

Arrium Mining Quarterly Production Report

For the quarter ended 30 June 2014

Summary

- Shipments of 3.16Mt (dmt), up 0.13Mt on prior quarter
- Record sales of 3.32Mt (dmt), up 0.13Mt on prior quarter
- Record full year shipments of 12.5Mt (dmt), up 4.4Mt on prior year
- Annualised shipment rate of ~13Mt (dmt) expected to be achieved in 1Q FY15
- Average Platts market index price (62% Fe CFR) US\$103/dmt, down US\$18/dmt on prior quarter
- Average realised price ~US\$85/t CFR (dmt), down US\$25/t on prior quarter
- Average grade of shipments 59.6% Fe, average for full year 59.9% Fe
- Average cash cost loaded on ship A\$45.9/wmt¹, down from A\$47.4/wmt¹ in prior period
- New tug fleet commissioned May – greater operational weather resilience and faster barge towage
- Re-development of Iron Knob Mining Area progressing in line with schedule and budget
- Completed ramp up of Magnetite expansion project

Operations²

Arrium Mining Total

		Jun Qtr	Mar Qtr	Variance	Variance % previous Qtr	FY 14 YTD	FY 13 YTD	Variance on YTD pcp	Variance % YTD pcp
Ore mined ²	(wmt)	2,798k	2,659k	139k	5%	11,642k	10,788k	854k	8%
Ore processed – DSO	(wmt)	2,500k	2,993k	-493k	-16%	10,682k	7,108k	3,574k	50%
Ore processed – Beneficiated	(wmt)	489k	535k	-46k	-9%	1,958k	1,887k	71k	4%
Ore shipped ³									
• Fines	(dmt)	2,035k	2,113k	-78k	-4%	8,212k	4,929k	3,283k	67%
• Lump	(dmt)	1,124k	913k	211k	23%	4,262k	3,185k	1,077k	34%
Total	(dmt)	3,159k	3,026k	133k	4%	12,474k	8,114k	4,360k	54%
Average grade of shipments		59.6%	59.6%	0%	0%	59.9%	60.1%	-0.2%	0%

Middleback Ranges

		Jun Qtr	Mar Qtr	Variance	Variance % previous Qtr	FY 14 YTD	FY 13 YTD	Variance on YTD pcp	Variance % YTD pcp
Ore mined ²	(wmt)	1,944k	1,617k	327k	20%	7,955k	8,332k	-377k	-5%
Ore processed – DSO	(wmt)	1,681k	2,047k	-366k	-18%	6,956k	5,564k	1,392k	25%
Ore processed – beneficiated	(wmt)	489k	535k	-46k	-9%	1,958k	1,887k	71k	4%
Ore shipped ³									
• Fines	(dmt)	902k	890k	12k	1%	3,201k	3,362k	-161k	-5%
• Lump	(dmt)	1,124k	913k	211k	23%	4,262k	3,185k	1,077k	34%
Total	(dmt)	2,026k	1,803k	223k	12%	7,463k	6,547k	916k	14%

Southern Iron

		Jun Qtr	Mar Qtr	Variance	Variance % previous Qtr	FY 14 YTD	FY 13 YTD	Variance on YTD pcp	Variance % YTD pcp
Ore mined ²	(wmt)	854k	1,042k	-188k	-18%	3,687k	2,456k	1,231k	50%
Ore processed – DSO	(wmt)	819k	946k	-127k	-13%	3,726k	1,544k	2,182k	141%
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)	765k	814k	-49k	-6%	3,461k	1,319k	2,142k	162%
• SMR for Blending	(dmt)	368k	409k	-41k	-10%	1,550k	248k	1,302k	525%
Total ore shipped	(dmt)	1,133k	1,223k	-90k	-7%	5,011k	1,567k	3,444k	220%

Market

The Platts 62% Fe index averaged US\$103/t CFR (dmt), a US\$18/t decrease compared to the prior quarter. Arrium's average price of US\$85/t CFR (dmt) was down US\$25/t compared to the prior quarter. On an FOB basis, Arrium's average price was down US\$23/t to US\$71/t (dmt) ⁴.

In Australian dollars, Arrium's average price for the quarter was \$92/t CFR (dmt), and \$77/t (dmt) on an FOB basis.

Market prices were under pressure in the quarter due to factors including increased discounting related to additional supply (particularly lower grade ores), the tightening of credit in China and higher port stocks in China. Arrium's realised CFR price as a percentage of the Platts average price decreased compared to the prior quarter, reflecting a significantly lower premium for lump ores, increased shipments of medium grade ores (largely related to the impact of adverse weather on Southern Iron volumes), increased market discounting for medium grade ores, and some pricing adjustments for contract customers. Arrium has a range of pricing arrangements with its contract customers, some of which settle in subsequent periods. Lower prices in the June quarter led to adjustments for some prior period shipments. The impact in the quarter of the prior period price adjustments on Arrium's average CFR price was US\$2/t.

Excluding the impact of prior period adjustments, Arrium's Opal Blend and Whyalla Blend products, which averaged ~60% Fe, achieved average prices for the quarter of above 90% of the Platt 62% Fe index.

For the full year, Arrium's average price was US\$111/t CFR (dmt), or ~91% of the average Platts 62% index price.

Arrium is continuing to broaden its customer base in the North Asian region, both in and outside China.

Production and Shipping

Hematite ore mined for export in the Middleback Ranges was 1,944k (wmt) for the quarter, up 20% on the prior quarter. The higher output related to increased mining at the Iron Chieftain.

Ore mined at Peculiar Knob in our Southern Iron operation was 854k (wmt), down 18% compared to the prior quarter. A significant rain deluge in April halted mining and trucking for almost a week, resulting in the loss of rail paths to Whyalla. However, increased supply chain flexibility related to the recent expansion enabled lost production from Southern Iron to be largely supplemented with material from the Middleback region, albeit at a slightly lower grade.

Ore shipments of 3,159k (dmt) for the quarter were 133k (dmt) above ore shipments in the prior quarter. An upgraded tug fleet was commissioned in May enabling transshipping to cope with a broader range of operational and weather conditions. The quarter also included a number of Port records, including a record cape loading rate of 3.9 days, and a record vessel lift of 201,160 (wmt) on the vessel MV Yuan Wang Hai. Utilising larger vessels reduces sea freight on a \$/t basis as it reduces the number of vessels required.

Costs

Arrium Mining's average cash cost loaded on the ship (excluding royalties and depreciation) was A\$45.9/wmt for the quarter, A\$1.5/wmt lower than for the prior period. This was achieved partly through cost benefits at the Middleback Ranges operation from increased mining volumes, the utilisation of lower valued stockpiled materials and improved efficiencies and cost management processes. The average cost also reflects a reduced proportion of higher cost Opal Blend in the sales mix.

Development

Iron Knob Mining Area

Arrium is continuing its re-development of the Iron Knob Mining Area as part of its focus on utilising the expanded port capability of ~13mtpa. The project comprises three open cut mine pits (Monarch, Princess East and Princess West). The project is continuing to run to schedule and budget. The tender for the rail reinstatement to the site was issued in March and design work on the crushing plant circuit design is continuing. The pit mining sequence is on plan and drilling and blasting is also on schedule. First ores are expected in the first half of FY15.

Magnetite Optimisation Project

This project includes the 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. The construction phase of the project was completed in November ahead of schedule and budget. 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 and non-ferrous opportunities across the Middleback Ranges and Southern Iron tenements

Drilling activity in the June quarter totalled 13,867m. 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 over a 700m long zone to the north of the Chieftain pit.

In the Iron Baron area, RC drilling commenced at prospects adjacent to the Iron Queen pit. At Queen Outlier, immediately to the south west of the Queen pit, drilling commenced to test an area of ferruginous material identified in outcrop during field mapping.

In the Iron Monarch area, RC drilling was carried out to test the potential for mineralisation immediately to the north of the Monarch pit and at Iron Princess. In addition, hydrological drilling comprising pump testing and analysis to support mine planning commenced at Iron Princess.

In the Southern Iron project portfolio, resource definition and extension RC drilling continued on the Hawks Nest project at the Buzzard and Tui hematite prospects. Drilling focussed particularly on new hematite targets to the south west of Buzzard, identified by the high resolution ground gravity survey completed in late 2013. Beyond the immediate Buzzard-Tui area, a further ground gravity survey was completed over all interpreted prospective iron formation within the Hawks Nest project area.

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

In addition, planning for further high resolution ground gravity surveys to assist in targeting for both the ferrous and non-ferrous programs was finalised in the Middleback Ranges and the Southern Iron tenements. A number of areas considered prospective for non-ferrous opportunities related to the Gawler Craton Iron Oxide Copper Gold mineralising event have been defined across the project portfolio.

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'.

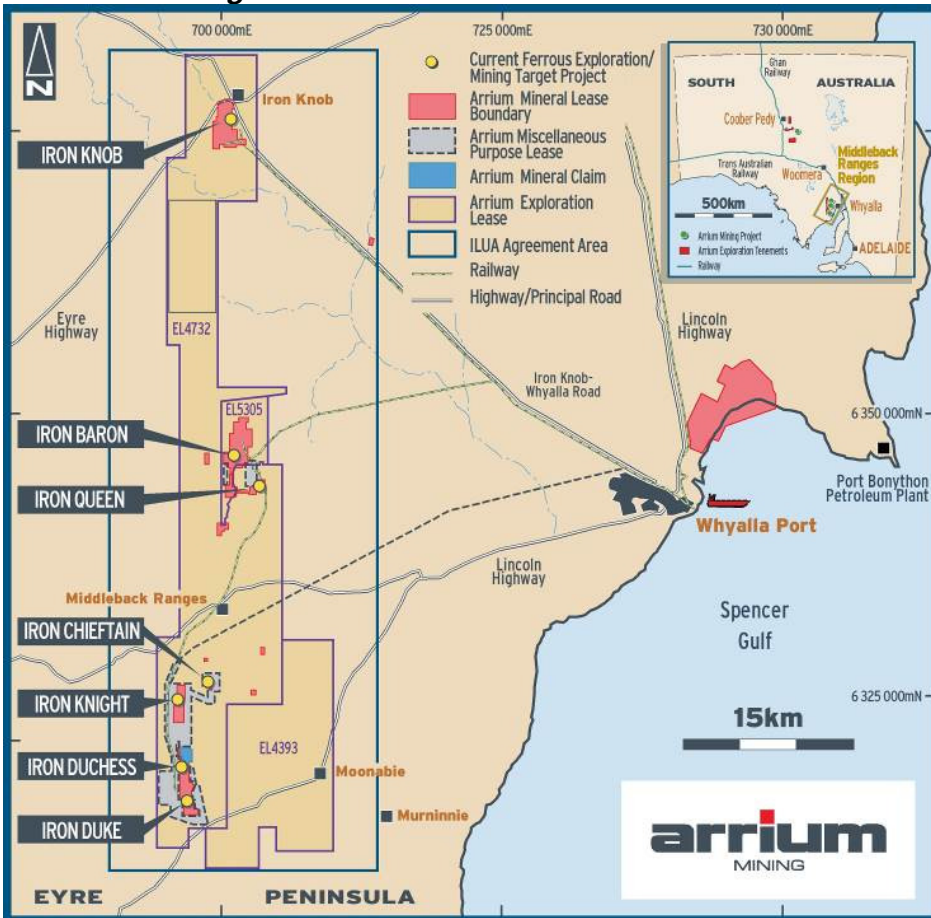
² Hematite export ore operations only. Excludes magnetite operations. Data has been adjusted to exclude hematite ore that is transferred internally to OneSteel Manufacturing as feed for the Whyalla blast furnace, based on actual blast furnace consumption.

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

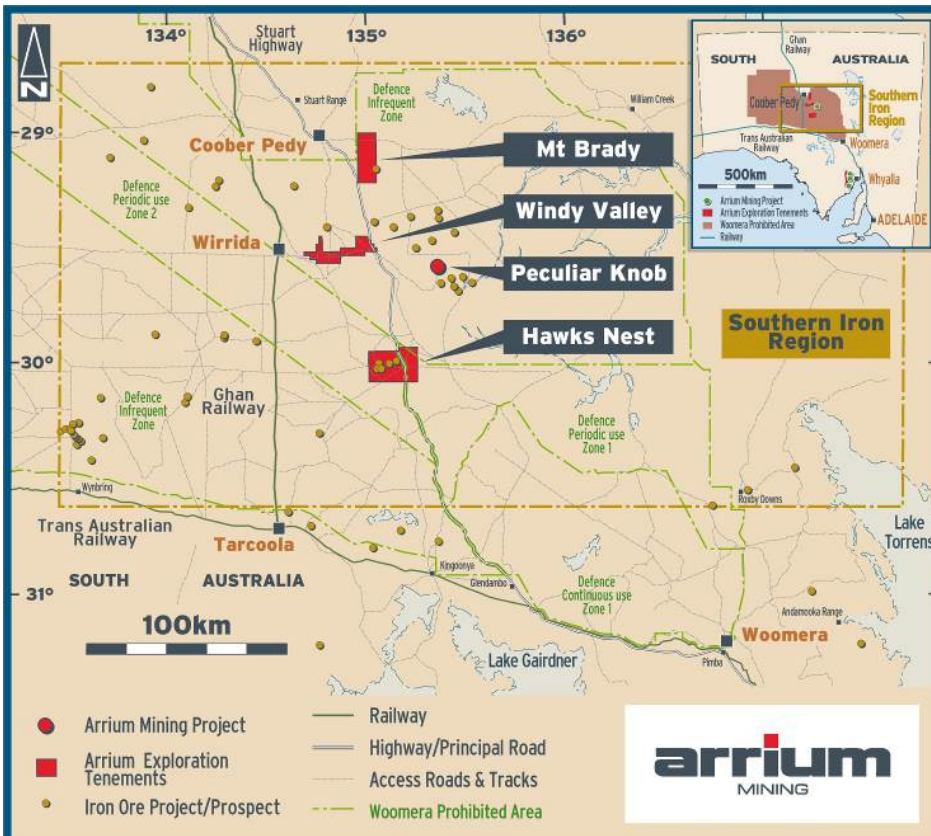
⁴ Arrium generally invoices customers on a CFR basis. FOB price is arrived at by deducting Freight costs incurred by Arrium. Price difference compared to prior period can be due to price penalties, weighting of shipments in quarter and timing related to the determination of pricing for contract customers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

20 October 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 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.