

Arrium Mining Quarterly Production Report

For the quarter ended 31 December 2013

Summary

- Record shipments of 3.16Mt (dmt) for quarter, up 0.04Mt on prior quarter and 74% or 1.35Mt pcp
- Record shipments of 6.3Mt (dmt) for half – on track for FY14 guidance of ~12Mt
- Average Platts 62% Fe CFR market index price US\$135/dmt, up US\$2/dmt on the prior quarter.
- Average realised price ~US\$111/t FOB (dmt), down US\$2/t – increased sea freight cost
- Price recovery compared to the Platts 62% Fe at historical high level of 94% for the quarter
- Benefits from Opal Blend and Whyalla Blend products
- Average cash cost loaded on ship A\$49.80/wmt¹ – in line with guidance.
- Recommenced mining at Iron Knob
- Completed \$86 million magnetite project on time and on budget

Operations²

Arrium Mining Total

		Dec Qtr	Sep Qtr	Variance	Variance % Previous Qtr	FY 14 H1	FY13 H1	Variance H1 pcp	Variance % H1 pcp
Ore mined ²	(wmt)	3,220k	2,965k	255k	9%	6,185k	5,236k	949k	18%
Ore Processed – DSO	(wmt)	2,462k	2,727k	-265k	-10%	5,189k	3,092k	2,097k	68%
Ore Processed - Beneficiated	(wmt)	470k	464k	6k	1%	934k	973k	-39k	-4%
Ore shipped ³									
• Fines		2,104k	1,960k	144k	7%	4,064k	2,002k	2,062k	103%
• Lump		1,060k	1,165k	-105k	-9%	2,225k	1,421k	804k	57%
Total	(dmt)	3,164k	3,125k	39k	1%	6,289k	3,423k	2,866k	84%
Average Fe grade of ore shipped		60.2%	60.3%	-0.1%	(0%)	60.2%	59.9%	0.3%	1%

Middleback Ranges

		Dec Qtr	Sep Qtr	Variance	Variance % Previous Qtr	FY 14 H1	FY13 H1	Variance H1 pcp	Variance % Previous H1 pcp
Ore mined ²	(wmt)	2,239k	2,155k	84k	4%	4,394k	4,106k	288k	7%
Ore Processed – DSO	(wmt)	1,576k	1,652k	-76k	-5%	3,228k	2,819k	409k	15%
Ore Processed - Beneficiated	(wmt)	470k	464k	6k	1%	934k	973k	-39k	-4%
Ore shipped ³									
• Fines	(dmt)	689k	720k	-31k	-4%	1,409k	1,876k	-467k	-25%
• Lump	(dmt)	1,060k	1,165k	-105k	-9%	2,225k	1,421k	804k	57%
Total	(dmt)	1,749k	1,885k	-136k	-7%	3,634k	3,297k	337k	10%

Southern Iron

		Dec Qtr	Sep Qtr	Variance	Variance % Previous Qtr	FY14 H1	FY13 H1	Variance H1 pcp	Variance % Previous H1 pcp
Ore mined	(wmt)	981k	810k	171k	21%	1,791k	1,130k	661k	58%
Ore Processed – DSO	(wmt)	886k	1,075k	-189k	-18%	1,961k	273k	1,688k	-
Ore Processed - Beneficiated	(wmt)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ore shipped									
• PK Fines	(dmt)	1,005k	877k	128k	15%	1,882k	126k	1,756k	-
• SMR for Blending	(dmt)	410k	363k	47k	13%	773k	n/a	773k	n/a
Total	(dmt)	1,415k	1,240k	175k	14%	2,655k	126k	2,529k	-

Market

The Platts 62% Fe index averaged US\$135/t CFR (dmt), a US\$2/t increase compared to the prior quarter. The price was relatively stable over the period moving within a US\$10 band between US\$130 and US\$140 (dmt).

Arrium Mining's average price for the quarter of US\$111/t FOB (dmt)⁴ was down US\$2/t compared to the prior quarter. The reduction was due to increased sea freight rates due to factors including increased spot chartering activity and vessel delays from congestion in Chinese Ports. The Baltic C5 rate rose 38% in November to US\$11.70/wmt and a further 9% in December to US\$12.78/wmt. Nevertheless, Arrium's price recovery compared to the Platts 62% Fe index was at a historically high level for the quarter at 94%. Customer support for our Opal Blend and Whyalla Blend products has been strong with existing customers purchasing additional volumes, and new customers being added and potential customers trialling our products, in line with our strategy to broaden the customer base in North Asia.

In Australian dollars, the average price for the quarter was \$120/dmt, down 3% on the prior quarter and up 22% on the prior corresponding quarter.

Production and Shipping

Hematite ore mined in the Middleback Ranges in the quarter was 2,239 (wmt), up 4% compared to the prior quarter. Increased output was achieved at the Iron Chieftan, offsetting reduced volumes from the Iron Duke following completion of mining in December 2013 due to depletion of the pit.

Crushed volumes from the Middleback Ranges operation were down slightly compared to the prior quarter due to planned downtime associated with a major refurbishment of one of the Iron Knight crushing plants. This work has now been completed.

Ore mined at Peculiar Knob in our Southern Iron operation was 981k (wmt), up 21% compared to the prior quarter.

Arrium Mining's ore shipments of 3,164k (dmt) were in line with expectations and slightly higher than the prior quarter despite extended periods of adverse seasonal wind and water conditions. The

capability of the Port and supply chain have now been tested and proven over a range of adverse weather events.

Costs

Arrium Mining's average cash cost loaded on the ship (excluding royalties and depreciation) for the quarter was A\$49.80/wmt, in line with guidance. The cost was slightly higher than the prior quarter due to an increased proportion of the Opal Blend and therefore higher rail costs.

Development

Whyalla Port Expansion

The Whyalla Port Expansion Project was completed in July 2013. All facilities are now running at or ahead of expectation. The business is continuing to assess opportunities to optimise volumes through the Port, with emphasis on maximising volume through the new high capacity ship loader at the inner harbour.

Iron Knob Mining Area

Arrium is continuing its preparation for mining in the Iron Knob Mining Area as part of the company's hematite iron ore sales strategy. The project comprises three open cut mine pits (Monarch, Princess and Princess West). First ores are expected mid-FY15. The project is running to schedule and is on budget. Work during the quarter included completion of the road and office infrastructure, and commencement of blasting and pre-strip mining.

Magnetite Project

This project includes installation of a tertiary crusher 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. Construction of the project was completed on time, and total cost was in line with guidance of \$86 million. Performance acceptance testing was passed in December and the plant ramp up is ahead of target. Project benefits include additional output (pellets, lump or concentrate) of ~400kt per annum with reduced mining activity based on the consumption of stockpiled materials. Operating benefits are expected to commence in the second half of FY14 as the project is ramped up.

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 in the quarter totalled 13,062 metres. The program included resource definition, extension Reverse Circulation (RC) drilling and specialist hydrogeological drilling. Five rigs were allocated to the Hematite stream, with a strong focus on projects in the South Middleback Ranges.

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 to the north and south of the mineralised envelope, with drilling results progressively incorporated into the mine plan. This work has benefited from an enhanced understanding of the structural controls on mineralisation developed during 2013. RC drilling also commenced in a 2km long zone along the south of the Iron Chieftain mine. This work is focussed on defining potential further resource tonnes in an area that has been historically under-drilled.

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

The business also commenced a comprehensive technical review of the entire Middleback Ranges lease area using the latest high resolution geophysical data to assist in a detailed structural assessment. This work aims to define further hematite target areas for future testing.

In the Southern Iron project portfolio, resource definition and extension RC drilling continued and hydrological drilling on the Hawks Nest project at the Buzzard hematite prospect was completed. In addition to this drilling activity, a high resolution ground gravity survey was completed over the mineralised area at Hawks Nest and potential extensions. The outstanding geological definition achieved by the close-spaced gravity stations will be incorporated into drill hole program planning.

Elsewhere within the Southern Iron project portfolio, heritage clearance surveys were completed at the Mt Brady and Windy Valley projects. This will enable planned aircore and RC drilling programs to be carried out in 2014.

¹ 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.

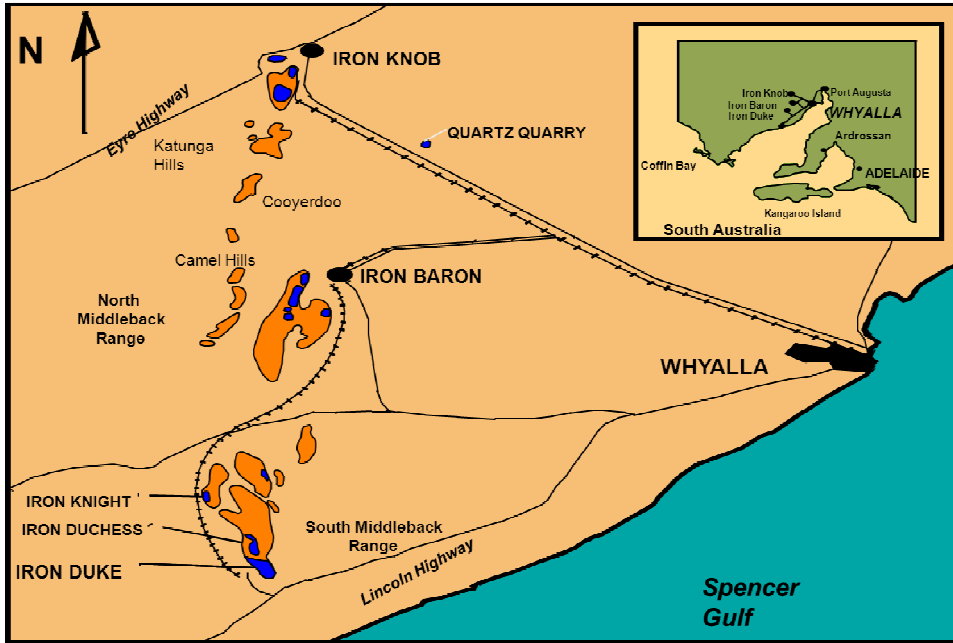
² Hematite export ore operations only. Excludes magnetite operations. Data has been adjusted to exclude hematite ore that is transferred internally to OneSteel Manufacturing as feed for the Whyalla blast furnace, based on actual blast furnace consumption.

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

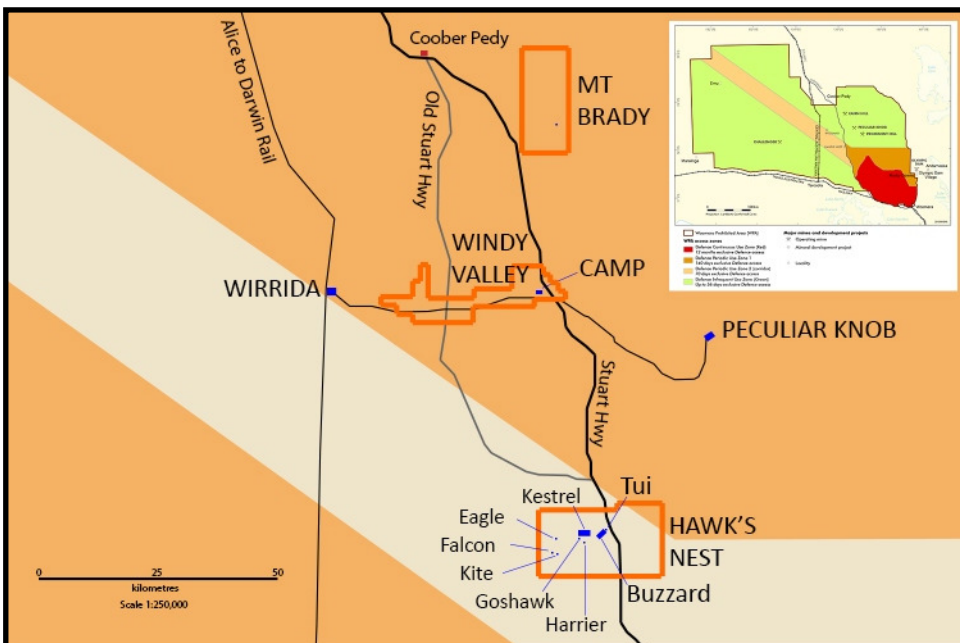
⁴ Arrium generally invoices customers on a CFR basis. FOB price is arrived at by deducting Freight costs incurred by Arrium. Price difference compared to prior period can be due to price penalties, weighting of shipments in quarter and timing related to the determination of pricing for contract customers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

Map of Operations

Middleback Ranges



Southern Iron



Corporate profile

Arrium Limited

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Next Mining Quarterly Production Report

19 May 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 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 2012 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 2012 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.