



Public record version

A) Products in the Australian market

1) General information.

- (a) There are many suppliers of quench and tempered steel in the Australian market. Whilst all offer a similar product there are subtle differences in the quality, weldability, and product surface pre-treatment.
- (b) One of the main drivers in selecting a quench and tempered steel manufacturer is based on a technical perspective in the research and development that is undertaken by the steel manufacturers. The off-highway dump body manufacturing market is constantly looking at ways to reduce the weight of the dump bodies. This is done in two ways:
 - (i) Material grade selection: Designing dump bodies with harder wearing materials that have the same welding and processing characteristics as the other grades.
 - (ii) Material thickness: Designing dump bodies with the correct material thickness in areas of the body. This is calculated by reviewing the miner's wear rates and fragmentation of the ore which is loaded/carried and applying an appropriate material thickness in the wearing areas of the body.

Based on the above information we can design and build a suitable dump body for any application and provide our clients with guaranteed minimum hours of operation. As new materials are developed and released into the market we can manufacture our products using a harder wearing grade with a reduced thickness, thus reducing the overall mass of the body.

2) End uses.

Schlam designs and manufactures a range of off-highway dump bodies, mining buckets, and underground dump bodies, as do Schlam's competitors. Our products are manufactured using a range of various thicknesses and grade quench and tempered plate. I have included a range of product brochures in the attachment.

3) The product attributes and priority that would influence a preference from one manufacturer to another are as follows:

- (a) Product application – Material grade
- (b) Product quality
- (c) Manufacturing lead time
- (d) Price
- (e) Market reputation/branding of supplier

4) Schlam's processes for the selection of a supplier of goods changes depending on the goods or services that we require. In this particular instance relating to quench and tempered steel plate we look for more than just the cheapest price of the product supplied. We look for:

- (a) Research & Development
[CONFIDENTIAL TEXT DELETED – R&D information]



- (b) Value added services and support
 - (i) Marketing support
 - (ii) Technical support
 - (iii) Employee training and specialist advice
 - (iv) Collaboration on special projects
 - (c) Product quality and specification
 - (i) Flatness
 - (ii) Through hardness
 - (iii) Surface preparation and pre-treatment
 - (iv) Weldability – SSAB product has superior pre-heat welding parameters with less heat treatment is required. This assists our production efficiency with less time to weld the finished product.
 - (d) Price and lead time
 - (i) Negotiated locked in prices per quarter
 - (ii) Risk mitigation of supply delays
 - (iii) Overall lead time
 - (iv) Capacity to scale up/down on a month to month basis as required
- 5) Schlam purchases quench and tempered steel from two suppliers, SSAB and Bisalloy. All goods that are purchased from Bisalloy are via a steel merchant business called Southern Steel. In the table below we have highlighted the key differences that we see in the goods, services, and support offered by both Bisalloy and SSAB from our perspective. We have compared the two businesses based on our interactions and experiences only.

Goods service/support	Bisalloy	SSAB
Gr500 TUF/PLUS	No product available	Hardox 500TUF
Surface treatment	No priming	All material primed
Technical support	No support	Major support
Marketing and promotion	Minor support	Major support

[CONFIDENTIAL IMAGE DELETED – Pricing information]



- 6) Schlam can change suppliers quite easily, but due to the large volumes of steel that we process there are large amounts of stock that are managed by our vendor. This stock is ordered up to six (6) months in advance and is then drawn on by Schlam as required. Our vendors then invoice for any orders which are drawn from the base stock in their warehouses.
- (a) That being said, it is Schlam/s preference to work closely with our vendors, providing them constructive feedback to improve our customer experience with them. Comparing the customer experience between Bisalloy and SSAB, there are certainly differences between the two businesses.
- (b) On multiple occasions Schlam has met with the senior management team from Bisalloy and Southern Steel. During these meetings we have suggested some improvements to our customer experience which has, as yet, not changed. The discussions have included such issues as:

[CONFIDENTIAL TEXT DELETED – R&D information]

- 7) The main change in preference for Schlam has been driven by various other factors:
- (a) Supply risk and mitigation from COVID-19 impacts
(b) Material technology and new products
(c) Support and service, value added support
(d) Environmental impact and carbon footprint
(e) Price and logistics increases

B) Prevailing conditions of competition in the Australian market

- 1) In respect of the Australian market for the goods and the prevailing conditions of competition within the market:
- (a) The demand for quench and tempered steel, as used in the market sector that Schlam serves, has seen steady growth over that last five years with an increasing demand for harder wearing, lighter grades of steel such as the Gr500 TUF/PLUS that is not available from Bisalloy at this time. This demand has been driven by the mining industry that it serves in that lighter and stronger steel translates into higher ore carrying capability with consequent economic benefits to the miners.
- (b) Demand for the goods is influenced by the growth or shrinkage of the mining sector, in particular iron ore, gold and coal sectors. As mentioned, the demand for lighter grades is driven by the quest for higher profits by the miners.
- (c) Schlam is unable to offer accurate commentary on use of the goods outside of the sector within which Schlam operates. Within that sector, the only segmentation is by grade and quantity of steel used based on the application of the end product, e.g. the level of wear that the product must endure. This varies by the hardness of the material being dug up, scraped or carried by the products and thus tends to vary by geological zones.
- (d) For the primary grade of steel that Schlam uses in its products, there is no Australian equivalent at this time. For other grades of steel, SSAB differentiates its offering from that of Bisalloy on quality and service rather than on price, as detailed at point A.5 above.



- (e) The market is relatively confined both in terms of suppliers and customers. Consequently marketing tends to be by direct enquiry by buyers or direct offers/approaches by suppliers. Third party merchants are sometimes involved as intermediaries in the process. Distribution tends to be from manufacturer to user directly, or via a marketing merchant.
- 2) The future demand of the goods and our products generally will depend almost entirely on the growth or otherwise of the mining sector. The future demand for higher strength, lighter grades of the goods will likely outpace the general demand growth as miners seek greater profits. Naturally, this realm of activity is not reliably predictable.
- 3) It is Schlam's experience with its own purchases of the goods that there is no cost benefit in buying the imported goods versus the Australian goods. The prices are almost the same. The imported material simply offers greater benefits for the same cost.