

Arrium Mining Quarterly Production Report

For the quarter ended 31 March 2014

Summary

- Shipments of 3.03Mt (dmt), up 54% from 1.97Mt (dmt) pcp despite some significant adverse weather events
- Record year to date shipments of 9.3Mt (dmt), up 73% from 5.4Mt (dmt) pcp
- Average Platts 62% Fe CFR market index price US\$120/dmt, down from US\$135/dmt prior quarter
- Average realised price US\$110/dmt CFR, down US\$17/dmt on prior quarter, reflects lower market prices and the impact of price adjustments on prior period shipments (Australian dollar average realised price \$123/dmt CFR).
- Average realised FOB price US\$95/dmt, down US\$16/dmt (Australian dollar average realised FOB price \$106/dmt) on prior quarter.
- Average cash cost loaded on ship A\$47.4/wmt¹ – favourable to guidance of ~A\$50/wmt
- Mining at Iron Knob area progressing to plan
- Commissioning and ramp up of Magnetite project progressing well

Operations²

Arrium Mining Total

		Mar Qtr	Dec Qtr	Variance	Variance % previous Qtr	FY 14 Qtr3 YTD	FY 13 Qtr3 YTD	Variance on Qtr3 YTD pcp	Variance % Qtr3 YTD pcp
Ore mined ²	(wmt)	2,659k	3,220k	-561k	-17%	8,844k	8,380k	464k	6%
Ore Processed – DSO	(wmt)	2,993k	2,462k	531k	22%	8,182k	4,887k	3,295k	67%
Ore Processed - Beneficiated	(wmt)	535k	470k	65k	14%	1,469k	1,467k	2k	0%
Ore shipped ³									
• Fines	(dmt)	2,113k	2,104k	9k	0%	6,177k	3,343k	2,834k	85%
• Lump	(dmt)	913k	1,060k	-147k	-14%	3,138k	2,046k	1,092k	53%
Total	(dmt)	3,026k	3,164k	-138k	-4%	9,315k	5,389k	3,926k	73%
Average grade of ore shipped		59.6%	60.2%	-0.6%	-1%	59.9%	60.0%	-0.1%	0%

Middleback Ranges

		Mar Qtr	Dec Qtr	Variance	Variance % previous Qtr	FY 14 Qtr3 YTD	FY 13 Qtr3 YTD	Variance on Qtr3 YTD pcp	Variance % Qtr3 YTD pcp
Ore mined ²	(wmt)	1,617k	2,239k	-622k	-28%	6,011k	6,644k	-633k	-10%
Ore Processed – DSO	(wmt)	2,047k	1,576k	471k	30%	5,275k	4,081k	1,194k	29%
Ore Processed - Beneficiated	(wmt)	535k	470k	65k	14%	1,469k	1,467k	2k	0%
Ore shipped ³									
• Fines	(dmt)	890k	689k	201k	29%	2,299k	2,716k	-417k	-15%
• Lump	(dmt)	913k	1,060k	-147k	-14%	3,138k	2,046k	1,092k	53%
Total	(dmt)	1,803k	1,749k	54k	3%	5,437k	4,762k	675k	14%

Southern Iron

		Mar Qtr	Dec Qtr	Variance	Variance % previous Qtr	FY 14 Qtr3 YTD	FY 13 Qtr3 YTD	Variance on Qtr3 YTD pcp	Variance % Qtr3 YTD pcp
Ore mined ²	(wmt)	1,042k	981k	61k	6%	2,833k	1,736k	1,097k	63%
Ore Processed – DSO	(wmt)	946k	886k	60k	7%	2,907k	806k	2,101k	261%
Ore Processed - Beneficiated	(wmt)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ore shipped ³									
• PK Fines	(dmt)	814k	1,005k	-191k	-19%	2,696k	627k	2,069k	330%
• SMR for Blending	(dmt)	409k	410k	-1k	0%	1,182k	n/a	1,182k	n/a
Total Ore Shipped (Opal Blend)	(dmt)	1,223k	1,415k	-192k	-14%	3,878k	627k	3,251k	518%

Market

The Platts 62% Fe index averaged US\$120/dmt CFR, a US\$15/dmt decrease from US\$135/dmt CFR for the prior quarter. Arrium Mining's average price for the quarter was also lower at US\$110/dmt CFR, compared to US\$127/dmt for the prior quarter. In Australian dollars, the average CFR price for the quarter was \$123/dmt, down \$14/dmt on the prior quarter.

Arrium's average FOB price of US\$95/dmt⁴ was also down by US\$16/dmt. In Australian dollars, the average FOB price for the quarter was ~\$106/dmt, down \$14/dmt on the prior quarter.

Arrium has a range of pricing arrangements with customers, some of which settle in subsequent periods. The lower market price in the March quarter resulted in some pricing adjustments for prior period shipments.

Customer support for the Opal Blend and Whyalla Blend products continues to be strong. The business is continuing to progress work to broaden its customer base in the North Asian region.

The average Fe grade was 59.6%, down from 60.2% in the prior quarter reflecting the impact of periods of extreme adverse weather. Weather events led to some ore from Southern Iron being substituted by lower grade ore from the Middleback Ranges, as well as lower than anticipated lump ore being available for export in the quarter.

Production and Shipping

Hematite ore mined in the Middleback Ranges in the quarter was 1,617k (wmt), down 28% compared to the prior quarter. However, overall mining activity was up due to pre-stripping waste movements at the Iron Knob Mining Area following the re-commencement in December of mining operations there. Crushing and ore beneficiation volumes at the Middleback Ranges were up 30% and 14% respectively, compared to the prior quarter. This led to a reduction in the cash loaded cost of ore for the quarter. Ore mined at Peculiar Knob in our Southern Iron operation was 1,042k (wmt), up 6% compared to the prior quarter.

Arrium Mining's ore shipped of 3,026k (dmt) was particularly pleasing given the impact of some significant adverse weather in the quarter. This included:

- High temperatures in January and February which led to lower rail speeds to prevent track damage and potential derailment;
- A series of high wind events which adversely impacted transshipping; and
- Wet weather in February which led to the temporary cessation of mining at both the Middleback Ranges and Southern Iron.

Despite these events total tonnes shipped were only down 138k (dmt) on the record achieved in the prior quarter. Shipping volumes were maintained by a range of initiatives including higher use of rail assets due to the availability of increased crushed material, and the optimisation of volumes through the inner and outer harbour of the Whyalla Port, again demonstrating the increased flexibility of Arrium Mining's supply chain following the expansion to double the capacity of the Whyalla Port in mid 2013.

In March, Arrium Mining loaded its largest ever cape vessel with 198k (wmt) loaded on the MV Tian Fa Hai, significantly more than the average of 170k (wmt). Utilising larger vessels, which has been enabled through the recent expansion of the Whyalla Port, assists in the reduction of sea freight. Arrium intends to load these larger vessels on a regular basis.

Costs

The average cash cost loaded on the ship (excluding royalties and depreciation) for the quarter was A\$47.4/wmt, A\$2.4/wmt less than the prior period. The lower cost was in part due to improved yields and costs through ore beneficiation, and a lower proportion of the Opal Blend product sold in the period. Opal blend represented ~40% of volume in the quarter compared to 45% in the previous quarter.

Development

Whyalla Port Expansion

The Whyalla Port Expansion Project was completed in July 2013, and all facilities are running in line with expectations. 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 and the loading of higher capacity cape vessels to reduce transshipping and sea freight costs.

Iron Knob Mining Area

Arrium is continuing its re-development of the Iron Knob Mining Area. The project comprises 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 is on budget. The tender for the rail reinstatement to the site was issued in March and work on the crushing plant circuit design is continuing. The pit mining sequence is on plan and drilling and blasting is also on schedule.

Magnetite Project

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. 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.

Construction of the project was completed on time in November, and total cost was in line with guidance of \$86 million. Performance acceptance testing was passed in December and the plant is continuing to ramp up well. Focus is now on delivering further operational benefits including increased output of magnetite concentrate.

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 March quarter generated 15,726m. The program included resource definition and extension Reverse Circulation (RC) drilling and specialist hydrogeological drilling. Up to four rigs were allocated to the Hematite stream, with a strong focus on the Middleback Ranges projects.

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 mineralised envelope to the north of the Chieftain pit.

In the Iron Baron area, RC drilling was completed at Iron Queen, Iron Baron East and at Iron Prince North. At Iron Queen, drilling was designed to test potential southern extensions to the known resource and to better define mineralisation distribution in the main ore body. At Iron Baron East, drilling

focussed on the conversion of inferred resources to indicated resources, and on potential extensions to the resource. At Iron Prince North, drilling was designed to test for potential extensions to the resource to the east and north of the existing pit.

In the Iron Monarch area, RC drilling was carried out to test the potential for mineralisation immediately to the north of the Monarch pit.

In the Southern Iron project portfolio, resource definition and extension RC drilling continued on the Hawks Nest project at the Buzzard hematite prospect. In addition, work commenced on new hematite targets identified by the high resolution ground gravity survey completed during the previous quarter, particularly to the south west of Buzzard.

Drilling and assay results from these programs are being progressively incorporated into the mine plan.

Elsewhere within the Southern Iron project portfolio, planning for further high resolution ground gravity surveys commenced, with field survey work to commence at the Windy Valley and Hawks Nest in the June quarter.

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. 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.

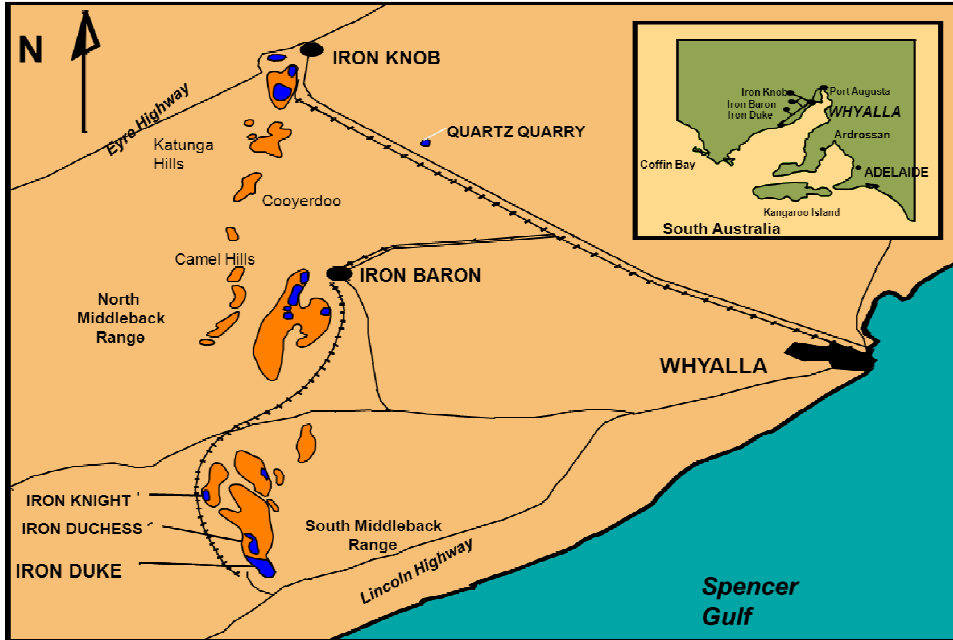
² Hematite export ore operations only. Excludes magnetite operations. Data has been adjusted to exclude hematite ore that is transferred internally to OneSteel Manufacturing as feed for the Whyalla blast furnace, based on actual blast furnace consumption.

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

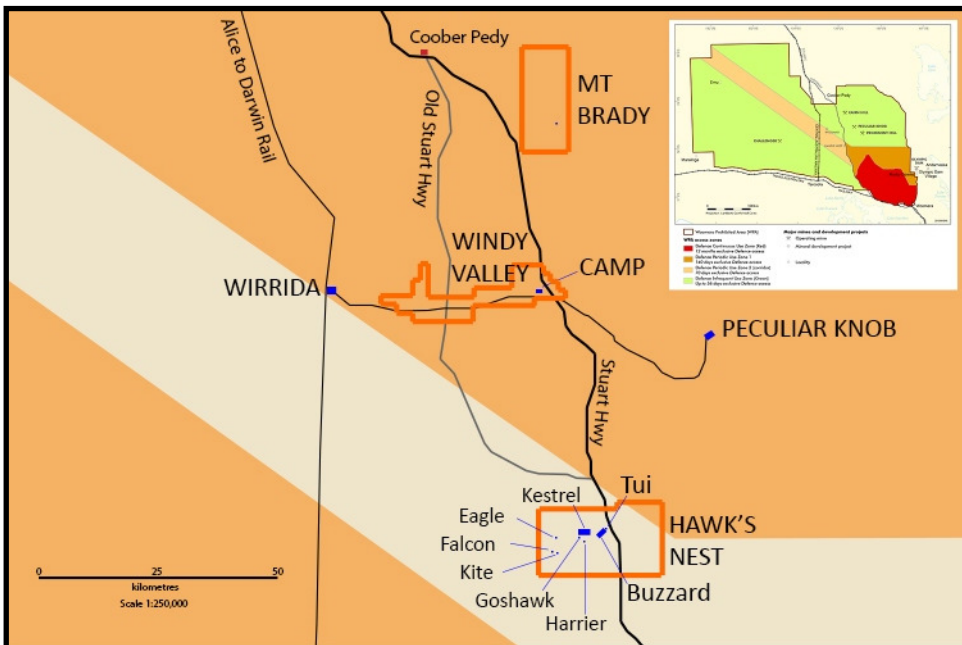
⁴ Arrium generally invoices customers on a CFR basis. FOB price is arrived at by deducting Freight costs incurred by Arrium. Price difference compared to prior period can be due to price penalties, weighting of shipments in quarter and timing related to the determination of pricing for contract customers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

21 July 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. 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 any 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 any 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.