

# Arrium Mining Quarterly Production Report

## For the quarter ended 30 September 2013

### Summary

- Record quarterly shipments of 3.13Mt (dmt) up 0.4Mt on prior quarter and up 1.5Mt or 94% on the prior corresponding quarter
- The new higher capacity ship loader at the Inner Harbour was successfully commissioned mid-July and achieved its designed rate of 4,200tph within the first week of operations
- Successful commissioning of new locomotives and wagons resulted in record railings of ore in the quarter.
- Current run rate supports full year volume guidance of 12Mt.
- The Platts 62% Fe CFR market index price averaged US\$133/dmt, up US\$7/dmt on the prior quarter
- Arrium's average realised price was ~US\$113/t FOB (dmt), up US\$9/t on the prior quarter
- Average cash cost loaded on ship ~A\$49/wmt<sup>1</sup> in line with guidance
- The port expansion at the Inner Harbour was officially opened by Tom Koutsantonis MP, SA Minister for Mineral Resources and Energy on 30 July.
- Civil works in preparation for the recommencement of mining at the Iron Knob Mining Area later in the year started in July

### Operations<sup>2</sup>

#### Arrium Mining Total

		Sep Qtr	Jun Qtr	Variance	Variance % previous Qtr	FY 14 YTD	FY13 YTD
Ore mined <sup>2</sup>	(wmt)	2,965k	2,408k	557k	23%	2,965k	2,661k
Ore Processed – DSO	(wmt)	2,727k	2,221k	506k	23%	2,727k	1,540k
Ore Processed - Beneficiated	(wmt)	464k	420k	44k	10%	464k	436k
Ore shipped <sup>3</sup>							
• Fines		1,960k	1,586k	374k	24%	1,960k	939k
• Lump		1,165k	1,139k	26k	2%	1,165k	669k
Total	(dmt)	3,125k	2,725k	400k	15%	3,125k	1,608k
Average grade of ore shipped		60.3%	60.3%	0.0%	0.0%	60.3%	59.8%

### Middleback Ranges

		Sep Qtr	Jun Qtr	Variance	Variance % previous Qtr	FY 14 YTD	FY13 YTD
Ore mined <sup>2</sup>	(wmt)	2,155k	1,688k	467k	28%	2,155k	2,080k
Ore Processed – DSO	(wmt)	1,652k	1,483k	169k	11%	1,652k	1,536k
Ore Processed - Beneficiated	(wmt)	464k	420k	44k	10%	464k	436k
Ore shipped <sup>3</sup>							
• Fines	(dmt)	720k	646k	74k	11%	720k	939k
• Lump	(dmt)	1,165k	1,139k	26k	2%	1,165k	669k
Total	(dmt)	1,885k	1,785k	100k	6%	1,885k	1,608k

### Southern Iron

		Sep Qtr	Jun Qtr	Variance	Variance % previous Qtr	FY14 YTD	FY13 YTD
Ore mined	(wmt)	810k	720k	90k	13%	810k	581k
Ore Processed – DSO	(wmt)	1,075k	738k	337k	46%	1,075k	4k
Ore Processed - Beneficiated	(wmt)	n/a	n/a	n/a	n/a	n/a	n/a
Ore shipped							
• PK Fines	(dmt)	877k	692k	185k	27%	877k	n/a
• SMR for Blending	(dmt)	363k	248k	115k	46%	363k	n/a
Total	(dmt)	1,240k	940k	300k	32%	1,240k	n/a

## Market

The Platts 62% Fe index averaged US\$133/t CFR (dmt), a US\$7/t increase compared to the prior quarter. Continued high levels of steel production, lower than average port stocks and stable economic conditions in China have underpinned strong demand for iron ore and the higher average price.

Arrium Mining's average price received for the quarter of US\$113/t FOB (dmt)<sup>4</sup> was up US\$9/t compared to the prior quarter. The improvement was due to the increase in the market price as well as lower average freight costs. The timing of price settlements with customers continued to be a factor in maintaining a strong price recovery compared to the Platts 62% Fe index.

Our new Opal blend and Whyalla blend products have received strong customer support. Lower impurities and moisture provide sintering benefits to Mills utilising our ores. Arrium continues to market the blends to a broader range of customers, with a number of trials of our products underway with further prospective customers.

Freight rates moved up appreciably in late August and September due to factors including longer haul distance from increased Brazilian exports, increased Australian exports and the general slow steaming of most cape vessels to reduce fuel costs, which all reduced ship availability.

## **Production and Shipping**

Hematite ore mined in the Middleback during the quarter of 2,155 (wmt) was 28% higher compared to the June quarter. Emphasis focused on crushing output to achieve the targeted sales rate with additional capacity added at the Iron Knight during the quarter.

Ore mined by Southern Iron at Peculiar Knob of 810k (wmt) was up by 13% compared to the prior quarter. Crushing volumes increased by 337k (wmt) to 1,075k (wmt) to meet the increase in sales capability with the completion of the new port at the inner harbour.

Record railed tonnes were achieved in the quarter of 3,340k (wmt).

Arrium Mining's ore shipments of 3,125K (dmt) were in line with expectations and 15% higher than June quarter, reflecting the full commissioning of the expanded supply chain at the Inner Harbour. The combination of the self-powered barge and the existing transshipment fleet has created greater flexibility for the operations. The quarter also included 40kt of pellet sales.

## **Costs**

Arrium Mining's average cost loaded on the ship (excluding royalties and depreciation) for the combined operations at Middleback and Southern Iron for the quarter of ~A\$49/wmt<sup>1</sup> was in line with previous guidance of ~A\$50/wmt at the 12Mtpa rate.

## **Development**

### ***Whyalla Port Expansion***

The Whyalla Port Expansion Project was completed in July with the commissioning of the high capacity travelling ship loader and port capacity has now doubled to ~13Mtpa. This brings to a close the company's successful ~\$600 million expansion to double the size of the Mining businesses' iron ore sales and Port capacity, which was delivered on time and on budget.

### ***Iron Knob Mining Area***

Arrium has started preparations for mining in the Iron Knob Mining Area as part of the company's strategy to deliver on its aim for sales of at least 12Mtpa over 10 years. Activity to date has focused on the building of road and office infrastructure prior to the commencement of pre strip mining later in the December Quarter. The investment in this project is expected to be approximately \$82 million in FY14<sup>5</sup> and includes three open cut mine pits (Monarch, Princess and Princess West). First ores are expected in the first half of FY15. The project is running to schedule and budget.

### ***Magnetite Optimisation Project***

Arrium has been a leader in the commercialisation and use of magnetite in Australia. This project includes installation of a tertiary grinder and modifications to the existing grinding circuit to allow the concentrator to treat a wider range of ores, as well as maximise product recovery through fine grinding technology and improved final concentrate washing. The project benefits include additional output (pellets, lump or concentrate) of ~400kt per annum with reduced mining activity based on the consumption of stockpiled materials.

The total cost of this investment is expected to be approximately \$86 million, with \$36 million incurred in FY13, and the remainder expected in FY14. The project is on schedule and budget with commissioning to occur in the December quarter. Operating benefits are expected to commence in the second half of FY14.

### **Exploration**

Exploration activity continues to focus on:

- Adding to or extending the mine life of existing operations to utilise the full capacity of the Whyalla Port
- Investigating further ferrous opportunities across the Middleback Ranges and Southern Iron tenements.

Drilling activity in the September quarter generated 10,444m. The program included resource definition Reverse Circulation (RC) drilling, diamond drilling and specialist hydrogeological drilling.

At the northern end of the Middleback Ranges, diamond drilling south of Iron Princess supporting the Iron Knob Mining Area expansion continued, and then moved to resource drilling in the South Middleback Ranges. Results from the Iron Princess drilling were incorporated into updated resource models and mine design work. Drilling is expected to commence in the Iron Knob Mining Area in the second half of FY14.

In the northern portion of the South Middleback Ranges project area, resource definition and extension RC drilling continued at Iron Chieftain. Drilling focussed on inferred extensions north and south of the mineralised envelope, as well as infill drilling in the pit. Extension drilling was based on the enhanced understanding of the structural controls on mineralisation developed over the last six months and assisted by the use of high resolution geophysical data. The extension drilling results are being progressively incorporated into the mine plan.

In the southern portion of the South Middleback Ranges project area, RC drilling commenced at Iron Duchess South, to test inferred extensions to the north and south of the existing Duchess South mineralisation.

In the Southern Iron project portfolio, resource definition and extension RC drilling continued and hydrological drilling commenced on the Hawks Nest project at the Buzzard hematite prospect. The hydrological drilling is being conducted with the aim of investigating dewatering requirements within the proposed pit shell.

In addition to drilling activities on the Southern Iron projects, interpretation of the recently acquired high resolution magnetic and radiometric data for each of the Mt Brady, Windy Valley and Hawks Nest projects is being used to define targets as part of the assessment of the potential for both iron ore and iron oxide copper gold (IOCG) mineralisation within these tenements. Subject to the result of heritage clearance surveys to be carried out in 2QFY14, aircore and RC drilling programs are planned to be carried out in the second half of FY14.

<sup>1</sup> Includes mining, crushing, beneficiation, rail, road haulage and trans shipping costs. Excludes capitalised costs (infrastructure, pre-stripping and mining licences) and depreciation and amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs. Includes impact of IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine' of ~\$1/wmt reduction in cash cost compared to methodology applied in previous reports.

<sup>2</sup> Hematite export ore operations only. Excludes magnetite operations. Data has been adjusted to exclude hematite ore that is transferred internally to OneSteel Manufacturing as feed for the Whyalla blast furnace, based on actual blast furnace consumption.

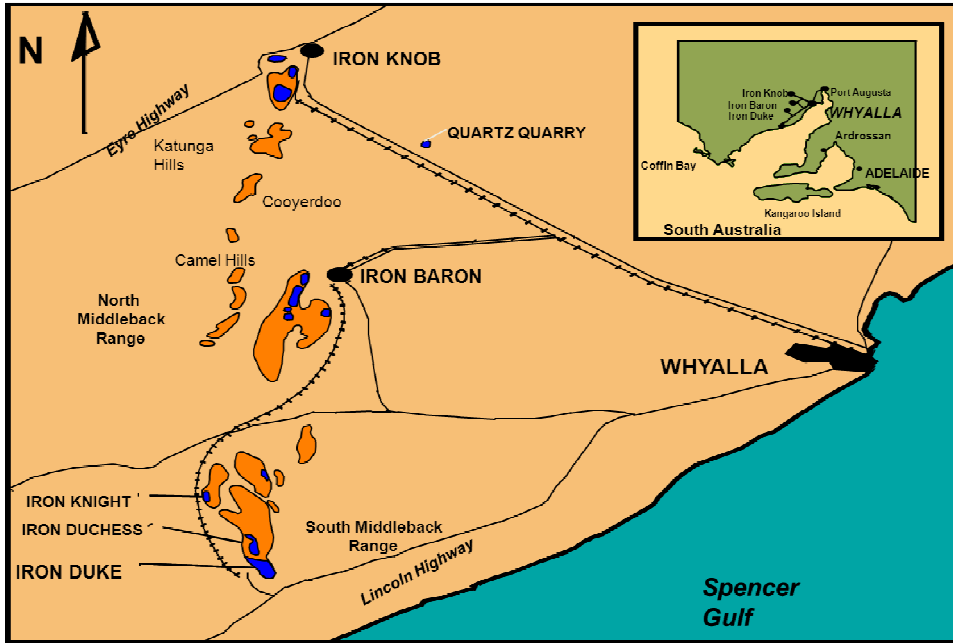
<sup>3</sup> Ore shipped reported on a dry metric tonne basis after adjusting for ~4% moisture.

<sup>4</sup> Arrium generally invoices customers on a CFR basis. FOB price is arrived at by deducting Freight costs incurred by Arrium. Price difference compared to prior period can be due to price penalties, weighting of shipments in quarter and timing related to the determination of pricing for contract customers in addition to the change in the Platts Fe 62% Index price.

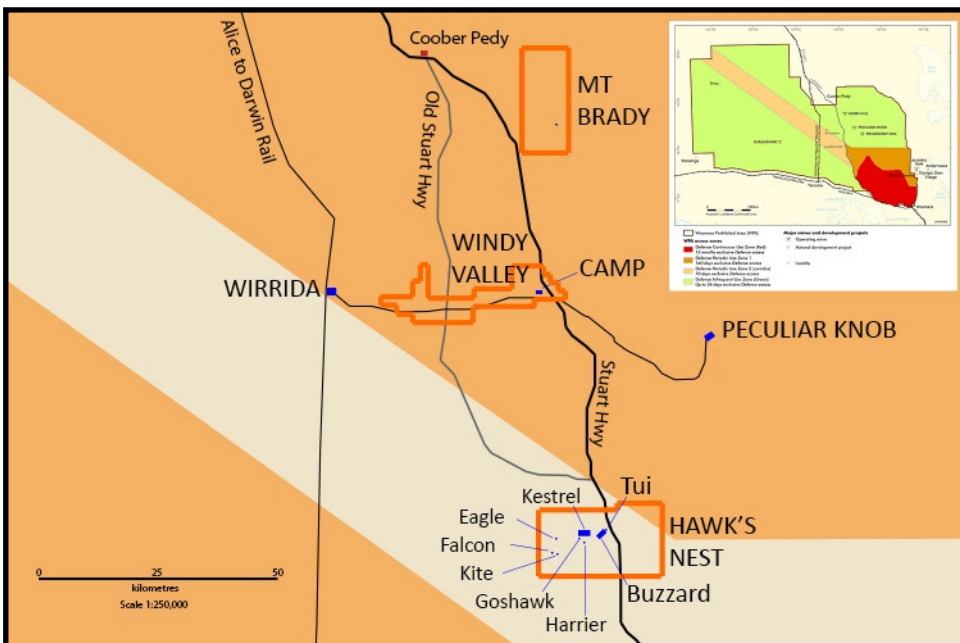
<sup>5</sup> Excludes impact of IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine' applicable from 1 July 2013.

## Map of Operations

### Middleback Ranges



### Southern Iron



## **Corporate profile**

### **Arrium Limited**

ACN: 004 410 833

ABN: 63 004 410 833

ASX issuer code: ARI

### **Registered office and principal place of business**

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### **Next Mining Quarterly Production Report**

17 February 2014

## Important information

Arrium Mining is a division of Arrium Limited, a mining and materials group consisting of mining, mining consumables and steel and recycling businesses. This report has been prepared to provide additional information regarding Arrium Mining's activities related to the external sale of hematite iron ore. Due to its non-mining activities, Arrium Limited is not a 'mining entity' for the purpose of the ASX Listing Rules and therefore is not subject to the additional mandatory quarterly reporting requirements under Chapter 5 of the ASX Listing Rules. Arrium Limited is providing this report on a voluntary basis only and, accordingly, this report may not contain all of the information which would be required for an entity subject to such additional mandatory reporting requirements.

The information in this report that relates to Mineral Resources or Ore Reserves (Reserves and Resources Information) is based on information compiled by or under the supervision of Paul LeEVERS. Except as otherwise expressed, where a summary or extract of Reserves and Resources Information is included in this report, the basis for that summary or extract is the company's latest Resources Statement, which is attached to this report. Mr LeEVERS is a Member of The Australasian Institute of Mining and Metallurgy and 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 has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results is based on information compiled by or under the supervision of Geoff Johnson BSc (Hons), PhD, Grad Dip Env Sc. Dr Johnson is a Fellow of the Australian Institute of Geoscientists and a Fellow of the Australasian Institute of Mining and Metallurgy and is a full-time employee of the Company. Dr Johnson 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". Dr Johnson has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

This report contains certain forward-looking statements with respect to the financial condition, results of operations and business of Arrium Limited and its Arrium Mining division and certain plans and objectives of the management of Arrium Limited and its Arrium Mining division. 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 Arrium Limited, which may cause the actual results or performance of Arrium Limited 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, previously undiscovered geological features, the cyclical nature of the steel industry globally, the level of activity in the construction and manufacturing industries in China, the occurrence of adverse weather events, the capacity, demand for and performance of the global shipping market, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, Arrium Mining's relationships with, and the financial condition of, its suppliers and customers, legislative changes, regulatory changes or other changes in the laws which affect Arrium Mining's business, including environmental laws, a carbon tax, 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.

This report contains certain non-statutory financial measures including average loaded cost on ship per tonne, average realised price, measurements of royalties and depreciation in respect of specific operations and assets, development and exploration costs, cash expenses and unconsolidated expenditure, revenue and other measures. These measures are used to assist the reader understand the financial performance of the Arrium Mining division's activities covered by this report. Non-statutory financial information has not been audited or reviewed as part of the Arrium Limited audited accounts. However, a process has been agreed with Arrium Limited's auditor to agree the financial inputs utilised by Arrium Mining to derive the measures stated in the report.