

STEEL MARKET UPDATE –

With recent increases in the international market for steelmaking raw materials and subsequent movements in the international steel market we believe that it is important to update you with current trends in steel input prices.

Over the last six months we have seen significant movements in prices for steelmaking raw materials. Specifically, iron ore spot prices have increased by over 60% and spot coking coal prices have increased by over 80% since July. Scrap prices have also increased by over 41% over that period in US\$ terms.

Contract prices in Q2 for Iron Ore and Coking Coal are expected to increase to match the increases in spot prices.

All of these factors have been a considerable driver behind recent increases in international steel prices

“The steel supply chain has no choice but to take robust action to recover... rapid increases in raw materials costs,” says Mick Maloney, Tata Steel commercial manager for sections (Source: SBB).

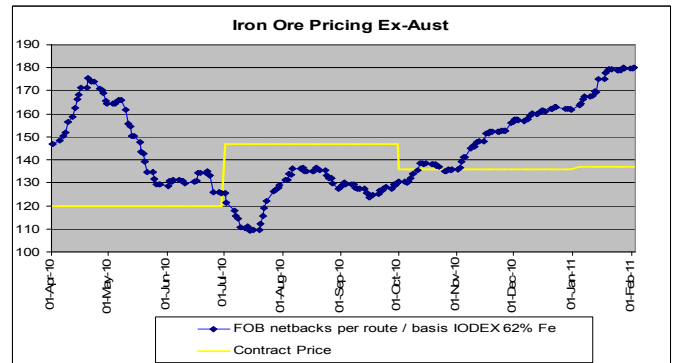
KEY STEEL INPUT COSTS ARE INCREASING

IRON ORE

Increasing proportions of iron ore are being sold at spot prices. Spot Iron Ore prices are trading well above contract prices and have recently been quoted above AUS\$180/t in SBB which is a 63% increase over the last 6 months. This is a continuation of the consistent upward trend.

Iron Ore contract prices have been set at AUS\$137/t for the March quarter.

Source: SBB

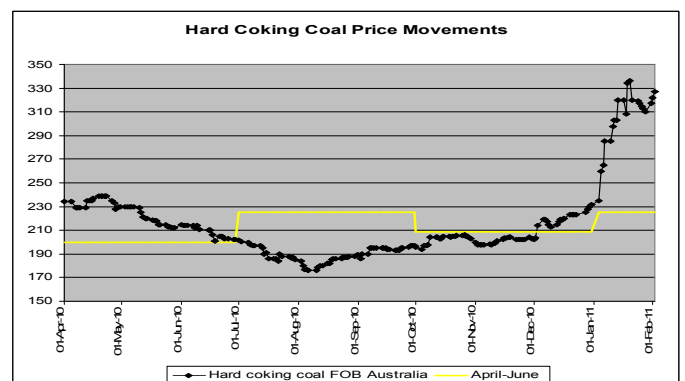


COKING COAL

Spot coking coal prices have risen dramatically to peak in January at AUS\$336/t due largely to the Queensland floods devastating supply. This was an increase of 81% over the last 6 months.

BHP/Mitsubishi Alliance could lose more than 8.5 million tonnes of Coking Coal in QLD, according to SBB. Coking coal contract prices have been settled at AUS\$225/t for the March quarter 2011.

Source: SBB



SCRAP

Scrap prices have trended up to over US\$500/t due to tightening in supply, higher inbound buying prices and increased export demand and bids. The outlook for scrap is expected to remain firm with Platts and Tex reports both mentioning the benchmark price at around US\$505/t.

Source: Platts/Tex

