in existing grinding media and Australian ropes businesses, partly offset by reduced revenue in rail wheels
- Rail wheels business adversely impacted by significant increase in AUD, increased raw material costs and reduced efficiency
- Continued strong levels of mining activity in Australasia, North and South America, particularly copper, gold and iron ore
- Steelmake: Waratah 250kt, AltaSteel 150kt*
- EBIT up 5% to $65m reflecting contribution of new businesses in second half and stronger performance in existing grinding media and Australian ropes businesses, offset by lower margins in rail wheels and manufacturing at Waratah. Also includes $5m amortisation of intangibles recognised on acquisition of the Moly-Cop Group

*Steelmake for 6 months ended 30 June 2011

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FY11 Mining Consumables results

- New Moly-Cop Group businesses
  - Grinding media performed well and in line with management expectations
    - Good overall performance in South American and North American businesses
    - Stronger volume and margins partly offset by higher imported bar cost secured in response to Chilean earthquake in February 2010
    - Rebranding work well received by customer base
    - Opportunities identified to leverage technical capabilities with broader business
  - AltaSteel performance as expected, but unsatisfactory
    - Dispute between electricity provider TransCanada and contracted generator TransAlta, directly impacting electricity contracts, lower margins from grinding rod – carry over from 2H10 and poor operational performance
    - Financial impact of above in FY11 approximately US$11m EBITDA
    - New OneSteel General Manager appointed to oversee business
  - Integration completed
  - EBITDA for acquired businesses US$43m

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FY11 Manufacturing results

	FY11 $m	FY10[1] $m	% change	
Total revenue/income	2,426	2,473	↓	(2)
EBITDA	(87)	97	↓	(190)
EBIT	(185)	(3)	↓	-
Sales margin	(7.6%)	(0.1%)	↓	(7.5pts)
Assets	2,595	2,624	↓	(1)
Funds employed	2,042	2,055	↓	(1)
Return on funds employed	(9.0%)	(0.2%)	↓	(8.8pts)
Employees (number)	3,424	3,394	↑	1
External steel despatches	1.11mt	1.05mt	↑	6
Internal steel despatches	1.03mt	1.12mt	↓	(8)
Steel tonnes produced	1.92mt	1.91mt	↑	-

[1] The FY10 results for the Manufacturing segments 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.

FY11 Manufacturing results

Key Points

- Production and operating levels remained weak due to continuing low level of Australian construction activity, adverse weather and project deferrals
- Steelmake: Whyalla 910kt, Sydney and Laverton 1,010kt
  - Sales revenue down 2% pcp due to lower prices
  - Prices and volumes impacted by rapid appreciation in AUD (AUD up 28% in year) and subdued domestic construction activity
  - International prices trended up through first half, but impact of stronger AUD and lag effect meant domestic prices did not increase until February to April period
  - Business was on track for significantly improved 4th quarter, but rapid appreciation in AUD early in quarter led to less than planned price increases in May, price reductions in June and a deferral of volumes from May through to year end
- Margins impacted by:
  - Lower prices
  - Higher raw material costs
  - Low capacity utilisation
  - Whyalla blast furnace shut in May/June
- Underlying EBIT loss $185m
  - Weaker margins and volumes, only partly offset by cost savings
  - FY11 impact of blast furnace shut in May/June negative $24m EBIT for Manufacturing, FY11 net impact on OneSteel negative $15m EBIT

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FY11 Australian Distribution results

	FY11 $m	FY10 $m	% change	
Total revenue/income	2,439	2,521	↓	(3)
EBITDA	40	92	↓	(57)
EBIT	10	60	↓	(83)
Sales margin	0.4%	2.4%	↓	(2.0 pts)
Assets	1,485	1,509	↓	(2)
Funds employed	1,134	1,129	↑	1
Return on funds employed	0.9%	5.2%	↓	(4.3 pts)
Employees (number)	3,498	3,626	↓	(4)
Steel tonnes despatched	1.33mt	1.30mt	↑	2

FY11 Australian Distribution results

Key Points

- Segment continued to be impacted by weak Australian activity, particularly construction
  - Weaker confidence (new taxes, European debt concerns)
  - Higher interest rates
  - De-stocking and deferrals
  - Adverse weather
- Slight improvement in sales volumes – up 2%
  - But volumes very weak at around 15%-20% below pre-GFC levels
  - Delays in commencement of a number of private and Government funded projects
- Average prices lower due to impact of significant run up in AUD
  - Australian prices declined through majority of year
    - Price increases around early 4th quarter
  - Distribution returns typically worse during period of falling prices
- Significant leverage to recovery in demand and prices
- Continued to reduce cost base through initiatives implemented during and since GFC
- Underlying EBIT of $10m, down from $60m pcp due to lower prices

FY11 New Zealand Distribution results

	FY11 $m	FY10 $m		% change
Total revenue/income	296	304	↓	(3)
EBITDA	25	18	↑	36
EBIT	20	13	↑	53
Sales margin	6.7%	4.3%	↑	2.4pts
Assets	173	175	↓	(1)
Funds employed	114	115	↓	(1)
Return on funds employed	17.4%	9.7%	↑	7.7pts
Employees (number)	692	711	↓	(3)

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FY11 New Zealand Distribution results

Key Points

- Key market sectors were relatively weak for most of year
  - Construction sector continued to decline
    - Privately funded non-residential construction weak - building consents reduced by further 4%
    - Residential construction remain at historical lows
    - Government infrastructure activity continues to positively impact volumes
    - Christchurch rebuild will be significant, although spread over a long period with residential commencing early 2012
  - Rural markets slowly recovering
- Competitive trading and margin pressure due to continued weak demand with volumes well below historical levels
- Maintained market position in core products
- Improved performance following new operating model aimed at delivering customers a full product range whilst lowering costs, particularly through rationalisation of facilities
- EBIT $20m, up from $13m pcp due mainly to improved margins

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FY11 Results Presentation

Financial Result Overview - Robert Bakewell, CFO

16 August 2011

FY11 financial overview

- Strong contribution from resources focused segments, but overall profit performance again impacted by continuing impact of GFC on Australian construction activity and further deterioration in the external environment, including the significant and rapid appreciation in the AUD
- Solid cash outcome
  - Operating cash flow $463m
- Balance sheet remains sound
  - Completed refinancing program in July 2011 to smooth and extend debt maturity profile
  - $1.25bn of undrawn facilities available
  - Gearing 27.7%
- Results include Moly-Cop Group from 1 January 2011
  - Established new Mining Consumables segment
  - Acquisition accounting impact – provisional goodwill reduced
- Commenced new program of labour and other costs savings
  - Labour reduction component expected to deliver approximately $40m annual savings
- Final dividend of 4 cents per share unfranked (down from 6 cents pcp). Record date 9 September 2011. Payment date 13 October 2011

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FY11 results summary

Statutory results

	FY11 $m	FY10 $m		% change	Comment
Sales revenue	7,133	6,205	↑	15	Primarily reflecting increase in iron ore prices and contribution from the Moly-Cop Group
EBITDA	619	638	↓	(3)	Stronger earnings in Iron Ore, Recycling, Mining Consumables and New Zealand Distribution segments, offset by lower earnings in the Manufacturing and Australian Distribution segments
Depreciation & amortisation	(214)	(215)	↓	(1)	
Impairment of plant & equipment	(2)	-	↑	100	
EBIT	404	423	↓	(5)	
Finance costs	(101)	(89)	↑	13	Reflects additional debt due to acquisition of the Moly-Cop Group
Net profit after tax	230	258	↓	(11)	
Operating cash flow	463	602	↓	(23)	Particularly strong in FY10
Net debt	1,728	964	↑	79	Reflects additional debt due to acquisition of the Moly-Cop Group
Gearing (net debt /net debt plus equity)	27.7%	17.7%	↑	10.0pts	Reflects additional debt due to acquisition of the Moly-Cop Group
Dividends (cents per share)	10.0	11.0	↓	(9)	Unfranked due to insufficient franking credits

FY11 financial overview

Significant non-trading items impacting Net Profit After Tax

		FY11 $m	FY10 $m
Additions			
	Net tax benefits from prior years including tax consolidation	17	11
	Legal claims	-	16
	Total additions	**17**	**27**
Subtractions			
	Acquisition costs	(14)	-
	Restructuring activities including impairment	(8)	(1)
	Accelerated depreciation on blast furnace staves	-	(9)
	Total subtractions	**(22)**	**(10)**
Net impact on Net Profit After Tax		**(5)**	**17**

Note: Amortisation of $4m (after tax) on the acquired Moly-Cop Group intangible assets has been included in the underlying result. This was not included in the May guidance statement as the acquisition accounting work was not yet complete

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FY11 financial overview

Profit & loss summary - underlying

	FY11 $m	FY10 $m	% change	
Sales revenue	7,133	6,205	↑	15
EBITDA	642	618	↑	4
Depreciation & amortisation	(214)	(204)	↑	5
EBIT	428	414	↑	3
Finance costs	(101)	(89)	↑	13
Profit before tax	327	325	↑	1
Tax expense	(85)	(82)	↑	4
Net profit after tax	235	241	↓	(2)
Operating cash flow	477	653	↓	(27)
EPS (cents)	17.7	18.2	↓	(3)
Return on funds employed	7.3%	7.5%	↓	(0.2pts)
Dividends (cents per share)	10	11	↓	(9)

Note: 2H11 includes $12m depreciation and amortisation for the acquired Moly-Cop Group

FY11 financial overview

Balance sheet summary

	FY11 $m	FY10 $m		% change
Total assets	8,315	7,068	↑	18
Total liabilities	3,809	2,575	↑	48
Net assets	4,506	4,493	↑	-
Net debt	1,728	964	↑	79
Inventory	1,605	1,433	↑	12
Funds employed	6,234	5,456	↑	14
Gearing (net debt/net debt plus equity)	27.7%	17.7%	↑	10.0pts
Interest cover – times	6.4	6.9	↓	(0.5) times
NTA / share – ($)	1.39	1.77	↓	(21)

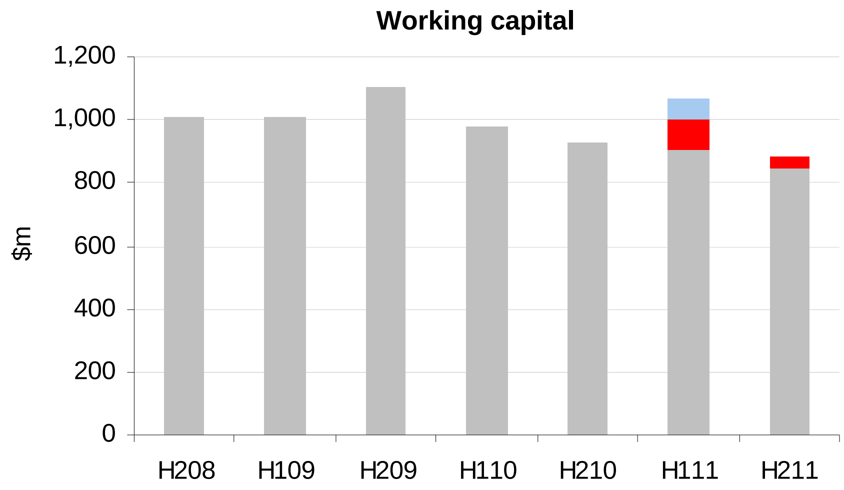
Operational features

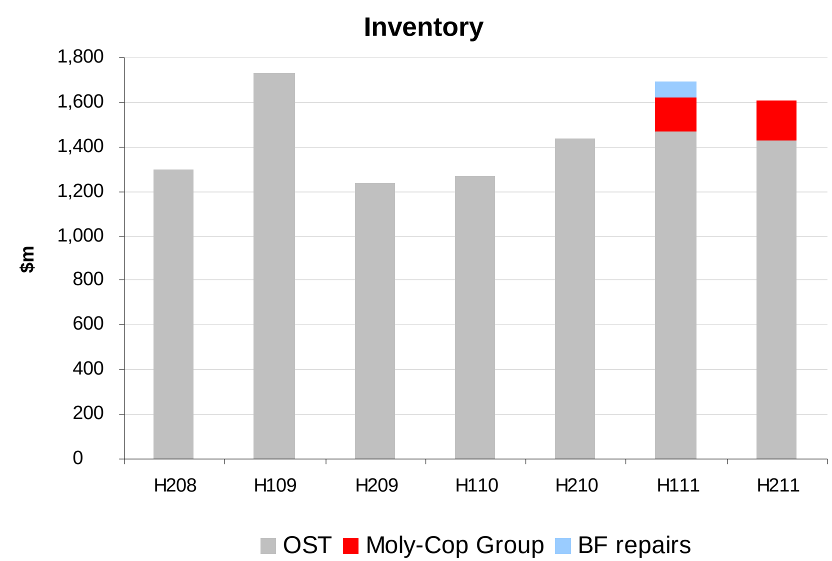
Working capital management

- Working capital lower despite Moly-Cop acquisition
  - Includes $41 million at year end attributable to the Moly-Cop Group
- Receivables – debtor days continued their improvement, maintained focus on collections
- Creditors – reflects flat activity levels offset by acquisition of Moly-Cop and AltaSteel
- Provisions – increase due to Moly-Cop employee and other provisions acquired

Inventory

- Inventory flat pcp excluding impact of Moly-Cop acquisition
  - Includes approx. $174 million at year end attributable to the Moly-Cop Group
- Inventory build for blast furnace work run down as planned, minimal carry-over into July





FY11 financial overview

Cash flow

	FY11 $m	FY10 $m
Profit after tax	238	261
Depreciation, amortisation and impairment	216	215
Non-cash items	(17)	(2)
Working capital movements	27	128
Operating cash flow*	**463**	**602**
Capital expenditure	(251)	(173)
Free cash flow (Statutory)	**212**	**429**
Investment expenditure	(993)	(34)
Asset sales	26	17
Other	4	-
Operating and investing cash flow	**(751)**	**412**

* FY11 includes income tax paid of $44m (FY10 includes income tax refunds received of $47m)

FY11 financial overview

Reconciliation of income tax expense - statutory

12 months to 30 June	FY11 $m	FY10 $m
Profit before tax	303	334
Prima facie tax payable at 30%	91	100
Adjustments in respect of income tax of previous years	(21)	(20)
Research & development allowance	(11)	(11)
Difference in overseas tax rates	4	3
Tax losses utilised not previously recognised	-	(2)
Adjustment to deferred tax liability upon final reset tax values as a consequence of entry into tax consolidation	-	9
Other items	2	(6)
Income tax expense reported in the Income Statement	65	73
Effective tax rate	21%	22%

Expected effective tax rate for FY12 of 27% – 30%

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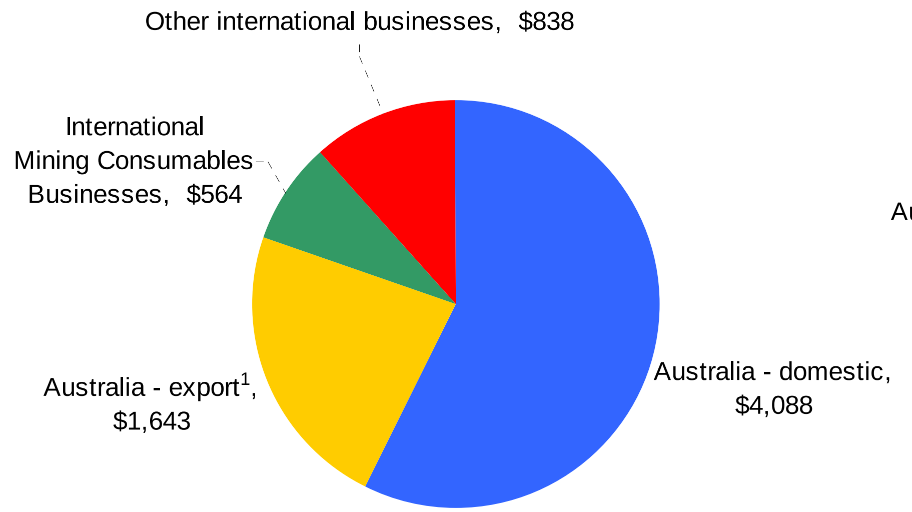
Moly-Cop Group acquisition accounting

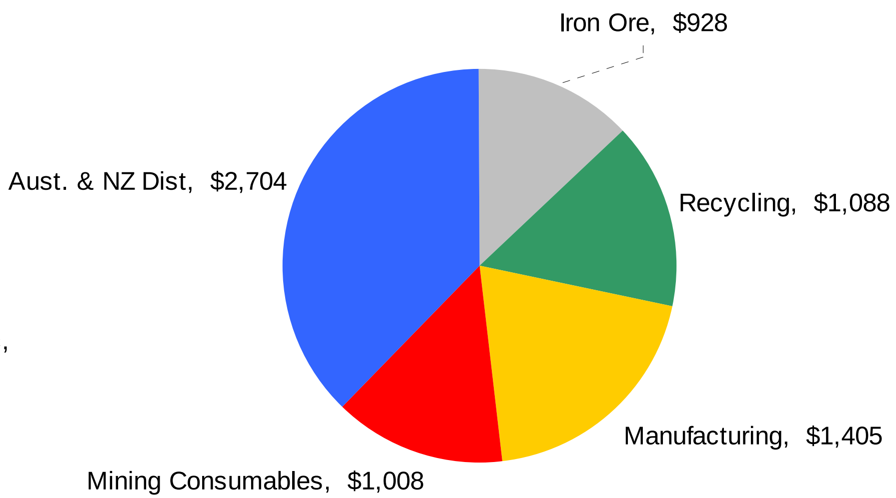
- Moly-Cop Group acquired on 31 December 2010 – cash consideration US$938m
- For 1H11 accounts, the purchase price allocation process had not commenced and no adjustments were made to the carrying amounts of the assets and liabilities acquired. At 31 December, half year accounts included:
  - Net identifiable assets acquired AUD$314m, provisional goodwill $607m
- Purchase price allocation process substantially complete at 30 June 2011. Full year accounts include:
  - Net identifiable assets acquired AUD$441m, provisional goodwill $481m
    - Full year accounts include additional $5m of amortisation in Mining Consumables segment reflecting recognition of intangible assets on acquisition. This was not incorporated in May earnings guidance as process not sufficiently complete

OneSteel geographical and FX exposure

FY11 External sales revenue by geography, $Am*



FY11 External sales revenue by business segment, $Am*



*Includes the results of the Moly-Cop Group from 1 January 2011

[1] Includes Iron Ore and Recycling sales

Exposure to movements in AUD

- Direct impact: 1 cent increase in AUD v USD = approx. negative $10 million EBIT impact (FY impact)
- This applies to direct exposures only and does not include impact on OneSteel's competitive position against imported steel
- Includes impact of translation on earnings of overseas businesses

Debt refinancing

- Completed refinancing program in July 2011 to smooth and extend company's debt maturity profile
  - Moly-Cop Group acquisition originally funded with USD 500 million bridge - refinanced with USD 600 million (3,4,5 year syndicated loan)
  - Completed USD 200 million US Private Placement (7,10,12 year maturities)
  - Refinanced AUD $1.1 billion syndicated loan maturing August 2012 with AUD $1.25 billion syndicated multi-currency loan (AUD, USD, CAD with 3,4,5 year maturities)
- Refinancing includes increased USD facilities to provide a natural hedge to increased USD denominated assets
- Duration of drawn debt post refinancing 5.7 years compared to 2.6 year end of prior financial year
- Next material maturity not until August 2013 ($295m)

FY11 financial overview

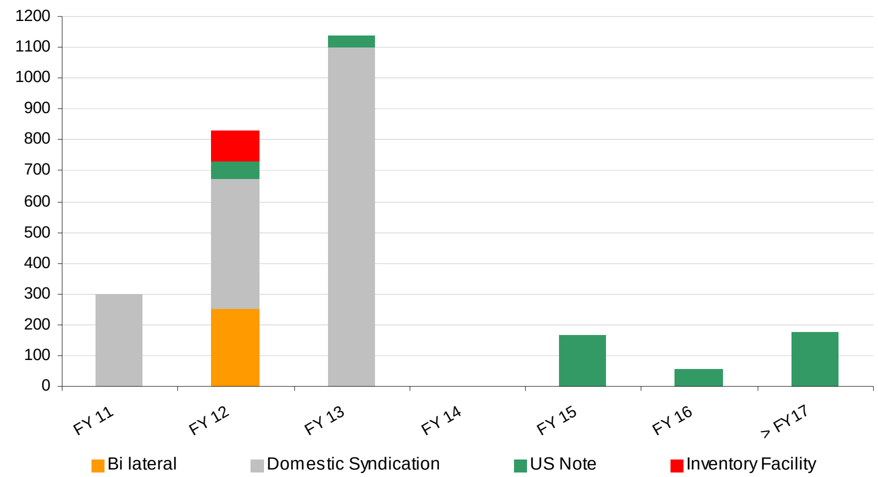
Maturity	Type of Facility	Facility Amount A$m
FY12	USPP notes	57
FY13	Inventory financing facility	100
	USPP notes	40
FY14	Syndicated loan	295
	Bi-laterals	250
FY15	Syndicated loan*	844
	USPP notes*	158
	Bi-lateral loan*	47
FY16	Syndicated loan*	742
	USPP notes*	46
FY17+	Syndicated loan*	523
	USPP notes*	327
Total		**3,429**

The majority of USD funding has been used to provide a natural hedge for US operations and the Moly-Cop Group.

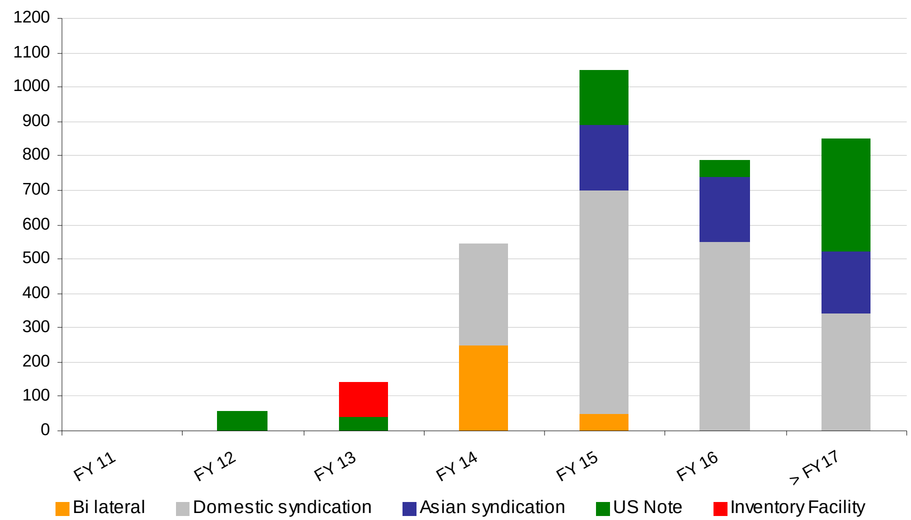
Covenants for facilities typically include interest cover and gearing.

*Conversion of USD debt at closing rate of 1.0683

Facility Maturity Profile as at July 10



Facility Maturity Profile as at July 11

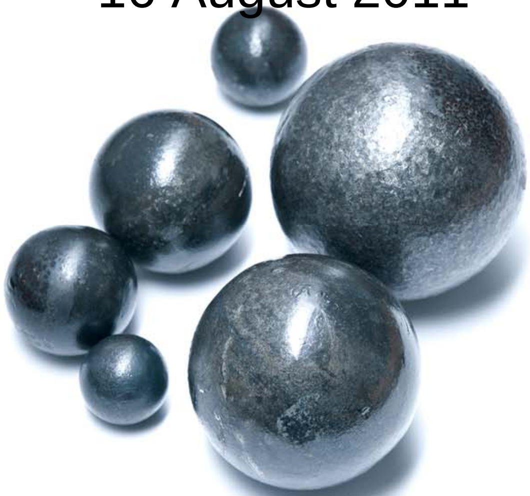


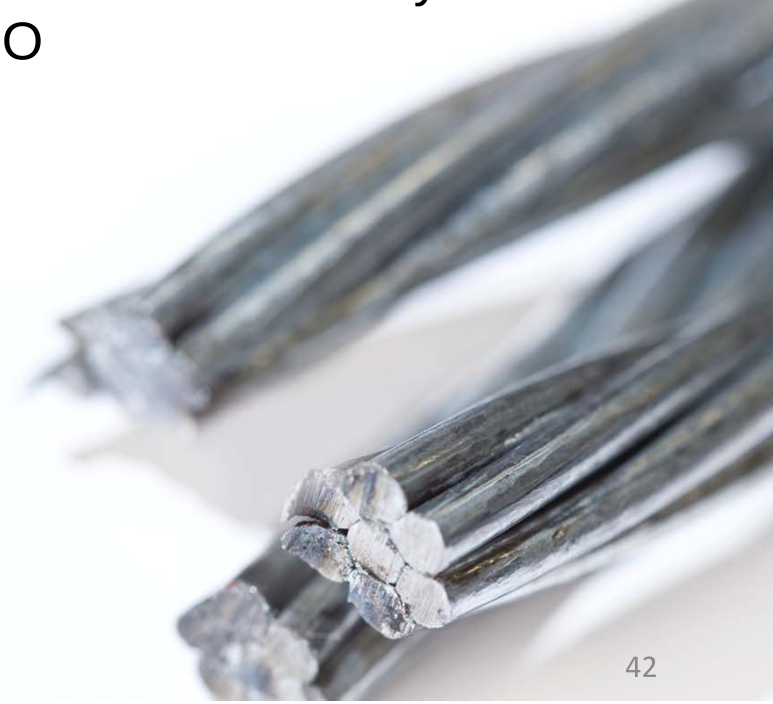
FY11 Results Presentation

Australian Steel Performance, Growth, Outlook & Summary

Geoff Plummer, Managing Director & CEO

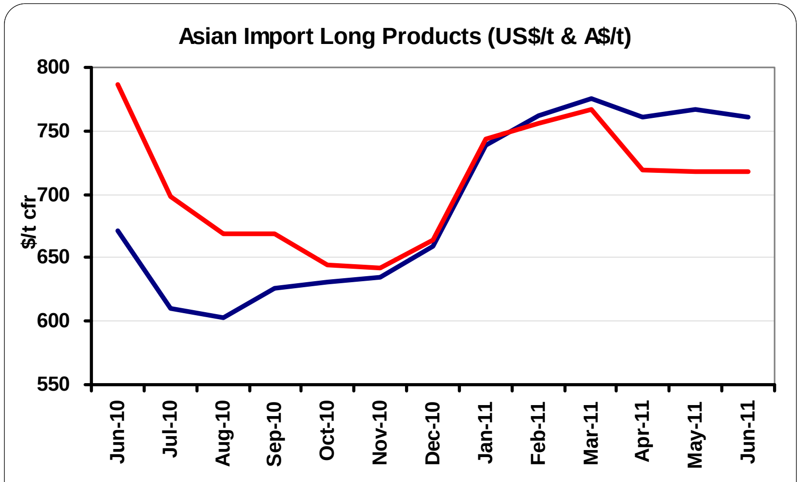
16 August 2011



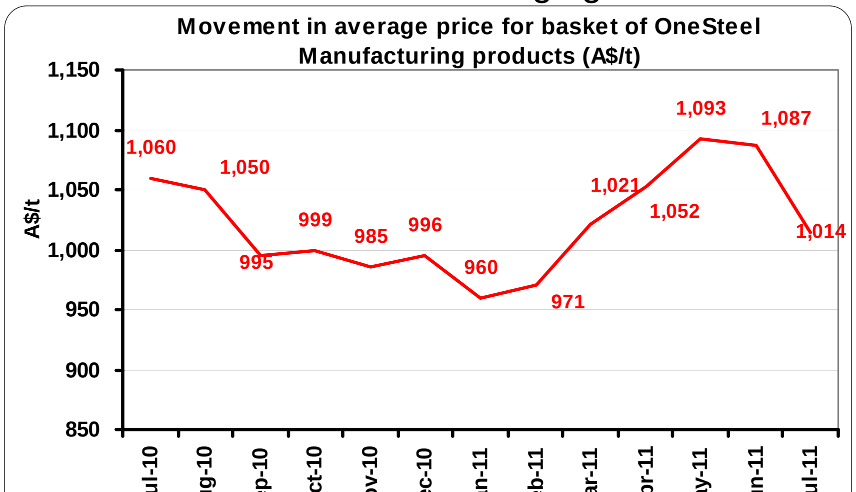


Australian steel performance

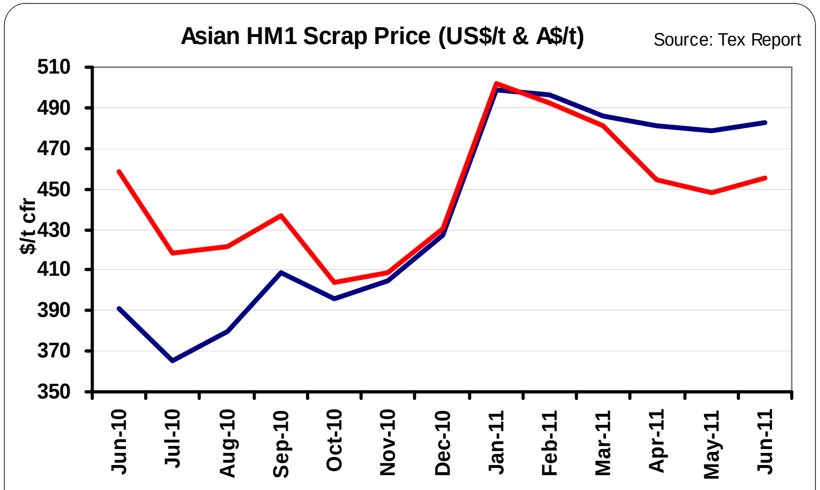
- Performance very disappointing and unacceptable
- Very weak external environment
  - Weak domestic and international steel markets
  - Minimal recovery from effects of GFC on Australian construction activity. Exacerbated by:
    - Delays in commencement of some significant civil works projects
    - De-stocking/deferral of sales during 1H and 4th quarter
    - Wet weather
- Key drivers of poor performance:
  - Weak volumes
  - Margin impact of lower Australian steel prices due to rapid appreciation of AUD, and higher raw material costs
  - Impact of Whyalla blast furnace work
- Short term outlook remains challenging



Source: CRU, SBB



Source: OST



Source: Tex Report

Australian steel performance

- Continued focus on costs and cash
  - Improved productivity and cost expected post blast furnace work
  - Blast furnace ramp up
    - Expect improved fixed cost spread and some scope for export (billet) sales, but some of benefit offset by EAF utilisation levels
  - First round of labour cost reductions commenced – approx. $40m annualised benefit estimated
  - However unlikely to be sufficient to offset impact of continuing challenging external environment
- Have commenced review of steel and pipe and tube product portfolio and footprint
- AUD impact on prices – period of stable or lower AUD would provide opportunity for price increases

Australian steel performance

Proposed Carbon Tax

- Details announced by Government on 10 July 2011, including Steel Transformation Plan assistance package (STP)
  - STP is in addition to EITE assistance (now called Jobs and Competitiveness Program)
- STP – details to be finalised but OneSteel's understanding is:
  - Up to $300m available over four years (OneSteel share expected to be 39% or $117m)
  - Total annual allocations $75m (OneSteel share $29m)
  - Allocation subject to having sufficient eligible activity of any or all of innovation expenditure, production and/or capital investment
  - Non-allocated funding in any year can be rolled over to a later year within four year period
  - Review mechanisms available:
    - Within the four year term, recipients may request a review of further support levels
    - Request an independent review if OneSteel believes scope 3 coal costs have or are being passed through

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Australian steel performance

Proposed Carbon Tax (cont.)

- Based on FY10 production and emission levels our current understanding is as follows for the first year of the carbon tax (expected to be FY13):

	Total Emissions ($C0_2$ equivalents)	Free Permits	Unassisted (i.e. No Free Permits)
Scope 1 & 2 emissions	4Mt	3.2Mt	0.8Mt

Analysis is based on scope 1 and 2 emissions and excludes scope 3 emissions. Actual level of assistance received in any year will be dependent on various factors, in particular, actual production and emissions levels in the relevant period and the rates of assistance applicable to that period in accordance with the Carbon Tax scheme

- Carbon price in first year $23/t. Based on FY10 production expected tax for scope 1 and 2 emissions would be $18.4m (i.e. $23 x 0.8mt), before STP assistance
  - Carbon price increases at a real rate of 2.5% p.a. until transition to an emissions trading scheme in year 4
  - EITE assistance rate of 94.5% deteriorates at 1.3% p.a. but subject to review in 2014/15
- Government's sectoral approach sensible and appropriate and substantially removes a significant risk to the industry's competitiveness in the short term
- Government's anticipated start date 1 July 2012 – subject to legislation passing through Parliament

Strategic investments – growth focus

- Iron Ore
  - Continuing to invest in proving up reserves and resources and in infrastructure to support iron ore sales through Project Magnet Phase 2
    - $140m approved for investment in exploration, infrastructure and mine expansion:
      - Iron Baron OBP – expected to deliver 1mtpa of HGO from mid-2012
      - Mine cutbacks
      - Mine infrastructure including access roads and fuel depots
      - Water supply infrastructure to Iron Chieftain and Iron Baron OBP
      - Continued exploration
    - $60m incurred in FY11
    - Expect to invest total of approx. $400m over next 5 years to maintain sales for at least 10 years at rate of 6mtpa
  - Continue to look for opportunities to move beyond Project Magnet Phase 2 in terms of annual sales volumes and/or duration
- Mining Consumables
  - Acquisition of Moly-Cop Group in FY11 – US$932m enterprise value
    - Established leader in global grinding media
    - Increases diversification to high growth sector
    - Ideally positioned to capitalise on expected mining growth, particularly copper and gold
    - Attractive and relatively stable margins due to price mechanisms
    - Provides global footprint for further growth in grinding media and mining consumables
  - Progressing planning for grinding media capacity expansion in Peru, Indonesia and Canada
    - Additional capacity 250kt pa @ approx. US$60-65m – leverages existing infrastructure and sites

Project Magnet Phase 2 - update

- Minor addition to reserves in FY11 (2.5mt at JORC*) but confident we have identified additional tonnages and expect to add to reserves when further definition and infill drilling is completed
- We remain confident there continues to be sufficient ore to maintain external sales of 6mtpa for at least 10yrs based on reserves and ongoing beneficiation of LGO (additional OBP at Iron Baron in FY12)
  - Hematite reserves 43.6mt at year end
  - Reserves plus LGO (19.9mt x 0.5) = 53.6mt, additional LGO added to stockpiles each year
- Further exploration work continuing
- Expect to invest approx. $400m over next 5 years
  - Investments of $140m in exploration, infrastructure and mine expansion currently approved
- Expected drilling spend in FY12 for both iron ore and non-ferrous $11m

Non-ferrous

- Considerable delays in obtaining native title clearances
- Approvals now received and drilling has commenced. Expect to drill 11,000m in FY12

* Exploration resulted in approximately 6.5mt of additional reserve being identified at the Iron Baron. However, it was deemed prudent to reclassify approximately 4mt of reserve at SMR back into resource based on forward price and cost assumptions and the extent of the cutback and timing of when this ore would be accessed

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Outlook – short term

International

- Remains positive for steel making raw materials and mining consumables
  - Supply/demand balance for iron ore and scrap expected to keep prices high compared to historical standards, but with volatility
- Iron Ore
  - Target of 6.0 – 6.3mt in FY12
- Mining Consumables
  - Continued strength in mining activity expected to underpin strong demand in the Americas and Australasia
- Recycling
  - International and non-ferrous trading businesses to build on improved FY11 performance
  - Australian ferrous returns improving, but continue to be challenged until supply of arisings lift. Business has improved its ability to manage through these challenges

Outlook – short term (cont.)

Australian steel

- We expect increasing activity in the resources sector and Government funded civil works projects. The remainder of construction is soft which means overall domestic volumes is expected to continue to be weak. Prices are expected to remain under pressure from the impact of the strong AUD and weak confidence as well as soft international steel markets
  - Continued focus and good progress on reducing cost base, however not expected to be sufficient to offset impact of very challenging external environment
  - Cost and cash focus
  - Reviewing steel product portfolio and footprint options
- Production and operating levels expected to be relatively flat for 1H12. Expected steelmake:
  - Laverton and Sydney EAFs approx. 480kt (72% utilisation)
  - Waratah approx. 120kt
  - Whyalla approx. 525kt
- Whyalla blast furnace ramp up and resumption of steel production has been ahead of plan and we are encouraged with performance to date

Outlook – short term (cont.)

Earnings Guidance

Quantitative guidance is not appropriate at this time due to the high level of uncertainty around AUD, Australian and international prices for steel and steelmaking inputs, the current uncertainty around the international economy and the level and nature of growth in the domestic economy

- Early FY12 overall performance reflects continuation of the external environment from previous half that was positive for our resources focused businesses, but adverse for the Australian steel businesses

Outlook – longer term

- Resources focused Iron Ore and Mining Consumables businesses expected to remain strong due to increased mining investment and activity
- We remain confident that we will see improvements in fundamentals for key Australian and international steel markets
  - We have confidence Australian steel demand and the pricing environment will improve with improving economic conditions
- We are confident that the Recycling outlook whilst volatile, is positive

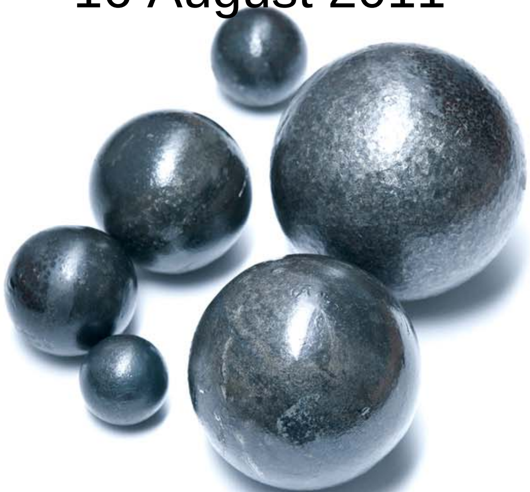
Summary

- Overall performance for year reflects the level of strength in markets of our different businesses, with resources and international focused businesses performing best
- Iron Ore and new Mining Consumables segments performed well, and improved result in Recycling and New Zealand Distribution segments
- Integration of the Moly-Cop Group has gone well. We remain confident the Moly-Cop Group is a quality business with significant scope for growth
- Australian steel segments performance was unacceptable as they continued to be adversely affected by weak construction activity and the impact of the significant and rapid appreciation in AUD. The Manufacturing segment was showing the benefit of improved pricing until impact of a further significant and rapid run up in AUD in the last quarter
  - Focus on managing costs continues to provide benefits but insufficient to offset impact of very challenging conditions
  - Focus on cash in short term and reviewing of steel product portfolio and footprint options
- Good overall cash generation
- Balance sheet remains sound
  - Completed debt refinancing program
- Final dividend 4 cents per share unfranked

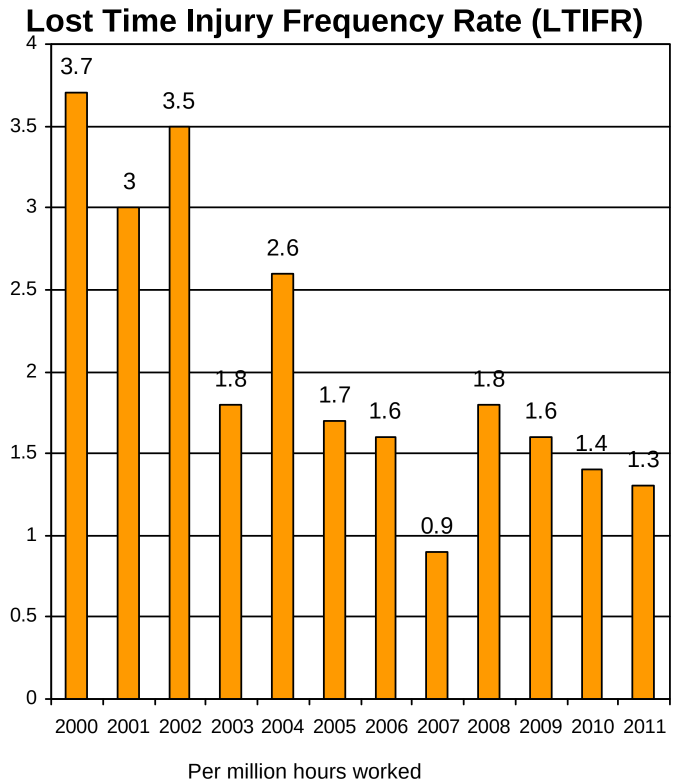
FY11 Results Presentation

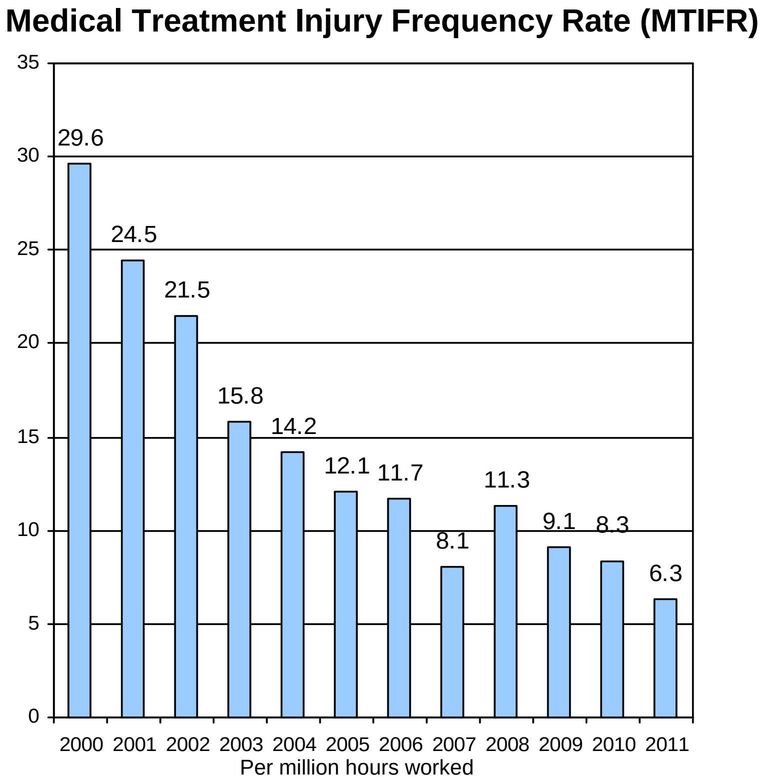
Appendix

16 August 2011



FY11 safety performance*





*The AltaSteel and Moly-Cop businesses have not been included in the statistics for FY11

A key element of our Safety effort has been improving our capability to recognise, assess and manage risk

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Segments - tonnage (mt)

Year ended 30 June	FY11 mt	FY10 mt	FY09 mt	FY08 mt	FY07 mt	FY06 mt	FY05 mt	FY04 mt	FY03 mt	FY02 mt
Iron Ore										
High grade lump	1.55	2.41	1.82	1.34						
High grade fines	1.91	3.19	3.03	3.08						
	3.46	5.60	4.85	4.42						
Lower grade lump	1.25	0.19	0.14	0.04						
Lower grade fines	1.34	0.24	0.08	-						
Total lower grade lump & fines	2.58	0.43	0.22	0.04						
Total lump & fines	**6.04**	**6.03**	**5.07**	**4.46**						
Pellets	**0.25**	**0.35**	**0.14**	**0.01**						
Ore by Products[1]	**0.47**	**0.46**	**0.55**	**0.87**						
Recycling										
Ferrous - external	1.03	0.75	0.89	0.88						
Ferrous - internal	0.96	0.94	0.77	0.83						
Total ferrous	**1.99**	**1.70**	**1.66**	**1.71**						
Non-ferrous	**0.25**	**0.19**	**0.14**	**0.18**						
Total Recycling	**2.24**	**1.88**	**1.80**	**1.89**						
Steel despatches										
Manufacturing - external	1.11	1.05	1.02	1.45	0.98	0.99	0.90	0.87	0.99	0.99
Manufacturing - internal	1.03	1.12	0.97	1.26	0.68	0.63	0.63	0.24	0.24	0.24
Total Steel despatches - Manufacturing	**2.15**	**2.17**	**1.99**	**2.71**	**1.66**	**1.62**	**1.53**	**1.10**	**1.23**	**1.23**
Mining Consumables - external	0.75	0.39	0.33	0.35						
Mining Consumables - internal	0.09	0.10	0.05	0.00						
Total Steel despatches - Mining Consumables	**0.84**	**0.50**	**0.38**	**0.35**						
Australian Distribution	1.33	1.30	1.41	1.73	1.30	1.28	1.37	1.28	1.24	1.19
Total Steel despatches - external	**3.19**	**2.75**	**2.76**	**3.53**	**2.28**	**2.27**	**2.26**	**2.15**	**2.23**	**2.18**
Raw steel production										
Whyalla	0.91	0.91	1.00	1.15	1.17	1.13	0.81	1.12	1.18	1.12
Sydney Steel Mill	0.43	0.42	0.34	0.62	0.56	0.50	0.53	0.50	0.44	0.45
Laverton	0.58	0.59	0.44	0.67	-	-	-	-	-	-
Waratah	0.25	0.24	0.24	0.26	-	-	-	-	-	-
AltaSteel	0.15	-	-	-	-	-	-	-	-	-
Total raw steel production	**2.31**	**2.15**	**2.03**	**2.70**	**1.73**	**1.63**	**1.35**	**1.62**	**1.62**	**1.58**

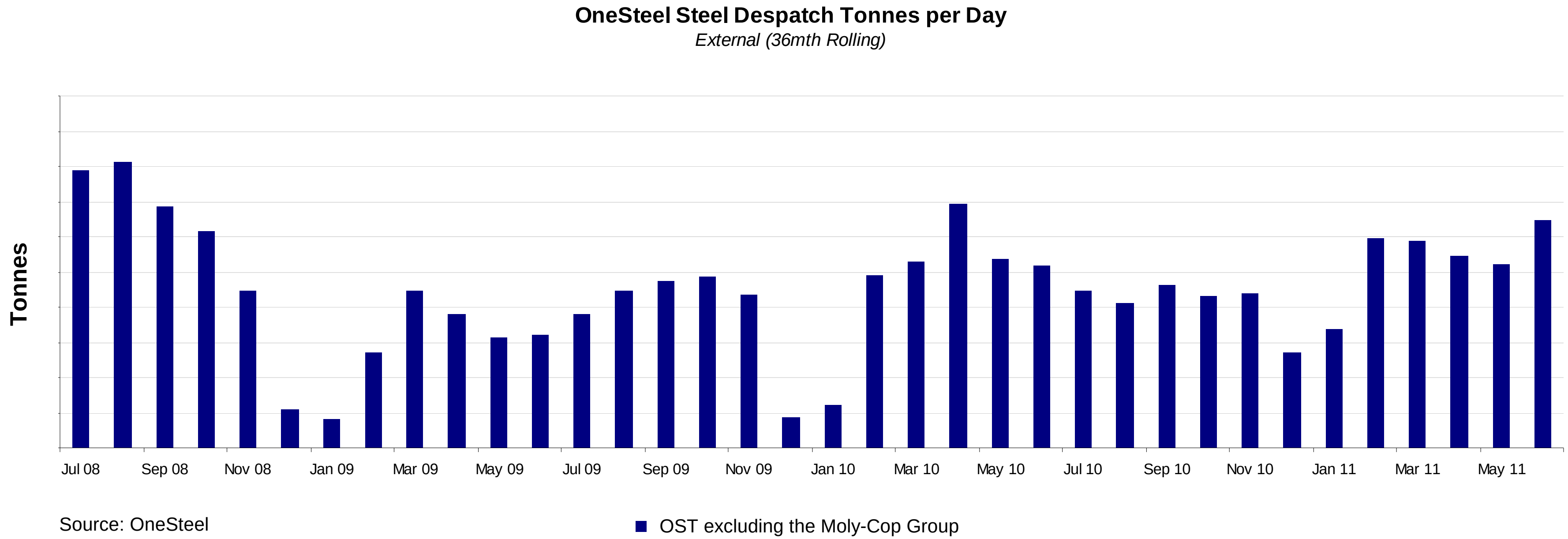
Note: Tonnages reported exclude NZ Distribution.

1 Ore by products comprise dolomite, centrix, filter cake and pellet chips

Tonnages for FY08 reported for raw steel production and steel despatches include the SSX businesses as if they were part of the OneSteel Group from 1 July 2007. All other production and despatch statistics reported above are actual. Tonnages include the Moly-Cop Group from 31 December 2010 only.

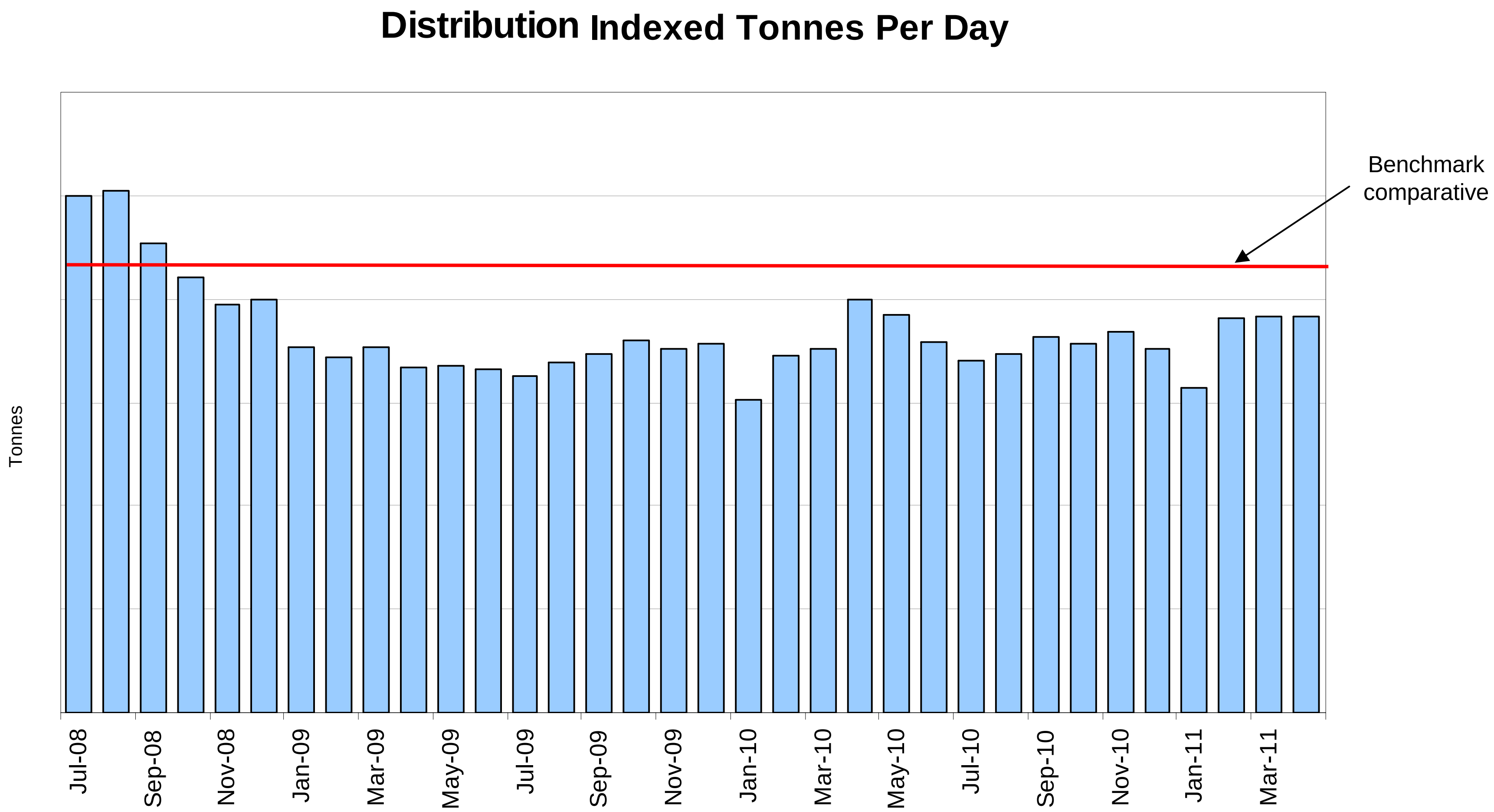
Segment tonnages for FY08 - FY10 have been restated to reflect changes in organisation structure following the formation of the new Mining Consumables segment as a result of the acquisition of the Moly-Cop Group. Waratah, Ropery and the Grinding Media businesses in the US and Indonesia previously forming part of the Manufacturing segment are now reported as part of the Mining Consumables segment.

Movement in steel despatch tonnes per day



Source: OneSteel

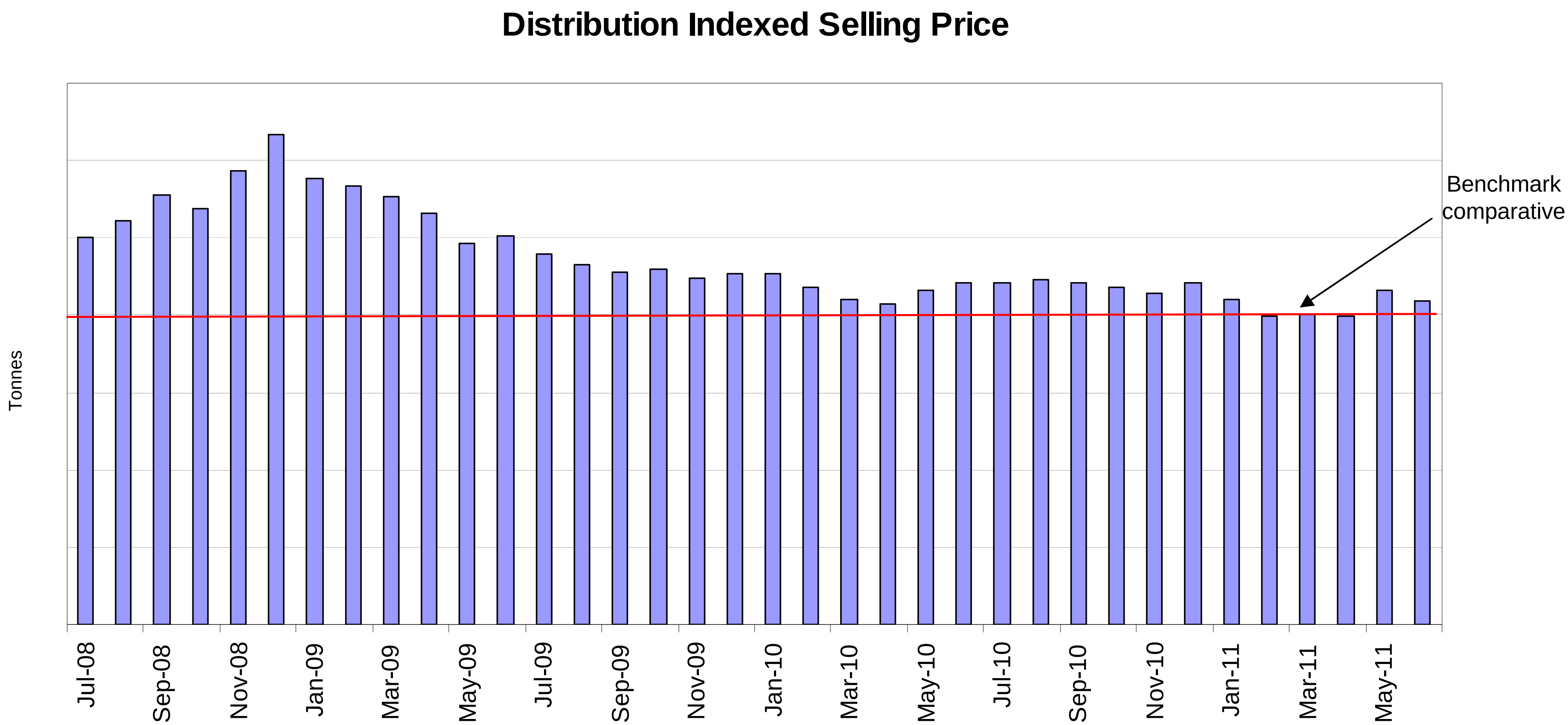
AU Distribution indexed sales tonnes per day



Source: OneSteel

Benchmark comparative line is based on average volumes for the period from Jul '07 to Mar '08 (excludes Oil & Gas)

AU Distribution indexed selling price



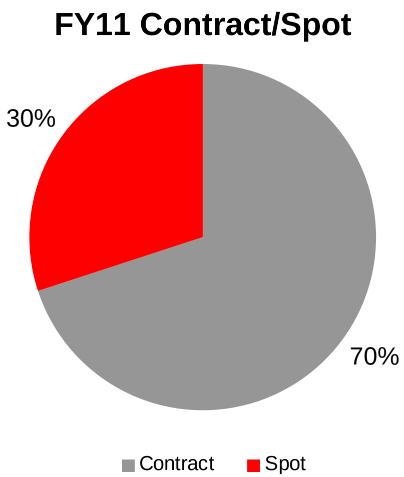
Source: OneSteel

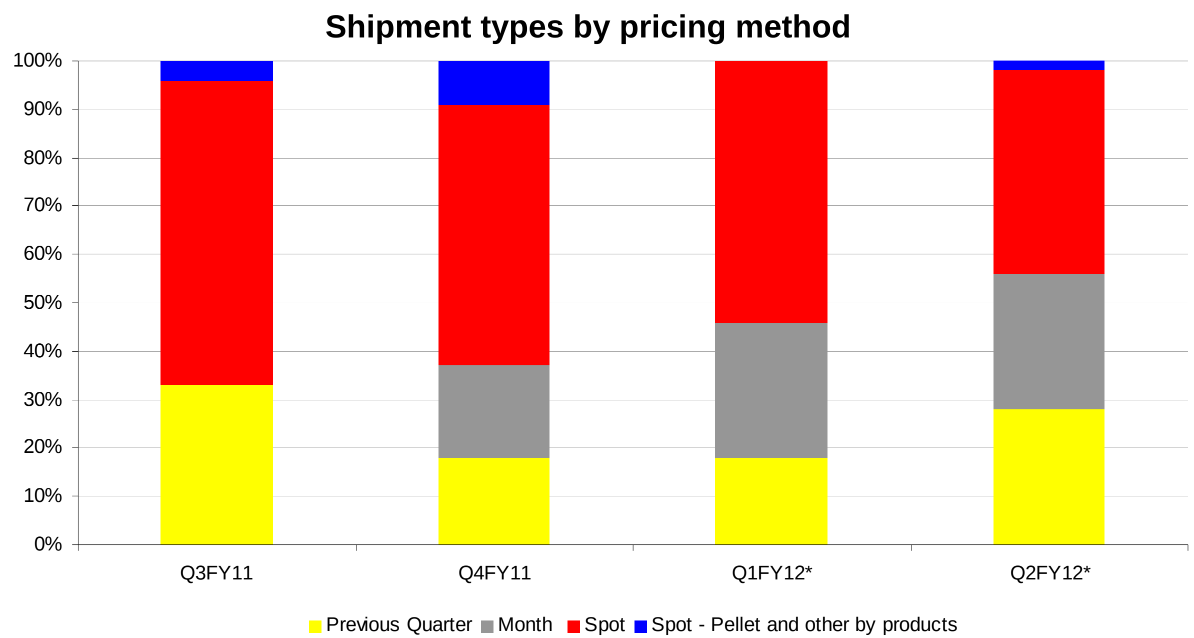
Benchmark comparative line is based on average prices for the period from Jul '07 to Mar '08 (excludes Oil & Gas)

OneSteel major current/upcoming projects:

- NSW
  - Sapphire Beach to Woolgoolga Project
  - Grocon Offices – Castlereagh St
  - Hunter Expressway
  - Kempsey Bypass Stage 2
  - Bulahdelah Bypass
- QLD
  - Australia Pacific LNG Plant
  - Gladstone LNG Plant
  - Richlands to Springfield Rail
  - Wiggins Island Coal Terminal
  - Gold Coast RTS Light Rail Stage 1
- VIC
  - VCCC Hospital
  - Macarthur Wind Farm
  - Myer Emporium
  - Western Ring Road Upgrade
  - Melbourne Markets Relocation Project
- SA
  - New Royal Adelaide Hospital
  - South Road Super Highway
  - Adelaide Convention Centre
  - Adelaide Oval Upgrade
  - 70 Franklin St Offices
  - Southern Expressway
- WA
  - Browse LNG – Woodside
  - RGP5 & RGP6 – BHP Rapid Growth Projects
  - Gorgon LNG Project
  - Fortescue Metals Expansion
  - Hope Downs 4, Rio Tinto Project
  - Perth Arena
- NT
  - INPEX Browse, Ichthys LNG Plant

Iron ore shipments





Pricing:
* Estimated
Previous Quarter = average (spot price) over previous quarter
Month = pricing based on average of monthly spot price (includes previous pricing at M-1)

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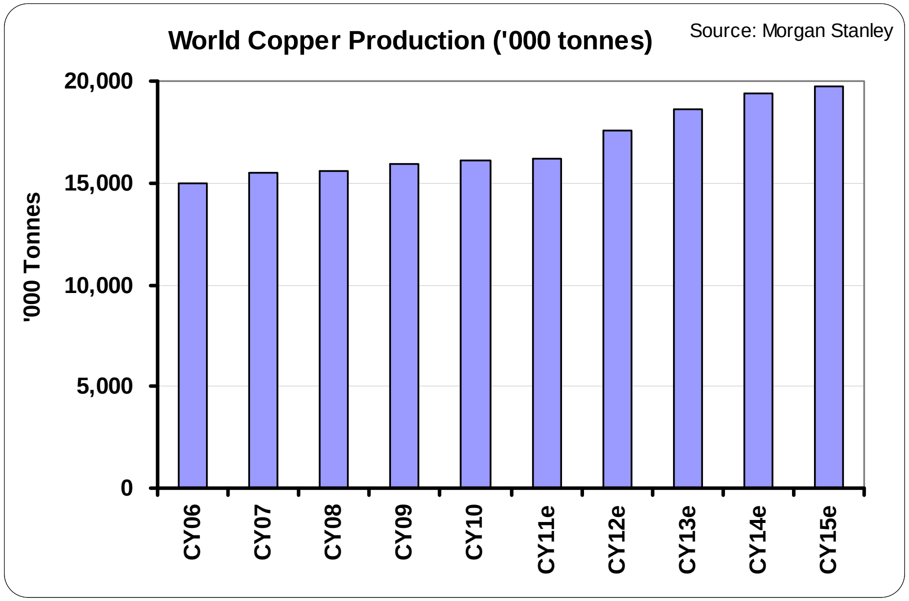
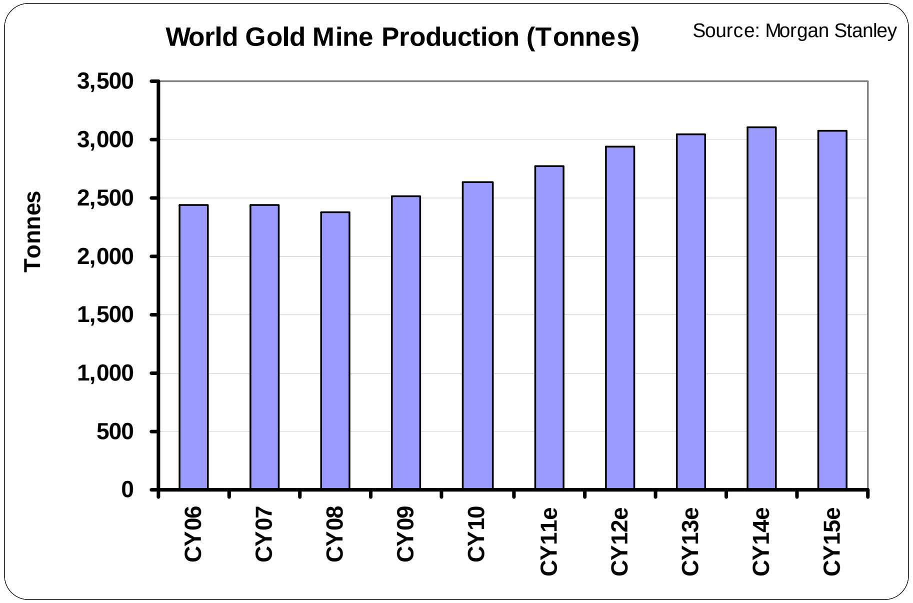
Copper & gold markets





FY11 financial overview

Summary of facilities[1]

Maturity	Type of Facility	Facility Amount A$m
Jul-11	US note issues	57
Jul-12	Inventory facility	100
Jun-13	US note issues	40
Aug-13	Syndicated loan	295
Oct-13	Bi-laterals	250
Jul-14	US note issues*	28
Jul-14	Syndicated loan	549
Aug-14	Syndicated loan	295
Mar-15	Bi-lateral	47
Apr-15	US note issues	98
Jun-15	US note issues	32
Jul-15	US note issues*	46
Jul-15	Syndicated loan	742
Jul-16	Syndicated loan	523
Jul-18	US note issues*	137
Jul-20	US note issues*	50
Jul-21	US note issues*	117
Jul-23	US note issues*	23
Total		**3,429**

[1]As at July 2011

*Conversion of USD debt at closing rate of 1.0683

FY11 market conditions

International traded prices

Raw Material/Input International Traded Prices*	Jul-Jun 2011	Jul-Jun 2010
US$ Korean Scrap prices*	$442 (range $365-$499)	$368 (range $304-$457)
US$ Asian HRC prices*	$682 (range $605-$790)	$585 (range $490-$725)
US$ Coking coal* – contract price	$247 (range $209-$330)	$147 (range $129-$200)
US$ Coking coal* – spot price	$269 (range $190-$350)	$195 (range $140-$250)
Revenue Drivers International Traded Prices*		
US$ Iron ore – contract price* (Hamersley lump, export FOB, US$/dmtu)	$2.57 (range $2.26-$3.00)	$1.39 (range $1.12-$2.18)
US$ Iron ore – spot price* (India into China, $/t, cif, fines 63% Fe)	$169 (range $123-$197)	$124 (range $82-$186)
US$ Asian Beams price*	$773 (range $685-$875)	$663 (range $590-$770)
US$ Asian Mebar price*	$695 (range $630-$770)	$598 (range $550-$680)
US$ Asian Rebar price*	$649 (range $550-$720)	$557 (range $490-$660)
US$ Asian LC Rod price*	$660 (range $540-$750)	$557 (range $500-$650)
US$ Asian Long Products price* (average of beams/mebar/rebar/lc rod)	$694 (range $540-$875)	$594 (range $490-$770)

*Prices quoted are traded international prices, not OneSteel's realised prices
Source: Tex Report, CRU and SBB

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Proposed Minerals Resource Rent Tax (MRRT)

- OneSteel does not support the proposed MRRT
- OneSteel has argued that:
  - The MRRT should not apply to the iron ore feed to the Whyalla Steelworks due to the impact on OneSteel's competitive position
  - The MRRT should not apply to OneSteel's export sales because OneSteel already pays an economic rent on these sales. OneSteel's mining rights were predicated on investment in the Steelworks which have historically earned poor returns, but provided significant benefit for Whyalla and South Australia
- The Government released an Exposure Draft on the MRRT Bill on 10 June 2011
  - Includes an Alternative Valuation Method (AVM) that we believe is expected to address some of OneSteel's concerns
- OneSteel has provided comments on the Exposure Draft to the Government highlighting the need for amendments and greater clarity so that the AVM provisions in particular can achieve their intended aim
- We are continuing to discuss these matters with the Government including ensuring the proposed tax will not affect our competitive position

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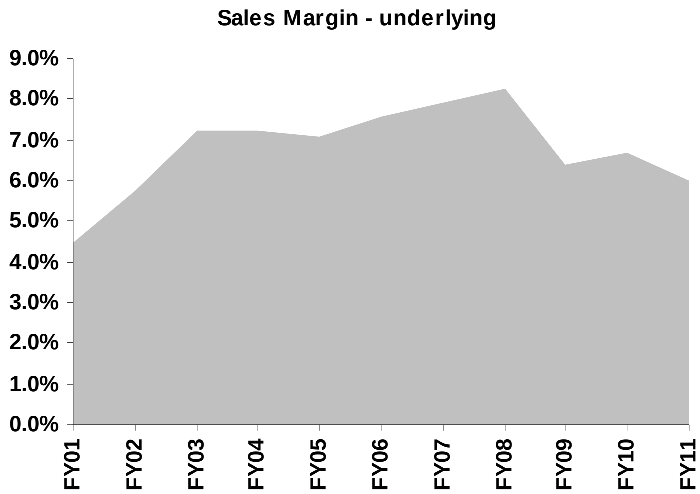
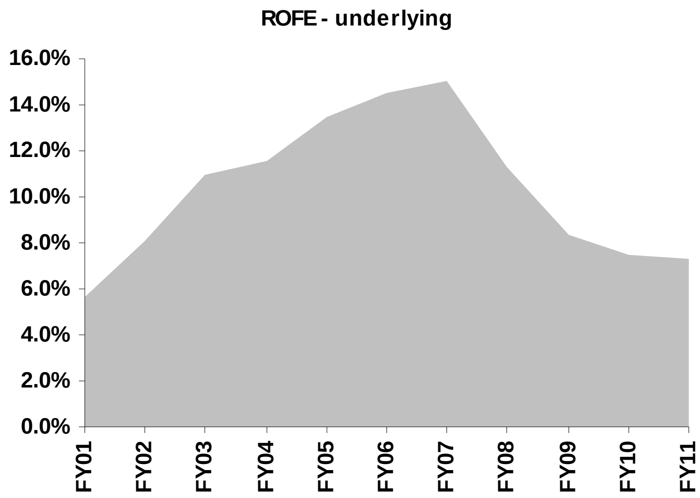
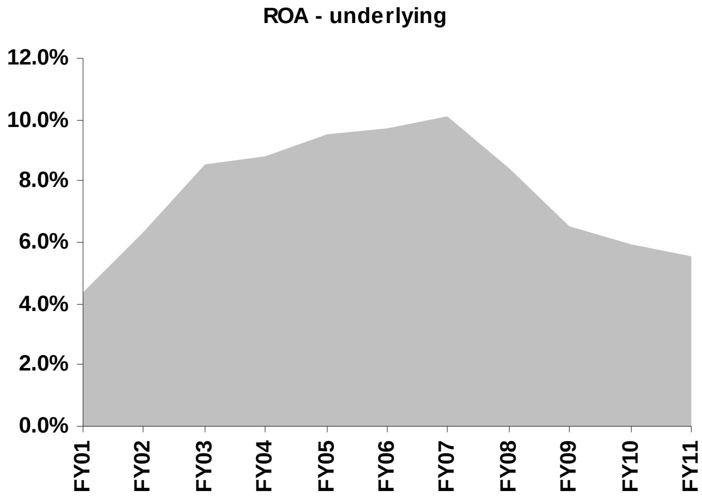
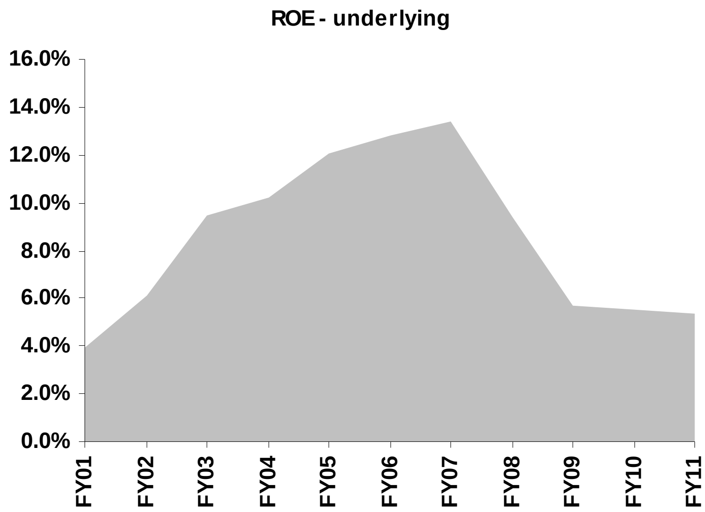
FY11 financial overview

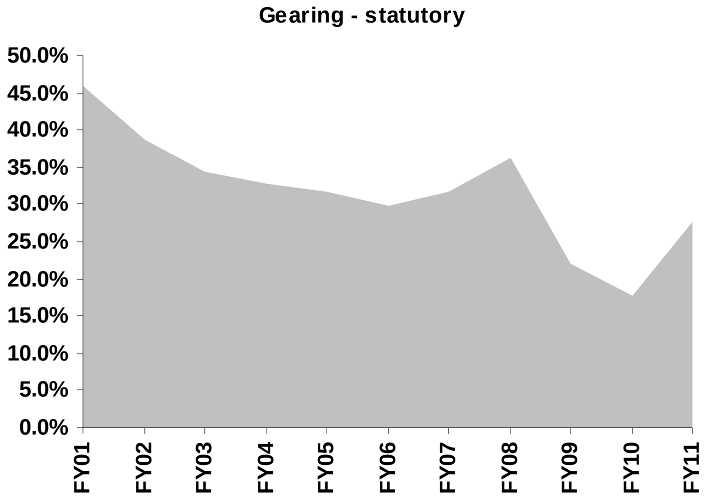


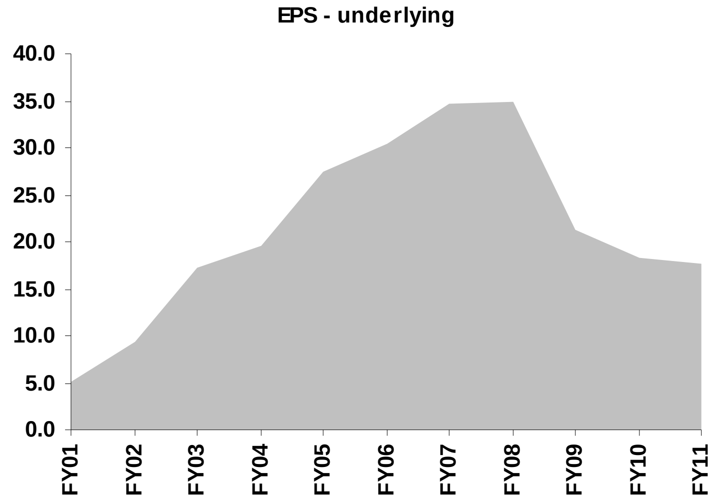


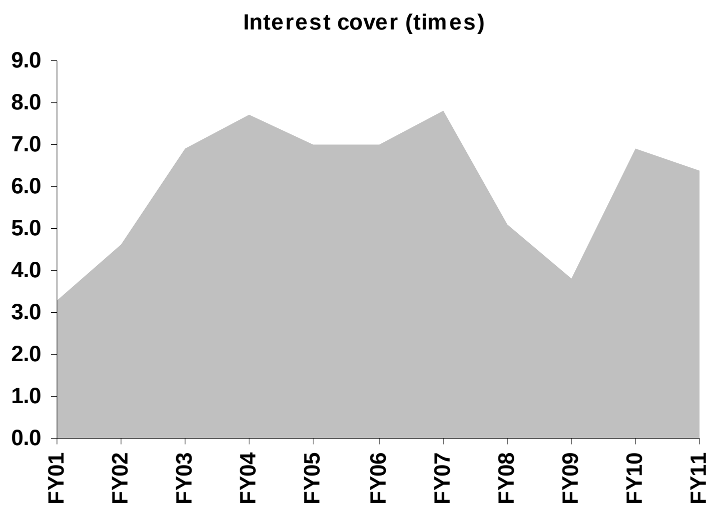


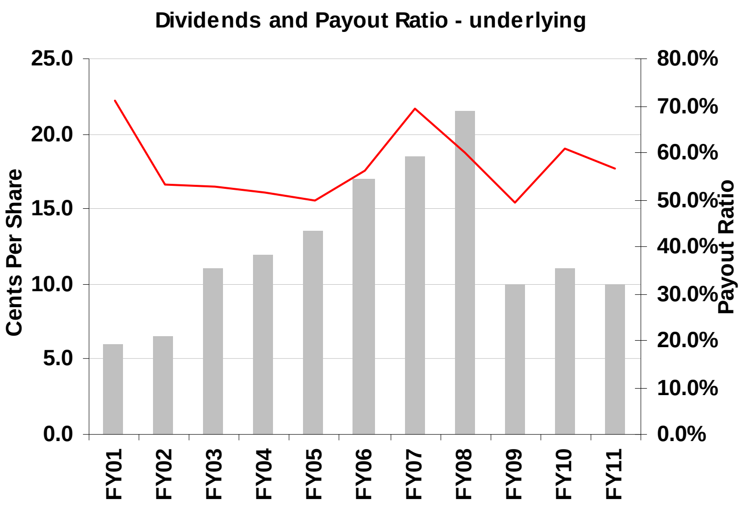


FY11 financial overview









Historical data – Profit and Loss - underlying

12 months ended 30 June	FY11[1]	FY10[2]	FY09[3] $m	FY08[4] $m	FY07[5] $m	FY06[6] $m	FY05[7] $m	FY04[8] $m	FY03 $m	FY02 $m	FY01[9] $m
Sales	**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
EBITDA	**642.0**	617.6	661.2	807.7	436.1	396.7	377.1	324.2	307.6	251.0	202.6
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)
EBIT	**428.5**	413.7	461.7	612.8	339.9	302.7	279.6	237.1	221.1	166.8	118.4
Finance costs	**(101.1)**	(89.2)	(172.2)	(159.6)	(55.8)	(56.7)	(53.6)	(42.2)	(44.5)	(54.4)	(61.8)
Profit before tax	**327.4**	324.5	289.5	453.2	284.1	246.0	226.0	194.9	176.6	112.4	56.6
Tax expense	**(84.8)**	(81.6)	(64.1)	(128.0)	(74.7)	(60.8)	(55.4)	(53.4)	(53.3)	(39.0)	(12.1)
Net profit after tax	**235.4**	240.6	215.3	315.0	197.5	171.6	153.1	129.1	113.8	66.0	38.6
EPS (cents) - year end	**17.6**	18.1	16.3	36.0	34.5	30.3	27.3	23.3	20.8	12.3	5.1
ROFE (%)	**7.3%**	7.5%	8.4%	11.3%	15.0%	14.5%	13.5%	11.6%	11.0%	8.1%	5.7%
Dividends (cents/share)	**10.0**	11.0	10.0	21.5	18.5	17.0	13.5	12.0	11.0	6.5	6.0

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 31 December 2010.
2 FY10 underlying results are before the impact of legal claims, accelerated depreciation, restructuring activities, tax consolidation and over provisions of tax in prior years of $17.8 million after tax
3 FY09 underlying earnings 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 earnings are before the impact of restructuring costs and impairment of plant and equipment associated with the integration of the Smorgon Steel Group and Australian Tube Mills businesses of $70.1m net of tax. These statistics include the results of the Smorgon Steel Group Limited from 20 August 2007 only. These figures have been restated to reflect the final fair value adjustments arising on acquisition of Smorgon Steel Group Limited in August 2007.
5 FY07 underlying earnings are before the impact of the derecognition of deferred tax liabilities of $9.5m.
6 FY06 underlying earnings are before the tax benefit of $15.9m arising from adjustments to tax consolidation values.
7 FY05 underlying earnings are before the benefit relating to the reversal of impairment loss on transition to IFRS of $49.7m after tax.
8 FY04 underlying earnings are before the tax benefit of $19.8m arising from OneSteel's entry into the tax consolidation regime.
9 Excluding provisions, pro forma
The underlying results presented for the years 2001 - 2004 have been adjusted to exclude goodwill amortisation from earnings.

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Historical data – Key Balance Sheet items

As at 30 June	FY11 $m	FY10 $m	FY09 $m	FY08 $m	FY07 $m	FY06 $m	FY05 $m	FY04 $m	FY03 $m	FY02 $m	FY01[1] $m
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
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
Net Assets	**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
Net Debt (incl hedging)	**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
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
Receivables	**925.0**	829.3	827.0	1,185.3	640.9	635.4	643.1	487.8	439.9	452.8	561.5
Creditors	**1,007.3**	863.1	910.6	1,344.0	882.7	599.0	615.7	569.9	467.7	425.1	444.4
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
Gearing - (incl hedging)*	**28.7%**	18.3%	23.1%	37.8%	33.8%	31.6%	31.7%	32.8%	34.3%	38.7%	46.1%
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
NTA/Share $	**1.39**	1.77	1.66	1.53	2.38	2.15	1.95	1.93	1.77	1.69	1.81

1 Excluding provisions, pro forma
* 2001-2004 figures have been presented under previous AGAAP and have been adjusted to include securitisation

Historical data – Cash Flow

12 months ended 30 June	FY11 $m	FY10 $m	FY09 $m	FY08 $m	FY07 $m	FY06 $m	FY05 $m	FY04 $m	FY03 $m	FY02 $m	FY01[1] $m
Profit after tax	**237.5**	260.7	239.6	255.1	218.9	201.1	220.3	140.3	103.5	54.5	(22.0)
Depreciation, amortisation and impairment	**215.7**	215.1	201.8	212.5	96.2	94.0	91.7	108.1	106.3	103.1	99.2
Non-cash items	**(16.8)**	(1.8)	(2.0)	16.5	(8.5)	(1.1)	(65.2)	(15.1)	5.0	(6.7)	1.2
Working capital movements	**26.7**	128.1	(71.4)	(133.3)	(30.1)	(43.2)	(10.9)	(45.0)	42.9	(58.3)	211.9
Capital & investment expenditure	**(1,244.2)**	(206.8)	(190.9)	(740.1)	(360.5)	(227.6)	(127.5)	(151.4)	(130.9)	(70.8)	(108.4)
Asset sales	**25.8**	16.7	32.6	3.8	12.2	6.7	4.9	45.3	16.7	56.2	116.8
Other	**4.0**	-	-	0.8	(0.8)	1.9	0.8	2.7	(1.0)	65.9	(128.6)
Operating and investing cash flows	**(751.3)**	412.0	209.7	(384.7)	(72.6)	31.8	114.1	84.9	142.5	143.9	170.1
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

1 Excluding provisions, pro forma

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Historical data – Iron Ore

	FY11 $m	FY10 $m	FY09 $m	FY08 $m
Revenue/Income	948.4	782.3	598.5	561.2
EBITDA	554.2	361.2	138.0	220.9
EBIT	523.5	333.4	113.0	212.9
Sales Margin %	55.2%	42.6%	18.9%	37.9%
Assets	948.4	816.7	769.2	542.0
Funds Employed	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

Historical data – Recycling

	FY11 $m	FY10 $m	FY09 $m	FY08 $m
Revenue/Income	1,507.2	1,123.7	1,124.0	1,404.1
EBITDA	37.6	22.9	(21.8)	98.4
EBIT	20.9	7.7	(38.6)	86.5
Sales Margin %	1.4%	0.7%	(3.4%)	6.2%
Assets	652.5	710.7	614.1	741.5
Funds Employed	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	0.14	0.18

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Historical data – Manufacturing

	FY11 $m	FY10[1] $m	FY09[1] $m	FY08[1] $m	FY07 $m	FY06 $m	FY05 $m	FY04 $m	FY03 $m	FY02 $m
Revenue/Income	2,425.9	2,472.9	3,100.5	3,128.1	2,155.7	1,560.0	1,548.4	1,250.1	1,225.6	1,130.6
EBITDA	(86.6)	96.5	282.4	243.5	216.4	158.8	144.6	155.9	146.8	108.3
EBIT	(184.6)	(3.4)	187.5	133.3	158.3	103.2	84.4	110.1	101.2	62.7
Sales Margin %	(7.6%)	(0.1%)	6.0%	4.3%	7.3%	6.6%	5.4%	8.8%	8.3%	5.5%
Assets	2,594.8	2,623.9	2,600.8	2,880.8	1,929.6	1,603.8	1,419.0	1,329.4	1,213.0	1,165.9
Funds Employed	2,042.1	2,054.5	2,150.3	2,202.3	1,518.0	1,268.4	1,074.8	1,056.1	1,107.5	1,069.0
ROFE %	(9.0%)	(0.2%)	8.6%	6.1%	11.4%	8.8%	7.9%	10.2%	9.3%	5.9%
Employees (number)	3,424	3,394	3,712	4,196	3,346	3,106	2,949	2,963	2,975	3,057
External tonnes despatched (mt)	1.11	1.05	1.02	1.45	0.98	0.99	0.90	0.87	0.99	0.99
Internal tonnes despatched (mt)	1.03	1.12	0.97	1.26	0.68	0.63	0.63	0.24	0.24	0.24
Steel tonnes produced (mt)	1.92	1.92	1.78	2.44	1.73	1.63	1.35	1.62	1.62	1.58

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

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Historical data – Mining Consumables

	FY11 $m	FY10[1] $m	FY09[1] $m	FY08[1] $m
Revenue/Income	1,079.3	680.1	659.8	509.2
EBITDA	97.7	83.2	41.7	82.0
EBIT	65.3	62.3	22.8	65.6
Sales Margin %	6.1%	9.2%	3.5%	12.9%
Assets	2,262.4	1,158.5	1,125.0	1,104.3
Funds Employed	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 at 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

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Historical data – Australian Distribution

	FY11 $m	FY10 $m	FY09 $m	FY08 $m	FY07 $m	FY06 $m	FY05 $m	FY04 $m	FY03 $m	FY02 $m
Revenue/Income	2,438.6	2,520.6	3,324.4	3,144.7	2,393.4	2,350.9	2,280.2	1,942.3	1,772.5	1,720.8
EBITDA	39.6	91.8	217.5	179.8	202.1	210.7	203.9	160.9	145.4	134.3
EBIT	10.2	60.2	184.5	145.9	173.1	180.9	174.7	126.6	109.8	100.6
Sales Margin %	0.4%	2.4%	5.5%	4.6%	7.2%	7.7%	7.7%	6.5%	6.2%	5.8%
Assets	1,485.1	1,509.0	1,524.7	1,756.9	1,206.5	1,266.0	1,359.1	1,292.1	1,228.8	1,241.7
Funds Employed	1,133.6	1,128.5	1,176.2	1,227.5	846.9	940.4	977.2	975.3	861.6	911.8
ROFE %	0.9%	5.2%	15.4%	11.9%	19.4%	18.9%	17.9%	13.8%	12.4%	11.0%
Employees (number)	3,498	3,626	3,696	4,015	2,946	3,290	3,442	3,300	3,129	3,149
External tonnes despatched (mt)	1.33	1.30	1.41	1.73	1.30	1.28	1.37	1.28	1.24	1.19

Historical data – New Zealand Distribution

	FY11 $m	FY10 $m	FY09 $m	FY08 $m	FY07 $m	FY06 $m	FY05 $m	FY04 $m	FY03 $m	FY02 $m
Revenue/Income	296.2	303.8	399.9	435.7	405.2	390.4	403.3	340.3	290.8	289.2
EBITDA	24.7	18.2	42.7	39.0	45.9	48.7	61.4	47.6	36.6	30.7
EBIT	19.9	13.0	37.2	33.8	40.6	43.7	56.1	42.7	31.9	26.1
Sales Margin %	6.7%	4.3%	9.3%	7.8%	10.0%	11.2%	13.9%	12.5%	11.0%	9.0%
Assets	173.4	175.2	183.8	206.2	219.6	175.1	192.8	168.9	153.2	131.7
Funds Employed	113.8	114.9	154.3	173.9	119.1	106.2	117.4	106.9	102.8	98.2
ROFE %	17.4%	9.7%	22.7%	19.4%	36.0%	39.1%	50.0%	40.7%	31.7%	26.6%
Employees (number)	692	711	787	834	881	907	804	793	765	620

FY11 Statutory vs Underlying results

Variances between Underlying and Statutory Earnings	EBITDA		EBIT		Profit before tax		Net profit after tax		Tax benefit / (expense)	
	FY11 $m	**FY10 $m**	**FY11 $m**	**FY10 $m**	**FY11 $m**	**FY10 $m**	**FY11 $m**	**FY10 $m**	**FY11 $m**	**FY10 $m**
Statutory result	**619**	638	**404**	423	**303**	334	**230**	258	**(65)**	(76)
Restructuring costs including impairment[1]	**9**	2	**11**	2	**11**	2	**8**	1	**(3)**	(1)
Tax benefits relating to prior years[2]	**-**	-	**-**	-	**-**	-	**(17)**	(20)	**(17)**	(20)
Acquisition costs[3]	**14**	-	**14**	-	**14**	-	**14**	-	**-**	-
Legal claim settlement[4]	**-**	(23)	**-**	(23)	**-**	(23)	**-**	(16)	**-**	7
Tax consolidation expense/(benefit)[5]	**-**	-	**-**	-	**-**	-	**-**	9	**-**	9
Accelerated depreciation on blast furnace staves[6]	**-**	-	**-**	11	**-**	11	**-**	9	**-**	(2)
Underlying result	**642**	617	**429**	413	**327**	324	**235**	241	**(85)**	(83)

1 Restructuring costs relate to redundancies from organisational changes and other direct expenditure associated with business restructures
2 Tax benefits of prior years primarily relate to Research & Development claims, capital and consumables deductions not previously recognised
3 Direct costs relating to the acquisition of the Moly-Cop Group
4 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
5 Tax consolidation adjustments arising on finalisation of reset tax values
6 Accelerated depreciation on certain blast furnace staves as a result of disruptions occurring during the year ended 30 June 2010

ONESTEEL LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

FINANCIAL YEAR ENDED 30 JUNE 2011

Comparison to previous corresponding period (pcp)	Movement	% Change		A$ million
Revenue from ordinary activities	up	15.0%	to	7,133.0
Profit from ordinary activities after tax attributable to members	down	10.9%	to	230.3
Net profit for the period attributable to members	down	10.9%	to	230.3

Dividends	Final Dividend 2011	Interim Dividend 2011
Amount per security	4.0c	6.0c
Franked amount per security	0.0c	0.0c
Amount per security declared to be conduit foreign income	0.0c	0.0c
Total dividend and dividend payment (A$ million)	53.5	80.1

	Date
Ex-dividend date for Final Dividend	5 September 2011
Record date for determining entitlement to Final Dividend	9 September 2011
Date payable	13 October 2011

Net tangible assets	30 June 2011	30 June 2010
Net Tangible Assets per security ($)	1.39	1.77

Details of Associates and Joint Venture Entities

Name of associate or joint venture entity	Associate or Joint Venture Entity	Percentage holding June 2011	Percentage holding June 2010
Suntech Metals Company Ltd	Associate	20%	20%
BOSFA Pty Ltd	Jointly controlled entity	50%	50%
GenAlta Recycling Inc.	Jointly controlled entity	50%	-

Details of entities over which control was gained during the period

Name of entity	Date of the gain of control
Moly-Cop Group S.a.r.l.	31 December 2010
Alta Steel Chile S.A.	31 December 2010
GST Philippines Inc.	31 December 2010
MolyCop Steel Inc	31 December 2010
Moly-Cop Mexico S.A de C.V.	31 December 2010
Inversiones Moly-Cop S.A.	31 December 2010
Moly-Cop Peru S.A.C.	31 December 2010
Moly-Cop Adesur S.A	31 December 2010
Moly-Cop Chile S.A.	31 December 2010
AltaSteel Ltd.	31 December 2010
Moly-Cop Canada (A Partnership)	31 December 2010
Maple Leaf Metals (A Partnership)	31 December 2010
Servicios Moly-Cop S.A. de C.V.	31 December 2010

There were no entities over which control was lost during the period.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) provides eligible shareholders with an option to use dividend entitlements to acquire OneSteel Limited ordinary shares. Participation is optional. The DRP price is the arithmetic average of the daily volume weighted average market price (rounded to the nearest cent) of all fully-paid ordinary shares sold on the ASX during the 10 consecutive trading days commencing on the date which is the second trading day after the Record Date for the relevant dividend, less such discount, if any, not exceeding five per cent, as determined by the Board from time to time. DRP shares are currently priced at a nil discount.

The DRP will operate for the final dividend. The last date of receipt of DRP election notices is before 5.00pm on 9 September 2011 (the Record Date).

No discount applies to the DRP.

Further ASX Appendix 4E disclosures are located in the OneSteel Limited Full Financial Report and Review of Operations.

This report is based on a financial report that has been subject to audit is not subject to any dispute or qualification.

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2011.

Directors

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

L G Cox (retired 15 November 2010)
R B Davis
E J Doyle (retired 15 November 2010)
C R Galbraith
P G Nankervis
G J Plummer
D A Pritchard
P J Smedley
G J Smorgon
R Warnock (appointed 1 September 2010)

Details of the qualifications, experience and responsibilities of the Directors are set out on pages [xx] and [xx] of the Annual Report.

Principal activities

The principal activities of the OneSteel Limited Group ("OneSteel Group" or "OneSteel") during the financial year were the mining and supply of steelmaking raw materials to steel mills operated in Australia and overseas; recycling of ferrous and non-ferrous scrap metal; and manufacture and distribution of steel long products.

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

On 31 December 2010, OneSteel completed the acquisition of the Moly-Cop and Alta Steel businesses from Anglo American plc (together the "Moly-Cop Group"). The Moly-Cop Group is based in the Americas and consists of grinding media and steel products businesses, focused on the high growth mining consumables sector. The acquired businesses, together with OneSteel's existing grinding media production facilities in Australia, the United States and Indonesia, provide OneSteel with global scale in the growing grinding media market. The acquisition also provides OneSteel with strong positions in new and attractive regions, and leverages OneSteel's core capabilities including product, technical and customer knowledge in mining consumables.

Review of operations

A review of the operations of the OneSteel Group during the financial year and the results of those operations is contained in pages [xx] to [xx] of the Annual Report.

Net profit after income tax attributable to members of OneSteel Limited as parent entity for the financial year was $230.3 million (2010: $258.4 million) with earnings per share of 17.33 cents (2010: 19.51 cents).

Dividends

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

	$m
2011 Final dividend 4.0 cents per ordinary share payable on 13 October 2011, unfranked on fully paid ordinary shares	53.5
2011 Interim dividend 6.0 cents per ordinary share paid on 14 April 2011, unfranked on fully paid ordinary shares	80.1
2010 Final dividend 6.0 cents per ordinary share paid on 14 October 2010, unfranked on fully paid ordinary shares	79.9

Significant changes in the state of affairs

Other than the acquisition of the Moly-Cop Group on 31 December 2010, there were no significant changes in the state of affairs of the OneSteel Group that occurred during the financial year. Commentary on the overall state of affairs of the OneSteel Group is set out on pages [xx] to [xx] of the Annual Report.

Environmental regulation and performance

The OneSteel Group is subject to significant environmental regulation in respect of its mining and manufacturing activities. Environmental performance obligations are monitored by management and the Board of Directors and are periodically subjected to internal, independent external and government agency audits and site inspections. The Environment Report is set out on page [xx] of the Annual Report. OneSteel's Sustainability Report is available on www.onesteel.com/sustainability.

Directors' meetings

The number of Directors' meetings held, including meetings of committees of Directors, and number of meetings attended by each of the Directors during the financial year are listed below. Details of the Committees are set out on pages [xx] to [xx] of the Annual Report.

DIRECTORS	BOARD OF DIRECTORS[2]	AUDIT & COMPLIANCE COMMITTEE	GOVERNANCE & NOMINATIONS COMMITTEE	HUMAN RESOURCES COMMITTEE	OCCUPATIONAL, HEALTH, SAFETY & ENVIRONMENT COMMITTEE	OPERATIONAL RISK COMMITTEE
Number of meetings held[1]	16	4	2	3	4	1
L G Cox[4]	7	1	–	–	–	–
R B Davis	15	4	–	2	4	1
E J Doyle[4]	8	1	2	–	1	–
C R Galbraith	15	4	2	2	–	–
P G Nankervis	16	4	–	2	–	1
G J Plummer	16	4	2	3	4	1
D A Pritchard	16	–	–	3	4	1
P J Smedley	16	2	2	3	–	1
G J Smorgon	16	–	–	3	4	1
R Warnock[3]	13	3	–	2	4	–

1 Attendance at Board Committee meetings during the year includes attendance of Directors who are not members of that Committee.
2 Excludes OneSteel Limited Board sub-committee meetings and written resolutions.
3 Appointed 1 September 2010.
4 Retired 15 November 2010.

Company Secretary

Information on the qualifications and experience of the Company Secretary is set out on page [xx] of the Annual Report.

No officers are former auditors

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

KPMG

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of OneSteel Limited

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

KPMG

David Rogers

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 at 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
B. Non-Executive Director remuneration
C. Overview of executive remuneration strategy and structure
D. Executive remuneration
E. Group performance – the link to reward
F. Details of Non-Executive Director and executive remuneration for the year ended 30 June 2011
G. Executive service agreements

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 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 and 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 recommedation 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

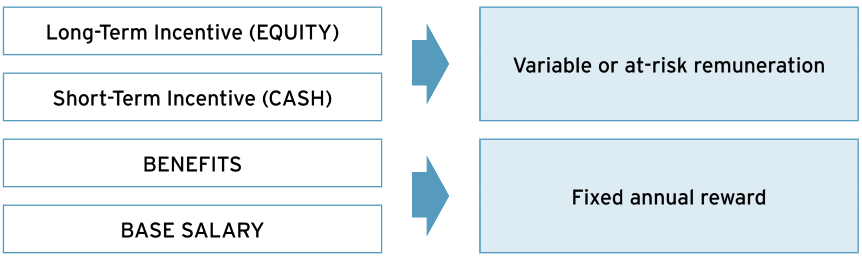
The objective of OneSteel's executive remuneration framework is to pay market competitive remuneration recognising skills and experience and to reward for performance and the achievement of strategic objectives leading to the creation of shareholder value.

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 is 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% - 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%-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 with 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	3 years	3 years
Access to Retesting	Yes, up to 5 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 Rotes	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 ten 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 ten 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% – 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% – 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% – 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.

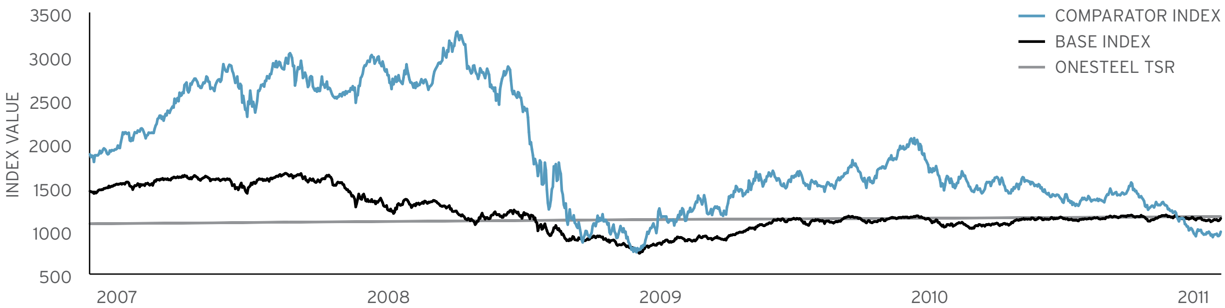
A significant portion of payments under the STI Plan and vesting of all grants under the LTI Plan are contingent upon the financial performance of the Group.

The following table shows underlying NPAT, EPS and dividends per share performance over the last 5 (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	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	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.

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 5 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 5 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's 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 were 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-controling interests	3.8	3.5

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

BALANCE SHEET
AS AT 30 JUNE

		CONSOLIDATED	
	NOTES	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 expenditures	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-controling 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 as 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 are 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 licenses 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 twelve months, and as non-current interest-bearing liabilities where the Group has an unconditional right to defer settlement of the liability for at least twelve 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 Payment 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 re-measured 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 either:

- 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);
- 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 on-going 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 derivatives 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 require 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 & 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 regards 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.

Minerals Resource Rent Tax

On 2 July 2010 the Federal Government announced that it would replace the proposed Resources Super Profits Tax ("RSPT") with a Minerals Resources 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 are of the view that they 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 60kms 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 arms' 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	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	CONSOLIDATED 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	CONSOLIDATED 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	CONSOLIDATED 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.

5. INCOME TAX (continued)

(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	CONSOLIDATED 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 debt 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 debt during the year were as follows:

	CONSOLIDATED 2011 $m	CONSOLIDATED 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 are as follows:

	CONSOLIDATED 2011 $m	CONSOLIDATED 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 CAD 200m (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	CONSOLIDATED 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	CONSOLIDATED 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	GOODWILL $m	SYSTEM DEVELOPMENT COSTS $m	CUSTOMER RELATIONSHIPS $m	SUPPLIER CONTRACTS $m	KNOW-HOW $M	BRAND NAMES $m	PATENTS $m	TOTAL $m
	CONSOLIDATED							
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	GOODWILL $m	SYSTEM DEVELOPMENT COSTS $m	CUSTOMER RELATIONSHIPS $m	SUPPLIER CONTRACTS $m	BRAND NAMES $m	PATENTS $m	TOTAL $m
	CONSOLIDATED						
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	
CGU / GROUP 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 / group 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 cashflows 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 cashflows, 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 cashflows, 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	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

	CONSOLIDATED			
2011	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 provides 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 healthcare cost trend rates have a significant effect on the amounts recognised in the Income Statement. A one percentage point change in assumed healthcare 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	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	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 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 licenses[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	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 Stock 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 Stock 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 9 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 and 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 3 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	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

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	HELD AT 30 JUNE 2011	VESTED AND EXERCISABLE AT 30 JUNE 2011
2011	Number	Number	Number	Number	Number	Number
Directors						
G J Plummer	90,000	–	(90,000)	–	–	–
Executives						
S H Hamer	18,000	–	(18,000)	–	–	–
Total	108,000	–	(108,000)	–	–	–

	HELD AT 1 JULY 2009	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	HELD AT 30 JUNE 2010	VESTED AND EXERCISABLE AT 30 JUNE 2010
2010	Number	Number	Number	Number	Number	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]

	HELD AT 1 JULY 2010	GRANTED AS REMUNERATION[1]	ON EXERCISE OF OPTIONS	NET CHANGE OTHER	HELD AT 30 JUNE 2011
2011	Number	Number	Number	Number	Number
Directors					
R B Davis	68,995	–	–	20,000	88,995
C R Galbraith	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	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% - 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 USD 500,000 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 CAD 200m 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, 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 – 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 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 USD 937.6 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 combinations 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 businesses are 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) that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(d) at the date of this declaration, there are reasonable grounds to be believe that the members of the extended Closed Group identified in Note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 27.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

Peter Smedley
Chairman

Geoff Plummer
Managing Director &
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

David Rogers
Partner

Sydney
16 August 2011