

Price Update

NOVEMBER 2008

Welcome to the OneSteel Piping Systems Price Update.

Since our first newsletter in July, the global steel market has continued to experience unprecedented volatility. This has been exacerbated by the current global financial crisis. In light of this, we feel that it is important to keep you updated on the effect that this is having on the market for pipes, valves and fittings.

Whilst we are seeing the key cost inputs for imported pipe and fittings starting to decline, we are yet to see the realisation of these price effects in the market. This is due to the 3 - 6 month lead time for receiving imported stocks of pipes, valves and fittings into Australia. To compound the price volatility, the Australian Dollar has fallen more than 30%. This decline in value is driving some of the immediate cost increases for pipes, valves and fittings in Australia.

Despite the global economic slowdown, the fundamentals suggest that the medium to long-term outlook for Australia's mining and engineering construction markets remain sound. However, the events of the past few weeks have resulted in uncertainty for the near term. We do not expect the extent of the impact on activity to be clear until there is greater clarity in international financial markets.

During these challenging times, we will continue to work closely with your business to keep you informed with pricing and supply updates. In addition, we are actively working with our overseas manufacturers to provide quality products that are competitively priced and delivered on time.

If you require any further information or assistance, please contact your OneSteel Piping Systems representative. I would like to thank you for your support and I look forward to your continued business.

Regards

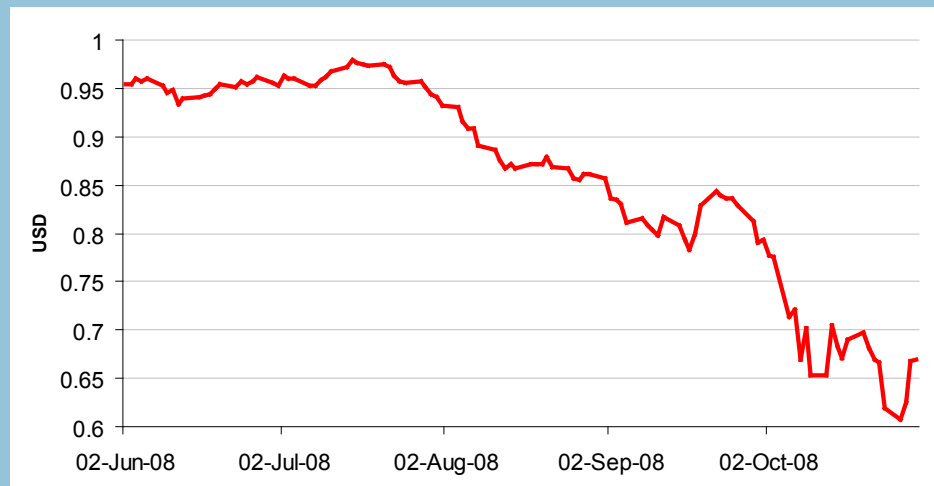
Geoff Feurtado
General Manager – OneSteel Piping Systems

Piping Systems Price Increases: AUG - NOV

	Aug-08	Sept-08	Oct-08	Nov-08*
FITTINGS	Malleable Fittings			24.0%
	Gal Steel Fittings			17.0%
	Black Steel Fittings			17.0%
	High Pressure Fittings			
	ANSI Flanges			14.0%
	Plate Flanges			28.0%
	Buttweld Fittings			27.0%
	Grooved Fittings			12.0%
PIPE	ERW Pipe			15.0%
	SMLS Pipe			15.0%
	Commercial Pipe			
VALVES	Valves			13.0%
	Actuators			
STEEL	Plate			
	RHS			
	Merchant Bar			11.0%
	Structural			13.0%

The table above is an updated summary of the recent 2008 price increases. The percentages listed above are typical for each product group, however individual items may vary. Should you require further pricing information, please contact your OneSteel Piping Systems sales office.
*Price increases effective Monday 17 November, 2008.

AUD Exchange Rate



Source: www.x-rates.com

Despite the recent decrease in prices for hot rolled coil and other materials, the decline in value of the AUD has offset this movement by reducing Australia's purchasing power for imports. Commonwealth Bank of Australia's chief of currency strategist, Richard Grace, has identified that this recent downward movement in the AUD is likely to continue. "Further declines in the \$A are likely as markets adjust to a deeper, protracted global downturn," Mr Grace said.¹ As the value of the AUD continues to decline, the cost of imports continues to rise, thereby increasing the cost of many of our steel products.

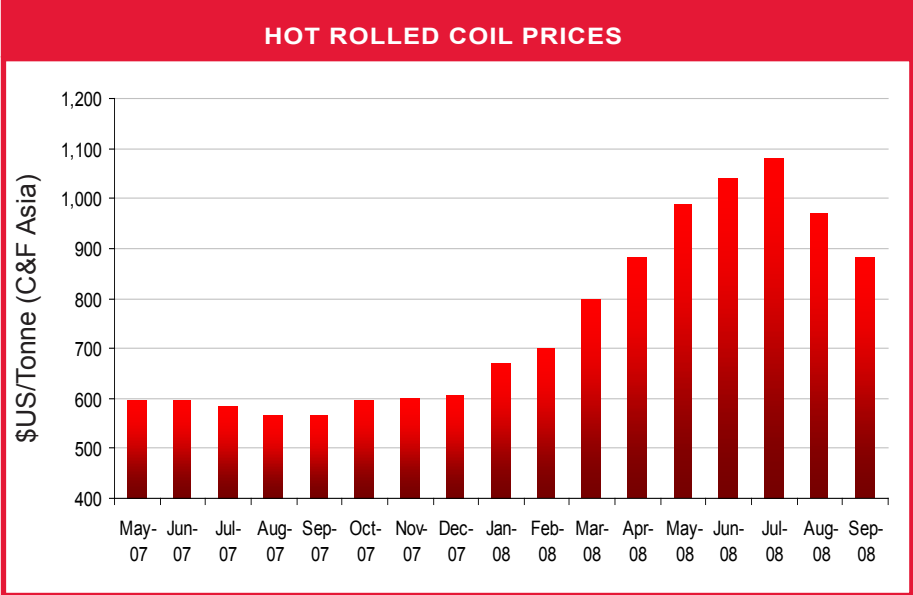
¹ Baker, P. 2008. "Don't fall for hopes of rising \$A", *The Australian Financial Review*, October 21, p25.

Engineering construction in Australia is forecast to experience strong growth in 2008-09, with steady growth in 2009-10. A number of key projects entering the construction phase will contribute to this growth, including the Pluto LNG and Gorgon LNG projects.² Increased expenditure from heavy industry and from water and electricity construction is expected to maintain strong growth until 2010.³

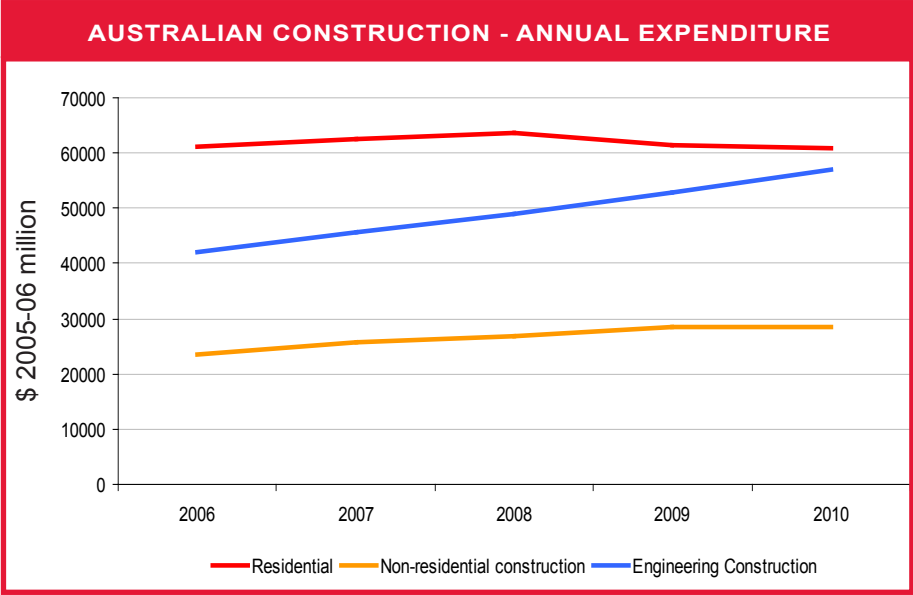
² Construction Forecasting Council, 2008. *Forecasts*. www.cfc.acif.com.au
³ NIEIR, *Long Term Forecast Bulletin*, October 2008, p15.

Strong growth is projected for coal and gold production in 2008-09, which is expected to continue through 2009-10. Oil and Gas production also has strong forecasted growth over this period.⁴ Continued growth in mining investment is also expected, partly due to the large number of projects in the pipeline.⁵

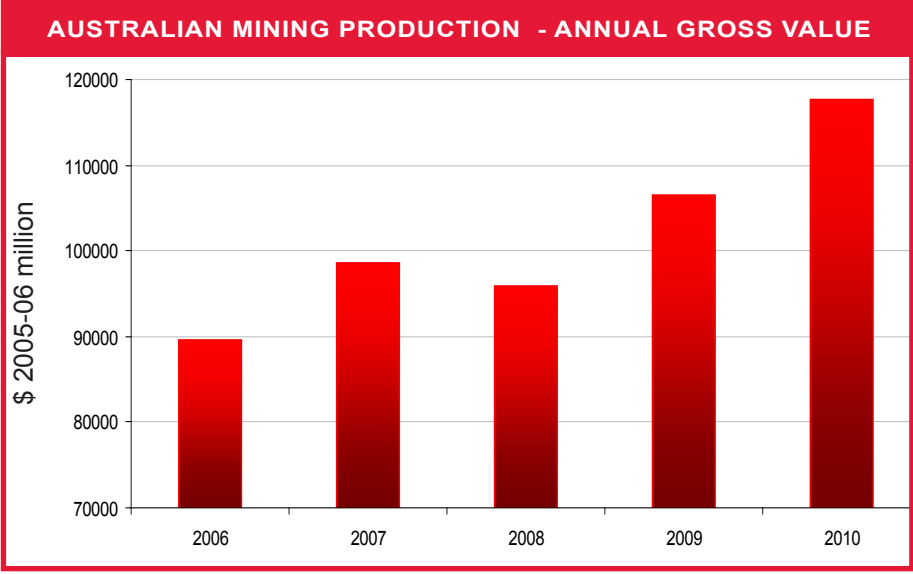
⁴ NIEIR, *Quarterly Forecast Bulletin*, August 2008, p16.
⁵ NIEIR, *Long Term Forecast Bulletin*, October 2008, p22.



Source: CRU, 2008



Source: NIEIR, Long Term Forecast Bulletin, October 2008, p 6,10,14.



Source: NIEIR, Long Term Forecast Bulletin, October 2008, p 18.