

Arrium Mining Quarterly Production Report

For the quarter ended 30 June 2015

Summary

- Sales and shipments 2.85Mt (dmt) and 2.74Mt (dmt) respectively
- Average Platts market index price (62% Fe CFR) US\$58/dmt, down US\$4/dmt on prior quarter
- Average realised price ~US\$52/dmt CFR, an increase of US\$6/dmt on prior quarter
- Average realised price ~A\$67/dmt CFR, an increase of A\$9/dmt on prior quarter
- Average realised price equivalent to ~90% of average Platts market index price (62% Fe CFR)
- Average grade of shipments 59.1% Fe
- Average cash cost loaded on ship A\$43.2/wmt¹, down A\$5.0/wmt on prior quarter
- Middleback cash cost for June of A\$38/wmt¹, on track for FY16 target of A\$35/wmt¹
- Average cash cost (CFR China) A\$62.2/dmt²
- Mothballing of Southern Iron completed – last available ores sold in June 2015
- Additional restructuring announced last month to lower FY16 targeted average cash breakeven price for Middleback Ranges hematite export business to ~US\$50/dmt³. Includes targeted cash cost (CFR China) of US\$40/dmt

Operations⁴

Arrium Mining Total

		Jun Qtr	Mar Qtr	Variance	Variance % previous Qtr	FY 15 YTD	FY 14 YTD	Variance on YTD pcp	Variance % YTD pcp
Ore mined ⁴	(wmt)	2,342k	3,622k	-1,280k	-35%	13,541k	11,642k	1,899k	16%
Ore Processed – DSO	(wmt)	2,043k	2,753k	-710k	-26%	10,813k	10,682k	131k	1%
Ore Processed - Beneficiated	(wmt)	429k	473k	-44k	-9%	1,935k	1,958k	-23k	-1%
Ore shipped ⁵									
• Fines	(dmt)	1,793k	2,201k	-408k	-19%	8,669k	8,212k	457k	6%
• Lump	(dmt)	945k	863k	82k	10%	3,876k	4,262k	-387k	-9%
Total	(dmt)	2,738k	3,064k	-326k	-11%	12,545k	12,474k	71k	1%
Average grade of ore shipped		59.1%	59.1%	0%	0%	59.5%	59.9%	-0.4%	-1%

Middleback Ranges

		Jun Qtr	Mar Qtr	Variance	Variance % previous Qtr	FY 15 YTD	FY 14 YTD	Variance on YTD pcp	Variance % YTD pcp
Ore mined ⁴	(wmt)	2,342k	2,387k	-45k	-2%	9,766k	7,955k	1,811k	23%
Ore Processed – DSO	(wmt)	1,840k	1,791k	49k	3%	7,698k	6,956k	742k	11%
Ore Processed - Beneficiated	(wmt)	429k	473k	-44k	-9%	1,935k	1,958k	-23k	-1%
Ore shipped ⁵									
• Fines	(dmt)	1,096k	1,342k	-246k	-18%	5,214k	3,201k	2,013k	63%
• Lump	(dmt)	945k	863k	82k	10%	3,876k	4,262k	-386k	-9%
Total	(dmt)	2,041k	2,205k	-164k	-7%	9,090k	7,463k	1,627k	22%

Southern Iron

		Jun Qtr	Mar Qtr	Variance	Variance % previous Qtr	FY 15 YTD	FY 14 YTD	Variance on YTD pcp	Variance % YTD pcp
Ore mined ⁴	(wmt)	0k	1,235k	-1,235k	-100%	3,775k	3,687k	88k	2%
Ore Processed – DSO	(wmt)	203k	962k	-759k	-79%	3,116k	3,726k	-610k	-16%
Ore Processed Beneficiated	(wmt)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ore shipped ⁵									
• PK Fines	(dmt)	351k	479k	-128k	-27%	2,087k	3,461k	-1,374k	-40%
• SMR for Blending	(dmt)	346k	380k	-34k	-9%	1,368k	1,550k	-182k	-12%
Total Ore Shipped	(dmt)	697k	859k	-162k	-19%	3,455k	5,011k	-1,556k	-31%

Market

Market prices fell to 10 year lows at ~US\$47/dmt (Platts 62% Fe fines) in early April before improving through May and June. The improvement was supported by a reduction in Chinese port stocks, which fell below 80Mt for the first time in a number of years.

The Platts 62% Fe fines index averaged US\$58/dmt CFR, a US\$4/dmt decrease compared to the prior quarter which included higher pricing in January.

Arrium's average price was US\$52/dmt CFR, up US\$6/dmt on the prior quarter and equivalent to ~90% of the average Platts 62% Fe fines index price. In Australian dollars, Arrium's average price was \$67/dmt CFR. On an FOB basis, the average price was US\$42/dmt⁶ or \$55/dmt in Australian dollars.

Revenue for shipments that were provisionally priced at the end of the quarter has been recognised using the 'forward curve' rather than prices as at 30 June 2015. This had the impact of reducing Arrium's average price for the quarter by ~\$1/dmt, and its percentage of the Platts 62% Fe index price from ~92% to ~90%.

Term customer agreements covering ~80% of FY16 expected shipments are being concluded. There are six contract customers planned for FY16, including two new customers that were strategically targeted for their product make and location.

Mining Restructure

On 15 June 2015, Arrium announced that it was further restructuring the Mining business to lower its FY16 cash breakeven price of the Middleback Ranges hematite export iron ore operation to ~US\$50/dmt. This followed the company's January 2015 announcement that it was re-designing the business for the low iron ore price prevailing at the time, and that its targeted cost and capital expenditure reductions were expected to return it to a cash generative position in FY16 at that average price. The January redesign targeted reducing the average FOB cash cost to ~A\$37/wmt, and the total cash cost (CFR China) to ~A\$57/dmt. This work included mothballing the higher cost Southern Iron operation, which the business completed during the quarter.

The additional restructuring announced last month was in response to the further deterioration in iron ore prices, and included targeting an FOB loaded cash cost of ~US\$26/wmt (~A\$35/wmt) and a total CFR China cash cost⁷ of ~US\$40/dmt (~A\$53/dmt) in FY16. The restructuring also included a significant reduction in planned capital expenditure to US\$5/t (~A\$6/t), down ~A\$70 million from the prior FY16 target of A\$13/t. Targeted sales for FY16 are 9 – 10 million tonnes with grade for these sales expected to average 58.5%. Further reductions in capital expenditure are planned post FY16, decreasing the business' capital expenditure plan for FY16 – 19 by ~\$140 million.

The reduction in capital expenditure is expected to result in lower sales volumes of between 6 – 8Mtpa in FY17 – 19⁸, however the business retains the flexibility to increase capital expenditure (exploration, capitalised waste and stripping) and sales volumes subject to the external environment.

Production and Shipping

Hematite ore mined for export in the Middleback Ranges was 2,342k (wmt) for the quarter, down 2% on the prior quarter.

Mining ceased at the Southern Iron operation in March. Final ores were crushed and then railed to Whyalla in April. The last of the remaining available ore from Southern Iron was sold in June. Total sales of Southern Iron ores in the quarter were 697kt, down 19% on the prior quarter.

Total ore shipments for the quarter were 2,738k (dmt).

Costs

Arrium Mining's average cash cost loaded on the ship (FOB) was A\$43.2/wmt¹, down A\$5.0/wmt compared to the prior quarter. The decrease is primarily due to reduced sales of higher cost Southern Iron ores, lower waste to ore strip ratios at the Middleback Ranges and the commencement of cost benefits from the re-design of the Mining business.

In June, the Middleback Ranges operation achieved a cash cost loaded on ship (FOB) of A\$38.0/wmt¹, and is on track to achieve the FY16 target of ~A\$35/wmt¹ announced 15 June 2015.

Arrium's total cash cost (CFR China) for the quarter was A\$62.2/dmt², down A\$4.7/dmt compared to the prior quarter.

Development

Iron Knob Mining Area

The project, which comprises three open cut mine pits (Monarch, Princess East and Princess West), has continued to run to schedule and budget. The pit mining sequence and volumes have tracked to schedule. Commissioning of the crushing and screening infrastructure was completed in the quarter, which included the railing of first ores.

Exploration

The company stated in its 15 June 2015 restructuring announcement that exploration will be reduced to ~A\$10 million in FY16, and that it will focus on new, highly prospective and low cost targets which provide upside potential for sales volumes and mine life. Priority areas include scree ore at the Iron Baron area, Camel Hills and Iron Warrior.

Drilling activity in the June quarter totalled 9,510m. The program included resource definition Reverse Circulation (RC) and diamond drilling (128 holes) and sonic drilling (8 holes). Up to five rigs were allocated to the Hematite stream on the Middleback Ranges projects, with a particular focus on low cost highly prospective targets close to surface and existing infrastructure in the Iron Baron area.

At the Camel Hills prospect which occurs 5km west of Iron Baron, RC and diamond drilling was completed to follow up near-surface mineralised intersections from limited previous drilling. Mineralisation consists of moderately west-dipping goethite/limonite material that occurs close to surface beneath shallow sand

cover. RC and diamond drilling has to date defined mineralisation over a strike length of 2.7km. The mineralised zone remains open to the north with significant potential for the definition of further mineralisation along a strike length of 25 km.

To the south of the Iron Baron Area, RC and diamond drilling was conducted at the Iron Warrior prospect to further define the extent of outcropping hematite mineralisation previously tested by limited historic drilling. Iron Warrior occurs immediately adjacent to existing road and rail infrastructure. In addition to confirming the presence of hematite mineralisation over a strike length in excess of 500m, the drilling was successful in defining near-surface hematite scree deposits to the east and south of the primary mineralisation.

At the Iron Baroness and Iron Empress Hematite Scree (IBMA Scree) deposits located immediately to the west of existing operations at Iron Baron, large diameter drilling using the bucket auger method commenced to provide bulk samples for further metallurgical testing from selected sites. This test work will be carried out on site and will investigate the oversize, lump and fines characteristics of the ore.

Resource estimation work is currently underway on the Camel Hills, Iron Warrior and IBMA Scree deposits, with results expected in the September quarter. Further targeted RC drilling is expected to recommence early in the September quarter to investigate potential extensions to each of these deposits.

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 Includes loaded cash cost, royalties, sale and marketing and corporate costs, adjustments for moisture content and freight. Excludes capitalised costs (infrastructure, pre-stripping and mining licences) and depreciation and amortisation charges in respect of those costs.

³ Based on average FX of \$0.75. Excludes working capital movements, restructuring and other one-off costs.

⁴ 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.

⁵ Ore shipped reported on a dry metric tonne basis after adjusting for ~4% moisture.

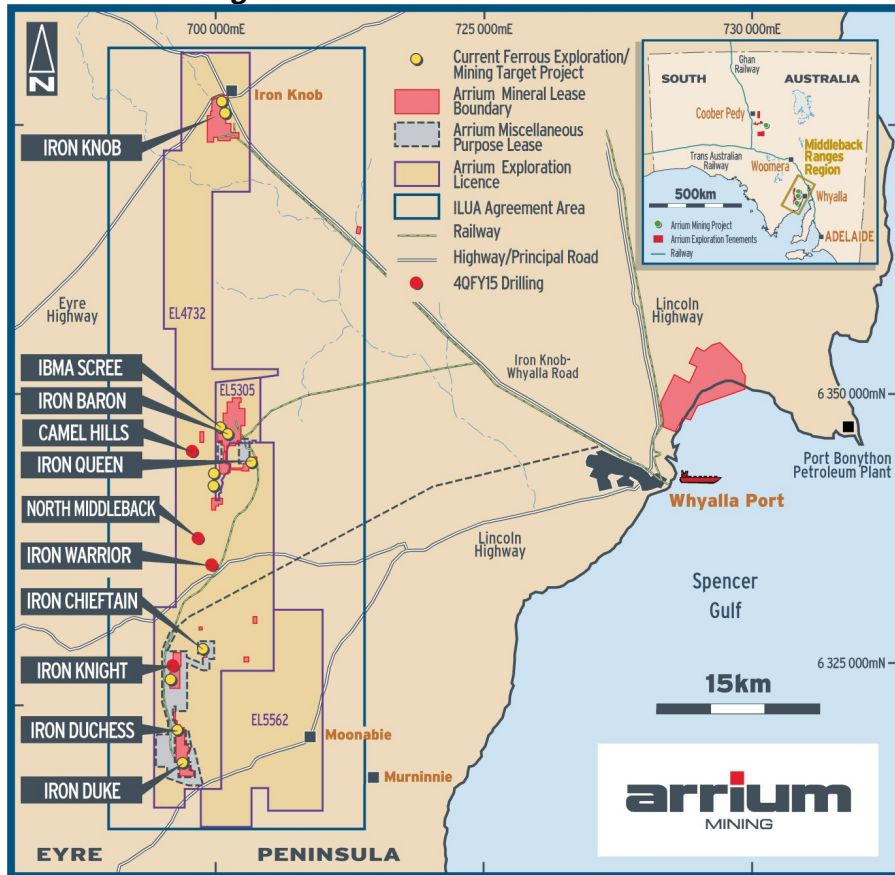
⁶ Arrium generally invoices customers on a CFR basis. FOB price is arrived at by deducting Freight costs incurred by Arrium. Price difference compared to prior period can be due to price penalties, weighting of shipments in quarter and timing related to the determination of pricing for contract customers in addition to the change in the Platts Fe 62% Index price.

⁷ Excluding capital costs.

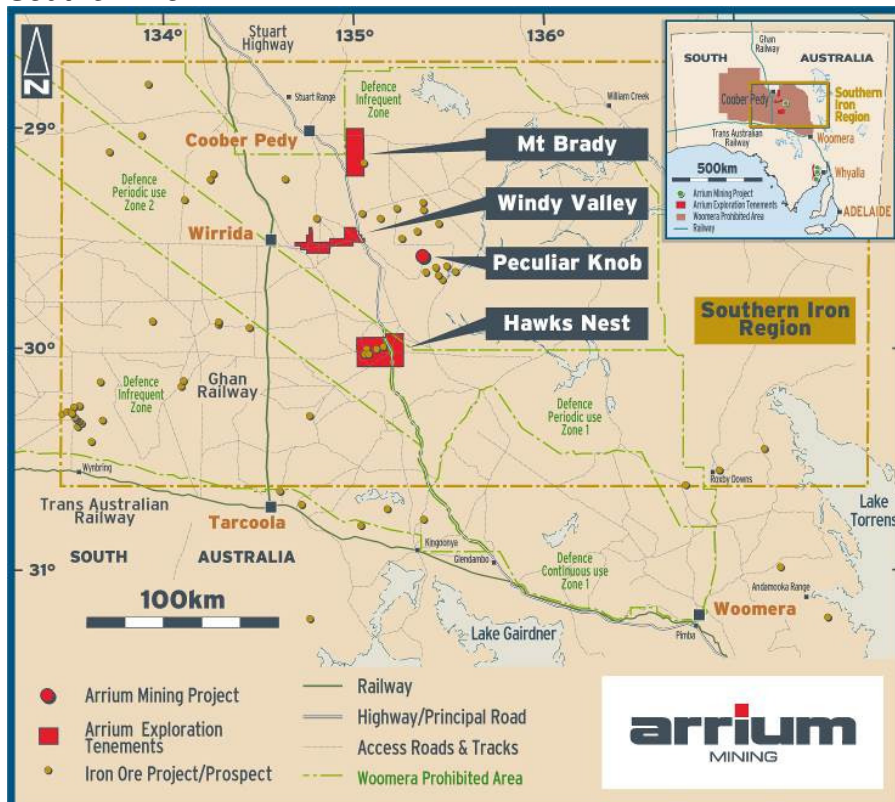
⁸ See Arrium's ASX announcement on 15 June 2015 for details.

Map of Operations

Middleback Ranges



Southern Iron



Corporate profile

Arrium Limited

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Next Mining Quarterly Production Report

22 October 2015

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 is based on information compiled by or under the supervision of Paul Leever BSc (Hons), MSc Min Eng. Mr Leever is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of OneSteel Manufacturing Pty Ltd. Mr Leever has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 Leever consents 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 that is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken 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 consents 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.