ARRIUM LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

FINANCIAL YEAR ENDED 30 JUNE 2013

Comparison to previous corresponding period (pcp)	Movement	% Change		A$ million
Revenue from ordinary activities	down	3.6%	to	6,084.9
Loss from ordinary activities after tax attributable to ordinary equity holders	down	1,304.0%	to	(694.7)
Net loss for the period attributable to ordinary equity holders	down	1,304.0%	to	(694.7)

Dividends	Final Dividend 2013	Interim Dividend 2013
Amount per security	3.0c	2.0c
Franked amount per security	0.0c	0.0c
Amount per security declared to be conduit foreign income	0.0c	1.6c
Total dividend and dividend payment (A$ million)	40.7	27.0

	Date
Ex-dividend date for Final Dividend	9 September 2013
Record date for determining entitlement to Final Dividend	13 September 2013
Date expected to be paid (on or around)	17 October 2013

Net tangible assets	30 June 2013	30 June 2012
Net Tangible Assets per security ($)	1.25	1.20

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) provides eligible shareholders with an option to use dividend entitlements to acquire Arrium Limited ordinary shares. Participation is optional. The DRP price is the arithmetic average of the daily volume weighted average market price (rounded to the nearest cent) of all fully-paid ordinary shares in the Company sold on the ASX during the 10 consecutive trading days commencing on the date which is the second trading day after the Record date for the relevant dividend, less such discount, if any, not exceeding five per cent, as determined by the Board from time to time. DRP shares are currently priced at a nil discount.

The DRP will operate for the final dividend. The last date of receipt of DRP election notices is before 5.00pm on 13 September 2013 (the Record date).

No discount applies to the DRP.

Other disclosures

Further ASX Appendix 4E disclosures are located in the Arrium Limited Financial Report and Operating and Financial Review.

This report is based on a Financial Report that has been audited and is not subject to dispute or qualification.

ASX RELEASE

20 August 2013

ARRIUM LIMITED FY13 RESULTS

ARRIUM FINANCIAL RESULTS[1,2,3]

- Underlying Net Profit After Tax (NPAT) $168 million, compared to $195 million for FY12
  - Weighted to 2H in line with guidance (2H underlying NPAT $117 million)
- Statutory Net Loss After Tax $695 million (incl. $961 million impairments and restructuring charges)
- Statutory operating cash flow $590 million, up 26% on FY12
- Statutory net debt $2,115 million, down compared to $2,143 million at end of FY12
- Statutory gearing up 3.9 percentage points from FY12 to 36.2%
  (includes increase of 5.1 percentage points related to impairments and restructuring costs)
- Underlying interest cover 5 times[4]
- Final dividend 3 cents per share

ARRIUM HIGHLIGHTS

- Strong earnings from Mining – EBITDA $340 million
- Continued strong earnings growth from Mining Consumables – EBITDA $197 million, up 15% pcp
- Maintained underlying positive EBITDA and cash performance in Steel despite further deterioration in domestic and international steel markets
- Strong statutory operating cash outcome of $590 million
- Net debt reduced after capital expenditure of $459 million (includes $218 million Mining expansion expenditure)

Arrium Mining

- Delivered expansion to double business on time and on budget
  - Reached 12Mtpa sale rate in June
- Full year sales 8.28Mt up 32% pcp
- 2H13 sales volumes of 4.86Mt up 42% on 1H13
- EBITDA $340 million – flat pcp despite significant decrease in iron ore prices

Arrium Mining Consumables

- EBITDA $197 million, up 15% pcp
- Sales volumes up 8% pcp
- Maintained stable margins
- A substantial contributor to group earnings and growth

Arrium Steel

- Improved performance in Steel business despite further weakness in external environment
- Steel business EBITDA $76 million, up 15% pcp
- Increased leverage to improvement in demand or lower dollar
- Recycling result reflects significant deterioration in prices for ferrous and non-ferrous scrap
- Further initiatives announced focused on cash generation through cost reductions, driving down working capital, as well as divesting non-integrated businesses and properties

A reconciliation of non-statutory underlying results to statutory results can be found in the Appendix to this document.

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RESULTS COMMENTARY

Mining and materials group, Arrium Limited (ASX:ARI) announced today that underlying net profit after tax (NPAT) for the year ended 30 June 2013 was $168 million, compared to $195 million for previous financial year. Statutory NPAT for the year was a loss of $695 million compared to a profit of $58 million for the previous financial year, and includes asset impairments and restructuring costs of $961 million.

The decrease in underlying NPAT for the year was primarily due to the impact of lower iron ore prices in the Mining business, which more than offset the benefit from increased iron ore sales volumes, and higher earnings in the Mining Consumables and Steel businesses.

Statutory operating cash flow for the year was strong at $590 million, up 26% compared to the previous financial year. The continued focus on cash generation, including initiatives in the Steel business such as driving down working capital and the sale of the company's 50.3% share of Steel & Tube Holdings during the first half, helped lower net debt to $2,115 million. Gearing increased 3.9 percentage points to 36.2%, including 5.1 percentage points related to the impairment of assets and restructuring costs. The underlying interest cover for the financial year ended 30 June 2013 was 5 times.

Arrium Managing Director and CEO, Mr Andrew Roberts said: The year was a very significant one in our growth as a Mining and Materials company. In June, our Mining business reached a sales run rate for iron ore of 12Mtpa, marking the on time and on budget delivery of our expansion to double the size of the business – a pleasing achievement.

Operationally, the ramp up in iron ore sales led to underlying earnings for the year being heavily weighted to the second half, in line with guidance. Both our Mining and Mining Consumables businesses continued to perform very well during the year and were substantial contributors to earnings, while our Steel business maintained the significant improvement achieved in the prior year despite weaker domestic and international steel markets.

"Our Mining business again delivered a very solid result with EBITDA of $340 million. Iron ore prices were down significantly compared to the 2012 financial year, but the adverse impact on earnings was offset by a 32% increase in sales volumes to 8.28Mt – a record for the business, largely reflecting the ramp up of our Southern Iron expansion in the second half.

"Our Mining Consumables business delivered strong earnings growth with EBITDA up 15% to $197 million and maintained relatively stable margins. The business has continued to grow strongly year on year since the Moly-Cop acquisition at the end of 2010, leveraging its strong market positions in key growth areas for grinding media such as North and South America.

"In Steel, our continued focus on cash generation including cost and operational improvements enabled the business to maintain the significantly improved performance achieved in the prior year, despite some further deterioration in the external environment. EBITDA for the Steel business was up 15% compared to the previous financial year, to $76 million. The recently announced establishment of a single Steel business is expected to drive further improvement, and the business is well positioned to benefit from the recent fall in the Australian dollar.

The company also recently announced that as part of its focus on cash generation in Steel, it intends to divest non-integrated steel businesses and properties. The decision to hold these businesses for sale was a significant contributor to the extent of the asset impairment charge recorded in the year.

"As expected, our net debt at $2,115 million finished lower than its level at the end of both the prior half and financial year after expenditure of $218 million on the expansion of our Mining business. Gearing finished up 3.9 percentage points to 36.2%, but includes an increase of 5.1 points related to the $961 million impairment of assets and restructuring costs in the Steel and Recycling businesses.

"Our strategic focus has been on growing our Mining and Mining Consumables businesses, and generating positive EBITDA and cash in Steel. We have delivered on our growth expectations to date, and are now focused on reducing debt through capturing the benefits of this growth, as well as from improvement in earnings and cash generation in Steel", Mr Roberts said.

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RESULTS SUMMARY

Statutory	Jun-13 $m	Jun-12 $m	% Change
Sales revenue	6,841	7,595	(10%)
EBITDA	497	498	-
EBIT	(708)	135	-
Net loss after tax	(695)	58	-
Operating cash flow	590	470	26%
Net debt	2,115	2,143	(1%)
Gearing (net debt / net debt + equity)	36.2%	32.3%	3.9 pct
Earnings per share (weighted average) - cents	(51.5)	4.3	-

Underlying	Jun-13 $m	Jun-12 $m	% Change
Sales revenue	6,841	7,595	(10%)
EBITDA	590	581	2%
EBIT	316	360	(12%)
Net profit after tax	168	195	(14%)
Operating cash flow	596	519	15%
Earnings per share (weighted average) - cents	12.7	14.6	(13%)

Details of the reconciliation of non-statutory underlying results to statutory results can be found in the Attachment to this document.

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SEGMENT PERFORMANCE

ARRIUM MINING

- **Strong earnings with EBITDA $340 million and EBIT $249 million**
- **Record level of ore sales for year – 8.28Mt**
- **Expansion to double size of business delivered on time and budget**

Revenue increased 19% compared to the prior financial year to $977 million due to an increase in iron ore sales volumes from 6.29Mt to 8.28Mt, partly offset by lower average iron ore prices. The record sales volumes includes 1.6Mt related to the successful ramp up of the new Southern Iron operation, and improved volumes from the Middleback Ranges operation largely related to recent supply chain improvements.

Market conditions were, on occasion, volatile with iron ore prices declining steeply through the first quarter, reaching their lowest level post the GFC in September at US$87/t (CFR 62% Fe fines), before improving strongly and reaching US$160/t at the end of the March quarter. The average Platts 62% dmt fines benchmark price for the year was 16% lower at US$127/t compared to US$151/t for the prior financial year.

In September, Arrium Mining assumed full responsibility for all sales agency services with marketing teams based in Australia and North Asia. The business sold its first cargo outside of China, and also launched two new blended fines products, the Whyalla blend and Opal blend which are well placed for the evolving iron ore market. Both the transition and new blended products have been well received by customers.

In November, contract mining services changed to BGC Contracting at the South Middleback Ranges operation. The changeover has progressed well, and the average cost loaded on the ship (excluding royalties and depreciation) for the Middleback Ranges operation was in line with guidance at $42/wmt. Southern Iron costs reflect the costs associated with the ramp up and commissioning.

EBIT for the year was strong at $249 million, but down on EBIT for the prior financial year of $303 million. The decrease was due to lower average iron ore prices and increased depreciation and amortisation related to the higher level of investment in Southern Iron and the Whyalla Port expansion, partly offset by the higher level of sales volumes.

In June, the business achieved a major milestone for its Mining expansion with sales being ramped up to a run rate of 12Mtpa, effectively marking a doubling of the business. The year incorporated a number of significant achievements towards delivering this outcome, including commencing the sale of first ores from Peculiar Knob in October (53 weeks after 'turning first dirt'), receiving and transshipping first ores from Southern Iron through the new Whyalla Port facilities in December, and then receipt in May of first ores from the Middleback Ranges mines on the new narrow gauge rail for blending with Southern Iron ores. The new higher capacity shiploader was commissioned early July. The capacity of the Whyalla Port has now also been doubled to 13Mtpa.

Both the Southern Iron and Whyalla Port expansion projects were delivered on time and budget.

The June 2013 quarterly production report for Arrium Mining was released today, which provides additional information regarding Arrium Mining's activities.

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ARRIUM MINING AND MATERIALS

ARRIUM MINING CONSUMABLES

- **Strong performance from North America, South America and Australasia**
- **EBITDA up 15% to $197 million, EBIT up 13% to $153 million**
- **Sales volumes up 8%**
- **Stable margins**

Revenue increased 2% compared to the prior year to $1,567 million, reflecting 8% growth in sales volumes partly offset by a lower average net sales price. The lower sales price reflects lower raw material costs over the year.

Despite some softening in commodity prices, strong levels of copper, gold and iron ore mining activity in the Americas and Australasia continued to underpin robust demand for our mining consumables products, particularly grinding media.

The business continued to deliver strong earnings growth with EBITDA of $197 million compared to $172 million for the prior financial year, reflecting increased contributions from North America, South America and Australasia. In the Americas, the Moly-Cop grinding media businesses again performed very well. In Australasia, the grinding media, rail wheels and ropes businesses all recorded stronger performances.

The Moly-Cop grinding media business has leading market positions in some of the world's key growth and low cost regions for copper, gold and iron ore mining. Its 'value in use' proposition underpinned by its ball quality, supply chain and technical support is widely recognised by its high quality customer base, and has helped deliver a history of relatively stable margins.

The capacity expansion at Lima, Peru is currently being commissioned, while the Cilegon, Indonesia expansion is progressing well with completion expected at the end of the March 2014 quarter. Work has also commenced on a 120 thousand tonne capacity expansion at Kamloops, Canada.

ARRIUM STEEL

- **Improved performance in Steel business despite further weakness in external environment**
- **Steel business EBITDA $76 million, up 15% pcp**
- **Increased leverage to improvement in demand or lower dollar**
- **Recycling result reflects significant deterioration in prices for ferrous and non-ferrous scrap**
- **Continued focus on cash generation**
- **Announced divestment of non-integrated businesses and properties**
- **Single steel business (annualised cost savings $40 million[5])**

The Steel business continued to be challenged in FY13 by the difficult external environment including the high Australian dollar and generally weak construction and manufacturing markets. Domestically, large infrastructure projects in the engineering construction sector continued to support strong demand for steel reinforcing products, but deterioration in commodity prices adversely affected demand from the resource sector (particularly coal, gas and iron ore) as companies reduced maintenance and some project expenditure. In the non-residential and residential construction sectors, activity levels remained generally weak due to credit availability issues and soft business and consumer sentiment.

The business continued to focus on cash generation including delivering cost reductions and operational improvements. EBITDA for Steel was $76 million, a 15% increase over the improved performance achieved in the prior financial year.

In the Recycling business, the adverse impact of weaker ferrous and non ferrous scrap prices more than offset the benefit of cost and operational improvements.

Arrium Steel's focus is cash generation through improved earnings from cost reductions, driving down working capital, as well as divesting non-integrated Steel businesses and properties. The company recently announced that, in line with this focus, it was combining its Steel Manufacturing and Distribution businesses to form a single Steel business (expected to deliver additional annualised cost

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savings of $40 million[5]), undertaking additional rationalisation work predominantly in its Recycling business, as well as holding its non-integrated Merchandising and US Recycling businesses for sale.

In Steel, revenue decreased 14% to $3,486 million compared to the prior financial year due to a 8% decrease in sales volumes and a lower average net sales price. Volumes were lower due to some further weakness in domestic demand and the impact of a major rail contract with ARTC being completed in the first half. EBIT for the year was a loss of $43 million compared to an EBIT loss of $56 million in the prior financial year, with cost reductions and operational improvements contributing to this result.

In the Recycling business, total revenue decreased 15% to $1,350 million compared to the prior financial year due to lower average prices and lower volumes for ferrous scrap. EBIT for the year was a loss of $8 million reflecting a breakeven result for the second half driven by cost and operational improvements.

The Steel & Recycling businesses are positioned with significant leverage to an improvement in demand and a lower Australian dollar.

FINAL DIVIDEND

The Board announced today an unfranked final dividend of 3 cents per share. The company has previously indicated that it has had insufficient franking credits for paying franked dividends due to factors such as deductible research and development and prior year tax adjustments. The extent to which Arrium is able to frank future dividends will depend on future earnings and the level of franking credits generated from tax paid in Australia.

OUTLOOK

Arrium Mining

Economic growth in China is expected to continue at high levels despite recent downward revisions in the rate of growth, and this is expected to underpin continued strong demand for iron ore. We expect volatility in prices to continue, but on average to remain at solid levels particularly given the impact of the lower Australian dollar.

Earnings for FY14 are expected to significantly benefit from the completion of our expansion that led to iron ore sales doubling to a rate of ~12Mtpa at the end of FY13. We expect an average Fe grade of ~60% and a loaded cash cost of ~$50/wmt[6] at the 12Mtpa rate.

We are continuing to assess opportunities to increase sales above 12Mtpa and utilise the full capacity of the recently expanded Whyalla Port. We also expect to further diversify our customer base into North Asia.

We have reasonable aspirations of being able to maintain sales at the rate of 12Mtpa for at least 10 years based on our reserves and resource, beneficiation of low grade ore and our on-going ferrous exploration program.

Arrium Mining Consumables

We expect demand for grinding media to remain strong driven by high levels of copper and gold production, particularly in North and South America despite commodity prices coming off their recent highs.

Over the medium to longer term, demand for grinding media is expected to grow strongly at a compound annual growth rate of approximately 8% (FY13 – FY17) in both North and South America. The business is well placed through its ball quality, supply chain, technical support, and its strategy of expanding capacity ahead of demand to capture at least its high market share of this growth.

In mining ropes and rail wheels, demand in the first half of FY14 is expected to be adversely impacted by some miners in Australia (coal and iron ore) reducing inventory levels.

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Arrium Steel

We expect generally weak domestic and international steel markets to continue through the first half. However, domestic construction markets are expected to slowly recover in FY14 after experiencing the impact of weaker activity in the resource and non-residential construction sectors in the prior half.

Earnings in FY14 for Steel and Recycling are expected to benefit from further cost reductions and operational improvements, as well as from the impact of a sustained lower Australian dollar. We expect the full benefit of a sustained lower Australian dollar from the second quarter.

Arrium Steel has significant leverage to improved demand, particularly from domestic construction.

Over the medium to longer term, we remain confident we will see improvements in the fundamentals for key domestic and international steel markets as economic conditions improve.

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ENDS

Further information about Arrium Limited can be accessed via the website **www.arrium.com**.

This announcement contains certain non-statutory financial measures including underlying EBIT, underlying EBITDA, underlying NPAT, underlying earnings per share, underlying operating cash flow and underlying effective tax rate. These measures are used to assist the reader understand the financial performance of the Group's operations. Non-statutory financial information has not been audited or reviewed as part of KPMG's report on the Full Year Financial Report. However, KPMG have undertaken a set of procedures to agree the financial information in this announcement to underlying information supplied by the company. Details of the reconciliation between non-statutory and statutory financial measures can be found in the attachment to this document. The ASX Release forms part of a package of information about the Group's Full Year Financial Results for the financial year ended 30 June 2013 and should be read in conjunction with the other Full Year 2013 financial results materials including the Operating and Financial Review, 2013 Full Year Results Presentation and the Full Year Financial Report for the financial year ended 30 June 2013.

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[1] Except as otherwise expressed, references in this document to net profit/loss after tax refer to net profit/loss attributable to equity holders of the parent.
[2] Unless otherwise stated, certain financial measures referred to in this document, including underlying results and ratios based on underlying results are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's report on the full year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this document to underlying information supplied by the company. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's total operations including continuing and discontinued operations. All balance sheet items are based on statutory financial information. Details of the reconciliation of non-statutory to statutory results can be found attached to this document.
[3] Segment results referred to throughout this release are those reported in the 2013 Financial Report. They are equivalent to segment underlying results. For a reconciliation of consolidated results, refer to the attachment to this document.
[4] Underlying interest cover reflects underlying EBITDA divided by finance costs, on an actual 12-month rolling basis.
[5] ~$30 million in FY14.
[6] Includes mining, crushing, beneficiation, rail, road haulage and transshipping 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 deferred stripping costs, which from 1 July 2013 will instead be capitalised under IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.

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ATTACHMENT

Year ended 30 June 2013	Statutory Results			Underlying Results			
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations	**Total Operations Statutory**	Restructuring costs[1]	Impairment[2]	Tax adjustments & other items[3]	**Total Operations Underlying**
Sales revenue	6,084.9	756.1	**6,841.0**	-	-	-	**6,841.0**
Other revenue/income	92.5	21.4	**113.9**	-	-	-	**113.9**
Total revenue/income	6,177.4	777.5	**6,954.9**	-	-	-	**6,954.9**
Gross profit/(loss)	1,069.7	(18.3)	**1,051.4**	-	-	-	**1,051.4**
EBITDA	626.0	(129.5)	**496.5**	93.8	-	(0.7)	**589.6**
Depreciation and amortisation	(257.2)	(16.8)	**(274.0)**	-	-	-	**(274.0)**
Impairment	(245.5)	(684.7)	**(930.2)**	-	930.7	-	**0.5**
EBIT	123.3	(831.0)	**(707.7)**	93.8	930.7	(0.7)	**316.1**
Finance costs	(117.4)	(0.7)	**(118.1)**	-	-	-	**(118.1)**
Earnings before tax	5.9	(831.7)	**(825.8)**	93.8	930.7	(0.7)	**198.0**
Tax expense/(benefit)	64.6	68.6	**133.2**	(28.1)	(35.4)	(97.3)	**(27.6)**
Profit/(loss) after tax	70.5	(763.1)	**(692.6)**	65.7	895.3	(98.0)	**170.4**
Non-controlling interests	(2.1)	-	**(2.1)**	-	-	-	**(2.1)**
Net profit/(loss) after tax	68.4	(763.1)	**(694.7)**	65.7	895.3	(98.0)	**168.3**

1 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.
2 Impairment of property, plant and equipment and intangible assets associated with Recycling and Steel segments.
3 Relates to tax adjustments related to prior years, the net impact of Mineral Resource Rent Tax, gain on sale of Steel and Tube Holdings and other non-recurring items.

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ATTACHMENT

Year ended 30 June 2012	Statutory Results			Underlying Results				
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations	**Total Operations Statutory**	Transaction costs[1]	Restructuring costs[2]	Impairment[3]	Tax adjustments & other items[4]	**Total Operations Underlying**
Sales revenue	6,314.8	1,279.7	**7,594.5**	-	-	-	-	**7,594.5**
Other revenue/income	100.4	21.4	**121.8**	-	-	-	-	**121.8**
Total revenue/income	6,415.2	1,301.1	**7,716.3**	-	-	-	-	**7,716.3**
Gross profit/(loss)	1,120.3	77.4	**1,197.7**	-	-	-	-	**1,197.7**
EBITDA	620.7	(122.8)	**497.9**	26.6	47.0	-	9.5	**581.0**
Depreciation and amortisation	(194.3)	(26.5)	**(220.8)**	-	-	-	2.8	**(218.0)**
Impairment	(3.4)	(138.8)	**(142.2)**	-	-	138.8	-	**(3.4)**
EBIT	423.0	(288.1)	**134.9**	26.6	47.0	138.8	12.3	**359.6**
Finance costs	(117.7)	(3.4)	**(121.1)**	-	-	-	-	**(121.1)**
Earnings before tax	305.3	(291.5)	**13.8**	26.6	47.0	138.8	12.3	**238.5**
Tax expense/(benefit)	(9.0)	58.8	**49.8**	(7.9)	(17.2)	(13.4)	(48.8)	**(37.5)**
Profit/(loss) after tax	296.3	(232.7)	**63.6**	18.7	29.8	125.4	(36.5)	**201.0**
Non-controlling interests	(5.9)	-	**(5.9)**	-	-	-	-	**(5.9)**
Net profit/(loss) after tax	290.4	(232.7)	**57.7**	18.7	29.8	125.4	(36.5)	**195.1**

1 Direct costs related to the acquisition of WPG Resources Limited subsidiaries in October 2011 and the sale of Piping Systems business.
2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.
3 Impairment of property, plant and equipment and intangible assets associated with the Oil and Gas Pipe and LiteSteel™ Technologies businesses and land and buildings at Acacia Ridge.
4 Relates to tax adjustments related to prior years, the net impact of Mineral Resource Rent Tax, gain on disposal of Piping Systems and other non-recurring items.

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OPERATIONAL AND FINANCIAL REVIEW

COMPANY OVERVIEW

The company delivered an underlying net profit after tax (NPAT) for the year ended 30 June 2013 of $168 million[1], compared to $195 million for the previous financial year. Statutory NPAT for the year was a loss of $695 million compared to a profit of $58 million for the previous financial year, and includes asset impairments of $895 million, restructuring costs of $66 million and tax adjustments of $97 million.

The decrease in underlying NPAT for the year was primarily due to the impact of lower iron ore prices in the Mining business, which more than offset the benefit from increased iron ore sales volumes, and higher earnings in the Mining Consumables and Steel businesses.

In June, the Mining business reached a sales rate of 12Mtpa, marking the on time and on budget delivery of the expansion to double the size of the business.

Operationally, the ramp up in iron ore sales led to underlying earnings for the year being heavily weighted to the second half, in line with guidance. Both our Mining and Mining Consumables businesses continued to perform very well during the year and were substantial contributors to earnings, while our Steel business maintained the significant improvement achieved in the prior year despite weaker domestic and international steel markets.

Sales revenue for the year was $6,841 million, down 10% on sales revenue for the previous financial year due mainly to lower iron ore and international steel prices and lower sales volumes in Steel and Recycling.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased 2% compared to the previous financial year, to $590 million, due to improvements in the Mining Consumables and Steel businesses, partly offset by lower earnings in the Mining and Recycling businesses.

The sales margin for the year decreased marginally to 4.6% from 4.7% in the prior financial year due to lower sales margins in the Mining and Recycling businesses more than offsetting improvements in Mining Consumables and Steel.

Finance costs were $118 million, down from $121 million in the prior corresponding year mainly due to lower average interest rates.

Underlying earnings per share for the year (weighted average) was 12.7 cents, down from 14.6 cents for the prior corresponding year.

The underlying effective tax rate of 14% largely reflects the company tax rate of 30% less the benefit of R&D tax allowances and overseas tax rate differences.

Statutory operating cash flow for the year was strong at $590 million, up 26% compared to the previous financial year. The continued focus on cash generation, including initiatives in the Steel business such as driving down working capital and the sale of the company's 50.3% share of Steel & Tube Holdings Limited during the first half, helped lower net debt to $2,115 million. Gearing increased 3.9 percentage points to 36.2%, including 5.1 percentage points related to the impairment of assets and restructuring costs. The underlying interest cover was 5.0 times[2].

The lower net debt of $2,115 million was after $459 million of capital expenditure during the year, including $218 million related to expansion of the Mining business.

Total liabilities increased 10% compared to the previous financial year, to $4,878 million, largely reflecting the increase in restructuring and tax provisions, and the impact of a lower Australian dollar at year end on US dollar debt.

The company successfully refinanced US$800 million of debt facilities during the year. At year end, total facilities were $3.5 billion, with approximately $940 million being available undrawn facilities. The average interest rate for total drawn and undrawn funding is approximately 4%.

Total assets decreased 4% compared to the previous financial year, to $8,612 million, largely reflecting impairments and divestments made during the year.

1 A reconciliation of non-statutory to statutory results can be found on page 31

2 Underlying interest cover reflects underlying EBITDA divided by finance costs, on an actual 12-month rolling basis

In June, the Mining business reached a sales rate of 12Mtpa, marking the on time and on budget delivery of the expansion to double the size of the business

SEGMENT OVERVIEW

The company has three segments, Arrium Mining, Arrium Mining Consumables and Arrium Steel. The Arrium Steel segment is comprised of the Steel and Recycling businesses.

Arrium Mining

Revenue increased 19% compared to the prior financial year to $977 million due to an increase in iron ore sales volumes from 6.29Mt to 8.28Mt, partly offset by lower average iron ore prices. The record sales volumes includes 1.6Mt related to the successful ramp up of the new Southern Iron operation, and improved volumes from the Middleback Ranges operation largely related to recent supply chain improvements.

Market conditions were, on occasion, volatile with iron ore prices declining steeply through the first quarter, reaching their lowest level post the GFC in September at US$87/t (CFR 62% Fe fines), before improving strongly and reaching US$160/t at the end of the March quarter. The average Platts 62% dmt fines benchmark price for the year was 16% lower at US$127/t compared to US$151/t for the prior financial year.

EBIT for the year was strong at $249 million, but down on EBIT for the prior financial year of $303 million. The decrease was due to lower average iron ore prices and increased depreciation and amortisation related to the higher level of investment in Southern Iron and the Whyalla Port expansion, partly offset by the higher level of sales volumes.

In June, the business achieved a major milestone for its Mining expansion with sales being ramped up to a run rate of 12Mtpa, effectively marking a doubling of the business. The year incorporated a number of significant achievements towards delivering this outcome, including commencing the sale of first ores from Peculiar Knob in October (53 weeks after 'turning first dirt'), receiving and transshipping first ores from Southern Iron through the new Whyalla Port facilities in December, and then receipt in May of first ores from the Middleback Ranges mines on the new narrow gauge rail for blending with Southern Iron ores. The new higher capacity shiploader was commissioned early July. The capacity of the Whyalla Port has now also been doubled to 13Mtpa.

Both the Southern Iron and Whyalla Port expansion projects were delivered on time and budget - a pleasing achievement.

Arrium Mining Consumables

Revenue increased 2% compared to the prior year to $1,567 million, reflecting 8% growth in sales volumes partly offset by a lower average net sales price. The lower sales price reflects lower raw material costs over the year.

Despite some softening in commodity prices, strong levels of copper, gold and iron ore mining activity in North America, South America and Australasia continued to underpin robust demand for our mining consumables products, particularly grinding media.

The business continued to deliver strong earnings growth with EBITDA of $197 million compared to $172 million for the prior financial year, reflecting increased contributions from North America, South America and Australasia. In North America and South America, the Moly-Cop grinding media businesses again performed very well. In Australasia, the grinding media, rail wheels and ropes businesses all recorded stronger performances.

The Moly-Cop grinding media business has leading market positions in some of the world's key growth and low cost regions for copper, gold and iron ore mining. Its 'value in use' proposition underpinned by its ball quality, supply chain and technical support is widely recognised by its high quality customer base, and has helped deliver a history of relatively stable margins.

The capacity expansion at Lima, Peru is currently being commissioned, while the Cilegon, Indonesia expansion is progressing well with completion expected at the end of the March 2014 quarter. Work has also commenced on a 120 thousand tonne capacity expansion at Kamloops, Canada.

The Moly-Cop grinding media business has leading market positions in some of the world's key growth and low cost regions for copper, gold and iron ore mining

Arrium Steel

The Steel business continued to be challenged during the year by the difficult external environment, including the high Australian dollar and generally weak construction and manufacturing markets. Domestically, large infrastructure projects in the engineering construction sector continued to support strong demand for steel reinforcing products but deterioration in commodity prices adversely affected demand from the resource sector (particularly coal, gas and iron ore) as companies reduced maintenance and some project expenditure. In the non-residential and residential construction sectors, activity levels remained generally weak due to credit availability issues and soft business and consumer sentiment.

The business continued to focus on cash generation including delivering cost and operational improvements. EBITDA for Steel was $76 million, a 15% increase over the improved performance achieved in the prior financial year.

In the Recycling business, the adverse impact of lower sales volumes, as well as weaker ferrous and non-ferrous scrap prices more than offset the benefit of cost and operational improvements.

Arrium Steel's focus is cash generation through improved earnings from cost reductions, driving down working capital, as well as divesting non-integrated Steel businesses and properties. The company recently announced that, in line with this focus, it was combining its Steel Manufacturing and Distribution businesses to form a single Steel business (expected to deliver additional annualised cost savings of $40 million (~$30 million in FY14)), undertaking additional rationalisation work predominantly in its Recycling business, as well as holding its non-integrated Merchandising, Australian Tube Mills and US Recycling businesses for sale.

In **Steel,** revenue decreased 14% to $3,486 million compared to the prior financial year due to an 8% decrease in sales volumes and a lower average net sales price. Volumes were lower due to some further weakness in domestic demand and the impact of a major rail contract with ARTC being completed in the first half. EBIT for the year was a loss of $43 million compared to an EBIT loss of $56 million in the prior financial year, with cost reductions and operational improvements contributing to this result.

In the **Recycling** business, total revenue decreased 15% to $1,350 million compared to the prior financial year due to lower average prices and lower volumes for ferrous scrap. EBIT for the year was a loss of $8 million reflecting a breakeven result for the second half driven by cost and operational improvements.

The Steel & Recycling businesses are positioned with significant leverage to an improvement in demand and a lower Australian dollar.

OUTLOOK

Arrium Mining

Economic growth in China is expected to continue at high levels despite recent downward revisions in the rate of growth, and this is expected to underpin continued strong demand for iron ore. We expect volatility in prices to continue, but on average to remain at solid levels particularly given the impact of the lower Australian dollar.

Earnings for FY14 are expected to significantly benefit from the completion of our expansion that led to iron ore sales doubling to a rate of ~12Mtpa at end FY13. We expect an average Fe grade ~60% and loaded cost ~$50/wmt[3] at 12Mtpa rate.

We are continuing to assess opportunities to increase sales above 12Mtpa and utilise the full capacity of the recently expanded Whyalla Port. We also expect to further diversify our customer base into North Asia.

We have reasonable aspirations of being able to maintain sales at the rate of 12Mtpa for at least 10 years based on our reserves and resources, beneficiation of low grade ore and our on-going ferrous exploration program.

Arrium Mining Consumables

We expect demand for grinding media to remain strong driven by high levels of copper and gold production, particularly in North and South America despite commodity prices coming off their recent highs.

Over the medium to longer term, demand for grinding media is expected to grow strongly at a compound annual growth rate of approximately 8% (FY13 – FY17) in both North and South America. The business is well placed through its ball quality, supply chain, technical support, and its strategy of expanding capacity ahead of demand to capture at least its high market share of this growth.

In mining ropes and rail wheels, demand in the first half of FY14 is expected to be adversely impacted by some miners in Australia (coal and iron ore) reducing inventory levels.

Arrium Steel

We expect generally weak domestic and international steel markets to continue through the first half. However, domestic construction markets are expected to slowly recover in FY14 after experiencing the impact of weaker activity in the resource and non-residential construction sectors in the prior half.

Earnings in FY14 for Steel and Recycling are expected to benefit from further cost reductions and operational improvements, as well as from the impact of a sustained lower Australian dollar. We expect the full benefit of a sustained lower Australian dollar from the second quarter.

Arrium Steel has significant leverage to improved demand, particularly from domestic construction.

Over the medium to longer term, we remain confident we will see improvements in the fundamentals for key domestic and international steel markets as economic conditions improve.

3 Includes mining, crushing, beneficiation, rail, road haulage and transshipping 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 deferred stripping costs IFRIC 20 which, from 1 July 2013 will instead be capitalised under IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.*

Financial Ratios – Year ended 30 June

	FY13 ($m)	FY12 ($m)	CHANGE (%)
Sales Revenue	**6,841**	7,595	(10%)
Other Revenue/Income	**114**	122	(7%)
Total Income	**6,955**	7,717	(10%)
Gross Profit	**1,051**	1,198	(12%)
EBITDA	**590**	581	2%
Depreciation & amortisation	**(274)**	(221)	24%
EBIT	**316**	360	(12%)
Finance costs	**(118)**	(121)	(2%)
Profit before tax	**198**	239	(17%)
Tax expense	**(28)**	(38)	(26%)
Profit after tax	**170**	201	(15%)
Non-controlling interests	**(2)**	(6)	(67%)
Net profit after tax	**168**	195	(14%)
Total assets*	**8,612**	8,931	(4%)
Total liabilities*	**4,878**	4,431	10%
Total equity*	**3,734**	4,501	(17%)
Net debt*	**2,115**	2,143	(1%)
Funds employed*	**5,848**	6,644	(12%)
Number of shares on issue (millions)	**1,355**	1,346	1%
Operating cash flow	**596**	519	15%
Free cash flow	**131**	69	90%
Capital and investment expenditure	**459**	719	(36%)

	FY13	FY12	CHANGE
Return on equity % (PAT / average total equity)	**4.1%**	4.5%	**(0.4) pp**
Return on funds employed % (EBIT / average funds employed)	**5.1%**	5.6%	**(0.5) pp**
Sales margin %	**4.6%**	4.7%	(0.1) pp
Gross profit margin %	**15.4%**	15.8%	(0.4) pp
Earnings per share (cents)	**12.7**	14.6	(13%)
Dividends per share (cents)	**5.0**	6.0	(1) cents
Dividend payout ratio	**40.2%**	41.4%	(1.1) pp
Gearing (net debt / net debt + equity)	**36.2%**	32.3%	3.9 pp
Interest cover (times EBITDA, 12m rolling basis)	**5.0**	4.8	0.2 times
Net tangible assets per share ($)	**1.25**	1.20	4%
Employees	**10,078**	11,007	(8%)
Sales per employee ($000s)	**679**	690	(2%)
Iron ore tonnes sold (mt)	**8.28**	6.29	32%
Raw steel production (mt)	**2.50**	2.50	-
Steel tonnes despatched (mt)	**3.55**	3.68	(4%)

Details of the reconciliation of non-statutory to statutory results can be found in the reconciliation attached to this document.

* Based on statutory balances

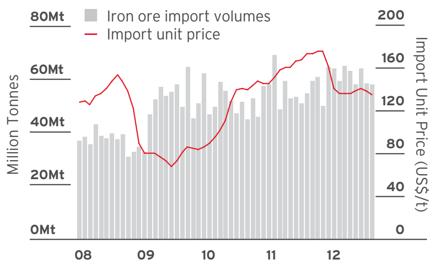
KEY BUSINESS DRIVERS

The information included in the following charts illustrates trends in some of the major drivers of Arrium's businesses, including iron ore demand, world copper and gold production, key sectors of the Australian economy, domestic steel prices, international steel prices and key inputs into steelmaking. The strength in the markets of our international and resource focused businesses and the weakness in the markets of our Australian steel businesses are evident in the charts.

FIGURE 1

Iron Ore Imports into China

January 2008 to June 2013



Source: TEX Report

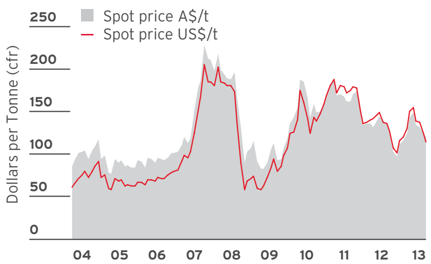
Iron ore imports into China

Figure 1 shows the volume of iron ore that was imported by China. China imported 763 million tonnes of iron ore in FY13. This imported volume is 6.1% above the volume imported in FY12.

FIGURE 2

Iron Ore Fines (62% Fe) – Spot Prices (cfr N China)

July 2004 to June 2013



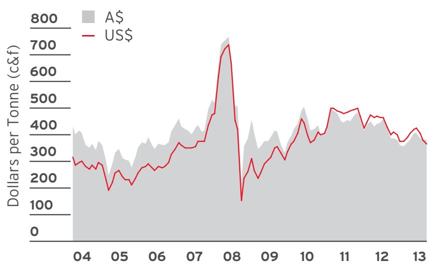
Source: CRU, Platts

Figure 2 represents the movement in spot iron ore fines (62% Fe) prices in both US and Australian dollars. Platts 62% Fe average spot prices in US dollar terms for FY13 decreased by 16% compared to FY12. Platts 62% Fe prices were stronger in the 2nd half with daily prices reaching a high US$160/t and a low of US$110/t whereas the highest price in the 1st half was US$145/t and lowest was US$89/t.

FIGURE 6

Korean HM1 Scrap Price (c&f)

July 2004 to June 2013



Source: TEX Report

Scrap prices

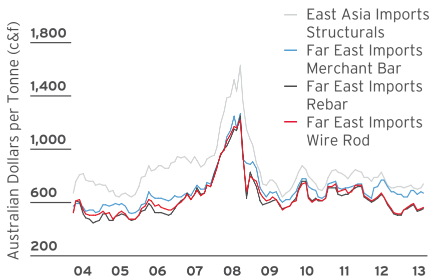
Figure 6 shows prices for Korean ferrous scrap in US and Australian dollars. In FY13, OneSteel Recycling sold 1.63 million tonnes of ferrous scrap to internal and external customers, compared to 1.86 million tonnes in FY12. Non ferrous sales in FY13 were 0.26 million tonnes compared to FY12 at 0.25 million tonnes.

The Korean benchmark average price for HM1 scrap in US dollar terms decreased by 15.0% in FY13 compared to FY12. Scrap prices in Australian dollar terms decreased by a slightly lower amount. In FY13, scrap prices ranged from US$360/t to US$435/t as opposed to a larger range in FY12 of a low of US$392/t and a high of US$499/t. Average scrap prices in FY13 have been lower which is in line with the lower iron ore and coking coal prices.

FIGURE 7

Long Products International Prices

July 2004 to June 2013



Source: CRU (Merchant Bar, Rebar, Wire Rod), SBB (Beams)

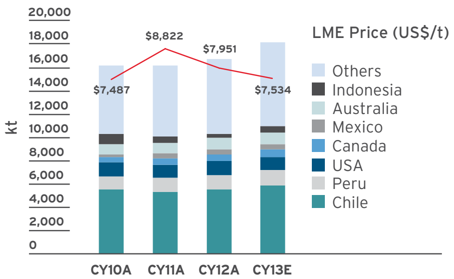
Long products international prices

Figure 7 presents the international benchmark prices for structural beams, merchant bar, reinforcing bar and wire rod. In FY13, average prices in Australian dollar terms for structurals decreased by 11%, merchant bar decreased by 6% and reinforcing bar and wire rod decreased by 17% compared to the previous year. Prices have been affected by lower raw material costs, over-supply of steel, as well as weak demand in the Asian region.

FIGURE 3

World Copper Concentrate & Leach Production (kt) & Copper Prices

January 2010 to December 2013



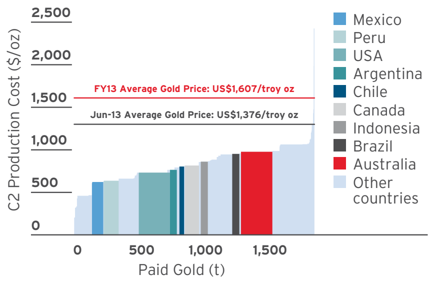
Source: Wood Mackenzie, LME. CY13E – Wood Mac forecast production, LME price Jan-Jun 13 actual avg

World copper production

Figure 3 shows world copper production and LME prices in US Dollars. Copper production is a key driver of grinding media demand. Arrium has grinding media operations in Canada, Australia, Chile, USA, Peru, Mexico and Indonesia. Copper production in these countries is about 62% of total world production. Even though CY12 copper prices have been lower than CY11 prices, copper production in CY12 was slightly higher than CY11.

FIGURE 4

2012 Gold Mine. Composite. C2 Production Cost Grouped By Country and Ranked By Production Cost (C2)



Source: Wood Mackenzie, Ltd, Dataset: 2013 Q2

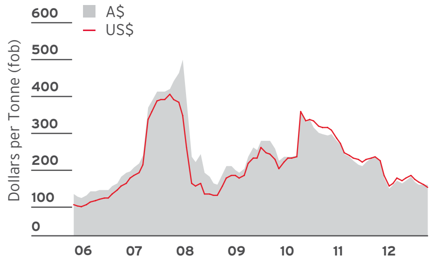
World gold production

Figure 4 shows the production costs (C2) for gold mines by country and the FY13 average gold price. Average monthly gold prices have been above US$1,500/oz from July 2012 to March 2013 before prices started to fall from April. The June, 2013 average price was US$1,376/oz. Gold production is a key driver of grinding media demand. Based on Wood Mackenzie data, Arrium's gold mine customers' production costs (C2) are estimated to range from US$650/oz to US$960/oz. A significant proportion of these customers are in the lower cost countries shown in Figure 4.

FIGURE 5

Hard Coking Coal Price (fob)

September 2006 to June 2013



Source: CRU

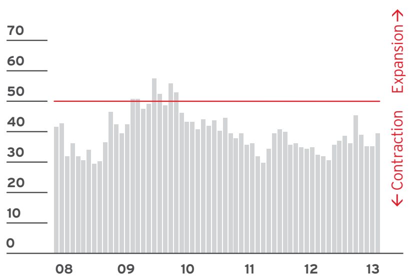
Coal Prices

Figure 5 represents the movement in spot hard coking coal prices in both US and Australian dollars. Average spot prices in US dollar terms for FY13 decreased by 34% compared to FY12. Coal prices in FY13 ranged from US$136/t to US$214/t as compared to a range of US$210/t to US$305/t in FY12. The price drops were attributed to weak demand and plenty of supply in the seaborne market.

FIGURE 8

Australian Performance of Construction Index (PCI)

July 2008 to June 2013



Source: Australian Industry Group

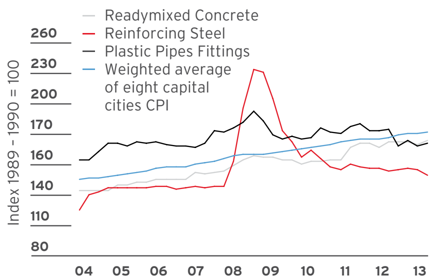
Australian Performance of Construction index

Figure 8 shows that the Australian Performance of Construction Index (PCI) has continued to be in the "contraction" zone for the whole of the FY13 period. PCI dropped to a low of 30.9 in September 2012, a level that last occurred in September 2011. PCI went to a high of 45.6 in February 2013 (highest level since mid-2010) driven by expansions in house building and engineering construction.

FIGURE 9

Prices for Steel Residential Construction Materials

June quarter 2004 to June quarter 2013



Source: ABS

Prices for steel residential construction materials

Figure 9 represents the movement in prices of residential construction materials indexed to 1989/90 prices. The index for reinforcing steel had decreased by 2.4% in the June 2013 quarter compared to the June 2012 quarter.

FIGURE 10

Australian versus US dollar (Monthly average)

July 2004 to June 2013

Source: RBA

US dollar exchange rates

Figure 10 represents the Australian dollar exchange rates against the US dollar. In FY13, the daily exchange rates ranged from $0.92 to $1.06. The average exchange rate during the year averaged $1.03, down by 0.5% compared to the FY12 average exchange rate. The Australian dollar averaged at 1.04 in the 1st half of FY13 and it dropped to 1.02 in the 2nd half. The Australian dollar was below parity since mid-May to the end of the financial year.

STRATEGIC FRAMEWORK AND SCORECARD

Our vision is to be a leading mining and materials company which delivers superior returns for our shareholders. We aim to achieve this through a portfolio of mining and materials businesses that are diversified across commodities, geographies and markets, and by utilising our unique infrastructure, capabilities, customer relations and market positions, as well as by investing in opportunities that provide the best return on shareholder funds.

The strategy for our businesses to deliver this vision has been focused on growing our Mining and Mining Consumables businesses, and addressing the performance of our Steel & Recycling businesses. The strategy and performance scorecard for each of these businesses for the year are detailed below.

Our level of debt reflects recent investments to significantly grow the Mining and Mining Consumables businesses. We now have debt reduction as a key priority for enhancing shareholder value, and expect to achieve this through cash generation from these expanded businesses, as well as from initiatives to improve returns and cash generation in Steel, including the divestment of non-integrated Steel businesses and properties.

The company has good growth opportunities from its current projects in Mining and Mining Consumables, including utilising the full capacity of the expanded Whyalla Port, and from capturing at least its market share of expected strong growth in grinding media.

Arrium Mining Strategy

- Growing the volume of our iron ore exports
- Leveraging our unique infrastructure assets in South Australia, utilising the Whyalla Port
- Pursuing exploration and development activities to replace mined reserves and increase reserves and resources to support and grow sales
- Pursuing exploration of non-ferrous ore opportunities

Performance

- Record level of iron ore sales for the year – up 32% to 8.28 million tonnes
- Expansion to double iron ore sales to a rate of 12Mtpa completed on time and budget
- Expansion to double capacity of the Whyalla Port completed on time and budget
- New blended iron ore products launched – made possible through Southern Iron
- Exploration and development activities resulted in identified hematite reserves increasing 5.9Mt to 66.7Mt, after additions of 19.3Mt and depletions and removal of 13.4Mt during the year

Arrium Mining Consumables Strategy

- Building on our position as the leading global supplier of grinding media to the mining industry
- Investing in capacity close to our customers
- Growing our competitive advantage through superior quality, supply assurance and technical support for customers
- Pursuing medium term opportunities to expand into new geographies within current product ranges
- Pursuing medium to long term opportunities to expand into new products

Performance

- Through Moly-Cop, the business continued to build on its position as the global leader in the supply of grinding media to the mining industry
- Strong earnings growth – EBITDA up 15% to $197 million compared to $172 million in the prior financial year
- Increased earnings contributions from North America, South America and Australasia grinding media business, and from the rail wheels and ropes businesses
- Sales volumes up 8% compared to prior financial year
- Capacity expansion (40kt) at Lima, Peru to meet growing demand for grinding media currently being commissioned
- Capacity expansion (50kt) at Cilegon, Indonesia to meet growing demand tracking to plan for completion expected in March 2014 quarter.
- Commenced work on (120kt) capacity expansion at Kamloops, Canada to meet growing demand

Arrium Steel Strategy

- Focusing on markets in which we have a sustainable competitive advantage
- Building our leading market positions
- Having flexible capacity to meet demand cycles
- Delivering returns throughout the cycle
- Continually reducing our cost to serve to ensure competitiveness of our offer

Performance

- Improved performance in Steel business despite further weakness in external environment
- Steel EBITDA up 15% to $76 million
- Steel and Recycling cash positive for year
- Increased leverage to even a modest improvement in demand or sustained lower Australian dollar
- Formed a single Steel business (expected annualised cost savings ~$40 million (~$30 million in FY14))
- Focus on integrated steel businesses – divesting non-integrated businesses and properties
- Recycling result reflects significant deterioration in prices for ferrous and non-ferrous scrap and lower volumes
- Continued focus on earnings improvement and cash generation

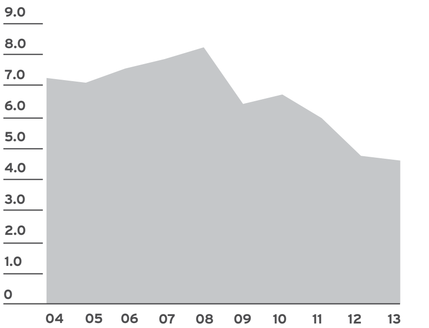
Iron ore sales set a new record of 8.28m tonnes

32%

IRON ORE SALES INCREASE

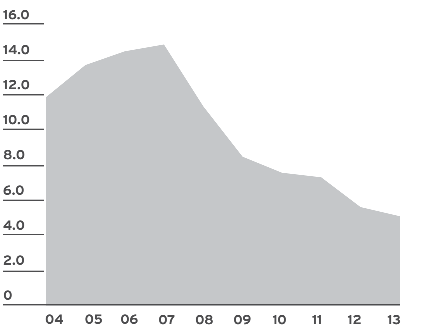
SALES MARGIN - UNDERLYING

Percent (%)



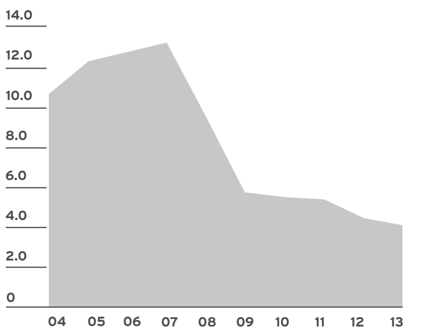
ROFE - UNDERLYING

Percent (%)



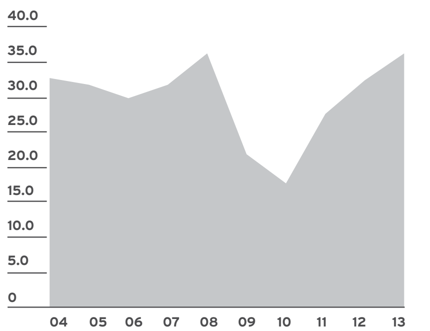
ROE - UNDERLYING

Percent (%)



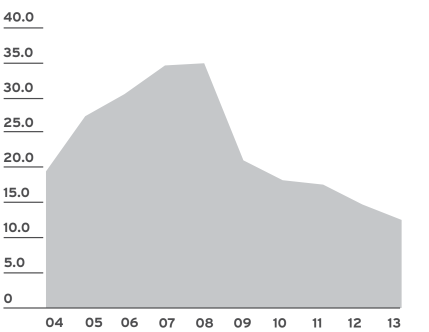
GEARING - STATUTORY

Percent (%)



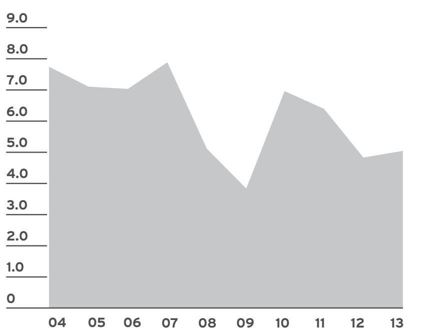
EPS - UNDERLYING

Cents per Share

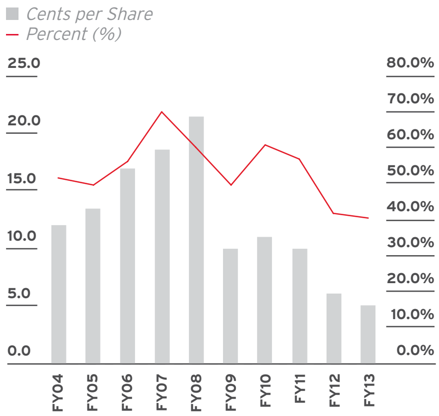


INTEREST COVER (TIMES EBITDA, 12M ROLLING BASIS)

Cents per Share



DIVIDENDS AND PAYOUT RATIO - UNDERLYING



ARRIUM MINING

Arrium's mining operations are located in South Australia: the Middleback Ranges, approximately 60 kilometres from the Whyalla township, and Southern Iron, which includes the Peculiar Knob tenement, located approximately 90 kilometres from the Coober Pedy township.

GREG WATERS
Chief Executive Mining

The Arrium Mining business has been focused on doubling its export sales of iron ore to a run rate of 12Mtpa, and achieved this in June this year, on time and on budget. Separately, the business also provides iron ore feed to the Whyalla Steelworks.

Arrium Mining has its own export port facilities at Whyalla. These facilities were expanded during the year, with the Port's capacity now double at 13Mtpa. This project was completed on time and budget.

Operational Performance

Revenue for the year increased 19% to $977 million due to higher sales volumes offset by lower iron ore prices compared to the prior financial year. Sales volumes increased by 32% to 8.28 million tonnes. Iron ore continues to be sold through a combination of sales to long-term contract customers (approximately 70%) and spot customers (approximately 30%).

During the year, Arrium assumed responsibility for all marketing and sales agency activities from BHP Billiton that had been in existence since 2005. Customer and pricing support was very strong under the new internal arrangements, which include a marketing team in North Asia.

EBIT for the year was $249 million, but lower than the prior financial year EBIT of $303 million due to lower iron ore prices, a stronger Australian dollar and higher depreciation and amortisation costs associated with the commissioning of Southern Iron assets and the building of the Southern Iron and Whyalla Port infrastructure. Average prices in the first half were impacted by a price collapse in September, before steadily improving through quarters 2 and 3, before declining in quarter 4 in the lead up to summer maintenance period and slower steel demand. Overall, Arrium Mining again provided significant earnings contribution to the company.

Mining costs for our Middleback Ranges operation increased by $1/t to $42 per tonne (wmt, average loaded mining cost excluding royalties and depreciation) due to general industry cost increases and a higher proportion of materials from the ore beneficiating plants. New mining contractors (BGC Contracting) commenced mining services in November 2012 with very little operational or cost impacts. BGC has a five-year contract for mining services in the South Middleback Ranges. Southern Iron costs reflect the costs associated with ramp up and commissioning of the the expanded full supply chain.

The businesses' exploration and drilling program predominantly focussed on firming up hematite ore reserves at both the Middleback and Southern Iron operations during the year. This enabled the business to ascertain which materials were best suited for its export plan over the medium term. At Middleback Ranges, 11.6Mt of reserves were either depleted (exported) or removed from the reserve statement. This was offset by additions of 9.4Mt, resulting in a net 2.2Mt reduction from the previous year which delivered total reserves of 42.2Mt at just over 58% Fe. At Southern Iron, rigs continued to infill drill at Peculiar Knob to optimise the pit configuration. The Federal Department of Defence gave approval to explore Hawks Nest in November 2012. Work associated with this exploration has added 9.9Mt of ore reserves at just over 60% Fe. With export and other depletions totalling 1.8Mt, the net increase of reserves at Southern Iron was 8.1Mt. Overall reserves increased to 66.7Mt at approximately 60% Fe, an increase of 5.9Mt compared to reserves at the end of the prior financial year.

Exploration for non-ferrous materials will commence early in the 2014 financial year, and include targets at the Windy Valley and Mt Brady tenements within the Southern Iron operations.

Further information in relation to our reserves and resources for the Middleback Ranges and Southern Iron operations can be found in our Reserves and Resources Statement on pages 131 and 132.

Revenue increased 19% to

$977M

MINING REVENUE

ARRIUM MINING
continued

South Australian Government Minister, Hon. Tom Koutsantonis, MP (right) with Arrium management at the official opening of the expanded Whyalla Port in July 2013

Major achievements for the year included completion of our new Southern Iron and Whyalla Port expansion projects on time and budget

Growth

Major achievements for the year included completion of our new Southern Iron and Whyalla Port expansion projects on time and budget.

The Southern Iron mine and rail infrastructure was completed in October 2012.

The inaugural export shipment from the expanded Whyalla Port was made in December 2012. The second export shed was commissioned in April and other infrastructure was delivered during the fourth quarter in line with plan. A higher capacity ship loader was commissioned in the first week of July, increasing capacity of the Whyalla Port from 12Mtpa to 13Mtpa.

Just over 1.6Mt was exported from the new Southern Iron operation during the year as its infrastructure and the expanded Whyalla Port was ramped up through the second half. We expect sales from the Southern Iron operation to increase to just under 4Mt in financial year 2014.

The Middleback Ranges operation continued to perform well during the year breaking many operational records from mining to crushing and railing, resulting in the moving of 7.4Mt to both the Inner and Outer Harbours. Both beneficiation plants also performed very well, producing above planned volumes and yield.

Safety Performance

Results for the year were 0.4 LTIFR and 4.0 MTIFR compared to the prior year's 0.5 LTIFR and 3.2 MTIFR. These results were pleasing given the business had an additional 700 contractors working at any one time building the new Southern Iron and Port infrastructure, and that the business was operating two major supply chains compared to one in the prior year. The adverse movement in MTIFR was associated with the significant increase in activity through the Southern Iron construction phase. This measure has now reduced following completion of the Southern Iron expansion towards the end of 2012.

Community and Sustainability

We continue to build strong relationships with the local communities in Whyalla and Coober Pedy, providing sponsorship to local events and community groups, as well as providing significant direct and indirect employment opportunities. We have a key focus on assisting the youth community and under privileged.

A key milestone during the year was the signing of the Indigenous Land Use Agreement (ILUA) with the Barngala people at Middleback Ranges. This agreement, which is now progressing through the registration process, will enable Arrium Mining to undertake exploration work in previously restricted locations in the Middleback Ranges, and is a reflection of the strong relationship between both the Barngala people and Arrium.

In line with Arrium's Sustainability Principles, the business continues to progress water saving initiatives such as the reuse of tailings water (over 100million litres reclaimed), dust suppressants on roads, and other water collection activities.

The Whyalla Port expansion project included two new iron ore storage sheds with the ability to harness dust. The new storage sheds combined with the new higher capacity ship loader, result in noise levels being reduced to well under the standards required.

Outlook

Economic growth in China is expected to continue at high levels despite recent downward revisions in the rate of growth, and this is expected to underpin continued strong demand for iron ore. We expect volatility in prices to continue, but to on average remain at solid levels particularly given the impact of the lower Australian dollar.

Earnings for FY14 are expected to significantly benefit from the completion of our expansion that led to iron ore sales doubling to a rate of ~12Mtpa at the end of FY13. We expect an average Fe grade of ~60% and a loaded cost ~$50/wmt[1] at the 12Mtpa rate.

We are continuing to assess opportunities to increase sales above 12Mtpa and utilise the full capacity of the recently expanded Whyalla Port. We also expect further diversify our customer base into North Asia.

We have reasonable aspirations of being able to maintain sales at the rate of 12Mtpa for at least 10 years based on our reserves and resource, beneficiation of low grade ore and our on-going ferrous exploration program.

1 Includes mining, crushing, beneficiation, rail, road haulage and transshipping 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 deferred stripping costs which, from 1 July 2013 will instead be capitalised under IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.*

Mining – Historical Information

	FY13	FY12[1]	FY11	FY10	FY09
Total revenue/income ($m)	**976.9**	819.0	948.4	782.3	598.5
EBITDA ($m)	**339.6**	343.7	554.2	361.2	138.0
EBIT ($m)	**248.5**	302.9	523.5	333.4	113.0
Sales Margin (%)	**25.4**	37.0	55.2	42.6	18.9
Assets ($m)	**2,159.1**	1,685.9	948.4	816.7	769.2
Funds Employed ($m)	**1,658.5**	1,379.7	776.3	717.4	688.9
Return on funds employed (%)	**16.4**	28.1	70.1	47.4	19.6
Employees (number)	**571**	532	367	339	357
External lump & fines iron ore sales (Mt)	**8.28**	6.29	6.04	6.03	5.07
Pellets, other ore and by products (Mt)[2]	**0.57**	0.44	0.72	0.81	0.69

1 These statistics include results relating to the WPG subsidiaries acquired on 6 October 2011.

2 Ore by products include dolomite, centrix, filter cake and pellet chips.

ARRIUM MINING CONSUMABLES

JOHN BARBAGALLO
Chief Executive Mining Consumables

Arrium Mining Consumables employs 2,031 people globally, delivering reliable and high quality mining consumable products to the mining industry from its 11 facilities. The business produces grinding media, grinding rods, wire rope, railway wheels and axles, bar stock (grinding media feed), rebar and chemicals.

Sales revenue increased to $1,567 million with continued strong demand across all products, due to strong mining activity, particularly copper and gold production in North and South America.

The business continued to deliver strong year on year earnings growth with EBITDA of $197 million, up 15% on the prior financial year, reflecting increased contributions from North America, South America and Australasia. In North and South America, the Moly-Cop grinding media business again performed very well. In Australasia, the grinding media, rail wheels and ropes businesses also recorded stronger performances compared to the prior financial year.

During the year, capacity expansions continued in Lima, Peru and Cilegon, Indonesia grinding media facilities consistent with the company's growth strategy. These expansions will add a further capacity of approximately 90 thousand tonnes per annum with both plants expected to startup as planned in FY14. In addition, Arrium's Board has approved a 120 thousand tonnes expansion in Kamloops, Canada with startup expected to be in 2015.

Arrium Mining Consumables comprises the Moly-Cop grinding media business, Moly-Cop Ropes, AltaSteel Steel Mill and Waratah Steel Mill, with businesses located in Canada, USA, Mexico, Peru, Chile, Indonesia and Australia.

Sales revenue increased to $1,567 million with continued strong demand across all products, due to strong mining activity

Mining Consumables – Historical Information

	FY13	FY12	FY11[2]	FY10[1]	FY09[1]
Total revenue/income ($m)	**1,566.7**	1,540.6	1,079.3	680.1	659.8
EBITDA ($m)	**197.2**	171.6	97.7	83.2	41.7
EBIT ($m)	**152.6**	135.2	65.3	62.3	22.8
Sales Margin (%)	**9.7**	8.8	6.1	9.2	3.5
Assets ($m)	**2,460.5**	2,310.3	2,286.4	1,158.5	1,125.0
Funds Employed ($m)	**2,071.6**	1,947.5	1,944.9	1,053.6	1,040.1
Return on funds employed (%)	**7.6**	6.9	4.4	6.0	2.2
Employees (number)	**2,031**	1,973	1,864	924	910
External tonnes despatched (Mt)[3]	**1.14**	1.06	0.73	-	-
Internal tonnes despatched (Mt)	**0.09**	0.09	0.09	0.10	0.05
Steel tonnes produced (Mt)	**0.51**	0.50	0.40	0.24	0.24

1 The FY08-FY10 results have been restated to reflect changes in organisation structure following the formation of the new Mining Consumables segment as a result of the acquisition of the Moly-Cop Group. The Waratah, Newcastle facilities, which include the grinding media and rail wheel businesses, the grinding media businesses in the United States and Indonesia, and the wire ropes business at Newcastle previously reported as part of the Steel segment now form part of the Mining Consumables segment.

2 These statistics include the results of the Moly-Cop Group from 31 December 2010. Assets and liabilties have been restated to reflect the final fair value adjustments arising on acquisition of the Moly-Cop Group in December 2010.

3 Excludes scrap sales.

ARRIUM MINING CONSUMABLES
continued

Moly-Cop

During the year, Arrium Mining Consumables continued to execute its long-term growth strategy for creating shareholder value.

Sales of grinding media for the year increased approximately 7% compared to the previous financial year. Solid global demand for copper and gold continued to drive the demand for grinding media. Moly-Cop is strategically positioned to extract value from these growth markets from its facilities located in North America, South America and Australasia. Moly-Cop has the capacity to produce approximately 1.3 million tonnes per annum of grinding media, including both roll formed and forged grinding media products, in a range of different sizes. The Moly-Cop businesses service their customers from operations in Canada, the USA, Chile, Peru, Mexico, Australia and Indonesia.

Moly-Cop Ropes

Moly-Cop Ropes produces a range of wire rope products predominantly for mining rope and industrial ropes markets. Moly-Cop Ropes has a long and proud history of ropemaking in Australia, with more than 85 years of experience as a trusted manufacturer and supplier to the global mining industry. The business has capacity to produce approximately 20 thousand tonnes per annum.

Through its innovation and new product development programme, Moly-Cop Ropes released the new RAPTEK Dump rope system during the year which has been well received by customers.

AltaSteel

AltaSteel is a leading supplier of heat-treated grinding rod to the America's mining industry and grinding media bar feed for the production of forged grinding balls, predominantly to Moly-Cop Canada. AltaSteel has capacity to produce around 350 thousand tonnes of product per annum.

AltaSteel operates from its production facility in Edmonton, Canada. The business provides grinding media bar feed, grinding rod and rebar products to customers in Canada, USA, Mexico and Chile. AltaSteel's facility comprises steelmaking, bar rolling mills and heat treating operations.

AltaSteel's main steelmaking input is scrap, supplied through its recycling businesses, Maple Leaf Metals (100% ownership) and GenAlta (50% joint venture), and through external suppliers located in Edmonton, Canada.

During the year, AltaSteel continued to work closely with the Moly-Cop businesses on product development initiatives as part of Moly-Cop's research and development program.

Waratah Steel Mill (including Rail & Forge)

Waratah Steel Mill is a ferrous scrap based producer of high quality steel products operating in Newcastle, NSW. It is a leading domestic supplier of rail wheels, axles and wheel sets for the rail transport and mining sectors. Annual steelmaking capacity is approximately 300 thousand tonnes. The steel mill processes ferrous scrap metal through the electric arc furnace (EAF), converting the steel into a wide range of products including grinding media bar feed for grinding media, rail wheels and axles, bar products, cold mill rolls and ingots.

The Waratah Steel Mill includes the Moly-Cop Australia grinding media facilities with capacity to manufacture approximately 250 thousand tonnes of grinding media per annum.

Comsteel Railway Wheels & Forge is a supplier of rail wheel products to the Australian and select international rail markets. Operating for more than 80 years, the business provides a range of wheels, axles and wheel sets predominantly for heavy haul rail systems. The business is at the forefront of high hardness heavy haul wheel technology where Comsteel railway wheels are subject to the highest axle loads in some of the world's most demanding environments.

Railway wheel volumes remained solid during the year, driven by demand in capital wagon builds and ongoing wheel maintenance market segments.

Safety

There was a 35% improvement in MTIFR performance for the year, compared to the prior financial year. The business is continuing to focus on eliminating both high consequence and high frequency risk.

Outlook

We expect demand for grinding media to remain strong driven by high levels of copper and gold production, particularly in North and South America despite commodity prices coming off their recent highs.

Over the medium to longer term, demand for grinding media is expected to grow strongly at a compound annual growth rate of approximately 8% (FY13 – FY17) in both North and South America. The business is well placed through its ball quality, supply chain, technical support, and its strategy of expanding capacity ahead of demand to capture at least its high market share of this growth.

In mining ropes and rail wheels, short term demand is expected to be adversely impacted by some miners in Australia (coal and iron ore) reducing inventory levels.

The business continued to deliver strong earnings growth with EBITDA of $197 million

15%

MINING CONSUMABLES EBITDA INCREASE

ARRIUM STEEL

STEVE HAMER
Chief Executive Steel

GEOFF FEURTADO
Chief Executive Recycling

The Arrium Steel segment is comprised of the Steel and Recycling businesses.

In May, the company announced that it was combining its Steel Manufacturing and Steel Distribution businesses to form a single Steel business.

Overall, Steel continued to be challenged by the difficult external environment including the high Australian dollar and generally weak construction and manufacturing markets. Domestically, large infrastructure projects in the engineering construction sector continued to support strong demand for steel reinforcing products, but deterioration in commodity prices adversely affected demand from the resource sector as companies reduced maintenance and some project expenditure. In the non-residential and residential construction sectors, activity levels remained generally weak due to credit availability issues and soft business and consumer sentiment.

Total Steel revenue decreased 14% to $3,486 million compared to the prior financial year due to an 8% decrease in sales volumes and a lower average net sales price. Volumes were lower due to some further weakness in domestic demand and the impact of a major rail contract with ARTC being completed in the first half. Underlying EBIT for the year was a loss of $43 million compared to an EBIT loss of $56 million in the prior financial year.

The business continued to focus on cash generation including delivering cost and operational improvements. EBITDA for Steel was $76 million, a 15% increase over the improved performance achieved in the prior financial year.

In addition to combining the Steel Manufacturing and Steel Distribution businesses (expected to deliver annualised cost savings of $40 million (~$30 million in FY14)), the company also announced that, as part of its focus on cash generation, it was holding its non-integrated Merchandising and Australian Tube Mills businesses for sale.

Arrium Steel, excluding the businesses being held for sale includes:

Manufacturing facilities: Whyalla Steelworks, two electric arc furnaces, several rolling mills and wire mills.

The **Whyalla Steelworks** is located at Whyalla, South Australia, approximately 400 kilometres north-west of Adelaide. It is an integrated steelworks using iron ore-based feed, sourced from Arrium's iron ore mines in the region. It produces billet for rolling in other OneSteel Manufacturing sites, together with rail and structural steel products.

It produces common and special grade billet as feedstock for the downstream Rod and Bar mills, as well as producing rail and structural steel products for sale, and on an opportunistic basis, sales of slab and billet to external customers. Raw steel production from Whyalla during the year was 1.1 million tonnes.

Billets produced from Whyalla and the Sydney and Laverton electric arc furnaces are rolled into a wide range of long products that are sold directly to external customers as well as to Arrium's internal customers; the Distribution business and the Wire business.

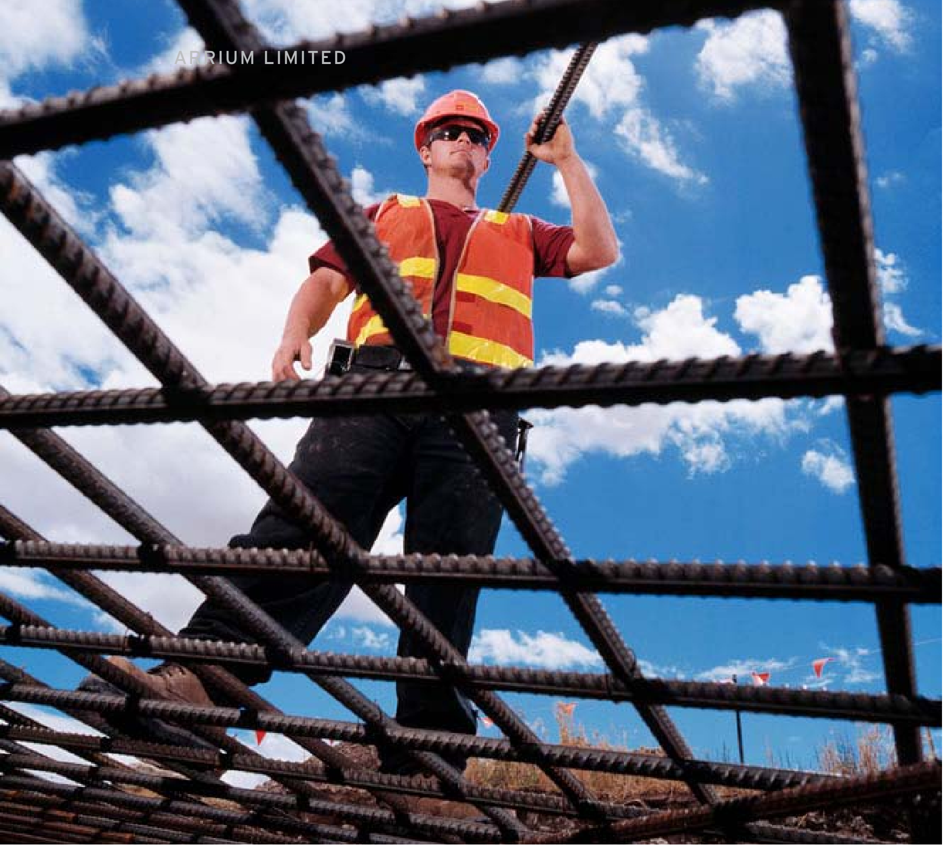
The **Rod and Bar** business produces a wide range of products and services for a diverse range of markets including the construction, rural, mining and manufacturing segments. Products include bar and rod for the reinforcing market, merchant bar, and rod feed for the wire industry.

These products are produced from facilities in Sydney and Newcastle, NSW and Laverton, VIC. The EAF and billet casting facilities at the Laverton and Sydney steel mills have a combined capacity of approximately 1.3 million tonnes per annum. Additionally, approximately 650 thousand tonnes of billet is supplied from the Whyalla Steelworks.

Sales volumes of reinforcing bar improved on the prior financial year, but sales volumes in Rod and Bar overall were lower due to further market weakness.

The **Wire** business consists of wire mills in Newcastle and Jindera, NSW and Geelong, VIC. The business predominantly services the rural fencing markets through its Waratah and Cyclone brands, domestic reinforcing and manufacturing segments, as well as Arrium's Moly-Cop Ropes business. Wire sales volumes decreased compared to the prior year driven by unfavourable market conditions.

The down stream (retail) business includes OneSteel Metalcentre and Reinforcing. These businesses serve the construction, manufacturing and resources markets with a diverse range of steel and metal products including structural steel sections, steel plate, angles, channels, reinforcing steel and flat products. The business distributes products sourced from its manufacturing businesses as well as externally purchased products.



Outlook

We expect generally weak domestic and international steel markets to continue through the first half. However, domestic construction markets are expected to slowly recover in FY14 after experiencing the impact of weaker activity in the resource and non-residential construction sectors in the prior half.

Earnings in FY14 are expected to benefit from further cost reductions and operational improvements, as well as from the impact of a sustained lower Australian dollar. We expect the full benefit from the lower Australian dollar from the second quarter.

The Steel businesses have significant leverage to improved demand, particularly from domestic construction.

Over the medium to longer term, we remain confident we will see improvements in the fundamentals for key domestic and international steel markets as economic conditions improve.

OneSteel Metalcentre. This business processes and distributes a broad range of structural steel and related steel products and is the leading steel distribution business in Australia (the business was re-branded from OneSteel Metaland | Steel & Tube during the year). There are 75 outlets that service mining projects, non-residential and engineering construction, fabrication, manufacturing and agricultural segments.

Sales volumes decreased compared to the prior financial year due to softer demand from markets exposed to the resource sector in Queensland and Western Australia.

Reinforcing. Reinforcing steel is used for concrete reinforcement, mining strata control, agriculture and industrial mesh products, as well as reinforcing steel fibers. It is supplied to large and small builders, concreters, form-workers, pre-casters and mining companies.

Reinforcing is represented by two separate and competing businesses. OneSteel Reinforcing offers the construction and mining segments in particular, a range of innovative reinforcing solutions. ARC (the Australian Reinforcing Company) has leading market positions in most segments complemented by strong customer relationships and flexible offers.

Sales volumes across reinforcing were significantly higher compared to the prior financial year due to increased activity levels related to a number of large infrastructure projects.

Steel maintained the significant improvement delivered in the prior year

Steel – Historical Information

	FY13[2]	FY12[2]	FY11[2]	FY10[1]	FY09[1]
Total revenue/income ($m)	**3,485.8**	4,058.8	3,950.4	4,993.5	6,424.9
EBITDA ($m)	**75.8**	65.9	(37.1)	188.3	499.9
EBIT ($m)	**(43.0)**	(56.4)	(164.6)	56.8	372.0
Sales Margin (%)	**(1.2)**	(1.4)	(4.2)	1.1	5.8
Assets ($m)	**2,505.5**	3,534.5	3,966.9	4,132.9	4,125.5
Funds Employed ($m)	**1,778.2**	2,821.8	3,171.9	3,183.0	3,326.5
Return on funds employed (%)	**(1.9)**	(1.9)	(5.2)	1.7	11.0
Employees (number)	**5,946**	6,164	6,922	7,020	7,408
External tonnes despatched (Mt)	**2.36**	2.57	2.44	2.36	2.43
Steel tonnes produced (Mt)	**1.99**	2.00	1.92	1.91	1.79

1 Steel historical information has been derived by adding together the Manufacturing and Distribution segments. Transactions between these segments have not been eliminated.

2 Steel information for FY11, FY12 & FY13 excludes transactions between entities previously in the Manufacturing and Distribution segments and includes discontinued operations.

ARRIUM STEEL
continued

The OneSteel Recycling business supplies steelmaking raw materials to domestic and international steel mills, as well as non ferrous metals for recycling. The business operates in 9 countries through a combination of physical operations in the form of collection sites and trading offices that supply raw materials to foundries, smelters and steel mills in Australia and globally.

Recycling

Recyclable material is sourced from the rural, mining, demolition and manufacturing industries and the general public. The OneSteel Recycling business also sells raw materials to the Steel segment. All sales between the OneSteel Recycling and the Steel businesses are conducted on commercial terms equivalent to those negotiated with external parties.

In Australia, the OneSteel Recycling business is principally an east coast focused business operating from 25 locations, including four ferrous shredder production facilities. OneSteel Recycling's Asian non ferrous business operates in three countries and carries out the group's global non ferrous trading. Operations in the United States consist of eleven locations throughout the North East and South East, including a ferrous shredder in Tampa, Florida.

Market conditions

During the year, significant price and foreign exchange volatility continued due to factors including continuing poor global economic activity, uncertainty over US monetary policy and concerns of China slowing. This led to significant changes in global scrap flows as scrap providers attempted to find new channels and steel mills arbitraged supply from different markets. Ferrous prices were down 22% from the previous year, while volatility was particularly dramatic with significant fluctuations in both the second and fourth quarters of the financial year, decreasing 16% in the last quarter of the financial year. Non ferrous markets weakened throughout the year with nickel and copper LME down 15% and 6% respectively over the year. The availability of scrap arisings continues to be tight in Australia due to weak manufacturing and construction activity.

Operational performance

Total revenue decreased 15% to $1,350 million compared to the prior financial year due to lower average prices and lower volumes for ferrous scrap. Underlying EBIT for the year was a loss of $8 million reflecting weaker ferrous and non-ferrous margins due to subdued market conditions and tight scrap arisings, offset by significant cost reduction initiatives. Cost reductions and operational improvements helped underpin a breakeven EBIT result for the second half.

The Recycling business is positioned with significant leverage to an improvement in demand and a lower Australian dollar.

Initiatives

The business continued to focus on productivity and efficiency initiatives. This included the closure of loss making operations, with 4 yards closed and another 5 yards to be exited in the first quarter of the 2014 financial year. The Asian business successfully broadened its channel to market in the stainless segment and closed 2 non-performing operations. Downstream recovery system upgrades were made to 3 shredders and, combined with other non-capital initiatives for other shredders, delivered a significant uplift in metal recoveries.

The business is continuing to be re-shaped with a primary focus on the east coast of Australia leveraging its Asian physical and trading businesses. In line with this direction, the company has announced that it is holding its US Recycling business for sale.

Safety

Risk reduction programmes, focused injury prevention, targeted leadership competencies and safe work initiatives helped underpin MTIFR 24% compared to the prior financial year, to 8.6. The company's US Maine operation is the first scrap facility in the New England area to receive SHARP (Safety & Health Achievement Recognition Programme) award from OSHA (Occupational Safety and Health Administration).

Lower scrap prices and volumes more than offset the benefit from cost reductions and operational improvements

Outlook

We expect the current challenging external environment to stabilise over the near term with less volatility and increasing market consensus of upward price bias in the second half of FY14.

The Australian business is better positioned to face these conditions, and its focus has moved to in-market trading effectiveness and strategies to increase market share while maintaining continued strong cost and cash discipline.

The Asian business is focused on continuing to broaden its customer and product profile; strengthening non-ferrous sales strategies with Australia and maximising opportunities across its trading platform to maximise returns.

The business is expected to benefit from recovery in international ferrous and non-ferrous prices.

Recycling – Historical Information

	FY13[1]	FY12	FY11	FY10	FY09
Total revenue/income ($m)	**1,349.5**	1,589.7	1,507.2	1,123.7	1,124.0
EBITDA ($m)	**7.5**	24.1	37.6	22.9	(21.8)
EBIT ($m)	**(8.3)**	6.6	20.9	7.7	(38.6)
Sales Margin (%)	**(0.6)**	0.4	1.4	0.7	(3.4)
Assets ($m)	**479.8**	675.3	652.5	710.7	614.1
Funds Employed ($m)	**365.2**	567.4	554.3	618.4	537.7
Return on funds employed (%)	**(1.8)**	1.2	3.6	1.3	(6.7)
Employees (number)	**849**	973	1,033	1,019	1,016
Ferrous tonnes – external (Mt)	**0.81**	1.01	0.95	0.75	0.89
Ferrous tonnes – internal (Mt)	**0.82**	0.85	0.96	0.94	0.77
Non-ferrous tonnes (Mt)	**0.26**	0.25	0.25	0.19	0.14

1 Includes discontinued operations.

RISK MANAGEMENT

Arrium manages its exposure to key financial risks, including interest rate and currency risk, in accordance with its financial risk management policy.

The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Debt management

Arrium's statutory gearing level at the end of June 2013 was 36.2%. Arrium's core debt facilities at the end of June 2013 comprised $2,588 million of syndicated loans provided by a group of banks, with tranches expiring from 2015 to 2018, $331 million of bi-laterals expiring in 2015 to 2016, and $594 million of US privately placed debt, with tranches expiring from 2015 to 2023. At the end of June 2013, net debt was $2,115 million.

Interest rate management

Arrium's objective when managing interest rate risk is to minimise interest expense while ensuring that an appropriate level of flexibility exists to accommodate changes in funding requirements. To achieve this, Arrium uses a mix of "fixed" and "floating" interest rate instruments where "fixed" is defined as 12 months or longer. Further information regarding Arrium's interest rate management can be found in Note 32 to the Financial Statements on page 125.

Foreign exchange exposure

The Group's primary source of foreign currency risk are sales of product, including iron ore, purchases of inventory and commodity inputs in foreign currency or based on foreign currency prices; capital expenditure in foreign currency, foreign currency denominated debt and its net investment in foreign currency denominated operations.

The Group seeks to minimise its exposure to foreign currency translation risk arising on USD and CAD denominated operations using USD and CAD denominated debt as a net investment hedge. To manage foreign currency exposure arising on foreign currency denominated debt not designated as hedge of net investments, the Group uses cross currency interest rate swaps. To manage foreign currency transaction risk, the Group enters into forward exchange or option contracts.

Financial reporting control assurance

The company executes a risk-based process for assessing the effectiveness of internal controls. The control focused financial reporting process includes:

- Identifying and analysing the key financial processes
- Assessing the inherent and residual risk of each key financial process
- Identifying key financial controls where a risk gap indicates significant reliance on internal controls
- Performing Control Self Assessment tests of key financial controls and Stewardship reviews on a regular basis.

This process is based on:

- ISO 31000/COSO risk-based identification of key financial controls
- The company's internal auditors' verification of the effectiveness of key financial controls
- Management sign-off to support the Chief Executive Officer and Chief Financial Officer sign-offs.

Risk management at Arrium

Arrium has an established business risk profiling system for identifying, assessing, monitoring and managing material risk. The system is based on ISO 31000/ COSO, and provides ongoing risk management that is capable of responding promptly to emerging and evolving risks. The company's risk management system includes comprehensive practices that help ensure that:

- Key risks are identified and mitigating strategies are put in place
- Management systems are monitored and reviewed to achieve high standards of performance and compliance in areas such as safety and environment
- Capital expenditure above a certain threshold obtains prior Board approval
- Internal control weaknesses are identified and reported monthly through the outstanding audit issues scorecard until they are remediated and closed
- Financial exposures are controlled, including the use of derivatives
- Business transactions are properly authorised and executed.

Internal and external audit

Arrium's Internal Audit, Control and Risk (IACR) function is headed by a General Manager reporting to the Chief Financial Officer, with the execution of the internal audit function primarily managed internally.

The internal audit program is aimed at providing assurance to management and the Board over the effectiveness of the company's enterprise risk management system comprising business risk management, compliance and control assurance, and the effectiveness of its implementation. The internal audit function works with the company's external auditor, KPMG, to minimise duplication of effort and to maximise knowledge sharing between the assurance providers.

Arrium material business risks

The following key business risks have been identified as having the potential to impact on the company's earnings stream. Arrium is taking the necessary steps to ensure that these risks are appropriately managed.

Domestic and global economic environment and capital market conditions

Arrium's financial performance and market capitalisation will fluctuate due to movements in capital markets; broker analyst recommendations; interest rates; exchange rates; inflation; economic conditions; changes in Government fiscal, monetary and regulatory policies; commodity prices; construction, mining and manufacturing industry activity levels; scrap metal prices; global geopolitical events and hostilities and acts of terrorism; investor perceptions and other factors that may affect Arrium's financial position and earnings.

Adverse impact of certain commodity price and demand fluctuations

Arrium is a seller of iron ore and steel and a buyer of various commodities, including coking coal, hot rolled coil and zinc. Significant fluctuations in the iron ore price and demand will impact Arrium's profitability and balance sheet. In addition, supply/demand levels for commodities such as gold, copper etc. could have direct effects on Arrium's Mining Consumables business.

Adverse impact of foreign currency exchange rates

Arrium has exposure to foreign exchange translation risk. Fluctuations in foreign currency exchange rates, in particular, volatility of the US dollar against most major currencies and strengthening of the Australian dollar against the US dollar, may have a material adverse impact on the financial position and performance of Arrium.

Operational risk

Arrium Mining's operational risks relate to the continual operation and successful expansion of its supply chain infrastructure.

The production of iron and steel products involves a number of inherent risks relating to the operation of Arrium's manufacturing facilities that involve the use of energy and infrastructure resources, including electricity, gas and water, the production and movement of liquid metal, the hot rolling and cold forming of steel sections and, at times, complicated logistical processes. Operational risks exist with respect to the major units at Whyalla, including electric arc furnaces and rolling mills.

The OneSteel Recycling business is also exposed to operational risks relating to its supply chain.

Cyclical nature of our industries

Arrium's revenues and earnings are sensitive to the level of activity in the Australian construction, manufacturing, mining, agricultural and automotive industries and are also sensitive to the level of activity in the global mining and rail industries.

Competition

Arrium faces import and domestic competition across our product range. A significant increase in competition, including through imports, could materially affect the future financial position and performance of Arrium by putting downward pressure on steel prices or by reducing Arrium's sales volumes.

Dependence on key customer and supplier relationships

Arrium relies on various key customer and supplier relationships and the loss or impairment of any of these relationships could have a material adverse effect on Arrium's operations, financial condition and prospects.

Carbon Tax

The Carbon Tax commenced on 1 July 2012, applying a fixed carbon price of $23 per tonne of carbon dioxide equivalent (CO_2-e), increasing to $24.15 per tonne from 1 July 2013.

Arrium successfully advocated that the Government take a sectoral approach for the steel industry that takes into account the unique aspects of steelmaking technology and its markets to avoid damaging the competitiveness of the industry. Arrium believes that the sectoral approach implemented by the Australian Government for the steel industry, including the provision of assistance via the Jobs & Competitiveness Program and the introduction of the Steel Transformation Plan (STP) is both appropriate and sensible. Arrium's concerns about the adverse impacts of the Carbon Tax on our competitive position have been recognised and substantially addressed, at least over the four-year life of the STP.

In the event of any future amendments to the carbon pricing legislation, Arrium will continue to advocate the need for appropriate assistance arrangements.

Insurance

Arrium seeks to maintain a range of insurance covers for business operations including business interruption, property damage, goods in transit and public and product liability. However, Arrium's insurance will not cover every potential risk associated with its operations and, in some cases, will be subject to large deductibles. An ongoing gap analysis is conducted to identify uninsured risks and the potential insurance solutions to address these issues. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on Arrium's financial condition and financial performance.

Occupational Health and Safety (OHS)

Arrium has been granted self-insurance status for workers' compensation in all eligible Australian states. Arrium's continued safety performance and compliance with OHS systems and practices is a key component to maintaining self-insurance status. If Arrium fails to maintain adequate occupational health and safety systems and practices, Arrium may lose its self-insurance status, which may have a material adverse effect on the financial performance of Arrium.

Product risk

Arrium maintains an internal risk management process and also follows quality assurance procedures in relation to the manufacture of its products and materials. For example, Arrium's steel mills are accredited to internationally recognised standard ISO9001. However, due to the nature of its operations, it is possible that claims against Arrium could arise from defects in materials or products manufactured and/or supplied by Arrium.

RECONCILIATIONS

Unless otherwise stated, financial measures referred to in this document, including underlying results and ratios are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's report on the full year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this document to underlying information supplied by the company. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's total operations including continuing and discontinued operations.

Reconciliation between Underlying and Statutory Results

YEAR ENDED 30 JUNE 2013	STATUTORY RESULTS			UNDERLYING RESULTS			
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations	**Total Operations Statutory**	Restructuring costs[1]	Impairment[2]	Tax adjustments and other items[3]	**Total Operations Underlying**
Sales revenue	6,084.9	756.1	**6,841.0**	-	-	-	**6,841.0**
Other revenue/income	92.5	21.4	**113.9**	-	-	-	**113.9**
Total revenue/income	6,177.4	777.5	**6,954.9**	-	-	-	**6,954.9**
Gross profit/(loss)	1,069.7	(18.3)	**1,051.4**	-	-	-	**1,051.4**
EBITDA	626.0	(129.5)	**496.5**	93.8	-	(0.7)	**589.6**
Depreciation and amortisation	(257.2)	(16.8)	**(274.0)**	-	-	-	**(274.0)**
Impairment	(245.5)	(684.7)	**(930.2)**	-	930.7	-	**0.5**
EBIT	123.3	(831.0)	**(707.7)**	93.8	930.7	(0.7)	**316.1**
Finance costs	(117.4)	(0.7)	**(118.1)**	-	-	-	**(118.1)**
Earnings before tax	5.9	(831.7)	**(825.8)**	93.8	930.7	(0.7)	**198.0**
Tax expense/(benefit)	64.6	68.6	**133.2**	(28.1)	(35.4)	(97.3)	**(27.6)**
Profit/(loss) after tax	70.5	(763.1)	**(692.6)**	65.7	895.3	(98.0)	**170.4**
Non-controlling interests	(2.1)	-	**(2.1)**	-	-	-	**(2.1)**
Net profit/(loss) after tax	68.4	(763.1)	**(694.7)**	65.7	895.3	(98.0)	**168.3**

1 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.

2 Impairment of property, plant and equipment and intangible assets associated with Recycling and Steel segments.

3 Relates to tax adjustments related to prior years, the net impact of Mineral Resource Rent Tax, gain on disposal of Steel and Tube Holdings and other non-recurring items.

Reconciliation between Underlying and Statutory Results

YEAR ENDED 30 JUNE 2012	STATUTORY RESULTS			UNDERLYING RESULTS				
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations	**Total Operations Statutory**	Transaction costs[1]	Restructuring costs[2]	Impairment[3]	Tax adjustments and other items[4]	**Total Operations Underlying**
Sales revenue	6,314.8	1,279.7	**7,594.5**	-	-	-	-	**7,594.5**
Other revenue/income	100.4	21.4	**121.8**	-	-	-	-	**121.8**
Total revenue/income	6,415.2	1,301.1	**7,716.3**	-	-	-	-	**7,716.3**
Gross profit	1,120.3	77.4	**1,197.7**	-	-	-	-	**1,197.7**
EBITDA	620.7	(122.8)	**497.9**	26.6	47.0	-	9.5	**581.0**
Depreciation and amortisation	(194.3)	(26.5)	**(220.8)**	-	-	-	2.8	**(218.0)**
Impairment	(3.4)	(138.8)	**(142.2)**	-	-	138.8	-	**(3.4)**
EBIT	423.0	(288.1)	**134.9**	26.6	47.0	138.8	12.3	**359.6**
Finance costs	(117.7)	(3.4)	**(121.1)**	-	-	-	-	**(121.1)**
Earnings before tax	305.3	(291.5)	**13.8**	26.6	47.0	138.8	12.3	**238.5**
Tax expense/(benefit)	(9.0)	58.8	**49.8**	(7.9)	(17.2)	(13.4)	(48.8)	**(37.5)**
Profit/(loss) after tax	296.3	(232.7)	**63.6**	18.7	29.8	125.4	(36.5)	**201.0**
Non-controlling interests	(5.9)	-	**(5.9)**	-	-	-	-	**(5.9)**
Net profit/(loss) after tax	290.4	(232.7)	**57.7**	18.7	29.8	125.4	(36.5)	**195.1**

1 Direct costs related to the acquisition of WPG Resources Limited subsidiaries in October 2011 and the sale of Piping Systems business.

2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.

3 Impairment of property, plant and equipment and intangible assets associated with the Oil and Gas Pipe and LiteSteel™ Technologies businesses and land and buildings at Acacia Ridge.

4 Relates to tax adjustments related to prior years, the net impact of Mineral Resource Rent Tax, gain on disposal of Piping Systems and other non-recurring items.



FY13 Results Presentation

Andrew Roberts, Managing Director & CEO
Robert Bakewell, Chief Financial Officer

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This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of Arrium and certain plans and objectives of the management of Arrium. 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, which may cause the actual results or performance of Arrium 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, the cyclical nature of the steel industry, the level of activity in the construction, manufacturing, mining, agricultural and automotive industries in Australia and North and South America and, to a lesser extent, the same industries in Asia and New Zealand, mining activity in the Americas, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, Arrium'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'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 presentation contains certain non-statutory financial measures including underlying EBIT, underlying EBITDA, underlying NPAT, underlying earnings per share and underlying effective tax rate. These measures are used to assist the reader understand the financial performance of the company’s operations. Non-statutory financial information has not been audited or reviewed as part of KPMG’s report on the 2013 Full Year Financial Report. However, KPMG have undertaken a set of procedures to agree the financial information in this presentation to underlying information supplied by the company. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group’s total operations including continuing and discontinued operations. Details of the reconciliation between non-statutory and statutory financial measures can be found in the Appendix of this presentation.

All balance sheet items are based on statutory financial information. Except as otherwise expressed, references in this document to net profit/loss after tax refer to net profit/loss attributable to equity holders of the parent. Segment results referred to throughout this presentation are those reported in the 2013 Full Financial Report. They are equivalent to segment underlying results.

The information in this presentation 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 presentation. Mr Leevers is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of Arrium. 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 presentation of the matters based on his information in the form and context in which it appears.

The information in this presentation 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 presentation of the matters based on his information in the form and context in which it appears.

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FY13 highlights

"Arrium delivered on its commitments"

- Transformational year
- Doubled Mining business and Whyalla Port on time and budget
- Continued strong growth in Mining Consumables
- Strong cash flow

FY13 results overview

- Underlying NPAT[1] $168 million vs $195 million pcp
  - 2H13 underlying NPAT $117 million vs $51 million 1H13
  - Strong contribution from Mining – completed expansion on time and budget
  - Strong earnings growth from Mining Consumables
  - Steel business maintained improved performance despite further weakness in external environment
- Statutory NPAT loss of $695 million
  - Includes asset impairments and restructuring costs $961 million
- Strong statutory operating cash flow $590 million, up 26%
- Statutory net debt $2,115 million down compared to $2,143 million at FY12
- Statutory gearing 36.2%, up 3.9 pp pcp
  - Includes impact from asset impairments and restructuring costs of 5.1 pp
- Final dividend 3 cents per share (unfranked)

1 A reconciliation of non-statutory underlying results to statutory results can be found in the Appendix to this presentation.

FY13 delivery on strategic initiatives

- Mining[1] – delivered expansion on time and budget
  - Iron ore sales rate doubled to target of 12Mtpa in June
  - 2H13 sales volumes 4.9Mt, up 42% on 1H13
  - Whyalla Port capacity doubled to 13Mtpa
  - New blended products launched
- Mining Consumables – continued strong year on year growth
  - EBITDA up 15% pcp to $197 million
  - Sales volumes up 8% pcp
  - Expansion in Lima, Peru and Cilegon, Indonesia tracking to plan
  - Expansion at Kamloops, Canada commenced
- Steel – maintained the significant improvement delivered in FY12
  - Single Steel business
  - Non-integrated businesses and properties being held for sale

[1] Segment results referred to throughout this presentation are those reported in the 2013 Financial Report. They are equivalent to segment underlying results for total continuing and discontinued operations. For a reconciliation of consolidated results, refer to the Appendix to this presentation.

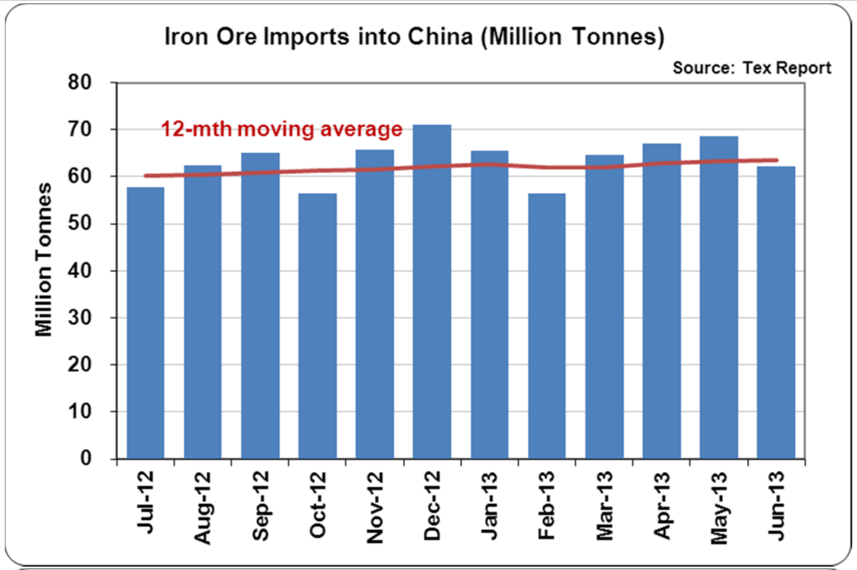
FY13 Segment Analysis

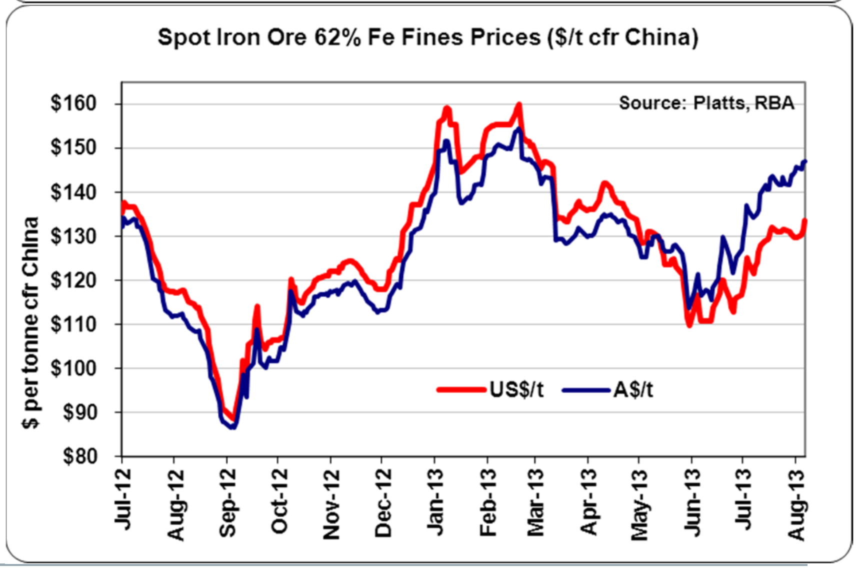
FY13 Mining results

Market conditions and external factors

- Iron ore demand in China remained strong throughout FY13 driven by high levels of crude steel production
- Platts 62% Fe spot prices averaged US$127/t for year
  - Prices fell sharply in Q1 to post GFC lows before improving to average US$118/t for 1H
  - Prices increased sharply in 3rd quarter and averaged US$137/t for 2H

"AUD price is key for Arrium"





FY13 Mining results

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	FY13 $m	FY12 $m		% change
Total revenue/income	977	819	↑	19
EBITDA	340	344	↓	(1)
EBIT	249	303	↓	(18)
Sales margin	25.4%	37.0%	↓	(11.6) pp
Assets	2,159	1,686	↑	28
Funds employed	1,659	1,380	↑	20
Return on funds employed	16.4%	28.1%	↓	(11.7) pp
Employees (number)	571	532	↑	7
External lump & fines iron ore sales (Mt)	8.28	6.29	↑	32
Pellets, other ore & by products (Mt)[1]	0.57	0.44	↑	30

1 Ore by products include dolomite, centrix, filter cake and pellet chips.

FY13 Mining results

- Earnings contribution strong despite lower iron ore prices
  - Platts 62% Fe index price averaged US$127/dmt v US$151/dmt pcp
- Record iron ore sales of 8.3Mt (6.3Mt FY12)
  - Record level of sales for Middleback Ranges – 6.7Mt
  - Ramp up of Southern Iron ore – 1.6Mt
  - 2H13 sales volume of 4.9Mt, up 42% on 1H13
  - Average Fe grade 60.1% vs 59.2% pcp
  - Mix ~60% fines, ~40% lump
- Average loaded cost (wmt, excl royalties & depn) for MBR ~A$42/wmt
- Southern Iron costs reflect additional cost of ramp up and commissioning
- Lower freight rates in 4th quarter with conclusion of COAs
- SMR mining contractor transitioned to BGC Contracting in November 2012
- Arrium assumed responsibility for sales agency services in September 2012
  - Marketing teams in Australia and North Asia
- New blended products launched
  - Whyalla blend
  - Opal blend

FY13 Mining Consumables results

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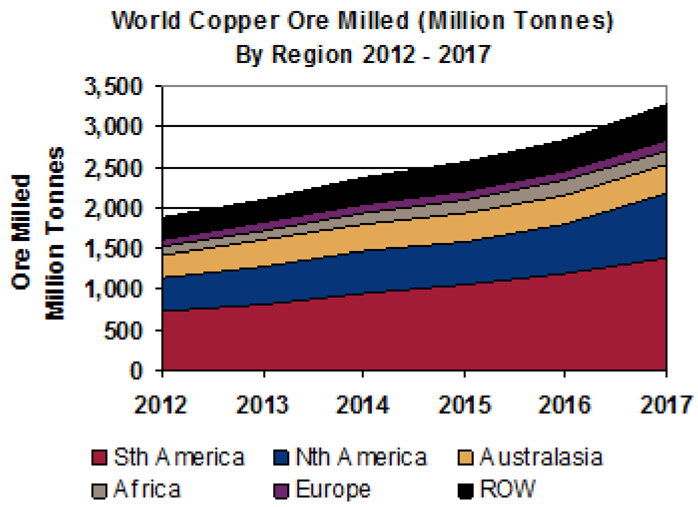
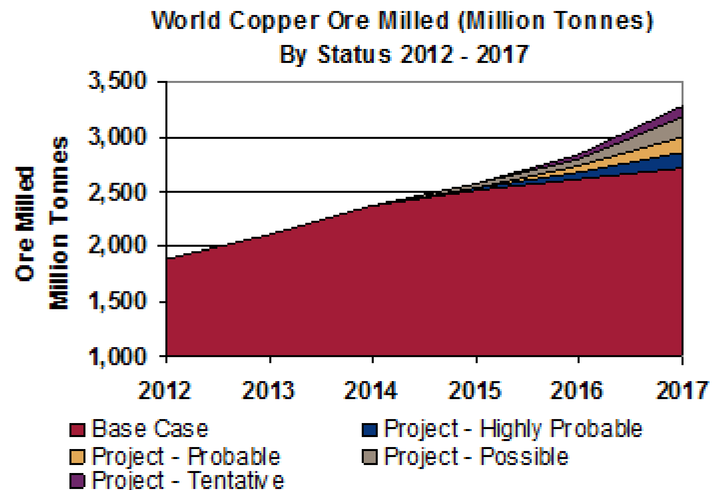
Market conditions and external factors

- Strong demand for copper and gold throughout the year – in line with expectations
- Producers still looking to maximise output despite recent price volatility
- Solid pipeline of new projects and expansions, particularly in North and South America

"~80% of Arrium's grinding media sales driven by copper and gold"



Source: Wood Mackenzie (June 13)



Source: Wood Mackenzie (June 13)

FY13 Mining Consumables results

	FY13 $m	FY12 $m		% change
Total revenue/income	1,567	1,541	↑	2
EBITDA	197	172	↑	15
EBIT	153	135	↑	13
Sales margin	9.7%	8.8%	↑	0.9 pp
Assets	2,460	2,310	↑	6
Funds employed	2,072	1,948	↑	6
Return on funds employed	7.6%	6.9%	↑	0.7 pp
Employees (number)	2,031	1,973	↑	3
External tonnes despatched (Mt)[1]	1.14	1.06	↑	8

1 Excludes scrap sales

FY13 Mining Consumables results

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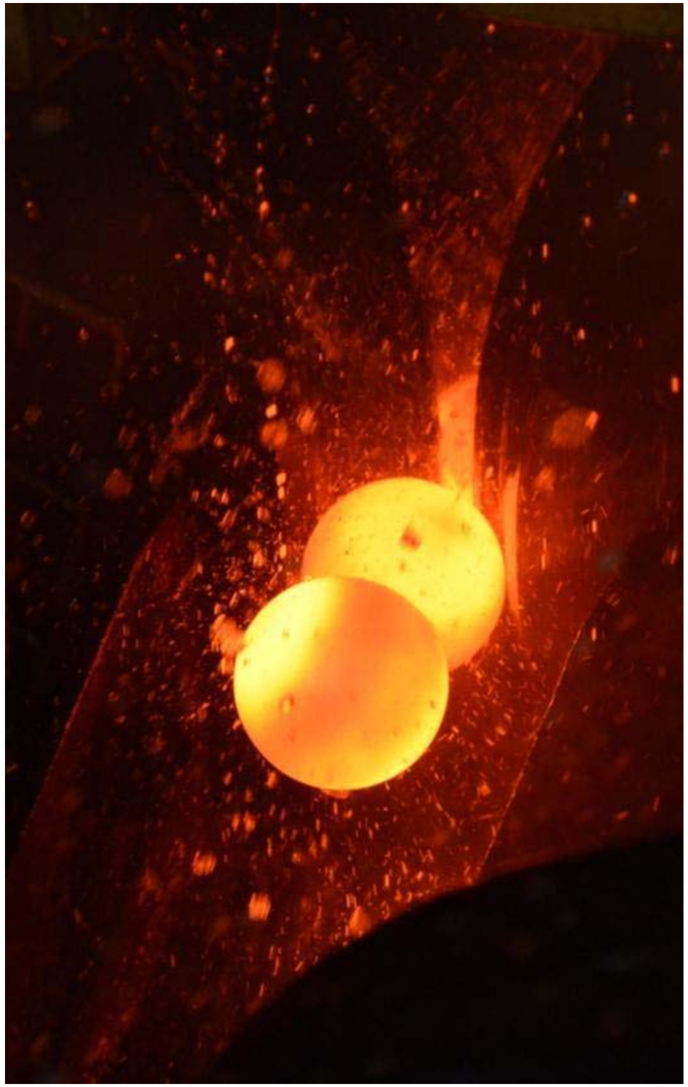
- EBITDA $197 million vs $172 million pcp
- Substantial contributor to group earnings and growth
- Sales volumes up 8% pcp
- Maintained stable margins
- Moly-Cop businesses continued to perform well and in line with expectations
- Strong grinding media volumes driven by copper and gold in North and South America
- Australasian grinding media, rail wheels and ropes businesses performed well
  - EBITDA up pcp for all businesses
- Strong cash generator
- Capacity expansions tracking to plan

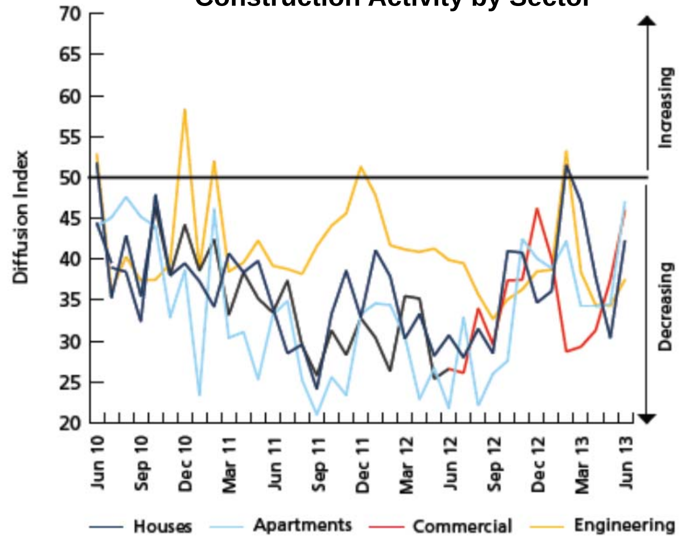


FY13 Steel & Recycling results

Market conditions and external factors

- Residential and non residential construction weak due to relatively tight credit conditions, low consumer & business confidence and economic uncertainty globally and in Australia
- Engineering construction affected by some project delays or cancellations in coal, gas and iron ore
- Over capacity and weak demand in international steel markets led to lower international prices
- Australian dollar remained high despite fall below parity in Q413

"Arrium has significant leverage to even modest improvement in demand and lower AUD"



Source: Australian Industry Group

FY13 Steel results

	FY13 $m	FY12[1] $m	% change	
Total revenue/income	3,486	4,059	↓	(14)
EBITDA	76	66	↑	15
EBIT	(43)	(56)	↑	23
Sales margin	(1.2%)	(1.4%)	↑	0.2 pp
Assets	2,506	3,535	↓	(29)
Funds employed	1,778	2,822	↓	(37)
Return on funds employed	(1.9%)	(1.9%)	-	-
Employees (number)	5,946	6,164	↓	(4)
External steel despatches (Mt)	2.36	2.57	↓	(8)
Steel tonnes produced (Mt)	1.99	2.00	↓	-

1 The 2012 comparatives have been restated to reflect the change in segment structure and formation of the Steel segment as announced on 30 May 2013.

FY13 Steel results

- EBITDA $76 million, up 15% pcp
  - Includes cost reductions and operational improvements
- Cash positive
- Revenue down 14% pcp – lower prices and 8% decrease in sales volumes
  - Impact of completion of major rail contract in 1H13
  - Some further weakness in domestic demand
- Domestic prices adversely affected in 1H13, with modest recovery in 2H13
  - Falling international steel prices and high FX
- Single Steel business announced end May
  - Focus on cost reductions and improved earnings
- Significant leverage to improvement in external environment
  - Generally low volumes/low EAF capacity utilisation
  - Significantly lower breakeven point
  - Will benefit from recent fall in AUD

FY13 Recycling results

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	FY13 $m	FY12 $m	% change	
Total revenue/income	1,350	1,590	↓	(15)
EBITDA	8	24	↓	(67)
EBIT	(8)	7	↓	(214)
Sales margin	(0.6%)	0.4%	↓	(1.0) pp
Assets	480	675	↓	(29)
Funds employed	365	567	↓	(36)
Return on funds employed	(1.8%)	1.2%	↓	(3.0) pp
Employees (number)	849	973	↓	(13)
Total scrap recycling tonnes (Mt)	1.89	2.11	↓	(10)

FY13 Recycling results

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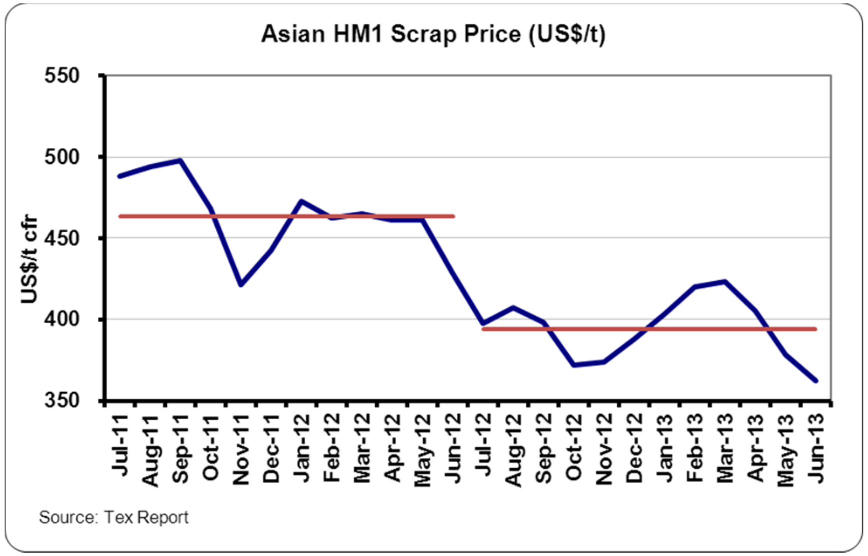
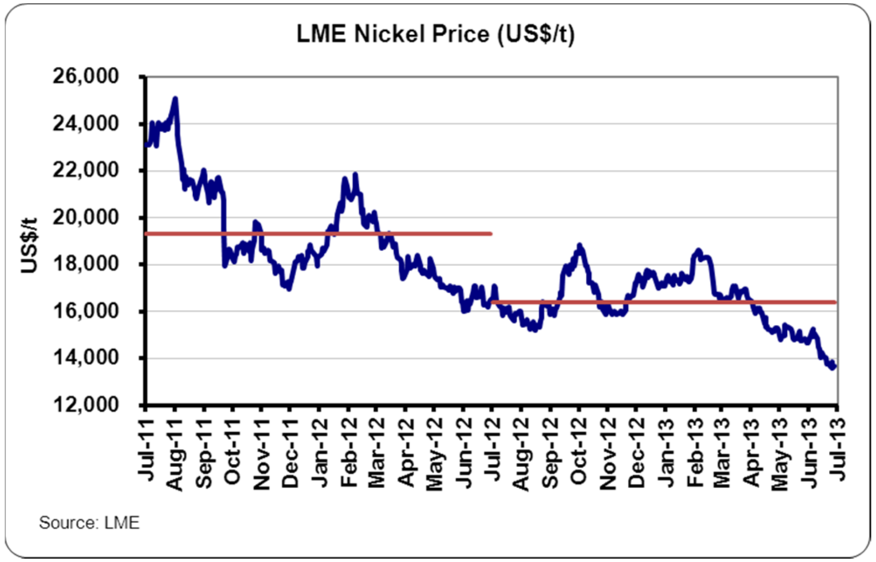
- Sales revenue down 15% vs pcp due to lower volumes and prices
  - Average ferrous price down 15% vs pcp
  - Average nickel price down 15% vs pcp
- Australian business affected by prices and volumes – more than offset cost and operational improvements
- US business continued to perform well, but down pcp due to fall in ferrous and non ferrous prices
- Restructuring continuing - cost and operational improvements underpinned breakeven 2H13 EBIT
- Cash positive
- Significant leverage to improvement in external environment





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FY13 Financial Overview

FY13 financial overview

- Strong contributions from Mining and Mining Consumables and maintained significant improvement in Steel
- Underlying NPAT $168 million
- Statutory NPAT loss $695 million
    - Includes asset impairments and restructuring costs $961 million
- Final dividend of 3 cents per share unfranked
- Good progress on balance sheet
    - Strong cash outcome – statutory operating cash flow $590 million
    - $122 million proceeds from asset sales
    - Tight working capital control
    - Statutory net debt of $2,115 million - reduced from 1H13 and FY12
    - Statutory gearing up 3.9 pp to 36.2%
        - Includes impact from asset impairments and restructuring costs of 5.1 pp
    - Successfully refinanced US$800 million debt facilities

Impairment and restructuring costs

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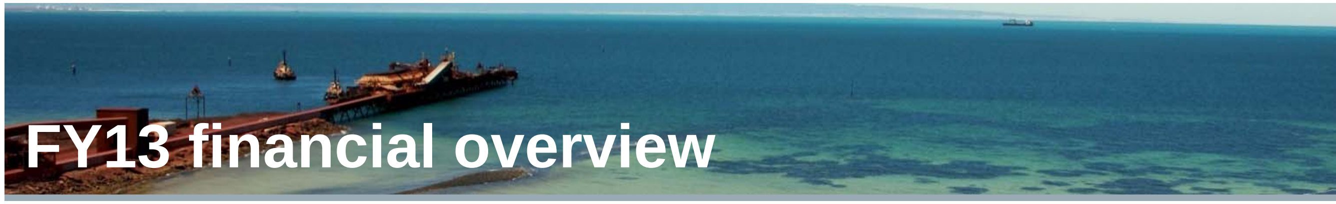
- Announced Steel and Recycling asset impairments and restructuring costs (1H13 $474 million, 2H13 $480 million)[1]
  - Asset impairments
    - Non-integrated Steel businesses and US Recycling held for sale
    - Impairment testing for continuing businesses (based on value in use cash flows)
    - Rationalisation of Recycling footprint
  - Restructuring
    - Formation of single Steel business (expected annualised cost savings ~$40 million[2])
    - Recycling – operational improvements including exiting/closure of some sites
    - Exiting non-integrated Steel businesses

1 Full details for FY13 $961 million impairment and restructuring costs can be found in the Appendix to this presentation
2 ~$30m savings in FY14



FY13 financial overview

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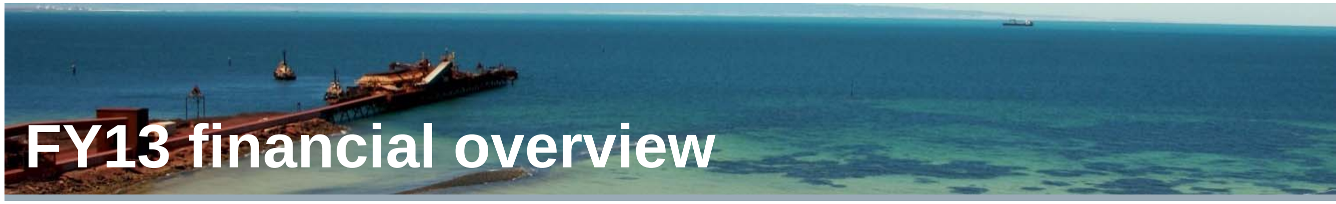
Reconciliation of statutory to underlying results[1]

	FY13 $m	FY12 $m
Statutory net (loss)/profit after tax	**(695)**	**58**
Add back significant items, after tax		
Transaction costs	-	19
Restructuring	66	29
Impairment	895	125
Tax and other adjustments - includes MRRT	(98)	(36)
Underlying net profit after tax	**168**	**195**

1 Full details of this reconciliation can be found in the Appendix to this presentation.



FY13 financial overview

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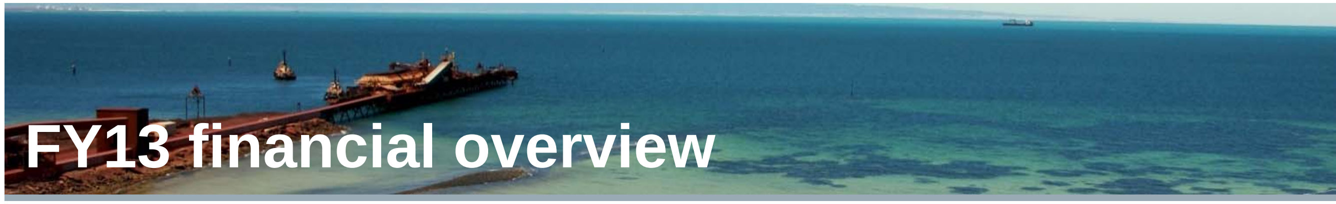
Statutory results[1]

	FY13 $m	FY12 $m		% change	Comment FY13 vs FY12
Sales revenue	6,841	7,595	↓	(10)	Lower iron ore and international steel prices and lower steel volumes
EBITDA	497	498	-	-	Includes benefit of increased iron ore volumes
Depreciation, amortisation & impairment	1,204	363	↑	232	Includes $930 million impairment associated with Steel and Recycling assets
EBIT	(708)	135	↓	-	
Finance costs	118	121	↓	(2)	Reflects lower cost of funding
Net (loss)/profit after tax	(695)	58	↓	-	Reflects impact of asset impairments and restructuring costs in FY13 and FY12
Operating cash flow	590	470	↑	26	Continued strong operating cash flow
Net debt	2,115	2,143	↓	(1)	In line with guidance. Net debt rebased using 30 June 12 AUD/USD closing rate ~$1,960 million
Gearing (net debt /net debt plus equity)	36.2%	32.3%	↑	3.9 pp	Includes 5.1 pp impact from asset impairments and restructuring costs
Return on funds employed	(11.3)%	2.1%	↓	(13.4) pp	
Dividend (cents per share)	5.0	6.0	↓	1.0c	Unfranked

1 For total operations (includes continuing and discontinued operations). For a reconciliation of these figures to the statutory results for continuing operations only, refer to the Appendix to this presentation.



FY13 financial overview

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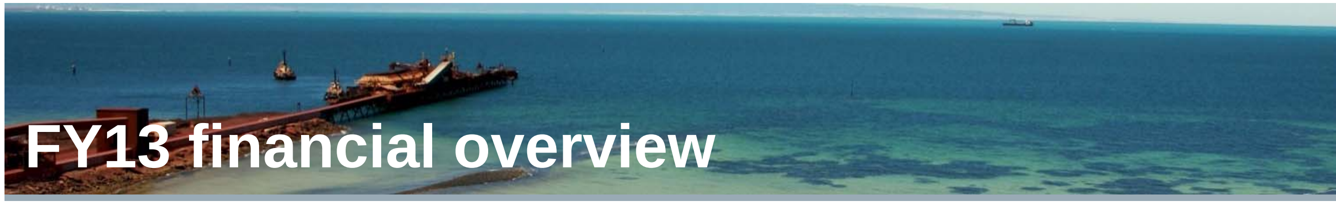
Underlying results[1]

	FY13 $m	FY12 $m	% change		Comment FY13 vs FY12
Sales revenue	6,841	7,595	↓	(10)	Lower iron ore and international steel prices and lower steel volumes
EBITDA	590	581	↑	2	Includes benefit of increased iron ore volumes
Depreciation, amortisation & impairment	274	221	↑	24	Increase primarily attributable to commencement of depreciation on Southern Iron and Whyalla Port assets, commissioned in 2H13
EBIT	316	360	↓	(12)	Increased earnings in Mining Consumables and Steel more than offset by lower earnings in Mining and Recycling
Finance costs	118	121	↓	(2)	Reflects lower cost of funding
Profit before tax	198	239	↓	(17)	
Tax expense	28	38	↓	(26)	
Net profit after tax	168	195	↓	(14)	
Operating cash flow	596	519	↑	15	Continued strong operating cash flow
EPS (cents) – weighted average	12.7	14.6	↓	(13)	Reflects lower earnings
Return on funds employed	5.1%	5.6%	↓	(0.5) pp	
Dividend (cents per share)	5.0	6.0	↓	1.0c	Unfranked

1 For total operations, includes continuing and discontinued operations. A reconciliation of non-statutory underlying results to statutory results can be found in the Appendix to this presentation.



FY13 financial overview

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Balance sheet summary

	FY13 $m	FY12 $m	% change		Comments
Total assets	8,612	8,931	↓	(4)	Reflects impairments and divestments and includes impact of FX on USD assets
Total liabilities	4,878	4,431	↑	10	Includes impact of FX on USD debt at balance date, restructuring provisions and tax liabilities
Net assets	3,734	4,501	↓	(17)	
Net debt	2,115	2,143	↓	(1)	In line with guidance. Net debt rebased using 30 June 12 AUD/USD closing rate ~$1,960 million
Inventories	1,281	1,451	↓	(12)	
Funds employed	5,848	6,644	↓	(12)	
Gearing (net debt/net debt plus equity)	36.2%	32.3%	↑	3.9 pp	Well within banking covenants
Interest cover – (times EBITDA)[1]	5.0	4.8	↑	0.2 times	
NTA / share – ($)	1.3	1.2	↑	8	

1 Underlying interest cover shown here reflects underlying EBITDA divided by finance costs.

Cash flow reconciliation - statutory

	FY13 $m	FY12 $m
(Loss)/profit after tax	(693)	64
Depreciation, amortisation and impairment	1,204	363
Non-cash items	(32)	18
Other changes in assets and liabilities including working capital	111	25
Operating cash flow	590	470
Capital expenditure	(459)	(401)
Free cash flow	131	69
Investment expenditure	-	(318)
Asset and business sales	122[1]	116
Operating and investing cash flow	253	(133)

1 FY13 includes proceeds from sale of share in Steel and Tube Holdings Limited.

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FY13 capital expenditure – cash basis

	FY13 $m	FY14 $m
Mining	337	200 – 225[1]
Mining Consumables	50	60 – 70
Steel & Recycling	72	70 – 75
Total	**459**	**330 – 370**

FY13 capital expenditure includes:

- Mining expansion $218 million
- Exploration expenditure $7 million
- Peru and Indonesia expansions $24 million
- Steel & Recycling ~50% D&A

1 FY14 capital expenditure excludes the impact of IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20") applicable from 1 July 2013. If IFRIC 20 had applied during FY13, it would have resulted in an increase in FY13 EBITDA of ~$28 million and an increase in FY13 D&A ~$27 million and costs allocated to the stripping activity asset would have been treated as capital expenditure amounting to ~$89 million. .

FY14 asset divestment program

- Announced non-integrated Steel and Recycling businesses held for sale:
  - Australian Tube Mills
  - Merchandising
  - US Recycling
- Property divestments
- Divestments at various stages of progress
- Expected proceeds $200 million - $250 million[1]
- Other opportunities – continuing to examine business and real estate portfolio

1 Based on assets held for sale at 30 June 2013.

Reconciliation of income tax expense

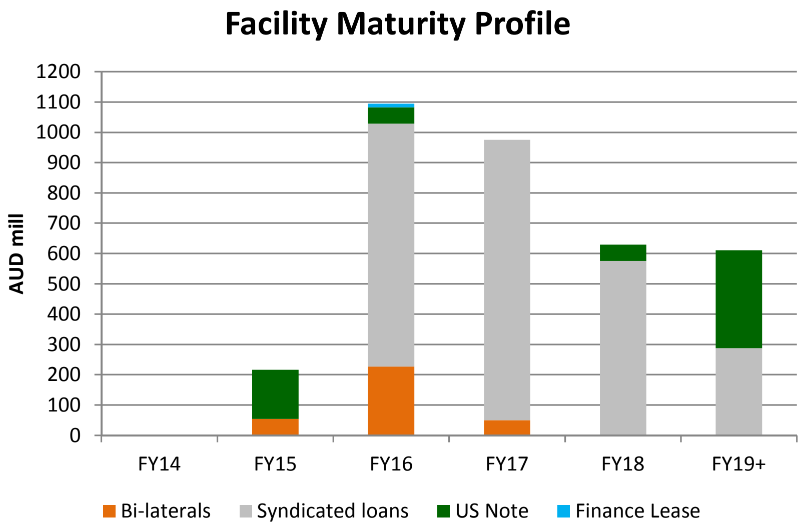
	Statutory		Underlying[1]	
	FY13 $m	FY12 $m	FY13 $m	FY12 $m
Total loss/(profit) before income tax	**(826)**	**14**	**198**	**239**
Prima facie income tax expense calculated at 30%	(248)	4	60	72
Tax effect of permanent differences				
Research and development allowance	(13)	(9)	(13)	(9)
Difference in overseas tax rates	(4)	(11)	(4)	(11)
Non-deductible impairment	244	28	-	-
Non-taxable capital gains	(9)	(4)	(9)	(4)
Adjustments in respect of income tax of previous years[2]	(39)	(19)	-	(10)
Foreign currency translation differences	(4)	(1)	(4)	(1)
Other items	(2)	(3)	(2)	1
Income tax (benefit)/expense excluding MRRT	**(75)**	**(15)**	**28**	**38**
Effective tax rate excluding MRRT	*9%*	*(107%)*	*14%*	*16%*
Income tax impact of MRRT taxation expense	(58)	(35)	-	-
Total income tax (benefit)/expense	**(133)**	**(50)**	**28**	**38**

1 Excludes restructuring and transaction costs, adjustments in respect of income tax of previous years and impairment of intangible assets.
2 Primarily relates to Research & Development claims not previously recognised together with finalisation of prior period amendments from 2008 – 2011.
A reconciliation of non-statutory underlying results to statutory results can be found in the Appendix to this presentation.

FY13 financial overview

Debt facilities

- Total facilities at year end A$3.5 billion
- Successfully refinanced US$800 million – substantially over-subscribed
- ~$940 million available undrawn facilities at end FY13
- Average interest rate for total drawn and undrawn funding ~4%
- Next significant maturity FY16
- Covenants include gearing ratio > 50% and interest cover between 3.0 and 3.5 times



Arrium FX exposure

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Exposure to movements in AUD vs USD

- Direct impact: 1c change in AUD/USD = ~$13-15 million[1] EBIT impact (annualised)
- Indirect impact: 1c change in AUD/USD = ~$10 million[2] EBIT impact (annualised)
- FX sensitivity on gearing[3]: 5c movement in AUD/USD = ~1% impact on gearing
- USD debt acts as natural hedge against FX exposure on USD net assets
  - Change in USD debt offset by change in value of USD assets
  - Net balance sheet USD exposure $42 million[4] at year end

1 Based on impact of USD iron ore sales, translation of overseas earnings (Mining Consumables and Recycling), impact on Recycling Australia's margins, partially offset by USD purchases of coal and alloys in Steel.
2 Indicative indirect impact on continuing businesses. Assumes constant raw material prices and demand levels.
3 Based on balances at 30 June 2013.
4 Excludes forward contracts hedging purchases/sales

Regulatory[1]

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Mineral Resources Rent Tax (MRRT)

- No MRRT liability in FY13 for either MBR or Southern Iron operations
- MRRT net deferred tax asset increased from $17 million at 1H13 to $93 million at year end

Carbon Tax

- No material P&L impact in FY13
- No material cash impact in FY13

1 Refer Appendix for further details

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FY13 Strategy, Growth & Outlook

Strategic focus

- Has been on growing Mining and Mining Consumables and cash generation in Steel
- Current focus:
  - Reduce debt and improve leverage (EBITDA/net debt) to enhance shareholder value
    - Growing earnings and cash generation from Mining and Mining Consumables growth
    - Improved earnings and cash generation from Steel
    - Divestment of non-integrated Steel businesses and properties
  - Growth opportunities from current projects in Mining and Mining Consumables
    - Utilising full capacity of expanded Whyalla Port (~13Mtpa)
    - Capturing at least our market share of expected strong growth in grinding media
  - Steel and Recycling
    - Earnings improvement through cost reductions and operational improvements
    - Significant leverage to even modest improvement in demand and lower AUD

Growth – Mining

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Southern Iron and Whyalla Port expansion projects

- Completed expansion to double iron ore sales and capacity of Whyalla Port
- Delivered on time and budget
- New blended product offers
- Continuing to assess opportunities to utilise full capacity of Whyalla Port
- Continuing to progress ferrous and non ferrous exploration program
- Aim to maintain 12Mtpa for at least 10 years


Growth - Mining

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Reasonable aspirations for 12Mtpa for at least 10 years

	Mt
Current hematite reserves as per FY13 Reserves and Resources Statement	67
High grade generated through beneficiation of existing low grade stockpiles[1]	10
High grade generated through mining of low grade resources from current pits scheduled for beneficiation[1]	7 –10
Conversion of inferred resource inside current pit shells to reserve	6 –10
	90 – 97
Additional excluded resource from current exploration program (Buzzard, Chieftain, Princess, Peculiar Knob)[2]	30 – 40
	120 – 137

Other opportunities

- Further brownfield targets within balance of excluded resources
- Continued hematite exploration in current leases
- Magnetite concentrate for blending with direct shipped ores (DSO)

1 History of converting ~2Mt of LGO to ~1Mt of HGO through beneficiation. Increased beneficiation capacity enables ~4Mt of LGO to be converted to ~2Mt of HGO pa
2 Potential new reserve: Targeting to bring on at least 30-40Mt from 93Mt excluded resource currently declared and further extensions

Growth – Mining

Iron Knob mining area development

- Next development in MBR (aligned with aspiration of 12Mtpa x 10years)
  - Includes: 3 open cut mine pits (Monarch, Princess East, Princess West)
  - Fe and silica support blending outcomes (average Fe ~60%)
  - Cash cost/t expected to be materially similar to existing MBR cash cost/t[1]
- Investment front-end loaded due to stripping and mine re-design
  - Based on LOM strip ratio 3.5:1
- First ores expected 1H FY15
- FY14 investment ~$82 million[2]

Peculiar Knob cutbacks

- Pit expansion
- Design and resource review suggests prospect for additional ore
- FY14 investment ~$33 million[2]

1 Includes mining, crushing, beneficiation, rail, road haulage and transshipping 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 Excludes impact of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applicable from 1 July 2013

Growth – Mining

Magnetite optimisation project

- Arrium has been a leader in commercialisation and use of magnetite in Australia
- New project - installation of a tertiary grinder and modifications to grinding circuit
  - Leverages magnetite reserves by enabling concentrator to treat a wider range of ores
  - Maximises product recovery through fine grinding technology and improved final concentrate washing
- Benefits include:
  - Mining
    - ~400kt of additional ore product (pellets, lump or concentrate) - total pellets ~2Mt
    - Reduction in mining activity, reducing cash outlays
    - Consumption of stockpiled magnetite ore
  - Steel
    - Steelmaking operating efficiencies through higher Fe and less silica
- FY14 investment $50 million (total investment $86 million)[1], ~2 year payback
  - Revenue and operating benefits from start 2H FY14

1 Project commenced 2H13. FY13 ~$36 million.

Growth – Mining

MINING AND MATERIALS

FY14 capital expenditure - cash basis

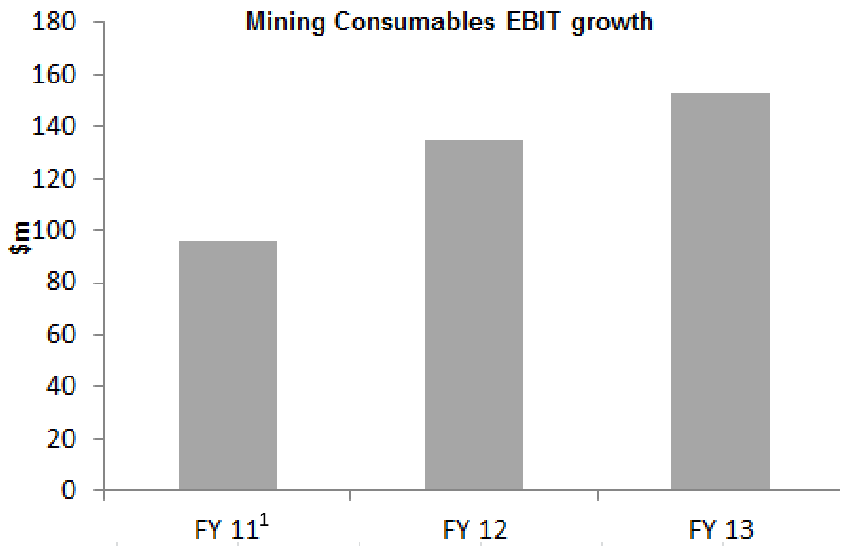
	$m	$m
Mining capex includes:		
Magnetite optimisation project	50	
Iron Knob mining area project	82	
Peculiar Knob cutbacks	33	
Exploration	15	
Total Mining[1]		**200 – 225**

FY15 to FY18 capital plan averages ~$8/t[1,2]

1 Excludes impact of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applicable from 1 July 2013
2 Includes investing and sustaining capex but excludes exploration.

Growth – Mining Consumables

- Well placed to capture at least our market share of expected strong growth in grinding media
- Good visibility of new projects and mine expansions
  - Estimated demand growth of grinding media markets
    - South America ~ 8% CAGR FY13 – FY17
    - North America ~ 8% CAGR FY13 – FY17
- Grinding media capacity expansions;
  - Peru expansion (40kt) being commissioned
  - Indonesia expansion (50kt) progressing well for Q3FY14 completion
  - Commenced construction of 120kt expansion at Kamloops, Canada (CAD$55 million)[1]
  – completion expected mid 2015
- Strong cash generator and can fund own growth and contribute cash to Group



1 FY11 includes annualised EBIT of the Moly-Cop Group

1 Capital investment covers FY14, FY15 and FY16.

Debt reduction

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- Debt reduction is a key priority for enhancing shareholder value
- Expected to be achieved by:
  - Benefit from doubling Mining business to sales rate of 12Mtpa
  - Continued strong contribution from Mining Consumables
  - Cash focus in Steel and Recycling
    - Savings from single Steel business (cost reductions, lower working capital)
    - Other cost and operational improvements
    - Significant leverage to lower AUD
  - Divestments
    - Non-integrated Steel businesses and US Recycling
    - Properties
    - Other opportunities being investigated

Outlook

Mining

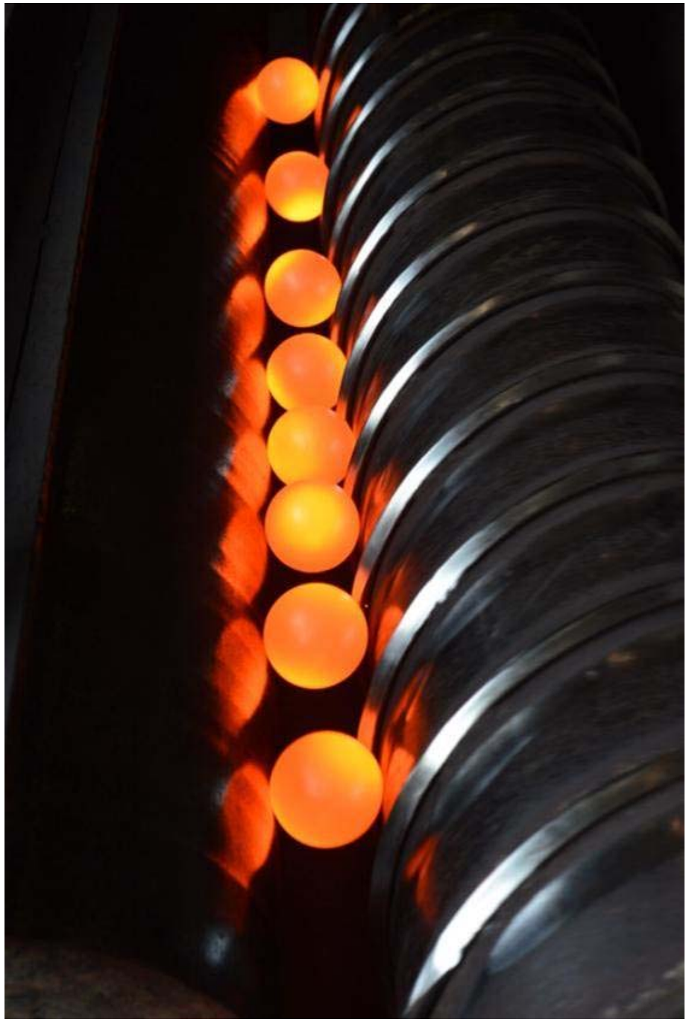
- Economic growth in China expected to continue at high levels despite downward revisions in rate of growth
  - Underpins continued strong demand for iron ore
- Further volatility in iron ore prices expected, but on average prices to remain at solid levels, particularly given impact of lower AUD
- FY14 earnings expected to benefit from completion of expansion to rate of 12Mtpa at end FY13
  - Expected average grade ~60% Fe
  - Expected loaded cash cost ~$50/wmt[1] (at 12Mtpa rate)
- Continuing to diversify customer base into North Asia
- Continuing to assess opportunities to increase sales above 12Mtpa and utilise full capacity of Port
- Reasonable aspirations for maintaining 12Mtpa for at least 10 years

1 Includes mining, crushing, beneficiation, rail, road haulage and transshipping 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.
Amortisation of Peculiar Knob mine rights to be based on 7 years. Includes deferred stripping costs, which from 1 July 2013 will instead be capitalised under IFRIC 20.

Outlook

Mining Consumables

- Demand for grinding media expected to remain strong
  - High levels of copper and gold production, particularly in North and South America, despite commodity prices coming off recent highs
  - Expected CAGR 8% (FY13-FY17) North and South America
- Well placed to capture at least our high market share of the expected growth in demand
  - Ball quality, supply chain, technical support, expanding capacity ahead of demand
- Demand for mining ropes and rail wheels in 1H FY14 expected to be impacted by some miners in Australia (coal, iron ore) reducing inventory



Outlook

Steel & Recycling

- Generally weak domestic and international steel markets expected to continue in 1H FY14
- Domestic construction markets expected to slowly recover in FY14 after experiencing impact of weaker activity in resource and non-residential construction markets in 2H FY13
- Earnings in FY14 for Steel and Recycling expected to benefit from further cost reductions and operational improvements, as well as impact of sustained lower AUD
  - We expect full benefit of sustained lower AUD from 2Q FY14
- Over medium to longer term, we remain confident of improvements in fundamentals for key domestic and international steel markets as economic conditions improve

Summary

- Doubled Mining business and Whyalla Port on time and budget
- Strong earnings from Mining
- Continued strong growth from Mining Consumables
- Formed single Steel business – cost savings
- Strong cash outcome
- Net debt reduced despite significant capital expenditure and FX
- Extensive divestment program for FY14
- Primary focus remains debt reduction

“Earnings to benefit from growth investments”

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Appendix

Arrium business structure

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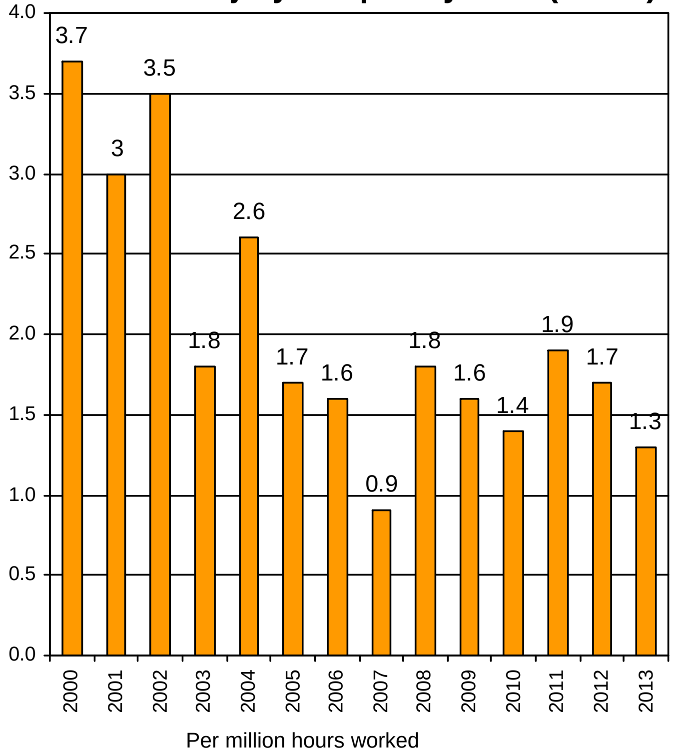
- ARRIUM MINING
  - Middleback Ranges
  - Southern Iron
  - Port Operations
- ARRIUM MINING CONSUMABLES
  - Moly-Cop International
  - Moly-Cop Australasia
  - AltaSteel
- ARRIUM STEEL
  - Steel
  - Recycling

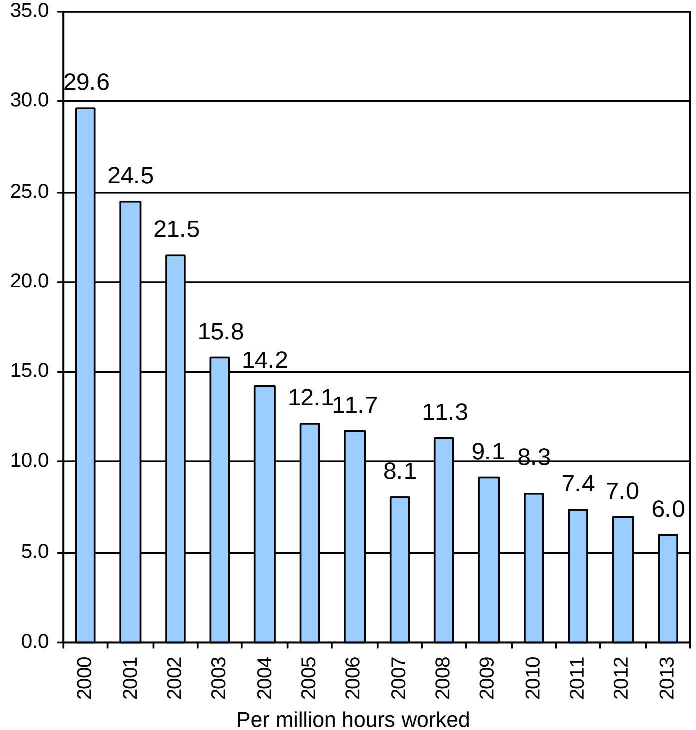
FY13 safety performance

MINING AND MATERIALS

Lost Time Injury Frequency Rate (LTIFR)



Medical Treatment Injury Frequency Rate (MTIFR)



A key element of our Safety effort has been improving our capability to recognise, assess and manage risk

FY13 segment tonnage

Year ended 30 June	FY13 mt	FY12 mt	FY11 mt	FY10 mt	FY09 mt	FY08[1] mt	FY07 mt	FY06 mt	FY05 mt	FY04 mt
Iron Ore										
Iron ore lump	3.18	2.59	2.79	2.60	1.96	1.38				
Iron ore fines	5.10	3.70	3.25	3.43	3.11	3.08				
Total lump & fines	8.28	6.29	6.04	6.03	5.07	4.46				
Pellets	-	0.02	0.25	0.35	0.14	0.01				
Ore by Products[2]	0.57	0.42	0.47	0.46	0.55	0.87				
Recycling										
Ferrous - external	0.81	1.01	0.95	0.75	0.89	0.88				
Ferrous - internal	0.82	0.85	0.96	0.94	0.77	0.83				
Total ferrous	1.63	1.86	1.91	1.70	1.66	1.71				
Non-ferrous	0.26	0.25	0.25	0.19	0.14	0.18				
Total Recycling	1.89	2.11	2.16	1.88	1.80	1.89				
Despatches										
Mining Consumables - external	1.19	1.11	0.75	0.39	0.33	0.35				
Mining Consumables - internal	0.09	0.09	0.09	0.10	0.05	-				
Total despatches - Mining Consumables[3]	1.28	1.20	0.84	0.49	0.38	0.35				
Manufacturing	1.03	1.15	1.11	1.05	1.02	1.45	0.98	0.99	0.90	0.87
Distribution	1.33	1.42	1.33	1.30	1.41	1.73	1.30	1.28	1.37	1.28
Total despatches - Steel	2.36	2.57	2.44	2.36	2.43	3.18	2.28	2.27	2.26	2.15
Total despatches - external	3.55	3.68	3.19	2.75	2.76	3.53	2.28	2.27	2.26	2.15
Raw steel production										
Whyalla	1.12	1.11	0.91	0.91	1.00	1.15	1.17	1.13	0.81	1.12
Sydney Steel Mill	0.32	0.33	0.43	0.42	0.34	0.62	0.56	0.50	0.53	0.50
Laverton	0.55	0.56	0.58	0.59	0.44	0.67	-	-	-	-
Waratah	0.23	0.21	0.25	0.24	0.24	0.26	-	-	-	-
AltaSteel	0.28	0.29	0.15	-	-	-	-	-	-	-
Total raw steel production	2.50	2.50	2.32	2.15	2.03	2.70	1.73	1.63	1.35	1.62

1 Tonnages for FY08 reported for raw steel production and steel despatches include the Smorgon Steel businesses as if they were part of the Arrium Group from 1 July 2007. All other production and despatch statistics presented above are actual. Tonnages include Moly-Cop Group from 1 January 2011 only.
2 Ore by products include dolomite, centrix, filter cake and pellet chips.
3 Includes scrap sales.

Pre-2004 tonnage info can be found on Arrium's website.

Reserves and Resources – Hematite [1]

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	Mt	Mt	
Reserves as at 30 June 2012		**60.8**	
Middleback Ranges			
- Additions	9.4		
- Depleted (exported/removed from Reserve Statement)	(11.6)	(2.2)	
Southern Iron			
- Additions	9.9		
- Depleted (exported/removed from Reserve Statement)	(1.8)	8.1	
Reserves as at 30 June 2013		**66.7**	***Fe ~ 60%***

	Mt	
Resources as at 30 June 2012		
Middleback Ranges	153.2	
Southern Iron	32.5	
	185.7	
Resources as at 30 June 2013		
Middleback Ranges	143.8	***Fe ~ 58%***
Southern Iron	40.9	***Fe ~ 62%***
	184.7	

1 For full details, refer to the 2013 Reserves and Resources Statement

Moly-Cop South America growth

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Projected major expansion/new mining projects

- Chile
  - CODELCO MMH
  - Pascua Lama
  - Caserones
  - Sierra Gorda
  - Brazil (Minas Rio//Vale)
- Peru
  - Cerro Verde Expansion
  - Magistral
  - Toromocho
  - Las Bambas
  - Cuajone/Toquepala Expansion
  - Antapaccay
  - Constancia

Indicative additional grinding media demand growth by FY2017 ~ 300ktpa

Source: Moly-Cop

Moly-Cop North America growth

Projected major expansion/new mining projects

- Canada/Alaska
  - Detour Lake
  - Thompson Creek - Mt Milligan
  - Taseko – Gibraltar Expansion
  - KGHM – Ajax
  - Yellowhead – Harper Creek
- USA
  - BHPB – Pinto Valley (Re-start)
  - Freeport – Morenci Expansion
  - General Moly – Mt Hope
  - Augusta – Rosemont
  - Allied Gold – Hycroft
- Mexico/Caribbean
  - Grupo Mexico – New Cananea
  - Minera Frisco Expansions
  - First Quantum – Cobre Panama

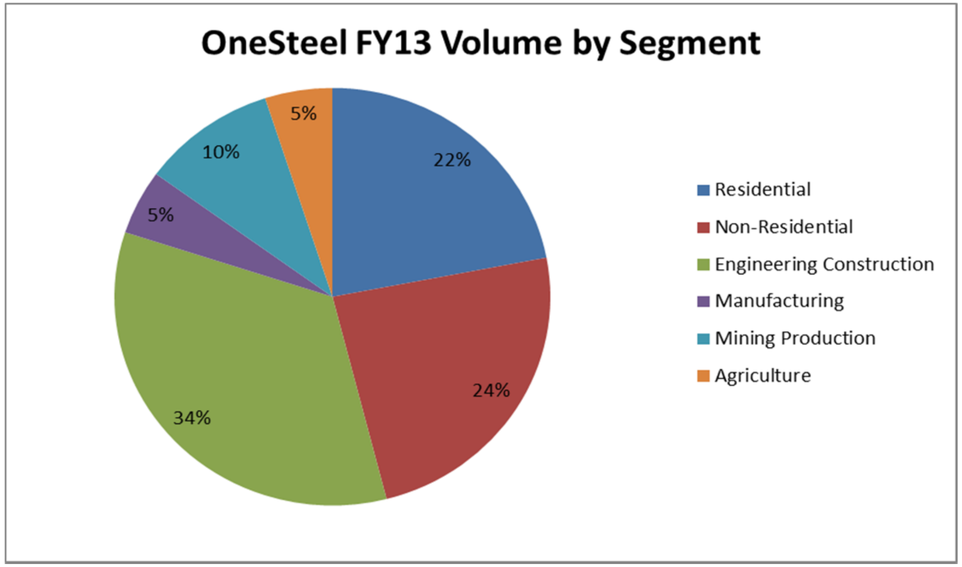
Indicative additional grinding media demand growth by FY2017 ~ 195ktpa

Source: Moly-Cop

Steel – key markets

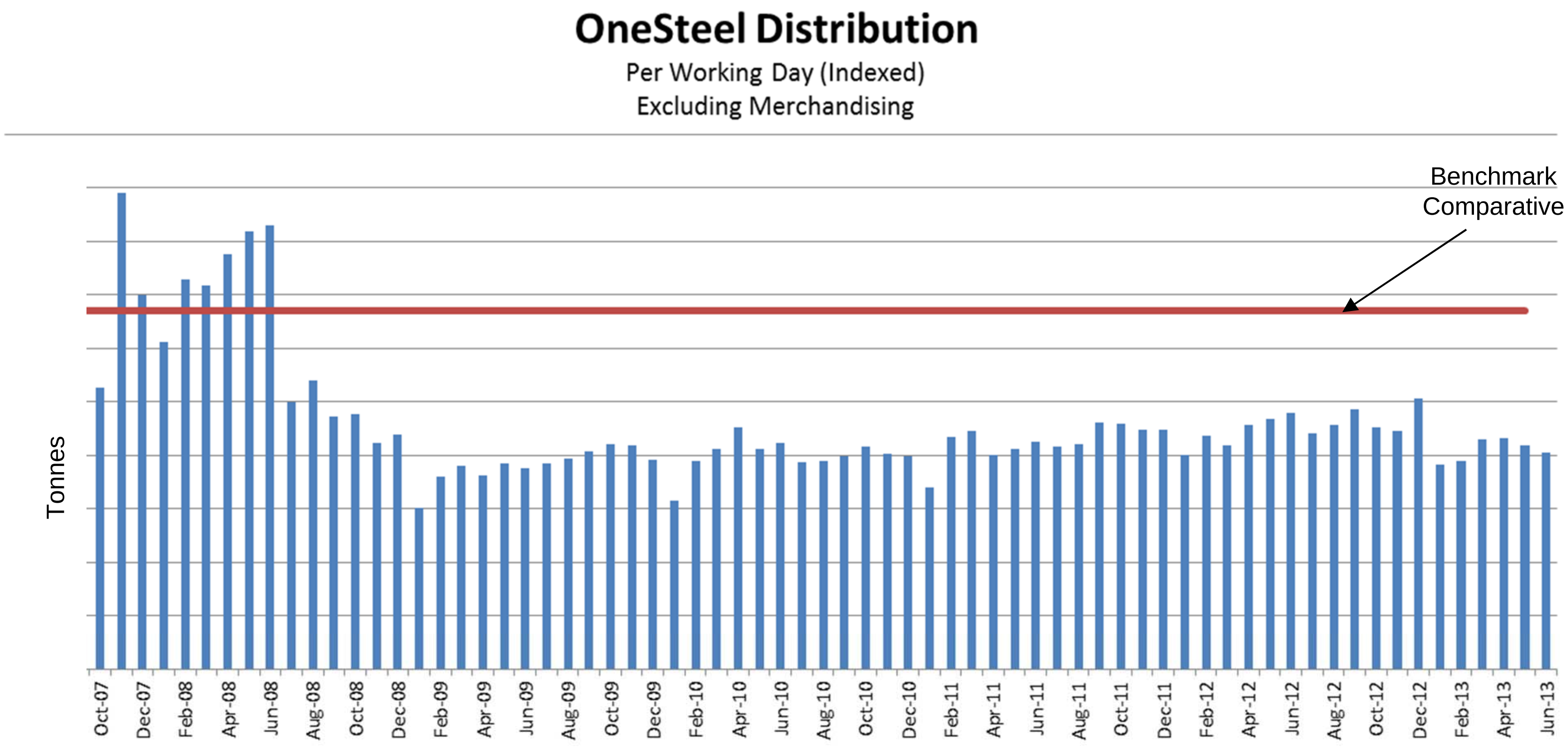
MINING AND MATERIALS

Steel Domestic Sales by Market Segment



- ~75% of Steel revenue is driven by construction
- Residential, non-residential and engineering construction (inc mining investment) drives demand for reinforcing bar and wire, rod for mesh, structural pipe, HRS and rail
- Agriculture drives demand for rural wire, rural posts and rural pipe products
- Mining production drives demand for grinding bar which is feed for grinding media
- Manufacturing has limited exposure to automotive and manufacturing segments

Distribution indexed sales tonnes per day



Source: OneSteel Distribution

Benchmark comparative line is based on average volumes for the period from Jul '07 to Mar '08 excluding Merchandising tonnes.
Sales volume indexed to July 2008 excluding Merchandising.

FY13 summary of facilities

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Maturity	Type of Facility	Facility Amount[1] AUD $m	USD $m	CAD $m
Jul 14	US Note	-	30	-
Mar 15	Bi-laterals	-	50	-
Apr 15	US Note[3]	-	60	-
Jun 15	US Note[3]	-	20	-
Jul 15	Syndicated loans	-	204	-
Jul 15	US Note	-	50	-
Jul 15	Finance Lease	12	-	-
Jul 15	Bi-laterals	150	-	-
Jul 15	Syndicated loans	-	135	-
Jul 15	Syndicated loans	-	-	200
Jul 15	Syndicated loans	231	-	-
Sep 15	Bi-laterals	-	25	-
Oct 15	Bi-laterals	50	-	-
Jul 16	Syndicated loans	-	192	-
Jul 16	Syndicated loans	-	330	-
Jul 16	Bi-laterals	50	-	-
Jul 16	Syndicated loans	-	135	-
Jul 16	Syndicated loans	217	-	-
Jul 17	Syndicated loans	-	533	-
Jun 18	US Note	-	50	-
Jul 18	US Note	-	97	-
Jul 18	Syndicated loans	-	267	-
Jul 20	US Note	-	53	-
Jun 21	US Note	-	125	-
Jun 23	US Note	-	25	-

Maturity	Type of facility	Facility Amount[1,2] AUD $m
FY15	Bi-laterals	54
	US Note	162
FY16	Bi-laterals	227
	Syndicated loans	801
	US Note	54
	Finance lease	12
FY17	Bi-laterals	50
	Syndicated loans	925
FY18	Syndicated loans	575
	US Note	54
FY19+	Syndicated loans	287
	US Note	324
Total		**3,526**

1 As at 28 June 2013
2 USD and CAD denominated facilities converted to AUD at closing rate of 0.9275 and 0.9718 respectively
3 Swapped back to AUD liability via Cross Currency Swap

FY13 reconciliation of income tax expense

Year ended 30 June 2013	**Statutory Group** $m	*Restructuring costs* $m	*Transaction costs* $m	*Impairment* $m	*Tax adjustments and other items* $m	**Underlying Group** $m
Profit before tax	**(826)**	94	-	931	(1)	**198**
Prima facie income tax (credit)/expense calculated at 30%	**(248)**	28	-	280	-	**60**
Research and development allowance	**(13)**	-	-	-	-	**(13)**
Differences in overseas tax rates	**(4)**	-	-	-	-	**(4)**
Non-deductible impairment	**244**	-	-	(244)	-	**-**
Capital gains non-taxable	**(9)**	-	-	-	-	**(9)**
Adjustments in respect of income tax of previous years[1]	**(39)**	-	-	-	39	**-**
Foreign currency translation differences	**(4)**	-	-	-	-	**(4)**
Other items	**(2)**	-	-	-	-	**(2)**
Income tax impact of MRRT taxation expense	**(58)**	-	-	-	58	**-**
Total income tax (benefit)/expense from continuing operations	**(133)**	28	-	36	97	**28**

Year ended 30 June 2012	**Statutory Group** $m	*Restructuring costs* $m	*Transaction costs* $m	*Tax adjustments* $m	*Impairment* $m	*Tax adjustments and other items* $m	**Underlying Group** $m
Profit before tax	**14**	47	27		139	12	**239**
Prima facie income tax (credit)/expense calculated at 30%	**4**	14	8	-	42	4	**72**
Research and development allowance	**(9)**	-	-	-	-	-	**(9)**
Differences in overseas tax rates	**(11)**	-	-	-	-	-	**(11)**
Non-deductible impairment	**28**	-	-	-	(28)	-	**-**
Capital gains non-taxable	**(4)**	-	-	-	-	-	**(4)**
Adjustments in respect of income tax of previous years[1]	**(19)**	-	-		-	9	**(10)**
Foreign currency translation differences	**(1)**	-	-	-	-	-	**(1)**
Other items	**(3)**	3	-	-	-	1	**1**
Income tax impact of MRRT taxation expense	**(35)**	-	-		-	35	**-**
Total income tax (benefit)/expense from continuing operations	**(50)**	17	8	-	14	49	**38**

1 Primarily relates to Research & Development claims not previously recognised together with finalisation of prior period amendments from 2008 – 2011.

FY13 financial overview

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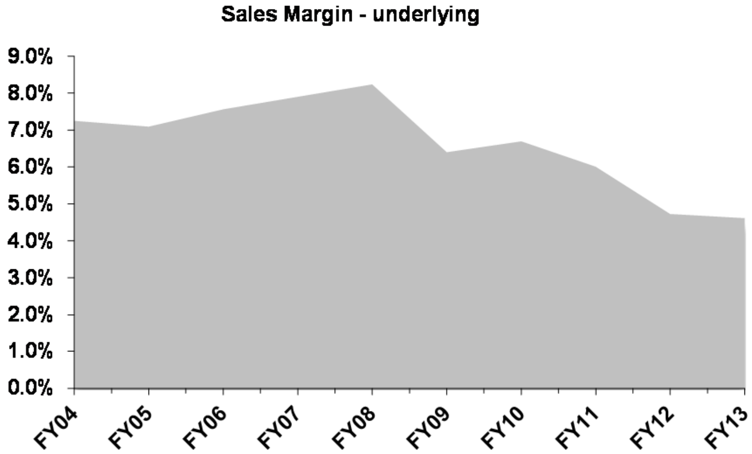
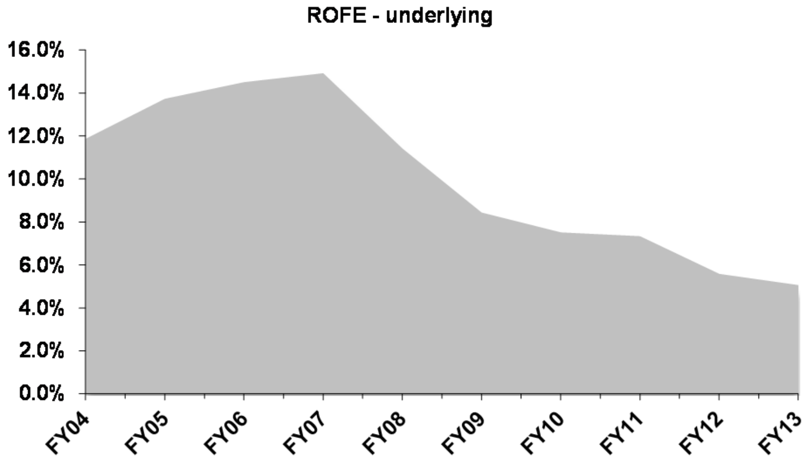
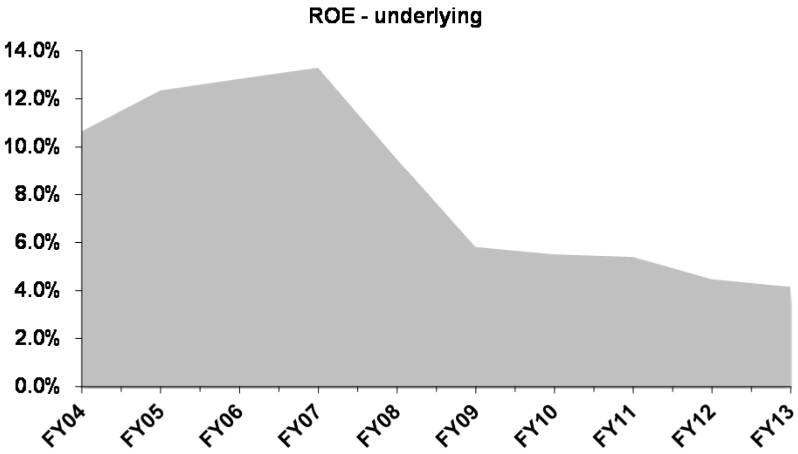
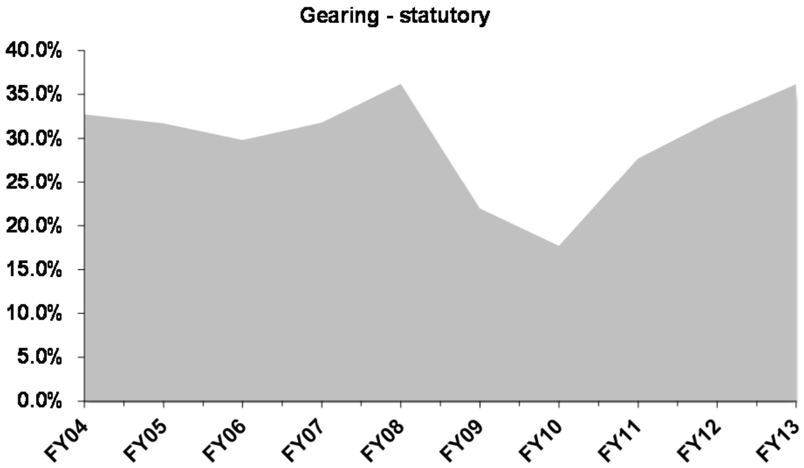
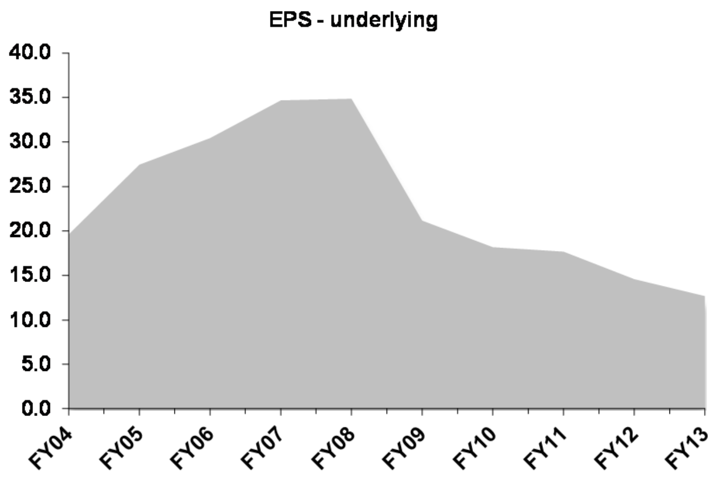


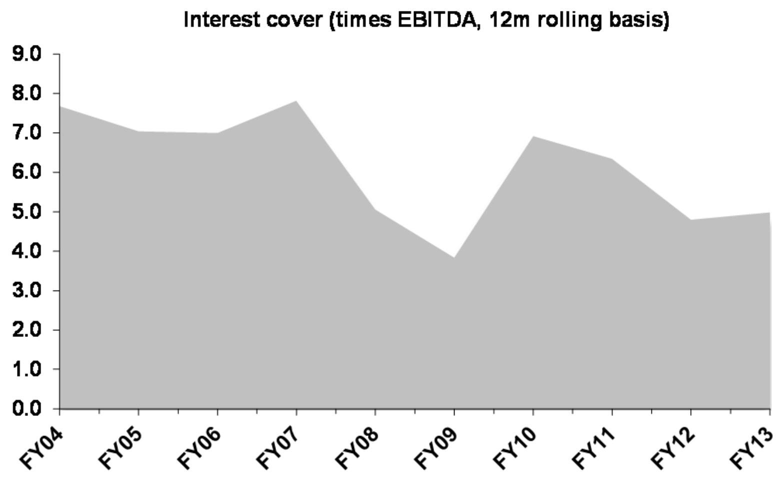


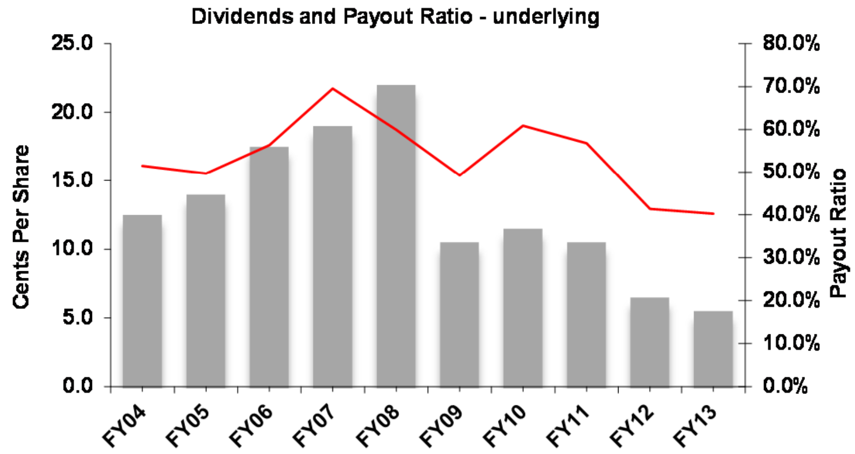




FY13 financial overview







Historical data – profit and loss underlying

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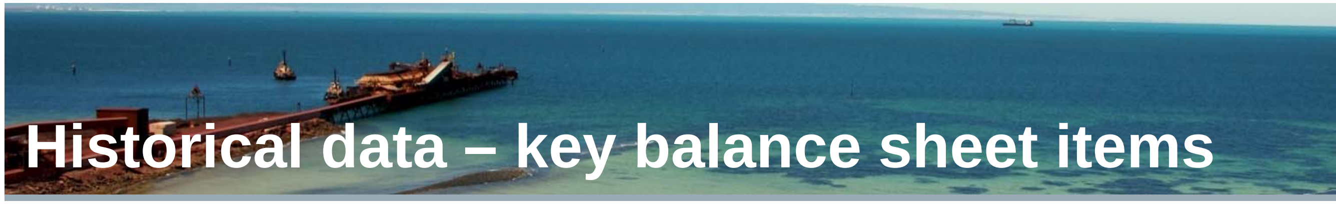
Year ended 30 June	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m	2004 $m
Sales revenue	**6,841.0**	7,594.5	7,133.0	6,204.6	7,241.5	7,434.3	4,300.6	4,004.6	3,938.5	3,269.2
EBITDA	**589.6**	581.0	642.0	617.6	661.2	807.7	436.1	396.7	377.1	324.2
Depreciation, amortisation and impairment	**(273.5)**	(221.4)	(213.5)	(203.9)	(199.5)	(194.9)	(96.2)	(94.0)	(97.5)	(87.1)
EBIT	**316.1**	359.6	428.5	413.7	461.7	612.8	339.9	302.7	279.6	237.1
Finance costs	**(118.1)**	(121.1)	(101.1)	(89.2)	(172.2)	(159.6)	(55.8)	(56.7)	(53.6)	(42.2)
Profit before tax	**198.0**	238.5	327.4	324.5	289.5	453.2	284.1	246.0	226.0	194.9
Tax (expense)/benefit	**(27.6)**	(37.5)	(84.8)	(81.6)	(64.1)	(128.0)	(74.7)	(60.8)	(55.4)	(53.4)
Non-controlling interests	**(2.1)**	(5.9)	(7.2)	(2.3)	(10.1)	(10.2)	(11.9)	(13.6)	(17.5)	(12.4)
Net profit after tax	**168.3**	195.1	235.4	240.6	215.3	315.0	197.5	171.6	153.1	129.1
EPS (cents) - weighted average	**12.7**	14.6	17.7	18.2	21.2	34.9	34.7	30.5	27.5	19.6
ROFE (%)	**5.1%**	5.6%	7.3%	7.5%	8.4%	11.3%	15.0%	14.5%	13.5%	11.6%
Dividends (cents/share)	**5.0**	6.0	10.0	11.0	10.0	21.5	18.5	17.0	13.5	12.0

Reconciliation of underlying NPAT to statutory NPAT:

Year ended 30 June	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m	2004 $m
Net profit after tax - underlying	168.3	195.1	235.4	240.6	215.3	315.0	197.5	171.6	153.1	129.1
Non-trading items, net of tax										
- Restructuring costs	(65.7)	(29.8)	(6.2)	(1.2)	(46.8)	(58.1)	-	-	-	-
- Impairment	(895.3)	(125.4)	(1.5)	-	-	(12.0)	-	-	49.7	-
- Transaction costs	-	(18.7)	(13.9)	-	-	-	-	-	-	-
- Goodwill amortisation	-	-	-	-	-	-	-	-	-	(21.0)
- Tax adjustments and other items	98.0	36.5	16.5	19.0	61.0	-	9.5	15.9	-	19.8
Net profit after tax - statutory	(694.7)	57.7	230.3	258.4	229.5	244.9	207.0	187.5	202.8	127.9

Pre-2004 results can be found on Arrium's website.



Historical data – key balance sheet items

As at 30 June	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m	2004* $m
Cash	438.3	268.1	153.7	83.4	54.9	151.2	59.5	19.6	55.0	54.2
Receivables	734.1	953.0	924.0	829.3	827.0	1,185.3	640.9	635.4	643.1	487.8
Inventory	1,280.9	1,450.9	1,601.0	1,433.0	1,239.9	1,298.9	836.3	758.9	836.7	704.6
Property, plant and equipment	2,687.4	2,754.6	2,586.0	2,302.3	2,369.0	2,361.1	1,537.1	1,339.7	1,190.9	1,188.2
Intangibles	2,035.1	2,822.0	2,644.1	2,070.0	2,074.6	2,031.3	214.3	220.2	226.7	246.9
Other assets	1,435.8	682.8	434.5	349.7	367.7	263.7	281.4	165.0	134.7	121.5
TOTAL ASSETS	**8,611.6**	**8,931.4**	**8,343.3**	**7,067.7**	**6,933.1**	**7,291.5**	**3,569.5**	**3,138.8**	**3,087.1**	**2,803.2**
Interest-bearing liabilities	2,553.2	2,411.4	1,882.1	1,047.1	1,278.8	2,098.4	829.3	658.4	700.3	523.2
Payables	1,098.3	1,054.3	1,022.4	863.1	613.7	1,014.8	635.1	545.4	615.7	569.9
Provisions	569.3	557.1	508.3	396.8	407.4	419.7	207.5	208.8	212.5	188.1
Other liabilities	657.3	408.0	424.8	268.0	296.9	329.2	247.6	224.6	170.3	148.6
TOTAL LIABILITIES	**4,878.1**	**4,430.8**	**3,837.6**	**2,575.0**	**2,596.8**	**3,862.1**	**1,919.5**	**1,637.2**	**1,698.8**	**1,429.8**
NET ASSETS	**3,733.5**	**4,500.6**	**4,505.7**	**4,492.7**	**4,336.3**	**3,429.4**	**1,650.0**	**1,501.6**	**1,388.3**	**1,373.4**
Contributed equity	3,778.0	3,770.9	3,761.6	3,751.1	3,735.2	2,929.9	1,153.6	1,126.2	1,107.9	1,096.3
Non-controlling interests	2.9	61.8	59.9	60.2	61.1	57.7	63.3	56.7	61.8	56.7
Retained earnings & reserves	(47.4)	667.9	684.2	681.4	540.0	441.8	433.1	318.7	218.6	220.4
TOTAL EQUITY	**3,733.5**	**4,500.6**	**4,505.7**	**4,492.7**	**4,336.3**	**3,429.4**	**1,650.0**	**1,501.6**	**1,388.3**	**1,373.4**
Funds Employed	**5,848.4**	6,643.9	6,234.1	5,456.4	5,560.2	5,376.6	2,419.8	2,140.4	2,033.6	2,042.4
Gearing %	**36.2%**	32.3%	27.7%	17.7%	22.0%	36.2%	31.8%	29.8%	31.7%	32.8%
Interest cover (times EBITDA, 12m rolling basis)	**5.0**	4.8	6.4	6.9	3.8	5.1	7.8	7.0	7.0	7.7
NTA/Share $	**1.3**	1.2	1.4	1.8	1.7	1.5	2.4	2.2	2.0	1.9

* 2004 figures have been presented under previous AGAAP and have been adjusted to include securitisation.
Pre-2004 financial information can be found on Arrium's website.

Historical data – statutory cash flow*

Year ended 30 June	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m	2004 $m
Profit after tax	**(692.6)**	63.6	237.5	260.7	239.6	255.1	218.9	201.1	220.3	140.3
Depreciation, amortisation and impairment	**1,204.2**	363.0	215.7	215.1	201.8	212.5	96.2	94.0	91.7	108.1
Non-cash items	**(32.6)**	17.7	(16.8)	(1.8)	(2.0)	16.5	(8.5)	(1.1)	(65.2)	(15.1)
Other changes in assets and liabilities including working capital	**111.2**	25.8	26.7	128.1	(71.4)	(133.3)	(30.1)	(43.2)	(10.9)	(45.0)
Operating cash flow	**590.2**	470.1	463.1	602.1	368.0	350.8	276.5	250.8	235.9	188.3
Capital expenditure	**(459.2)**	(401.3)	(251.3)	(173.2)	(187.6)	(306.9)	(357.9)	(214.4)	(126.9)	(141.5)
Free Cash Flow	**131.0**	68.8	211.8	428.9	180.4	43.9	(81.4)	36.4	109.0	46.8
Investment expenditure	**-**	(317.7)	(992.9)	(33.6)	(3.3)	(433.2)	(2.6)	(13.2)	(0.6)	(9.9)
Asset Sales	**122.3**	115.8	25.8	16.7	32.6	3.8	12.2	6.7	4.9	45.3
Other	**-**	-	4.0	-	-	0.8	(0.8)	1.9	0.8	2.7
Operating & investing cash flow	**253.3**	(133.1)	(751.3)	412.0	209.7	(384.7)	(72.6)	31.8	114.1	84.9

* The financial measures displayed in this table are based on statutory results.

Historical data – Mining

	FY13 $m	FY12[1] $m	FY11 $m	FY10 $m	FY09 $m	FY08 $m
Total revenue/income	976.9	819.0	948.4	782.3	598.5	561.2
EBITDA	339.6	343.7	554.2	361.2	138.0	220.9
EBIT	248.5	302.9	523.5	333.4	113.0	212.9
Sales Margin	25.4%	37.0%	55.2%	42.6%	18.9%	37.9%
Assets	2,159.1	1,685.9	948.4	816.7	769.2	542.0
Funds Employed	1,658.5	1,379.7	776.3	717.4	688.9	461.8
Return on funds employed	16.4%	28.1%	70.1%	47.4%	19.6%	46.1%
Employees (number)	571	532	367	339	357	152
External lump & fines iron ore sales (Mt)	8.28	6.29	6.04	6.03	5.07	4.46
Pellets, other ore and by products (Mt)[2]	0.57	0.44	0.72	0.81	0.69	0.88

1 These statistics include results relating to the WPG subsidiaries acquired on 6 October 2011.
2 Ore by products include dolomite, centrix, filter cake and pellet chips.

Historical data – Mining Consumables

	FY13 $m	FY12 $m	FY11[2] $m	FY10[1] $m	FY09[1] $m	FY08[1] $m
Total revenue/income	1,566.7	1,540.6	1,079.3	680.1	659.8	509.2
EBITDA	197.2	171.6	97.7	83.2	41.7	82.0
EBIT	152.6	135.2	65.3	62.3	22.8	65.6
Sales Margin	9.7%	8.8%	6.1%	9.2%	3.5%	12.9%
Assets	2,460.5	2,310.3	2,286.4	1,158.5	1,125.0	1,104.3
Funds Employed	2,071.6	1,947.5	1,944.9	1,053.6	1,040.1	1,015.0
Return on funds employed	7.6%	6.9%	4.4%	6.0%	2.2%	6.5%
Employees (number)	2,031	1,973	1,864	924	910	820
External tonnes despatched (Mt)[3]	1.14	1.06	0.73	-	-	-
Internal tonnes despatched (Mt)	0.09	0.09	0.09	0.10	0.05	-
Steel tonnes produced (Mt)	0.51	0.50	0.40	0.24	0.24	0.26

1 The December 2010 results for the Manufacturing and Mining Consumables segments have been restated to reflect changes in organisation structure following the formation of the new Mining Consumables segment as a result of the acquisition of the Moly-Cop Group on 31 December 2010. Arrium's existing Waratah, Newcastle facilities, which include the grinding media and rail wheel businesses, Arrium's grinding media businesses in the United States and Indonesia, and the Wire Ropes business at Newcastle previously reported as part of the Steel segment now form part of the Mining Consumables segment.
2 These statistics include the results of the Moly-Cop Group from 31 December 2010. Assets and liabilities have been restated to reflect the final fair value adjustments arising on acquisition of the Moly-Cop Group in December 2010.
3 Excludes scrap sales.

Historical data - Steel

	FY13[2] $m	FY12[2] $m	FY11[2] $m	FY10[1] $m	FY09[1] $m	FY08[1] $m	FY07[1] $m	FY06[1] $m	FY05[1] $m	FY04[1] $m
Total revenue/income	3,485.8	4,058.8	3,950.4	4,993.5	6,424.9	6,272.8	4,549.1	3,910.9	3,828.6	3,192.4
EBITDA	75.8	65.9	(37.1)	188.3	499.9	423.3	418.5	369.5	348.5	316.8
EBIT	(43.0)	(56.4)	(164.6)	56.8	372.0	279.2	331.4	284.1	259.1	236.7
Sales Margin	(1.2%)	(1.4%)	(4.2%)	1.1%	5.8%	4.5%	7.3%	7.3%	6.8%	7.4%
Assets	2,505.5	3,534.5	3,966.9	4,132.9	4,125.5	4,637.7	3,136.1	2,869.8	2,778.2	2,621.5
Funds Employed	1,778.2	2,821.8	3,171.9	3,183.0	3,326.5	3,429.8	2,364.9	2,208.8	2,052.0	2,031.4
Return on funds employed	(1.9%)	(1.9%)	(5.2%)	1.7%	11.0%	9.6%	14.5%	13.3%	12.7%	11.8%
Employees (number)	5,946	6,164	6,922	7,020	7,408	8,211	6,292	6,396	6,391	6,263
External tonnes despatched (Mt)	2.36	2.57	2.44	2.36	2.43	3.18	2.28	2.27	2.26	2.15
Steel tonnes produced (Mt)	1.99	2.00	1.92	1.91	1.79	2.44	1.73	1.63	1.35	1.62

1 Steel historical information has been derived by adding together the Manufacturing and Distribution segments. Transactions between these segments have not been eliminated.
2 Steel information for FY11, FY12 & FY13 excludes transactions between entities previously in the Manufacturing and Distribution segments and includes discontinued operations.

Historical data – Manufacturing*

	FY13 $m	FY12[2] $m	FY11 $m	FY10[1] $m	FY09[1] $m	FY08[1] $m	FY07 $m	FY06 $m	FY05 $m	FY04 $m
Revenue/Income	2,232.1	2,597.6	2,425.9	2,472.9	3,100.5	3,128.1	2,155.7	1,560.0	1,548.4	1,250.1
EBITDA	43.0	45.1	(86.6)	96.5	282.4	243.5	216.4	158.8	144.6	155.9
EBIT	(50.6)	(49.9)	(184.6)	(3.4)	187.5	133.3	158.3	103.2	84.4	110.1
Sales Margin	(2.3%)	(1.9%)	(7.6%)	0%	6.0%	4.3%	7.3%	6.6%	5.4%	8.8%
Assets	1,553.4	2,323.0	2,594.5	2,623.9	2,600.8	2,880.8	1,929.6	1,603.8	1,419.0	1,329.4
Funds Employed	1,091.6	1,822.4	2,042.1	2,054.5	2,150.3	2,202.3	1,518.0	1,268.4	1,074.8	1,056.1
Return on funds employed	(3.5%)	(2.6%)	(9.0%)	(0.2%)	8.6%	6.1%	11.4%	8.8%	7.9%	10.2%
Employees (number)	2,930	3,106	3,424	3,394	3,712	4,196	3,346	3,106	2,949	2,963
External tonnes despatched (Mt)	1.03	1.15	1.11	1.05	1.02	1.45	0.98	0.99	0.90	0.87
Steel tonnes produced (Mt)	1.99	2.00	1.92	1.92	1.78	2.44	1.73	1.63	1.35	1.62

* The Manufacturing segment has been combined with the Distribution segment since 1 July 2013. The combined historical data for the restructured segment is shown on the preceding slide under Steel.

1 The FY08-FY10 results have been restated to reflect changes in organisation structure following the formation of the new Mining Consumables segment as a result of the acquisition of the Moly-Cop Group. The Waratah, Newcastle facilities, which include the grinding media and rail wheel businesses, The grinding media businesses in the United States and Indonesia, and the wire ropery business at Newcastle previously reported as part of the Manufacturing segment now form part of the Mining Consumables segment.
2 Assets and funds employed comprised of balances of continuing operations only.
3 Pre-2003 historical information can be found on Arrium's website.

Historical data – Distribution*

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	FY13 $m	FY12[1] $m	FY11 $m	FY10 $m	FY09 $m	FY08 $m	FY07 $m	FY06 $m	FY05 $m	FY04 $m
Revenue/Income	2,159.7	2,435.6	2,438.6	2,520.6	3,324.4	3,144.7	2,393.4	2,350.9	2,280.2	1,942.3
EBITDA	32.5	17.8	39.6	91.8	217.5	179.8	202.1	210.7	203.9	160.9
EBIT	7.3	(9.9)	10.2	60.2	184.5	145.9	173.1	180.9	174.7	126.6
Sales Margin	0.3%	(0.4%)	0.4%	2.4%	5.5%	4.6%	7.2%	7.7%	7.7%	6.5%
Assets	1,038.5	1,305.2	1,485.1	1,509.0	1,524.7	1,756.9	1,206.5	1,266.0	1,359.1	1,292.1
Funds Employed	686.5	988.9	1,133.6	1,128.5	1,176.2	1,227.5	846.9	940.4	977.2	975.3
Return on funds employed	0.9%	(0.9%)	0.9%	5.2%	15.4%	11.9%	19.4%	18.9%	17.9%	13.8%
Employees (number)	3,016	3,058	3,498	3,626	3,696	4,015	2,946	3,290	3,442	3,300
External tonnes despatched (Mt)	1.33	1.39	1.33	1.30	1.41	1.73	1.30	1.28	1.37	1.28

* The Manufacturing segment has been combined with the Distribution segment since 1 July 2013. The combined historical data for the restructured segment is shown on the preceding slide under Steel.

1 Assets and funds employed comprised of balances of continuing operations only.
2 Pre-2003 historical information can be found on Arrium's website.

Historical data – Recycling

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	FY13[1] $m	FY12 $m	FY11 $m	FY10 $m	FY09 $m	FY08 $m
Total revenue/income	1,349.5	1,589.7	1,507.2	1,123.7	1,124.0	1,404.1
EBITDA	7.5	24.1	37.6	22.9	(21.8)	98.4
EBIT	(8.3)	6.6	20.9	7.7	(38.6)	86.5
Sales Margin	(0.6%)	0.4%	1.4%	0.7%	(3.4%)	6.2%
Assets	479.8	675.3	652.5	710.7	614.1	741.5
Funds Employed	365.2	567.4	554.3	618.4	537.7	620.8
Return on funds employed	(1.8%)	1.2%	3.6%	1.3%	(6.7%)	13.9%
Employees (number)	849	973	1,033	1,019	1,016	1,127
Ferrous tonnes - external (Mt)	0.81	1.01	0.95	0.75	0.89	0.88
Ferrous tonnes - internal (Mt)	0.82	0.85	0.96	0.94	0.77	0.83
Non-ferrous tonnes (Mt)	0.26	0.25	0.25	0.19	0.14	0.18

1 Includes discontinued operations

FY13 statutory vs underlying results

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Year ended 30 June 2013	Statutory Results			Underlying Results			
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations	**Total Operations Statutory**	Restructuring costs[1]	Impairment[2]	Tax adjustments & other items[3]	**Total Operations Underlying**
Sales revenue	6,084.9	756.1	**6,841.0**	-	-	-	**6,841.0**
Other revenue/income	92.5	21.4	**113.9**	-	-	-	**113.9**
Total revenue/income	6,177.4	777.5	**6,954.9**	-	-	-	**6,954.9**
Gross profit/(loss)	1,069.7	(18.3)	**1,051.4**	-	-	-	**1,051.4**
EBITDA	626.0	(129.5)	**496.5**	93.8	-	(0.7)	**589.6**
Depreciation and amortisation	(257.2)	(16.8)	**(274.0)**	-	-	-	**(274.0)**
Impairment	(245.5)	(684.7)	**(930.2)**	-	930.7	-	**0.5**
EBIT	123.3	(831.0)	**(707.7)**	93.8	930.7	(0.7)	**316.1**
Finance costs	(117.4)	(0.7)	**(118.1)**	-	-	-	**(118.1)**
Earnings before tax	5.9	(831.7)	**(825.8)**	93.8	930.7	(0.7)	**198.0**
Tax expense/(benefit)	64.6	68.6	**133.2**	(28.1)	(35.4)	(97.3)	**(27.6)**
Profit/(loss) after tax	70.5	(763.1)	**(692.6)**	65.7	895.3	(98.0)	**170.4**
Non-controlling interests	(2.1)	-	**(2.1)**	-	-	-	**(2.1)**
Net profit/(loss) after tax	68.4	(763.1)	**(694.7)**	65.7	895.3	(98.0)	**168.3**

Unless otherwise stated, certain financial measures referred to in this document, including underlying results and ratios based on underlying results are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's report on the full year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this document to underlying information supplied by the Company. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's total operations including continuing and discontinued operations.

1 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.
2 Impairment of property, plant and equipment and intangible assets associated with Recycling and Steel segments.
3 Relates to tax adjustments related to prior years, the net impact of Mineral Resource Rent Tax, gain on disposal of Steel and Tube Holdings and other non-recurring items.

FY12 statutory vs underlying results

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Year ended 30 June 2012	Statutory Results			Underlying Results				
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations	**Total Operations Statutory**	Transaction costs[1]	Restructuring costs[2]	Impairment[3]	Tax adjustments & other items[4]	**Total Operations Underlying**
Sales revenue	6,314.8	1,279.7	**7,594.5**	-	-	-	-	**7,594.5**
Other revenue/income	100.4	21.4	**121.8**	-	-	-	-	**121.8**
Total revenue/income	6,415.2	1,301.1	**7,716.3**	-	-	-	-	**7,716.3**
Gross profit/(loss)	1,120.3	77.4	**1,197.7**	-	-	-	-	**1,197.7**
EBITDA	620.7	(122.8)	**497.9**	26.6	47.0	-	9.5	**581.0**
Depreciation and amortisation	(194.3)	(26.5)	**(220.8)**	-	-	-	2.8	**(218.0)**
Impairment	(3.4)	(138.8)	**(142.2)**	-	-	138.8	-	**(3.4)**
EBIT	423.0	(288.1)	**134.9**	26.6	47.0	138.8	12.3	**359.6**
Finance costs	(117.7)	(3.4)	**(121.1)**	-	-	-	-	**(121.1)**
Earnings before tax	305.3	(291.5)	**13.8**	26.6	47.0	138.8	12.3	**238.5**
Tax expense/(benefit)	(9.0)	58.8	**49.8**	(7.9)	(17.2)	(13.4)	(48.8)	**(37.5)**
Profit/(loss) after tax	296.3	(232.7)	**63.6**	18.7	29.8	125.4	(36.5)	**201.0**
Non-controlling interests	(5.9)	-	**(5.9)**	-	-	-	-	**(5.9)**
Net profit/(loss) after tax	290.4	(232.7)	**57.7**	18.7	29.8	125.4	(36.5)	**195.1**

Unless otherwise stated, certain financial measures referred to in this document, including underlying results and ratios based on underlying results are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's report on the full year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this document to underlying information supplied by the Company. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's total operations including continuing and discontinued operations.

1 Direct costs related to the acquisition of WPG Resources Limited subsidiaries in October 2011 and the sale of Piping Systems business.
2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.
3 Impairment of property, plant and equipment and intangible assets associated with the Oil and Gas Pipe and LiteSteel™ Technologies businesses and land and buildings at Acacia Ridge.
4 Relates to tax adjustments related to prior years, the net impact of Mineral Resource Rent Tax, gain on disposal of Piping Systems and other non-recurring items.

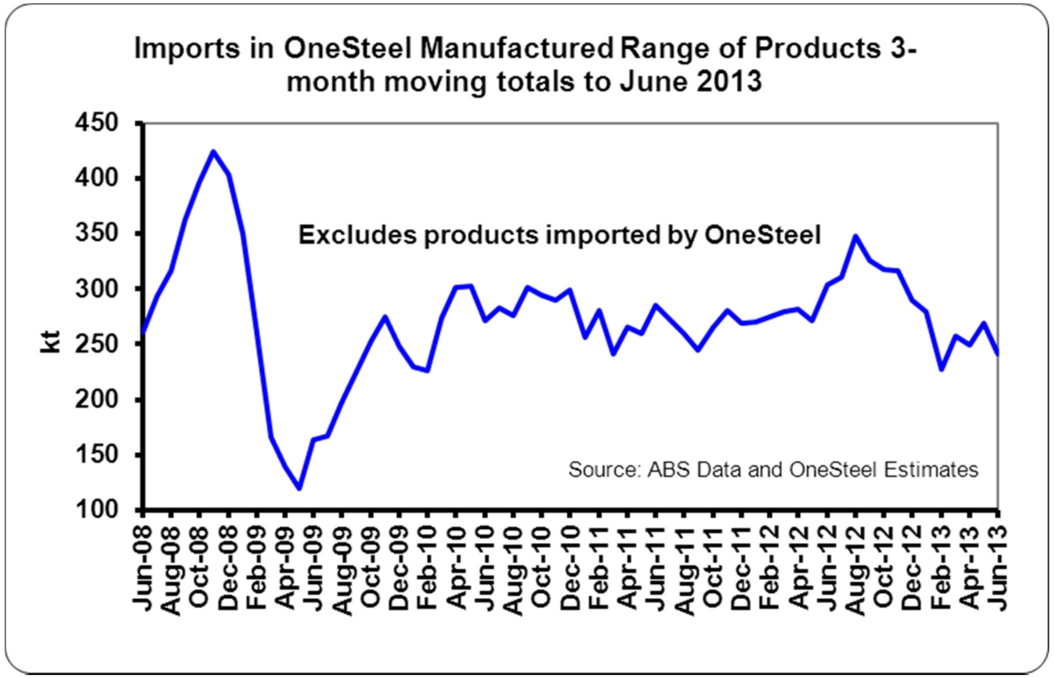
Net balance sheet FX exposure

The Group's exposure to FX risk at 30 June 2013 was as follows (in Australian dollar):

	USD $m	CAD $m	Other[1] $m
Cash and cash equivalents	5.3	-	6.3
Net investment in foreign operations	1,439.3	279.3	(7.2)
Trade and other receivables	42.4	-	1.2
Trade and other payables	(42.0)	-	(5.2)
Bank loans and US Private Placement debt[2]	(1,487.4)	(236.7)	-
Net exposure	(42.4)	42.6	(4.9)

1 Japanese Yen, Indonesian Rupiah, New Zealand dollar, Pounds Sterling, Canadian dollar and Euro
2 Notional principal amounts

Market conditions and external factors



Growth – Mining Consumables

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FY14 capital expenditure - cash basis

	$m	$m
Mining Consumables capex includes		
Kamloops, Canada expansion[1]	25	
Completion of Cilegon, Indonesia expansion	10	
Total Mining Consumables		**60 – 70**

1 Capital investment covers FY14, FY15 and FY16.

Mineral Resources Rent Tax (MRRT)

- No MRRT liability in FY13 for either MBR or Southern Iron operations
  - MBR – MRRT profit is expected to be more than offset by Alternative Valuation Method deductions and depreciation of the starting base
  - Southern Iron – FY13 profit more than offset by starting base depreciation deductions
- MRRT net deferred tax asset increased from $35 million at FY12 to $93 million at year end
  - Deferred asset arises from MRRT starting base deduction
  - Adjustment relates to recognition of previously unrecognised starting base deductions
    - Future balance date adjustments to reflect valuation changes expected
  - Unrecognised deferred tax asset $408 million at end FY13

Regulatory

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Carbon Tax

- No material P&L impact in FY13 - Revenue and expense
  - Free permits ~$80 million – recorded as cost offset
  - Accrued STP income ~$13 million (25% x $53 million (balance of STP))
  - Scope 1 cost ~$68 million[1]
  - Scope 2 cost ~$28 million[1]
- No material cash impact in FY13
  - First allocation of ~2.9 million free carbon units received and sold during 1H13 - cash proceeds $65 million
  - Purchase of ~2 million units against 75% of scope 1 liability in June 2013 - cash expenditure $46 million
  - Second allocation of ~0.6 million units sold in June 2013 - cash proceeds $13 million
  - Higher electricity costs throughout the year - cash expenditure ~$28 million
- Final surrender of units for remaining FY13 liability in 2H14 (est.~$17m)
- FY13 ‘unassisted emissions’ for scope 1 and 2 ~650-750kt @ $23/t)
  - Largely offset by STP income

1 Scope 1 and 2 costs are estimated based on current information. Costs do not include impacts associated with inventory movements.

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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Cash Flow Statement
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Directors' Declaration
Independent Auditor's Report

DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity consisting of Arrium Limited ("Arrium" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2013 (Arrium Group).

DIRECTORS

The following persons were Directors of Arrium Limited during the whole of the financial year and up to the date of the report unless stated otherwise:

R B Davis

C R Galbraith, AM

P G Nankervis

G J Plummer (resigned 15 July 2013)

D A Pritchard

A G Roberts (appointed 18 February 2013)

P J Smedley

G J Smorgon, AM

R Warnock

Details of the qualifications, experience and responsibilities of the Directors are set out on pages 42 and 43.

PRINCIPAL ACTIVITIES

The principal activities of the Company are mining and supply of iron ore and other steelmaking raw materials to steel mills internationally and in Australia; the manufacture and supply of mining consumables products with key market positions globally; the manufacture and distribution of steel long products and recycling of ferrous and non-ferrous scrap metal.

Arrium is an international mining and materials company with four key businesses: Mining, Mining Consumables, Steel and Recycling.

Arrium Mining is an exporter of hematite ore with operations in South Australia. Arrium Mining also supplies pelletised magnetite iron ore and some hematite lump iron ore to the Company's integrated steelworks at Whyalla at cost.

Arrium Mining Consumables supplies resource companies with a range of key mining consumables, including grinding media, wire ropes and rail wheels. The business is the largest supplier of grinding media in the world, with leading market positions in South America, North America and Australasia.

Arrium's integrated Steel and Recycling businesses comprises OneSteel Manufacturing, Australia's long products steel manufacturing business; OneSteel Distribution, Australia's largest steel distributor and reinforcing steel supplier; and OneSteel Recycling, a supplier and exporter of scrap metal with operations in Australia, Asia and North America.

OPERATING AND FINANCIAL REVIEW

The Operating and Financial Review (OFR) of the Arrium Group during the financial year is set out on pages 10 to 31.

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous financial year were as follows:

	$m
2013 final dividend 3.0 cents per ordinary share payable on 17 October 2013, on fully paid ordinary shares	40.7
2013 interim dividend 2.0 cents per ordinary share paid on 18 April 2013, on fully paid ordinary shares	27.0
2012 final dividend 3.0 cents per ordinary share paid on 18 October 2012, on fully paid ordinary shares	40.4

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the Arrium Group occurred during the financial year. Commentary on the overall state of affairs of the Arrium Group is set out in the Operating and Financial Review.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Arrium Group's operations are subject to various environmental regulations at a Commonwealth, State and local level. Where this regulation is particular and significant, compliance is assured through Environmental Management Systems to the ISO14001 standard. Compliance with this regulation was generally achieved in FY13 with the exception of unrelated releases of contaminated water at separate locations that resulted in the receipt of an Infringement Notice (with associated fine of $2,200) and a Penalty Notice (with associated fine of $1,500).

DIRECTORS' MEETINGS

The number of Directors' meetings held, and the number of meetings attended by each of the Directors (excluding invited attendees), during the financial year are listed below. Details of the Committees are set out on pages 44 to 45.

DIRECTOR	BOARD[1]	AUDIT & COMPLIANCE COMMITTEE	GOVERNANCE & NOMINATIONS COMMITTEE	HUMAN RESOURCES COMMITTEE	OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENT COMMITTEE	OPERATIONAL RISK COMMITTEE
NUMBER OF MEETINGS HELD	14	4	3	4	4	1
R B Davis	14	4	–	–	4	1
C R Galbraith, AM	12	4	3	–	–	–
P G Nankervis	14	4	–	–	–	1
G J Plummer	14	–	–	–	–	–
D A Pritchard	14	–	–	3	4	1
A G Roberts	3	–	–	–	–	–
P J Smedley	14	–	3	4	–	1
G J Smorgon, AM	13	–	–	4	4	1
R Warnock	14	4	–	–	4	–

1 Excludes sub-committee meetings and circulated resolutions and includes ten scheduled meetings and four out of session meetings.

COMPANY SECRETARY

Information on the qualifications and experience of the Company Secretary is set out on page 43.

NO OFFICERS ARE FORMER AUDITORS

No officer of Arrium has been a partner of an audit firm or a Director of an audit company that is or was an auditor of any entity in the Arrium Group during the year ended 30 June 2013.

SHARES AND RIGHTS

During, or since the end of the financial year, the Company has issued 6,575,755 (2012: 4,456,594) rights over ordinary shares to the Executive Directors and Executives. No rights vested during or since the end of the financial year. Refer to the Remuneration Report for further details.

DIRECTORS' REPORT CONTINUED

DIRECTORS' INTERESTS

No Director, either directly or indirectly, was granted ordinary shares during the financial year other than G J Plummer, who was granted 2,575,757 (2012: 1,637,531) and A G Roberts, who was granted 681,818 rights to ordinary shares under the Arrium Performance Rights Plan. These rights will vest on 30 June 2015 subject to performance hurdles. No rights vested to Mr Plummer or Mr Roberts during the financial year.

The relevant interests of each Director in the shares, rights, options or other instruments of the Company and related bodies corporate are set out in Note 30 of the Financial Report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 16 August 2013, the High Court of Australia refused leave sought by BlueScope Steel (A.I.S.) Pty Limited to appeal a decision of the New South Wales Court of Appeal in favour of OneSteel Manufacturing Pty Limited (a wholly owned subsidiary of the Company) in respect of a contractual dispute. The litigation has now been finalised, subject to quantification of legal costs. No adjustment is required in respect of the 30 June 2013 financial statements.

On 19 August 2013, the Company reduced its share capital by $831.8 million for the amount that is not represented by available assets, reflecting the impairment charges incurred by the Company and Consolidated Entity during the year ended 30 June 2013. This will have the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. The transaction has been made in accordance with section 258F of the *Corporations Act 2001* (Cth) and will not result in any gains or losses being recognised in future reporting periods. The financial effect of this transaction will not affect the financial statements for the year ended 30 June 2013, but will be included in the financial statements for the year ending 30 June 2014.

On 20 August 2013, the Directors have declared the payment of a final dividend of 3.0 cents per fully paid ordinary share. The aggregate amount of the final dividend expected to be paid on 17 October 2013 but not recognised as a liability in the financial statements for the year ended 30 June 2013 is $40.7 million.

Other than the above, there have been no circumstances arising since 30 June 2013 that have significantly affected or may affect:

(a) the operations

(b) the results of those operations, or

(c) the state of affairs of the Arrium Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Certain likely developments in the operations of the Arrium Group known at the date of this report have been covered in the Operating and Financial Review.

INTERESTS OF NON-EXECUTIVE DIRECTORS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

Directors of Arrium Limited have declared their interests in contracts or proposed contracts that may result from their directorships of other corporations, as set out on pages 42 to 43.

Members of the Arrium Group had normal business transactions with Directors (or Director-related entities) of the Company and its controlled entities during the year.

LOANS TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

No loans were made to or are outstanding with Directors or Key Management Personnel.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Group has agreements with each of the Non-Executive Directors of the Company in office at the date of this report, and certain former Directors.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability and legal expenses insurance contracts, as disclosure is prohibited.

NON-AUDIT SERVICES

During the year, Arrium Group's auditor, KPMG, provided non-audit services to Arrium Group entities.

Details of the amounts paid or payable to the auditor, KPMG, for the provision of non-audit services during the financial year are set out in Note 31 to the Financial Report.

The Directors are satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). Following a review by the Audit & Compliance Committee, the Directors are satisfied that the nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

ROUNDING OF AMOUNTS

The Company is of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/100. In accordance with that Class Order, amounts contained in this report and in the Financial Report have been rounded off to the nearest one hundred thousand dollars or, where the amount is $50,000 or less, zero, unless specifically stated to be otherwise.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* (CTH)

TO THE DIRECTORS OF ARRIUM LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

(a) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* (Cth) in relation to the audit, and

(b) No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

A W Young
Partner

Sydney, 20 August 2013

REMUNERATION REPORT

The Directors of Arrium Limited present the Remuneration Report, which forms part of the Directors' Report, for the Arrium Group (Group).

This Remuneration Report has been prepared in accordance with the *Corporations Act 2001* (Cth) and the *Corporations Regulations 2001* and sections B – F have been audited.

CONTENTS OF THE REMUNERATION REPORT

The Remuneration Report outlines Arrium's remuneration strategy, the components of remuneration for Key Management Personnel (KMP), including Non-Executive Directors (NEDs) and Executives, the link between performance and reward, and provides details of remuneration paid to Non-Executive Directors and Executives during the year ended 30 June 2013. The report is divided into the following sections:

A. Chairman's Letter to Shareholders providing an Overview of FY13
B. Remuneration Governance at Arrium
C. Non-Executive Director Remuneration
D. Executive Remuneration
E. Details of Non-Executive Director and Executive Remuneration for the year ended 30 June 2013
F. Executive Service Agreements.

For the purposes of this report:

- Key Management Personnel are those executives with authority and responsibility for planning, directing and controlling the activities of the Arrium Group either directly or indirectly, and all the Directors of Arrium Limited (Executive and Non-Executive).
- Lead Team refers to members of the senior executive group and comprises the Managing Director & Chief Executive Officer (MD&CEO) and direct reports to the MD&CEO. There are no Key Management Personnel outside the Lead Team, other than the NEDs.

A. CHAIRMAN'S LETTER TO SHAREHOLDERS PROVIDING AN OVERVIEW OF FY13 (UNAUDITED)

On behalf of the Arrium Board, I ampleased to provide you with the Remuneration Report for the 2013 financial year. Whilst the report that follows sets out a comprehensive account of remuneration at Arrium over the last 12 months, I would like to take the opportunity to provide you with an overview.

In considering this Remuneration Report, it is important to have regard for the business performance and results, as well as to the significant strategic and organisational transition that the Company is making. The repositioning to a mining and materials company has been occurring over a period of time and is now largely complete, with the Board firmly of the view that Arrium is well placed to generate value for its shareholders. In view of these circumstances, the Board has been implementing a set of very deliberate succession plans. During the year, the Board was delighted to have been able to appoint an internal successor to the CEO role from a very strong pool of candidates and give effect to a seamless CEO succession. The Company will now be moving to Board succession activities over the next 18 months.

To facilitate the CEO succession, the Company entered into, and disclosed on 17 December 2012, an Agreement with the incumbent, Mr Geoff Plummer. A summary of this Agreement is included in this Report on page 61. It provided the Company with the certainty and flexibility required to consider a range of internal and external candidates and complete a successful transition. A key feature of this Agreement was to facilitate the ongoing measurement of Mr Plummer's unvested shares and rights. The Board wanted to ensure that they ran their "full course", with vesting only occurring if all performance hurdles are achieved. I note that Mr Plummer's overall remuneration arrangements are a function of the extended time period in the CEO role, as well as a reflection of his significant skills and experience base.

The Board has also put in place a contemporary employment agreement for its newly appointed CEO, Mr Andrew Roberts. The details of this Agreement are on page 61 and it includes a level of fixed remuneration commensurate with his experience in the role and focuses on targeted short and long term incentive plans (STI and LTI plans).

The Lead Team has also been restructured and rationalised during the period. The Board has placed emphasis on ensuring the retention and placement of executives into key roles. These include Mr Steve Hamer, formerly Chief Executive Distribution, being appointed Chief Executive of the newly formed Steel business; Mr Greg Waters being retained as Chief Executive of the expanded Mining business and Mr Robert Bakewell as CFO. Mr Leo Selleck, formerly Chief Executive Manufacturing, has also been specifically retained as Chief Executive Operational Excellence for a 12-month period.

The remuneration approach and outcomes reflect these organisational changes, the strategic repositioning and business results. The Board, supported by its independent advisers, has also had regard for contemporary remuneration practices, feedback from external stakeholders and ensuring that remuneration processes and outcomes are aligned to Company objectives and the interests of shareholders. In summary:

- NED fees have been retained at current levels. They were last adjusted in January 2011.
- Salaries for executives have been adjusted where there has been substantial change in roles; otherwise increases are in line with external market movements.
- **STI payments for FY13** are significantly below target levels. No payments for financial targets have been made at a Group level. The Board determined that notwithstanding sound levels of cash generation, this approach was appropriate given the Group's statutory financial results in the period.
- The resultant outcome was that the MD&CEO forfeited 62% of a potential STI payment at his target participation level. A payment of 38% of target was applied primarily as a result of outstanding achievements in relation to the on-time and on-budget execution of strategic projects, particularly in Mining and Mining Consumables. The payment also recognised improvements in relation to safety performance and significant risk reduction programs.
- The executive group, or KMP, forfeited on average 44% of their potential STI payment at the target level. There were no payments for Group financials, although some executives achieved components of their divisional financial targets as well as outcomes in relation to their safety and personal goals.
- Due to performance vesting requirements not being met, no LTI shares or rights vested to any executives during the year. No LTI shares have vested under this plan since 2008.

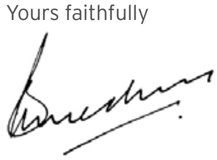
From 1 July 2013, the Board has also introduced the following changes to the remuneration arrangements for the Lead Team:

- All members of the Lead Team have moved to a Deferred STI arrangement. Target payment potential has increased within the existing payment range, where executives will receive two thirds of any payment in cash at the conclusion of the performance period, with the balance delivered in shares and subject to a further two-year service hurdle.
- The MD&CEO is required to give the Board 12 months' notice of termination of employment (formerly six months).
- The MD&CEO's restraints have been extended to two years in relation to non-solicitation clauses (formerly 12 months).
- The balance of the Arrium Lead Team are required to provide six months' notice of termination of employment (previously three months for the majority of the team).
- All executive contracts are aligned with the termination provisions introduced in 2010 in the Corporations Act.
- Clawback provisions are included in all executive STI and LTI Plan rules in the event of a material misstatement or other disentitling events.
- The EPS performance range hurdle with the LTI Plan has been adjusted from 5% - 12% to 5% - 15% for the 2013 - 2014 allocation.

In setting this remuneration framework and determining outcomes and changes, the Board has had close regard for the views and inputs of its independent advisers and will continue to actively monitor the approach and application of executive remuneration policy at Arrium to ensure continued alignment with the execution of its strategic plan and delivering shareholder return to our investors.

Thank you for your continued support, and I hope you will find the report set out below useful and informative.

Yours faithfully



Peter Smedley
Chairman

B. REMUNERATION GOVERNANCE AT ARRIUM

The Board is responsible for remuneration decisions at Arrium. To assist the Board, governance and oversight of remuneration is delegated to the Human Resources Committee. The Human Resources Committee responsibilities, which can be referenced in more detail on the Company's website, include:

- Reviewing remuneration policies and practices, including the setting of the fixed remuneration amount and the structure and quantum of awards under the STI and LTI Plans for executives
- The Group's superannuation arrangements for executives, and
- The fees for NEDs of the Board (within the total annual aggregate amount approved by shareholders).

The Human Resources Committee comprises three Non-Executive Directors, and has direct access to independent advice and comparative studies on the appropriateness of remuneration arrangements.

The Human Resources Committee makes recommendations to the Board. The Board makes final remuneration decisions in respect of Non-Executive Directors and the Lead Team.

The members of the Human Resources Committee, the number of meetings and attendance is presented on page 47 of the Director's Report.

For ease of reference, Arrium's Key Management Personnel are listed below:

Arrium Key Management Personnel 2013

Directors	
R B Davis	Non-Executive Director
C R Galbraith, AM	Non-Executive Director
P G Nankervis	Non-Executive Director
D A Pritchard	Non-Executive Director
P J Smedley	Board Chairman and Non-Executive Director
G J Smorgon, AM	Non-Executive Director
R Warnock	Non-Executive Director
Executive Directors	
G J Plummer	Managing Director & Chief Executive Officer[1]
A G Roberts	Managing Director & Chief Executive Officer (appointed MD&CEO effective 1 July 2013)[2]
Other Executives	
R C Bakewell	Chief Financial Officer
S H Hamer	Chief Executive Distribution[3]
L J Selleck	Chief Executive Manufacturing[4]
G A Waters	Chief Executive Mining
G D A Feurtado	Chief Executive Recycling

1 G J Plummer resigned as MD&CEO effective 30 June 2013 and resigned as Director on 15 July 2013.

2 A G Roberts was formerly Chief Executive Mining Consumables. He was appointed Deputy Managing Director on 18 February 2013 prior to commencing in the role of MD&CEO effective 1 July 2013.

3 Appointed Chief Executive Steel effective 1 July 2013.

4 Appointed Chief Executive Operational Excellence effective 1 July 2013.

Independent advice

The Board engages a number of expert consultants from time to time to provide independent and specialist advice in relation to executive remuneration policy and practice, market analysis and governance and the regulatory environment. This year, the Board has engaged the services of Egan Associates as the primary source of independent advice in relation to the executive group. Letters of engagement confirm that any advice provided must be free from undue influence by the member or members of the Key Management Personnel to whom any recommendations relate and sets out the processes to be followed in requesting information from, and providing reports to, the Company to ensure that these obligations are met. The Board is satisfied that the remuneration outcomes were free from undue influence by any Key Management Personnel on the basis that the processes described above were followed and were designed to ensure such an outcome.

In 2013, the following advisers have been appointed by the Board in this capacity and have generated fees as set out in Table 1:

TABLE 1 – INDEPENDENT ADVICE

INDEPENDENT CONSULTANT	FEES PAID (EXCL GST)	NATURE OF ADVICE
Egan Associates	$91,508	KMP-related advice including reward policy and practice, MD&CEO transition and appointment, Executive and Non-Executive Key Management Personnel market practice, retention considerations, conduct of market research, updating the Board on matters relevant to KMP and NED reward, advice on market practices across industrials, materials and resources companies, to maintain the Board's awareness of contemporary market trends.

C. NON-EXECUTIVE DIRECTOR REMUNERATION

The Board, in conjunction with the Human Resources Committee, seeks to establish NED remuneration at a level that enables Arrium to attract and retain Directors of the highest calibre at a cost that is responsible and acceptable to shareholders.

The remuneration arrangements for NEDs are benchmarked against related industries with due regard to factors such as total revenue, market capitalisation, assets under management and profit. Such analysis indicates that the structures in place are appropriate and are consistent both with industry practice and principles of good corporate governance.

The key principles that underpin the Board's approach to NED remuneration are:

Board fees are approved by shareholders

The limit on the current total annual aggregate fee pool for NEDs of $2 million was approved at the 2006 Annual General Meeting as required by Article 9.8 of the Constitution of the Company and under ASX Listing Rule 10.17. The Board will not seek any increase to this fee pool at the 2013 Annual General Meeting.

Remuneration is designed to preserve independence

The structure of Arrium's NED remuneration is separate and distinct from that applicable to the Lead Team. NEDs have not been granted shares or rights under the Group's LTI Share and Rights Plans, nor do they receive any bonus or other performance-based remuneration.

No retirement benefits

No additional benefits (other than their current statutory superannuation entitlements) are paid to NEDs upon their retirement from the Board.

A retirement benefit scheme was approved by shareholders during Arrium's public listing in 2000 and was discontinued from 17 November 2003. This retirement benefit was an additional and separate arrangement to the payment of Directors' fees. The amount of the retirement benefit accrued by each NED was fixed by reference to the length of service up to this date. For Directors who held office on this date, a cash benefit under the discontinued scheme is payable upon the retirement of the Director from the Board.

REMUNERATION REPORT CONTINUED

Suspension of Non-Executive Director Share Plan

The ability for NEDs to acquire shares under the Non-Executive Director Share Plan has been suspended since 2010 as a result of taxation changes affecting the operation of the Plan. Arrangements have now been put in place for NEDs to receive fees as cash and superannuation in lieu of the long-term share component that was previously in place. Market practice will continue to be monitored over the coming period regarding the use of equity-based plans for NEDs.

Review of Non-Executive Director remuneration

As shown in Table 2, there has been no adjustment to NED fees this year. A comprehensive review was completed in 2009 and the outcome implemented in January 2011. A review this year confirmed that NEDs continue to be paid competitively and appropriately at this time.

TABLE 2 – NON-EXECUTIVE DIRECTOR REMUNERATION QUANTUM AND STRUCTURE
The quantum and structure of Director fees since 1 January 2011 are:

BOARD/COMMITTEE	ROLE	ANNUAL FEE SINCE 1 JANUARY 2011
Board	Chairman Member	$495,000 $165,000
Audit & Compliance Committee	Chairman Member	$20,000 $5,000
Governance & Nominations Committee	Chairman Member	$15,000 $5,000
Human Resources Committee	Chairman Member	$15,000 $5,000
Occupational, Health, Safety & Environment Committee	Chairman Member	$15,000 $5,000
Operational Risk Committee	Chairman Member	$15,000 $5,000

The Chairman of the Board does not receive any Board Committee fees.

D. EXECUTIVE REMUNERATION

Strategy and structure

The objective of Arrium's executive remuneration framework is to pay market competitive remuneration, recognising skills and experience, and to reward performance and the achievement of strategic objectives leading to the creation of shareholder value.

Arrium seeks to provide competitive remuneration that will attract, motivate and retain executives.

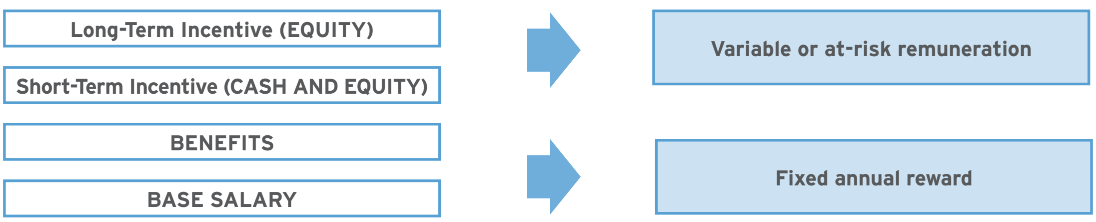
Arrium's remuneration strategy is to align fixed annual reward levels around the median of executives' local salary markets. Executives can be paid above or below the median consistent with their capability and demonstrated value to the business. It is also Arrium's policy to position variable or at-risk remuneration such that total remuneration can be positioned above, at or below the relevant market median dependent on the level of the Company's and the executive's performance.

For the Lead Team, remuneration consists of fixed annual reward (FAR) (incorporating a base salary and other benefits including superannuation, salary sacrifice items, other employment benefits and appropriate tax) and at-risk components.

The at-risk components are:

- Short-Term Incentives (STIs), giving executives the opportunity to earn a cash bonus contingent upon performance against a combination of Group financial and safety targets, and individual key performance indicators. From 2013-2014, the STI will provide for a benefit delivered through a combination of cash (two thirds) and shares (one third), where the shares are subject to a two-year service hurdle from the date of Award, and
- Long-Term Incentives (LTIs), giving executives the opportunity to acquire Arrium shares where they succeed in achieving outcomes linked to the creation of long-term sustainable growth for shareholders over a two to five-year period.

The structure of Arrium's executive remuneration arrangements is shown below:



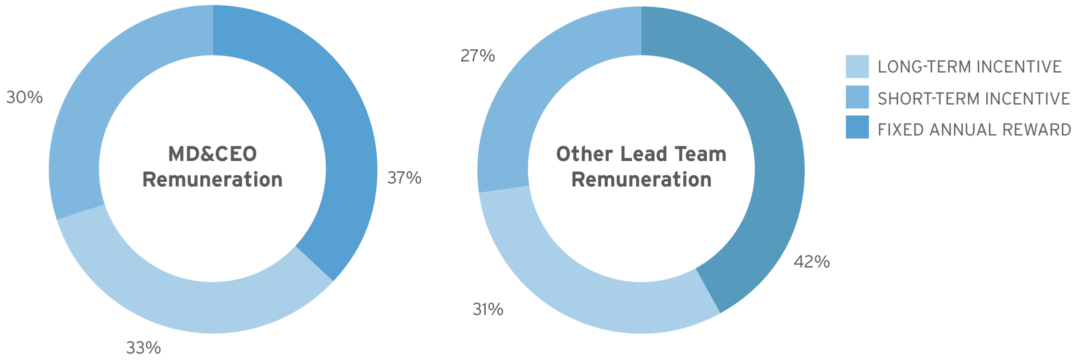
In determining the level and composition of executive remuneration, Arrium draws on independent external advisers to ensure that its practices are market competitive, flexible and in keeping with emerging trends and good corporate governance.

Remuneration is reviewed annually towards the end of the financial year, and changes are applied from 1 July for the Lead Team. The Human Resources Committee reviews the Lead Team remuneration arrangements, with the Board making final remuneration decisions in respect of any recommendations made. The remuneration structure is designed to ensure that executives have a significant portion of remuneration at risk. Table 3 sets out the target mix of fixed and at-risk pay (as a proportion out of a total 100%) for the MD&CEO and other members of the Lead Team.

TABLE 3 – REMUNERATION STRUCTURE

	MD&CEO	OTHER MEMBERS OF THE LEAD TEAM
Long-Term Incentive	33%	31%
Short-Term Incentive	30%	27%
Fixed annual reward	37%	42%

GRAPH 1



The relationship between Group strategy and reward

A key underlying principle of Arrium's executive remuneration strategy is that remuneration should be strongly linked to Group performance. Each element of an executive's remuneration is linked or aligned with various drivers of shareholder value. This relationship is set out in Table 4.

TABLE 4 – PERFORMANCE LINK WITH REWARD

PERFORMANCE INDICATOR	LINK TO EXECUTIVE REWARD
Underlying net profit after tax (NPAT) Generating strong cash flow	Together, NPAT and cash flow targets account for the majority of the STI weighting, though the weighting varies by individual to align to the relevant Group or Division strategy.
Safety	10% STI weighting on significant safety improvement for all eligible Arrium employees.
Increasing shareholder wealth	LTI performance hurdles are equally weighted between earnings per share (EPS) and relative total shareholder return (TSR).
Execution of key strategic initiatives that drive future value for shareholders	Variable weighting in STI, depending on the role and expected contribution. Generally up to 20% of an individual's targets will be directed to strategically oriented personal goals.
Behaving in a manner consistent with our core values of safety and customer	Assessed through the Performance Planning and Management (PPM) process and considered in any FAR adjustment. Behaving in a manner consistent with the core values is a threshold for any potential STI payment.
Ensuring alignment between employee's and shareholders' interests	Board discretion to reduce or cancel potential STI or LTI awards in a range of circumstances, including in the event of a material financial misstatement. Overall reward is delivered through a balance of cash, equity (STI) and equity (LTI) to align the interests of the stakeholders.

The Lead Team's STI payments in any year are reviewed by assessment of performance against financial, Division, safety and personal/ strategic targets. Targets are set by the Board in consultation with the MD&CEO at the start of each financial year.

A significant portion of payments under the STI Plan and vesting of all grants under the LTI Plan are contingent upon the financial performance of the Group. The Group's financial performance is illustrated in Table 5, which shows underlying NPAT, EPS and dividends per share performance over the last five years, together with the aggregate KMP STI payments.

TABLE 5 – ARRIUM GROUP FINANCIALS

				UNDERLYING[1]				
YEAR ENDED 30 JUNE	BEGINNING SHARE PRICE	ENDING SHARE PRICE	STATUTORY NPAT ($m)	NPAT ($m)	EPS (CENTS)[2]	DIVIDENDS PER SHARE (CENTS)	KMP STI PAID ($m)	KMP STI AS THE AVERAGE PERCENTAGE OF TARGET
2013	0.87	0.78	(694.7)	168.3	12.7	5.0	2.0	54%
2012	1.84	0.87	57.7	195.0	14.6	6.0	2.6	73%
2011	2.97	1.85	230.3	235.4	17.7	10.0	1.4	39%
2010	2.53	2.98	258.4	240.6	18.2	11.0	3.8	168%[3]
2009	6.82	2.58	229.5	215.3	21.2	10.0	0.5	10%[3]

1 Details of the reconciliation between underlying and statutory financial measures can be found in teh Operatting and Financial Review.

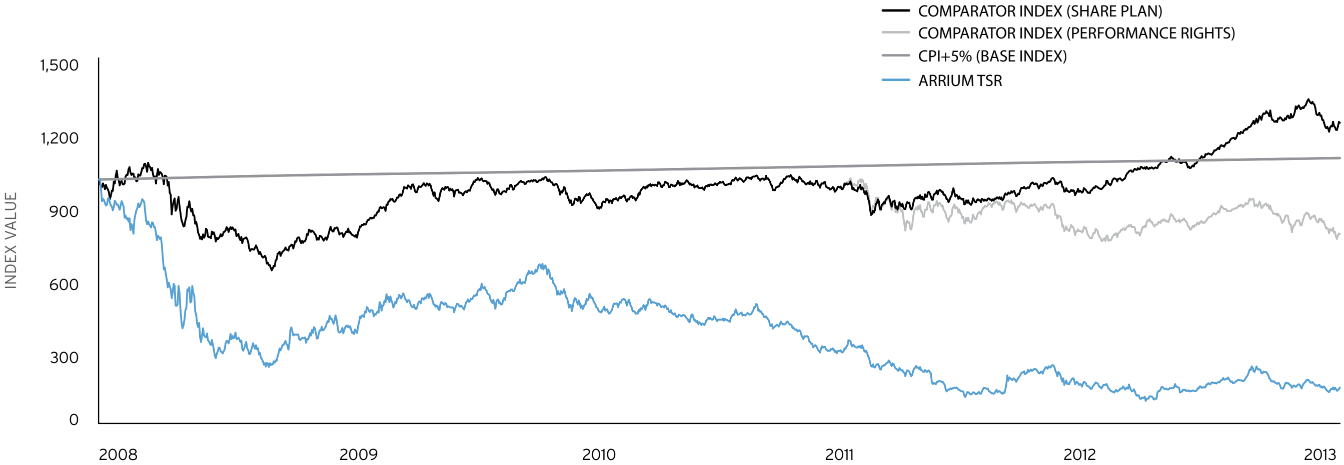
2 Based on weighted average number of shares outstanding at 30 June.

3 Excludes STI percentage for executives of Steel and Tube Holdings.

Graph 2 on the following page demonstrates performance against the Arrium LTI performance hurdles over the LTI vesting period. The graph compares the Arrium TSR against the applicable Comparator Index (the S&P/ASX 200 Index excluding banks, media and telecommunications for previous LTI Share Plan grants) and the Base Index (the Australian CPI plus 5% for previous LTI Plan grants).

REMUNERATION REPORT CONTINUED

GRAPH 2



Fixed Annual Reward

The level of salary is set so as to provide a level of remuneration that is both appropriate to the executive's skills, experience and performance and competitive in the market. The review process involves assessment of the Group, Division and individual performance, analysis of comparative market and internal remuneration information, and independent external advice on policies and practices. In all cases, independent advice received from Egan Associates and Hay Group is used to determine market movement and to provide input into recommended changes to executives' FAR.

Members of the Lead Team are provided flexibility to receive their FAR in a variety of forms, including cash, superannuation and employment benefits such as motor vehicles.

Short-Term Incentive

The STI aims to reward participating employees for the achievement of agreed financial, safety, divisional and personal goals which deliver returns for shareholders. It is administered over the financial year. From FY14, Arrium has introduced a Deferred STI Program to further align executives' and shareholders' interests: to drive shareholder returns and to support executive retention. In broad terms, Arrium's STI Plan principles and structures for executives are as follows;

TABLE 6 – STI

ATTRIBUTE	STI PLAN FEATURES
STI opportunity	Payments under the STI Plan are based on a set percentage of FAR for achievement of goals. For the MD&CEO, the STI target was set at 80% of FAR, with a payment range of 0% to 120% of FAR potentially available. Other members of the Arrium Lead Team have an STI target of 50% of FAR with a payment range from 0% to 100% of FAR potentially available. The maximum payment is only paid on outstanding "stretch" outcomes. From FY14, the MD&CEO will continue to have a target set at 80% of FAR with a payment range of 0% to 120% of FAR. The balance of the team will have their target percentage increased to 66% but maintain a payment range of 0% to 100%. In each case, two thirds of any award will be delivered in cash, with the balance delivered through shares. The shares will have a two-year service hurdle before they become available to the executive. Executives will receive any dividends during the service vesting period.
Performance gateway	Satisfactory performance is a prerequisite for participation in the STI Plan. Participation may be suspended or reduced where a participant has fallen short of performance expectations. Executives participate in an annual performance review process that assesses performance against key accountabilities, behaviours and job goals. Performance against these accountabilities and goals impacts directly on STI payments. In addition to an annual performance review, regular performance discussions with executives occur during the financial year. The process ensures that there is clarity in the communication and understanding of key business drivers and targets. These performance discussions also serve to provide feedback, to plan development initiatives and to aid succession planning.
Performance criteria and weighting	The performance conditions used for the STI Plan are established annually by the Board for the Lead Team and reflect strategic business plans and budgets. In FY13 the following performance measures applied: Financial targets (70%): In FY13, financial targets were to deliver NPAT and cash flow outcomes. For the MD&CEO and the CFO, the financial targets reflect overall Arrium financial outcomes. Chief Executives have a 40% weighting directed towards divisional financial outcomes, with the balance of 30% relating to overall Arrium outcomes. Safety targets (10%): All executives have a 10% weighting on safety performance improvement. Performance improvement is assessed against improvement in Medically Treated Injury Frequency Rate (5%) (measuring the number of medically treated injuries across the combined employee and contractor workforce per 1,000,000 employee hours) as well as substantive improvement in the identification and management of significant safety risks (5%). Personal target (20%): All executives have a weighting of 20% relating to achievement of personal goals aligned with strategic or performance imperatives. In FY13, these included those relating to growth and capital development projects, cost reduction programs, restructuring, and divestment initiatives. In all cases, payments are intended to reward continuous improvement and not to reward maintenance of the status quo.

ATTRIBUTE	STI PLAN FEATURES
Governance	Lead Team members' actual STI payments are subject to approval by the Board. Arrium reserves the right to modify or cancel the STI Plan at any time. This may occur due to unsatisfactory business performance and/or other significant changes in business operating conditions or assumptions. The Board has discretion to reduce or cancel STI awards in the event of a material misstatement or other disentitling event.
Cessation of employment	If an executive resigns during the measurement period, they will generally not be entitled to receive an STI payment.

Long-Term Incentive

During the year ended 30 June 2012, the Company replaced the existing LTI Share Plan with a new Performance Rights Plan (PRP) which continues to operate in the year ended 30 June 2013. The new PRP applied from 1 July 2012, with the previous LTI Share Plan remaining in operation until all unvested awards have either vested or the executive's entitlement lapses. No further awards have been granted under the previous LTI Share Plan since it was replaced by the PRP.

The objective of the LTI Plan is to reward participating executives for the sustained creation of shareholder wealth and to align the interests of executives with the Company's owners.

A summary of the key attributes of the previous LTI Share Plan and PRP are set out below in Table 7.

TABLE 7 – LTI PLANS

ATTRIBUTE	LTI PERFORMANCE RIGHTS PLAN (CURRENT SCHEME)	LTI SHARE PLAN (FORMER SCHEME)
Award	Rights to fully paid Arrium ordinary shares.	Arrium ordinary shares held in trust ("Restricted Shares").
Participation	Offered to the Lead Team and selected employees who are able to significantly influence Arrium's performance over the long term and therefore the creation of shareholder wealth.	Offered to the Lead Team and selected employees who are able to significantly influence Arrium's performance over the long term and therefore the creation of shareholder wealth.
Performance period	Three years.	Three years.
Access to retesting	No retesting.	Yes, up to five years (see detailed explanation below).
Performance hurdles	50% of rights assessed against relative total shareholder return, measured against the S&P/ASX 200 Index (excluding the consumer discretionary, consumer staples, financial services, health, information technology and telecommunications services sectors).	50% of shares assessed against relative total shareholder return, measured against the S&P/ASX 200 Index (excluding banks, media and telecommunications).
	50% of rights assessed against compound annual growth in average earnings per share. Target established by the Board for each allocation.	50% of shares assessed against CPI plus 5%.
Vesting	Rights vest in proportion to the performance hurdles met (see Table 8 below).	Shares vest in proportion to the performance hurdles met (see Table 10 below).
Dividends	No entitlement to dividends.	Paid from initial allocation irrespective of whether shares are vested or unvested.
Governance	Lead Team members' LTI allocations and any vesting determinations are subject to approval by the Board. The Board has discretion to reduce or cancel LTI awards in the event of a material misstatement or other disentitling event.	Lead Team members' LTI allocations and any vesting determinations are subject to approval by the Board.
Voting rights	No.	Yes.

Performance Rights Plan (current scheme) performance hurdles

As noted in Table 7 above, there are two performance hurdles under the PRP, with 50% of rights vesting against each hurdle. One hurdle is Arrium's TSR relative to a comparator index. The second, which replaces the previous CPI-based hurdle, relates to Arrium's earnings per share (EPS).

These two complementary performance measures have been carefully and specifically determined by the Board so as to provide executives with an incentive to create shareholder wealth over a sustained period.

Arrium's TSR performance relative to the comparator index

TSR measures the growth in the price of Arrium's ordinary shares plus dividends notionally reinvested over the relevant performance period. The relative TSR measure will assess Arrium's TSR performance against entities in the TSR ranking group over the performance period. The TSR ranking group will be all of the companies in the S&P/ASX 200 Index, excluding the consumer discretionary, consumer staples, financial services, health, information technology and telecommunications services sectors (approximately 115 companies in total).

The benchmark companies chosen for the PRP for comparing Arrium's TSR are not dissimilar from the index which was adopted by the Company under the former scheme. Having regard to the nature of Arrium's operations, its customer and supplier base and its international reach, it was considered inappropriate for the Company's relative TSR to be compared with local consumer-focused businesses, those in financial services, healthcare, information technology or telecommunications. In adopting the balance of the S&P/ASX 200 Index, the comparators contain all industrial companies, all materials and resources companies and significant others which, in the Board's judgement, represent a testing group of relevant comparators. For all rights to vest in respect of this performance hurdle, the Company's TSR over the three-year period will have to outperform 85 or more of the 115 relevant companies, which the Board believes represents an appropriate stretch performance target.

For the 2013 offer under the current scheme, the performance period for the relative TSR measure will be the three-year period commencing on 1 July 2013 and ending 30 June 2016 ("Performance Period"). For the purposes of this measurement, TSR will be calculated using the volume weighted average share price for the Company's shares over a 10 consecutive trading day period starting two months prior to the end date of the

REMUNERATION REPORT CONTINUED

Performance Period and ending two months after the end date of the Performance Period. The relevant 10 consecutive trading day period will be determined by that which gives the highest level of vesting achieved during the Performance Period.

Fifty percent of the total rights awarded vest to participants at the end of the three-year Performance Period subject to the performance of Arrium's TSR relative to the comparator index over the Performance Period according to Table 8:

TABLE 8 – TSR VESTING PROPORTIONS TO THE COMPARATOR INDEX

TSR PERFORMANCE RELATIVE TO THE COMPARATOR INDEX	PROPORTION OF RIGHTS VESTING AS ARRIUM ORDINARY SHARES
Below the 50th percentile	Nil
At the 50th percentile	50%
Between the 50th percentile and 75th percentile	Pro-rata straight-line between 50% and 100%
At or above the 75th percentile	100%

Arrium's underlying earnings per share

Underlying EPS is the basic EPS disclosed in Arrium's full year Financial Report adjusted for non-recurring or non-trading items as determined by the Board. The underlying EPS hurdle will measure Arrium's underlying EPS growth (as an annual compound percentage) between the final year of the Performance Period for the underlying EPS hurdle (being the year ending 30 June 2016 for the 2013 offer) and the financial year ending immediately prior to the date of grant of the relevant rights (being the year ended 30 June 2013 for the 2013 offer). Underlying EPS growth is then compared against the underlying EPS targets for Arrium as determined by the Board for the prior corresponding period.

Rights granted and subject to the Arrium underlying EPS performance hurdle for the 2013 and 2012 offers vest according to Table 9:

TABLE 9 – UNDERLYING EPS VESTING PROPORTIONS

COMPOUND GROWTH IN ARRIUM UNDERLYING EPS OVER THE PERFORMANCE PERIOD	PROPORTION OF RIGHTS VESTING AS ARRIUM SHARES
Less than 5%	Nil
5%	25%
Greater than 5% up to 15%[1]	Pro-rata straight-line between 25% and 100%
Greater than 15%[2]	100%

1 This underlying EPS range in 2012 was 5% to 12%.

2 This underlying EPS range in 2012 was greater than 12%.

There are no retesting provisions under the PRP if rights fail to vest under either performance measure at the conclusion of the Performance Period. Prior to the approval of the vesting of rights and allotment of shares, independent external verification will be sought to confirm that the vesting conditions have been satisfied. If an executive ceases employment with Arrium before the performance condition is tested, then the executive's unvested rights will generally lapse. However, all or some of the rights may vest to an executive on ceasing employment when special circumstances apply at the discretion of the Board including redundancy, death and permanent disability.

LTI Plan (former scheme) performance hurdles

The performance conditions of the LTI Share Plan were based on the performance of Arrium's total shareholder return (TSR). TSR measures the percentage growth in a company's share price together with the value of dividends received during the period, assuming that all of those dividends are reinvested into new shares. The performance conditions of the LTI Share Plan have been chosen to directly link executive reward to shareholder returns over a sustained period.

For the shares to vest to executives, the following TSR performance conditions must be achieved:

- For 50% of the shares, vesting will be dependent on Arrium's TSR performance compared with the TSR performance of companies within the S&P/ASX 200 Index (excluding banks, media and telecommunications) (the "Comparator Index"), and
- For the remaining 50% of the shares, vesting will be dependent on Arrium's TSR performance relative to Australian CPI plus 5% (the "Base Index").

Arrium's TSR performance relative to the Comparator Index

Fifty percent of the total shares awarded vest to participants at the end of the three-year performance period subject to the performance of Arrium's TSR relative to the Comparator Index over the Performance Period according to Table 10:

TABLE 10 – TSR VESTING PROPORTIONS TO THE COMPARATOR INDEX

TSR PERFORMANCE RELATIVE TO THE COMPARATOR INDEX	PROPORTION OF SHARES VESTING
Below the 50th percentile	Nil
At the 50th percentile	50%
Between the 50th percentile and 75th percentile	Pro-rata straight-line between 50% and 100%
At or above the 75th percentile	100%

Arrium's TSR performance relative to the Base Index

Fifty percent of the total shares awarded vest to participants at the end of the three-year Performance Period subject to the performance of Arrium's TSR relative to the Base Index.

Shares granted and subject to the Base Index performance hurdle vest according to Table 11:

TABLE 11 – TSR VESTING PROPORTIONS TO THE BASE INDEX

TSR PERFORMANCE RELATIVE TO THE BASE INDEX	PROPORTION OF SHARES VESTING
Up to and including 60%	Nil
61% – 80%	60%
81% – 99%	80%
100% and over	100%

If the shares do not vest immediately under either performance measure at the end of the three-year performance period, provisions exist that enable retesting of performance hurdles annually for the current MD&CEO and every six months for other executives over a two-year period except for 2007 share grants, which were retested quarterly until 30 June 2012. These shares, alongside the 2008 allocation, have now been forfeited. Prior to the approval of the vesting of shares, the Board obtains independent external verification that the vesting conditions have been satisfied. If an executive ceases employment with Arrium before the performance condition is tested, then the executive's unvested shares will generally lapse. However, all or some of the shares may vest to an executive on ceasing employment when special circumstances apply at the discretion of the Board including redundancy, death and permanent disability.

Details of equity-based compensation provided to KMP are contained in Section E of this Report.

Participation in other equity plans

Together with all Australian resident permanent employees of Arrium, executives are eligible to participate in either the Tax Exempt or Tax Deferred Share Plans. Under these plans, employees are able to make salary sacrifice contributions to purchase Arrium ordinary shares on-market on a monthly basis. Details of the Tax Exempt and Tax Deferred Share Plans are set out in Note 29 to the Financial Statements.

Dealing in Company securities

Directors and relevant executives are precluded from dealing in Arrium securities at any time if they are aware of price sensitive information that has not been made public. Directors and executives must not use any derivatives or enter into margin lending arrangements in relation to Arrium securities.

Subject to that overriding rule, Company policy permits Directors and relevant executives to deal in Arrium securities during set trading windows throughout the year.

Current shareholdings of Directors are shown in Note 30 to the Financial Statements.

E. DETAILS OF NON-EXECUTIVE DIRECTOR AND EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2013

Short-Term Incentives

The actual STI payable, the percentage of the total STI payable and the percentage of the STI forfeited by the Lead Team for the outcomes for the year ended 30 June 2013 is set out in Table 12.

TABLE 12 – STI PAYMENTS

2013	ACTUAL STI PAYABLE	% OF TARGET PAYABLE	% OF TARGET FORFEITED
G J Plummer	630,000[1]	38%	62%
A G Roberts	277,000	68%	32%
R C Bakewell	260,000	55%	45%
G D A Feurtado	181,000	61%	39%
S H Hamer	240,000	59%	41%
L J Selleck	192,000	47%	53%
G A Waters	260,000	64%	36%

1. Excludes 2012 deferred STI component of $320,000 contingent on achieving personal targets relating to iron ore and port development projects in South Australia in 2013. This amount was paid in February 2013.

In a year of considerable external challenge and volatility, overall profitability and returns to shareholders were less than planned; for this reason, below STI target payments were awarded. Accordingly, Mr Plummer has forgone 62% of his target STI payment in 2013. On average, the remaining members of the Lead Team have forgone 40% of their target STI payment.

Financial targets (70%): In FY13, financial targets were to deliver NPAT and cash flow outcomes. The Group's profit outcome was below plan and accordingly no payments were made for this significant component of the STI program. Cash results were sound, and targets acheived but no Group level payments were awarded having regard to the statutory profit result. Some Chief Executives received a payment in recognition of delivering planned cash and earnings outcomes in their respective Divisions.

Safety targets (10%): All executives have a 10% weighting on safety performance improvement. Performance improvement was assessed against improvement in Medically Treated Injury Frequency Rate (MTIFR) (measuring the number of medically treated injuries across the combined employee and contractor workforce per 1,000,000 employee hours) as well as substantive improvement in the identification and management of significant safety risks. In FY13, safety performance improved as indicated by the 15% reduction in Arrium's MTIFR. There was significant improvement across all of Arrium's businesses in the identification and management of critical risks which resulted in an above target payment for this part of the target. On average, a combined outcome above target was achieved.

Personal targets (20%): All executives have a weighting of 20% related to achievement of personal goals aligned with strategic or performance imperatives including those relating to growth and capital development projects, cost reduction programs, restructuring, and divestment initiatives. The Company made sound progress on its challenging strategic program. This included:

- On time and on budget delivery of the capital projects associated with the Southern Iron assets and Whyalla Port development, targeting a run rate of 12 million tonnes per annum of iron ore exports
- Giving effect to the expansion plans in Mining Consumables
- Significant improvements in the steel businesses, delivering a further material cost reduction and continued progress in re-shaping of the portfolio
- Balance sheet and working capital related targets.

These targets were achieved, and in some cased exceeded, and above target payments awarded on average.

REMUNERATION REPORT CONTINUED

Long-Term Incentives

No LTI awards vested during the 2013 financial year.

Actual remuneration outcomes

Table 15 on page 59 provides details of the Lead Team's remuneration as required by the *Corporations Act 2001* (Cth) and Accounting Standards. As the information required to be presented represents the accounting value of, for example, equity awards, the Human Resources Committee is aware that it may be difficult for shareholders to interpret the value Lead Team executives actually derived during the FY13. Table 13 below therefore outlines the value of the total remuneration (fixed annual reward, STI earned, the value of any LTIs awarded in prior years that vested during 2013, and any other payments received in the period) received in the 2013 financial year.

TABLE 13 – REMUNERATION OUTCOMES

NAME	FIXED ANNUAL REWARD[1,2] $	SHORT-TERM INCENTIVE EARNED (TO BE PAID IN AUGUST 2013) $	LONG-TERM INCENTIVE (VALUE VESTED IN 2013) $	OTHER $	TOTAL REMUNERATION RECEIVED $
G J Plummer	2,096,842	630,000[3]	–	–	2,726,842
A G Roberts	908,685	277,000	–	–	1,185,685
R C Bakewell	938,776	260,000	–	–	1,198,776
G D A Feurtado	578,548	181,000	–	–	759,548
S H Hamer	808,959	240,000	–	–	1,048,959
L J Selleck	812,086	192,000	–	–	1,004,086
G A Waters	808,305	260,000	–	–	1,068,305

1 Includes salary and fees and superannuation.

2 In addition, the above KMPs accrued short and long-term leave entitlements during the year as follows: G J Plummer $360,930 (2012: $337,909); A G Roberts $106,955 (2012: $114,027); R C Bakewell $99,561 (2012: $92,784); G D A Feurtado $74,867 (2012: $119,679); S H Hamer $120,408 (2012: $129,177); L J Selleck $103,312 (2012: $218,609); G A Waters $97,337 (2012: $110,849).

3 Excludes 2012 deferred STI component of $320,000 contingent on achieving personal targets relating to iron ore and port development projects in South Australia in 2013. This amount was paid in February 2013.

Details of remuneration paid to Directors and executives meeting the definition of KMP under AASB 124 Related Party Disclosures of the Arrium Group are set out in Tables 14 and 15.

TABLE 14 – REMUNERATION OF NON-EXECUTIVE DIRECTORS

		SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS	TOTAL	PROPORTION PERFORMANCE RELATED[2]
	YEAR	SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS[1]	SUBTOTAL	SUPER-ANNUATION	SHARES & RIGHTS GRANTED		
		$	$	$	$	$	$	$	%
Non-Executive Directors									
R B Davis	**2013**	**174,312**	**–**	**2,818**	**177,130**	**15,688**	**–**	**192,818**	**–**
Non-Executive Director	2012	174,312	–	1,315	175,627	15,688	–	191,315	–
C R Galbraith, AM	**2013**	**177,064**	**–**	**–**	**177,064**	**7,936**	**–**	**185,000**	**–**
Non-Executive Director	2012	169,725	–	1,286	171,011	15,275	–	186,286	–
P G Nankervis	**2013**	**174,312**	**–**	**–**	**174,312**	**15,688**	**–**	**190,000**	**–**
Non-Executive Director	2012	174,312	–	1,286	175,598	15,688	–	191,286	–
D A Pritchard	**2013**	**165,138**	**–**	**–**	**165,138**	**14,862**	**–**	**180,000**	**–**
Non-Executive Director	2012	165,138	–	3,193	168,331	14,862	–	183,193	–
P J Smedley	**2013**	**495,000**	**–**	**1,962**	**496,962**	**–**	**–**	**496,962**	**–**
Non-Executive Chairman	2012	495,000	–	10,325	505,325	–	–	505,325	–
G J Smorgon, AM	**2013**	**174,312**	**–**	**–**	**174,312**	**15,688**	**–**	**190,000**	**–**
Non-Executive Director	2012	174,312	–	1,286	175,598	15,688	–	191,286	–
R Warnock	**2013**	**160,550**	**–**	–	**160,550**	**14,450**	**–**	**175,000**	**–**
Non-Executive Director	2012	160,550	–	–	160,550	14,450	–	175,000	–
Total	**2013**	**1,520,688**	**–**	**4,780**	**1,525,468**	**84,312**	**–**	**1,609,780**	**–**
	2012	1,513,349	–	18,691	1,532,040	91,651	–	1,623,691	–

1 Non-monetary benefits include fringe benefits tax paid on benefits provided.

2 Excludes any statutory leave entitlement.

TABLE 15 – REMUNERATION OF EXECUTIVE DIRECTOR AND EXECUTIVES

		SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS[3,4]		PROPORTION PERFORMANCE RELATED[12]
	YEAR	SALARY & FEES[9, 10]	CASH BONUS[1]	NON-MONETARY BENEFITS[2, 11]	SUBTOTAL	SUPER-ANNUATION	RIGHTS	SHARES[8]	
		$	$	$	$	$	$	$	%
Executive Director									
G J Plummer	**2013**	**2,073,765**	**630,000**	**16,043**	**2,719,808**	**23,077**	**947,746**	**659,300**	**51.4**
	2013	**–**	**320.000[5]**	**–**	**320.000**	**–**	**–**	**–**	**–**
MD&CEO	2012[5]	1,947,308	776,000	46,620	2,769,928	50,000	531,712	986,004	52.9
A G Roberts[6]	**2013**	**883,685**	**277,000**	**21,424**	**1,182,109**	**25,000**	**353,269**	**78,085**	**43.2**
MD&CEO (effective 1 July 2013)	2012	748,706	396,000	13,507	1,158,213	25,000	243,142	153,792	50.2
R C Bakewell[7]	**2013**	**922,333**	**260,000**	**14,627**	**1,196,960**	**16,443**	**365,505**	**78,085**	**42.5**
Chief Financial Officer	2012	882,236[7]	329,000	11,251	1,222,487	15,775	243,142	78,085	41.7
G D A Feurtado	**2013**	**535,798**	**181,000**	**10,847**	**727,645**	**42,750**	**225,444**	**14,315**	**41.7**
Chief Executive Recycling	2012	461,479	185,000	15,190	661,669	45,831	130,281	30,330	39.8
S H Hamer	**2013**	**785,882**	**240,000**	**13,455**	**1,039,337**	**23,077**	**353,269**	**78,085**	**44.9**
Chief Executive Distribution	2012	724,629	287,000	63,294	1,074,923	50,000	243,142	153,792	44.9
L J Selleck	**2013**	**715,477**	**192,000**	**326**	**907,803**	**96,609**	**317,025**	**65,071**	**41.4**
Chief Executive Steel Manufacturing	2012	666,375	287,000	594	953,969	87,740	199,701	117,483	44.5
G A Waters	**2013**	**788,257**	**260,000**	**–**	**1,048,257**	**20,048**	**339,976**	**78,085**	**45.6**
Chief Executive Mining	2012	682,917	287,000	604	970,521	67,604	229,850	151,697	47.1
Total	**2013**	**6,705,197**	**2,360,000**	**76,722**	**9,141,919**	**247,004**	**2,902,234**	**1,051,026**	–
	2012	6,113,650	2,547,000	151,060	8,811,710	341,950	1,820,970	1,671,183	–

1 Cash bonuses are in respect of short-term incentives.

2 Non-monetary benefits include items such as fringe benefits tax paid on benefits provided, rental assistance, living away from home allowance and cost of living allowance.

3 Dividends paid to executives on unvested shares under the previous LTI Share Plan are implicitly included in the fair value of the share-based payment expense recognised as remuneration. Dividends paid to the executives on unvested shares under the previous plan held at the end of the year were: G J Plummer $80,221 (2012: $133,692); A G Roberts $11,018 (2012: $19,439); R C Bakewell $5,160 (2012: $7,224); G D A Feurtado $2,087 (2012: $10,619); S H Hamer $11,018 (2012: $19,439); L J Selleck $6,666 (2012: $16,537); G A Waters $11,412 (2012: $15,977).

4 Share-based payments include performance and service rights allocations.

5 In 2012, G J Plummer was awarded a deferred STIP component to the value of $320,000 contingent on achieving personal targets relating to iron ore and port development projects in South Australia in 2013. Inclusive of this amount, the total percentage of target payable for the 2012 financial year was equivalent to 68.5%, and a forfeiture of 31.5% of STI target. This amount was paid in February 2013.

6 A G Roberts was appointed Deputy Managing Director (MD) on 18 February 2013. During the period between Mr Roberts' appointment as Deputy MD and assuming the role of MD&CEO, he was paid an allowance of $25,000 per month. He was formerly Chief Executive Mining Consumables.

7 R C Bakewell's remuneration is inclusive of the final instalment of the sign-on bonus to the value of $125,000 in April 2012.

8 In the prior period, the above table incorrectly excluded a tranche of shares granted to G A Waters totalling $18,289 and to G D A Feurtado totalling $30,330. Management has restated this balance to correctly include all shares granted during 2012.

9 In addition to the total short-term benefits above, these KMPs accrued short-term leave entitlements during the year as follows: G J Plummer $234,896 (2012: $217,007); A G Roberts $68,244 (2012: $68,914); R C Bakewell $72,318 (2012: $66,535); G D A Feurtado $48,514 (2012: $66,485); S H Hamer $72,870 (2012: $70,777); L J Selleck $57,811 (2012: $66,877); G A Waters $72,415 (2012: $79,010).

10 In addition, the above KMPs accrued long-term leave entitlements during the year as follows: G J Plummer $126,034 (2012: $120,902); A G Roberts $38,711 (2012: $45,113); R C Bakewell $27,242 (2012: $26,249); G D A Feurtado $26,353 (2012: $53,194); S H Hamer $47,539 (2012: $58,401); L J Selleck $45,501 (2012: $151,733); G A Waters $24,922 (2012: $31,839).

11 The 2012 comparatives have been restated to exclude the gross-up amounts relating to reportable fringe benefits.

12 Excludes any statutory leave entitlements.

Share-based compensation benefits

For each grant of shares and rights included in the remuneration of KMP, the percentage of the grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the KMP did not meet the service and/or performance criteria is set out on the following page.

The maximum value of the shares and rights yet to vest has been determined as the amount of the grant date fair value of the shares and rights that are yet to be expensed. No shares or rights will vest if the service and/or performance criteria are not satisfied, hence the minimum value of the share and right grants yet to vest is nil.

REMUNERATION REPORT CONTINUED

TABLE 16 – SHARE-BASED COMPENSATION

	SHARE-BASED COMPENSATION										
	PLAN[1]	DATE OF GRANT[2]	NUMBER OF SHARES	FAIR VALUE OF SHARE AT DATE OF GRANT	AWARD VALUE AT DATE OF GRANT	EXPIRY DATE	FIRST VESTING DATE	LAST VESTING DATE	VESTED	FORFEITED	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST
				$	$				%	%	$
Executive Director											
G J Plummer	SP	7/05/2007	305,461	4.88	1,490,650	7/05/2013	7/05/2010	7/05/2013[3]	–	100	–
	SP	7/09/2007	327,680	4.62	1,513,882	20/08/2013	20/08/2010	20/08/2013[3]	–	100	–
	SP	26/08/2008	65,110	6.01	391,311	1/07/2013	1/07/2011	1/07/2013	–	–	–
	SP	26/08/2009	340,316	2.88	980,110	1/07/2014	1/07/2012	1/07/2014	–	–	–
	SP	25/08/2010	871,322	2.27	1,977,901	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	1,637,531	0.98	1,596,593	1/07/2014	1/07/2014	1/07/2014	–	–	532,198
	PRP	5/11/2012	2,575,757	0.49	1,249,242	30/06/2015	30/06/2015	30/06/2015	–	–	832,828
A G Roberts	SP	7/09/2007	57,344	4.62	264,929	20/08/2012	20/08/2010	20/08/2012[3]	–	100	–
	SP	26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013	–	–	–
	SP	26/08/2009	78,861	2.88	227,120	1/07/2014	1/07/2012	1/07/2014	–	–	–
	SP	25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	327,506	0.98	319,318	1/07/2014	1/07/2014	1/07/2014	–	–	106,439
	SR	1/07/2011	160,000	1.71	273,600	1/07/2013	1/07/2013	1/07/2013	–	–	–
	PRP	5/11/2012	681,818	0.49	330,682	30/06/2015	30/06/2015	30/06/2015	–	–	220,454
Executives											
R C Bakewell	SP	25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	327,506	0.98	319,318	1/07/2014	1/07/2014	1/07/2014	–	–	106,439
	SR	1/07/2011	160,000	1.71	273,600	1/07/2013	1/07/2013	1/07/2013	–	–	–
	PRP	5/11/2012	757,575	0.49	367,424	30/06/2015	30/06/2015	30/06/2015	–	–	244,949
G D A Feurtado	PRP	30/08/2011	98,251	0.98	95,795	1/07/2014	1/07/2014	1/07/2014	–	–	31,932
	SR	1/09/2011	50,000	1.43	71,500	31/08/2013	31/08/2013	31/08/2013	–	–	5,958
	SR	24/02/2012	50,000	0.93	46,500	4/10/2013	4/10/2013	4/10/2013	–	–	6,006
	PRP	24/02/2012	250,796	0.62	154,240	1/07/2014	1/07/2014	1/07/2014	–	–	51,413
	PRP	5/11/2012	515,151	0.49	249,848	30/06/2015	30/06/2015	30/06/2015	–	–	166,566
S H Hamer	SP	7/09/2007	57,344	4.62	264,929	20/08/2012	20/08/2010	20/08/2012[3]	–	100	–
	SP	26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013	–	–	–
	SP	26/08/2009	78,861	2.88	227,120	1/07/2014	1/07/2012	1/07/2014	–	–	–
	SP	25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	327,506	0.98	319,318	1/07/2014	1/07/2014	1/07/2014	–	–	106,439
	SR	1/07/2011	160,000	1.71	273,600	1/07/2013	1/07/2013	1/07/2013	–	–	–
	PRP	5/11/2012	681,818	0.49	330,682	30/06/2015	30/06/2015	30/06/2015	–	–	220,454
L J Selleck	SP	7/09/2007	57,344	4.62	264,929	20/08/2012	20/08/2010	20/08/2012[3]	–	100	–
	SP	26/08/2008	38,300	6.01	230,183	1/07/2013	1/07/2011	1/07/2013	–	–	–
	SP	26/08/2009	54,596	2.88	157,236	1/07/2014	1/07/2012	1/07/2014	–	–	–
	SP	25/08/2010	85,977	2.27	195,213	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	266,098	0.98	259,446	1/07/2014	1/07/2014	1/07/2014	–	–	86,482
	SR	1/07/2011	100,000	1.71	171,000	1/07/2013	1/07/2013	1/07/2013	–	–	–
	SR	24/02/2012	60,000	0.93	55,800	4/10/2013	4/10/2013	4/10/2013	–	–	7,208
	PRP	24/02/2012	34,832	0.62	21,422	1/07/2014	1/07/2014	1/07/2014	–	–	7,141
	PRP	5/11/2012	681,818	0.49	330,682	30/06/2015	30/06/2015	30/06/2015	–	–	220,454
G A Waters	SP	16/10/2008	67,421	2.79	188,105	16/10/2013	16/10/2011	16/10/2013	–	–	–
	SP	26/08/2009	57,629	2.88	165,972	1/07/2014	1/07/2012	1/07/2014	–	–	–
	SP	25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	286,568	0.98	279,404	1/07/2014	1/07/2014	1/07/2014	–	–	93,135
	SR	1/07/2011	160,000	1.71	273,600	1/07/2013	1/07/2013	1/07/2013	–	–	–
	PRP	5/11/2012	681,818	0.49	330,682	30/06/2015	30/06/2015	30/06/2015	–	–	220,454

1 SP are shares issued under the former LTI Plan. PRP are rights issued under the Rights Plan. SR are Service Rights which were issued in 2011 to support executive retention during the MD&CEO succession period as reported in the 2012 Remuneration Report.

2 Share grants in respect of the 7 September 2007 allocation to executives other than G J Plummer are subject to quarterly retesting where the hurdles are not met. All other grants under the SP plans are subject to six-monthly retesting where the hurdles are not met. All G J Plummer's SP grants are subject to annual retesting. PRP rights are not subject to retesting.

3 The performance hurdles were not met and no shares vested.

F. EXECUTIVE SERVICE AGREEMENTS

MD&CEO

Mr G J Plummer was appointed MD&CEO on 2 May 2005 for a fixed term of five years. Effective 20 August 2007, an amendment was made to his Executive Service Agreement such that it will not terminate at the end of the initial five-year period but instead would continue on an ongoing basis until terminated. On 17 December 2012, Arrium and Mr Plummer agreed that Mr Plummer would continue to serve as Managing Director and Chief Executive Officer, if required, up until 31 December 2013. To give effect to this arrangement, to ensure a smooth and orderly transition and to acknowledge that Mr Plummer was agreeing to forgo his rights in relation to notice, the Board entered into a further contract variation. The material items contained within the agreement are summarised below. A comprehensive summary of the MD&CEO's initial employment contract was lodged with the Australian Securities Exchange on 20 December 2004, a summary of the amendments was lodged on 20 August 2007 and a summary of the terms of Mr Plummer's departure was lodged on 17 December 2012. ASX releases are available on Arrium's website. Key features of Mr Plummer's contract are outlined in the table below.

TABLE 17A – SUMMARY OF MD&CEO SERVICE AGREEMENT

FAR	Mr Plummer was paid a fixed annual reward of $2,100,000 per annum inclusive of superannuation and novated car leases.
STI	The STI target provides for a payment range of 0% to 120% of FAR with target at 80%. The maximum possible payment is only paid on outstanding "stretch" outcomes. Targets and actual payments are determined by the Board. The Board has discretion to reduce or cancel STI awards in the event of a material misstatement or other disentitling event.
LTI	Mr Plummer was granted awards of Arrium Limited ordinary shares and rights to Arrium Limited ordinary shares up until and including July 2011. The shares and performance rights allocated to him shall continue in existence for so long as he continues to be employed as Managing Director and Chief Executive Officer or in another capacity mutually agreed, or as a Director of one or more subsidiary companies. The shares and rights are held in trust and vest according to the relevant performance hurdles detailed in Section D of this Report. Shares and rights granted to Mr Plummer under the LTI Plan are set out in Section E of this Report. The Board has discretion to reduce or cancel LTI awards in the event of a material misstatement or other disentitling event.
Notice of termination	Termination by the Company: 12 months notice. Termination by the MD&CEO: six months notice.
Termination provisions	In accordance with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, Mr Plummer's termination entitlements have been agreed in advance. After considering independent advice, the Company is satisfied that Mr Plummer's termination entitlements as set out below are reasonable, having regard to current employment practices. **Death, illness, incapacity or by appropriate notice by either party:** • FAR and any accrued untaken statutory leave entitlements calculated to the agreed termination date. • Any amount of STI that has accrued from the previous financial year. The Board, in its absolute discretion, will determine the amount of the STI payable for the financial year in which termination occurs, if any. The Board, in its absolute discretion, will determine whether the MD&CEO may withdraw some or all of the shares or rights granted under the LTI Share Plan or Performance Rights Plan which have not vested. **Termination for cause:** No further obligations other than the amount of FAR due to him through to his termination date plus any statutory leave entitlements calculated to the termination date.
Non-compete	Upon termination of the MD&CEO's employment for any reason, the MD&CEO is prohibited from engaging in any activity that would compete with Arrium for a period of 12 months.

TABLE 17B – SUMMARY OF MD&CEO SERVICE AGREEMENT VARIATION DECEMBER 2012

FAR	Mr Plummer would receive no further adjustments to his FAR in his capacity as MD&CEO. His employment ceases from 31 December 2013, at which time, his salary would also cease.
STI	There were no changes to the STI provisions of Mr Plummer's existing contract.
LTI	Mr Plummer would receive no further LTI allocations during his tenure as MD&CEO. (Mr Plummer last received an allocation in July 2012). Existing allocations would remain on foot and would only vest if the applicable performance hurdles were met.
Termination	Mr Plummer agreed to remain in service and available to perform the role of MD&CEO up to 31 December 2013, thus forgoing the resignation and termination rights within the above mentioned Serivce Agreement. The MD&CEO further agreed to stand down from this role at the discretion of the Board. Mr Plummer would receive a payment of $1.3 million within three months of standing down from the role of MD&CEO. This deferred bonus of $1.3 million is conditional on: • Satisfactory performance by Mr Plummer of his duties and responsibilities up to the time of termination of his appointment, and • Satisfactory acheivement of specific objectives agreed with him to secure a seamless succession of the role of Managing Director and Chief Executive Officer.
Other benefits	Mr Plummer will enter a consultancy arrangement with Arrium upon termination from 1 January 2014 to 30 June 2015 and would be paid a monthly retainer of $30,000 during this period.

New Managing Director (appointed MD&CEO effective 1 July 2013)

Mr A G Roberts was appointed Deputy Managing Director on 18 February 2013 on an interim basis prior to commencing as MD&CEO from 1 July 2013. His service will continue on an ongoing basis until terminated by either Arrium or Mr Roberts in accordance with the termination rights in the Executive Service Agreement (as described on the following page). A comprehensive summary of the Deputy MD's employment agreement was lodged with the Australian Securities Exchange on 18 February 2013. ASX releases are available on Arrium's website. Key features of Mr Roberts' contract are outlined in the table on the following page.

REMUNERATION REPORT CONTINUED

TABLE 18 – SUMMARY OF NEW MD&CEO SERVICE AGREEMENT (FROM 1 JULY 2013)

FAR	Mr Roberts was paid a fixed annual reward of $1,400,000 per annum inclusive of superannuation.
STI	The STI target provides for a payment range of 0% to 120% of FAR with target at 80%. The maximum possible payment is only paid on outstanding "stretch" outcomes. Targets and actual payments are determined by the Board. Two thirds of any award will be delivered in cash, with the balance delivered through shares. The shares will have a two-year service hurdle before they become available to the executive. Executives will receive any dividends during the service vesting period. The Board has discretion to reduce or cancel STI awards in the event of a material misstatement or other disentitling event.
LTI	During his term as Chief Executive Mining Consumables, Mr Roberts was granted awards of Arrium Limited ordinary shares and rights to Arrium Limited ordinary shares as the long-term component of his remuneration. Mr Roberts will retain these shares and rights in his new role. The shares and rights are held in trust and vest according to the relevant performance hurdles detailed in Section D of this Report. Shares and rights granted to Mr Roberts under the LTI Plan are set out in Section E of this Report. An LTI allocation of performance rights to the value of $1.4 million will be granted to Mr Roberts, reflecting his new responsibilities as MD&CEO, with a measurement period commencing 1 July 2013. The volume weighted average price of Arrium ordinary shares in the 10-day period following the Group's full year financial results announcement to ASX will be used to calculate the number of rights to be issued to Mr Roberts. The rights will vest according to the performance hurdles under the PRP. The Board has discretion to reduce or cancel LTI awards in the event of a material misstatement or other disentitling event.
Notice of termination	Termination by the Company: 12 months notice. Termination by the MD & CEO: 12 months notice.
Termination provisions	In accordance with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, Mr Roberts' termination entitlements have been agreed in advance. The Company is satisfied that Mr Robert's termination entitlements as set out below are reasonable, having regard to current employment practices. **Death, illness, incapacity or by appropriate notice by either party:** • FAR and any accrued untaken statutory leave entitlements calculated to the agreed termination date. • Any amount of STI that has accrued from the previous financial year. The Board, in its absolute discretion, will determine the amount of the STI payable for the financial year in which termination occurs, if any. The Board, in its absolute discretion, will determine whether the MD&CEO may withdraw some or all of the shares or rights granted under the LTI Share Plan or Performance Rights Plan which have not vested. **Termination for cause:** No further obligations other than the amount of FAR due to him through to his termination date plus any statutory leave entitlements calculated to the termination date.
Non-compete	Upon termination of the MD&CEO's employment for any reason, the MD&CEO is prohibited from engaging in any activity that would compete with Arrium for a period of 12 months. Non-solicitation restraint for 24 months.

Other executive KMP

Outlined below are the key termination entitlements with respect to other executive KMP. These KMP are engaged on permanent employment arrangements with termination entitlements as below.

TABLE 19 – TERMINATION ENTITLEMENTS

Notice of termination	Termination by the employee: six months notice. Termination by employer: 12 months notice
Termination provisions	**Termination for any reason other than for cause:** Arrium may pay up to 1.0 times fixed annual reward at the time of termination. **Termination at the end of a fixed term or the end of an extension period, by death, illness, incapacity, by appropriate notice by Arrium or from the individual due to a fundamental change in the business:** In addition to the above payments, the Board, in its absolute discretion, will determine whether the individual may be able to withdraw some or all of the shares or rights granted under the LTI Share Plan which have not vested.
Non-compete	Executives are also bound by non-compete clauses generally restraining them for a period of 12 months from taking up employment or engaging in activities which would be to the detriment of Arrium.

Signed in accordance with a resolution of the Directors.

Peter Smedley
Chairman

Andrew Roberts
Managing Director and Chief Executive Officer

Sydney, 20 August 2013

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

	NOTES	CONSOLIDATED 2013 $m	2012 $m
Sales revenue	4	6,084.9	6,314.8
Cost of sales		(5,015.2)	(5,194.5)
Gross profit		1,069.7	1,120.3
Other revenue	4	56.0	94.9
Other income	4	36.5	5.5
Operating expenses	4	(1,038.0)	(798.7)
Finance costs	4	(117.4)	(117.7)
Share of net (loss)/profit of investments accounted for using the equity method	11	(0.9)	1.0
Profit from continuing operations before income tax		**5.9**	**305.3**
Total income tax benefit/(expense)	5	64.6	(9.0)
Profit from continuing operations after tax		**70.5**	**296.3**
Loss from discontinued operations after tax	34	(763.1)	(232.7)
Net (loss)/profit for the year		**(692.6)**	**63.6**
Net (loss)/profit for the year is attributable to:			
Non-controlling interests		2.1	5.9
Equity holders of the parent		(694.7)	57.7
		(692.6)	**63.6**

The accompanying notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	NOTES	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
(Loss)/Profit after tax		**(692.6)**	**63.6**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
– net losses taken to equity		(1.5)	(13.4)
– transferred to profit and loss		6.7	7.6
– transferred to initial carrying amount of hedged items		(5.4)	3.6
Currency translation differences:			
– net investment hedges		(100.9)	(23.5)
– reclassified to profit and loss		(6.9)	-
– exchange fluctuations on overseas net assets		148.9	40.5
Other comprehensive income, net of tax		40.9	14.8
Total comprehensive (loss)/income		**(651.7)**	**78.4**
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		(654.8)	71.2
Non-controlling interests		3.1	7.2
		(651.7)	**78.4**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:			
Basic earnings per share (cents per share)	6	5.18	22.02
Diluted earnings per share (cents per share)	6	5.17	22.01
(Loss)/Earnings per share attributable to the ordinary equity holders of the parent:			
Basic (loss)/earnings per share (cents per share)	6	(51.52)	4.30
Diluted (loss)/earnings per share (cents per share)	6	(51.52)	4.30

The accompanying notes form an integral part of the financial statements.

BALANCE SHEET

AS AT 30 JUNE

	NOTES	CONSOLIDATED 2013 $m	2012 $m
ASSETS			
Current Assets			
Cash and cash equivalents	24	438.3	268.1
Receivables	7	720.9	953.0
Derivative financial instruments	8	11.3	16.9
Inventories	9	1,280.9	1,450.9
Current tax assets		–	23.0
Other financial assets	10	0.8	–
Other current assets	15	7.2	11.8
Disposal groups and assets held for sale	34	368.6	17.5
Total Current Assets		**2,828.0**	**2,741.2**
Non-current Assets			
Receivables	7	13.2	–
Investments accounted for using the equity method	11	12.8	14.0
Derivative financial instruments	8	23.2	29.9
Other financial assets	10	–	1.3
Other non-current assets	15	32.7	27.8
Property, plant and equipment	12	2,687.4	2,754.6
Mine development expenditure	13	492.6	317.9
Other intangibles and goodwill	14	2,035.1	2,822.0
Deferred tax assets	5	486.6	222.7
Total Non-current Assets		**5,783.6**	**6,190.2**
TOTAL ASSETS		**8,611.6**	**8,931.4**
LIABILITIES			
Current Liabilities			
Payables	16	1,098.1	1,054.0
Derivative financial instruments	8	13.0	23.8
Interest-bearing liabilities	17	1.1	57.3
Current tax liabilities		23.8	–
Provisions	18	345.3	320.1
Disposal groups and liabilities held for sale	34	175.4	6.8
Total Current Liabilities		**1,656.7**	**1,462.0**
Non-current Liabilities			
Payables	16	0.2	0.3
Derivative financial instruments	8	45.2	57.4
Interest-bearing liabilities	17	2,552.1	2,354.1
Deferred tax liabilities	5	399.9	320.0
Provisions	18	224.0	237.0
Total Non-current Liabilities		**3,221.4**	**2,968.8**
TOTAL LIABILITIES		**4,878.1**	**4,430.8**
NET ASSETS		**3,733.5**	**4,500.6**
EQUITY			
Contributed equity	20	3,778.0	3,770.9
Retained earnings	21	(25.7)	734.6
Reserves	22	(21.7)	(66.7)
Parent interests		3,730.6	4,438.8
Non-controlling interests		2.9	61.8
TOTAL EQUITY		**3,733.5**	**4,500.6**

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE

	NOTES	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
		INFLOWS/(OUTFLOWS)	
Cash flows from operating activities			
Receipts from customers		7,044.0	7,646.4
Payments to suppliers and employees		(6,335.1)	(7,022.7)
Net GST paid		(2.5)	(9.8)
Interest received		2.9	2.5
Interest and other finance costs paid		(110.8)	(112.4)
Income taxes paid		(8.3)	(33.9)
Net operating cash flows	24(b)	**590.2**	**470.1**
Cash flows from investing activities			
Purchases of property, plant and equipment		(384.4)	(344.6)
Mine development expenditure		(74.2)	(56.1)
Purchase of finite life intangible assets		(0.6)	(0.6)
Purchase of businesses		-	(0.5)
Purchase of controlled entities, net of cash acquired	35	-	(273.4)
Purchase of loan receivable	35	-	(43.8)
Proceeds from sale of property, plant and equipment		52.7	33.3
Proceeds from sale of controlled entity, net of cash disposed	34(e)	68.8	-
Proceeds from sale of business	34(e)	-	82.5
Proceeds from sale of associate		0.8	–
Net investing cash flows		**(336.9)**	**(603.2)**
Cash flows from financing activities			
Proceeds from borrowings		1,355.1	3,203.6
Repayment of borrowings		(1,403.0)	(2,861.4)
Repayment of loan from related party		0.5	0.3
Repayment of principal of finance leases		(1.0)	(0.5)
Dividends paid		(62.5)	(89.5)
Net financing cash flows		**(110.9)**	**252.5**
Net increase in cash and cash equivalents		142.4	119.4
Cash and cash equivalents at the beginning of the year		271.7	153.7
Effect of exchange rate fluctuations on cash held		24.2	(1.4)
Cash and cash equivalents at the end of the year	24(a)	**438.3**	**271.7**

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						NON-CONTROLLING INTERESTS	TOTAL EQUITY
		CONTRIBUTED EQUITY							
		ISSUED CAPITAL	EMPLOYEE COMPENSATION SHARES	TOTAL CONTRIBUTED EQUITY	RETAINED EARNINGS	TOTAL RESERVES	TOTAL PARENT INTERESTS		
CONSOLIDATED	NOTES	$m	$m	$m	$m	$m	$m	$m	$m
At 1 July 2012		3,796.5	(25.6)	3,770.9	734.6	(66.7)	4,438.8	61.8	4,500.6
Net (loss)/profit for the year		–	–	–	(694.7)	–	(694.7)	2.1	(692.6)
Other comprehensive income		–	–	–	–	39.9	39.9	1.0	40.9
Total comprehensive income/(loss) for the year, net of tax		–	–	–	(694.7)	39.9	(654.8)	3.1	(651.7)
Transactions with equity holders:									
Share-based payments expense	22(c)	–	–	–	–	6.9	6.9	–	6.9
Dividends paid	23	–	–	–	(67.4)	–	(67.4)	(2.2)	(69.6)
Shares issued under dividend reinvestment plan	20	7.1	–	7.1	–	–	7.1	–	7.1
Transfer to retained earnings		–	–	–	1.8	(1.8)	–	–	–
Disposal of controlled entities		–	–	–	–	–	–	(59.8)	(59.8)
Total transactions with equity holders		7.1	–	7.1	(65.6)	5.1	(53.4)	(62.0)	(115.4)
At 30 June 2013		**3,803.6**	**(25.6)**	**3,778.0**	**(25.7)**	**(21.7)**	**3,730.6**	**2.9**	**3,733.5**

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						NON-CONTROLLING INTERESTS	TOTAL EQUITY
		CONTRIBUTED EQUITY							
		ISSUED CAPITAL	EMPLOYEE COMPENSATION SHARES	TOTAL CONTRIBUTED EQUITY	RETAINED EARNINGS	TOTAL RESERVES	TOTAL PARENT INTERESTS		
CONSOLIDATED	NOTES	$m	$m	$m	$m	$m	$m	$m	$m
At 1 July 2011		3,787.2	(25.6)	3,761.6	770.7	(86.5)	4,445.8	59.9	4,505.7
Net profit for the year		–	–	–	57.7	-	57.7	5.9	63.6
Other comprehensive income		–	–	–	-	13.5	13.5	1.3	14.8
Total comprehensive income for the year, net of tax		–	–	–	57.7	13.5	71.2	7.2	78.4
Transactions with equity holders:									
Share-based payments expense	22(c)	–	–	–	–	6.3	6.3	–	6.3
Dividends paid	23	–	–	–	(93.8)	–	(93.8)	(5.0)	(98.8)
Shares issued, net of transaction costs	20	–	–	–	–	–	–	(0.3)	(0.3)
Shares issued under dividend reinvestment plan	20	9.3	–	9.3	–	–	9.3	–	9.3
Total transactions with equity holders		9.3	-	9.3	(93.8)	6.3	(78.2)	(5.3)	(83.5)
At 30 June 2012		**3,796.5**	**(25.6)**	**3,770.9**	**734.6**	**(66.7)**	**4,438.8**	**61.8**	**4,500.6**

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report comprises the consolidated entity consisting of Arrium Limited and its controlled entities.

(A) BASIS OF PREPARATION

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth), and applicable Australian Accounting Standards (including Australian Interpretations).

The financial report of Arrium Limited for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 20 August 2013.

It is recommended that the financial report be considered together with any public announcements made by Arrium Limited and its controlled entities during the year ended 30 June 2013 in accordance with the continuous disclosure obligations of the *Corporations Act 2001* (Cth).

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Rounding of amounts

The financial report is prepared in Australian dollars. Amounts in the financial statements have been rounded to the nearest hundred thousand dollars, unless specifically stated to be otherwise under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Arrium Limited (the parent entity) at balance date and the results of all subsidiaries for the year then ended. Arrium Limited and its subsidiaries together are referred to in this financial report as the Arrium Group, Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control ceases. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Balance Sheet respectively.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Arrium Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in the carrying amount recognised in the Income Statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the Income Statement where appropriate.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the Income Statement where appropriate.

(C) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the Income Statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Income Statement.

(D) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Arrium Limited.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using exchange rates that approximate those prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income Statement, except when deferred in Equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss in the Income Statement.

Group entities

The results and financial position of all subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold and any borrowings forming part of the net investment are repaid, the cumulative amount in the translation reserve related to the foreign operation is recognised in the Income Statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(E) REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of the consideration received or receivable, to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Amounts disclosed as revenue earned from the sale of products or services are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer or the service has been delivered and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

(F) INCOME TAXES

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates which are enacted or substantively enacted for each jurisdiction at balance date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences in a transaction, other than a business combination, that at the time of the transaction affects neither accounting profit nor taxable profit and loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in Equity, are also recognised directly in Equity.

Tax consolidation legislation

Arrium Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Arrium Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. The Group has applied the stand-alone taxpayer approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

Assets or liabilities arising under tax sharing agreements with the tax consolidated entities are recognised as amounts receivable from or payable to the head entity. Details of the tax sharing agreement are disclosed in Note 5.

Any difference between the amounts assumed and amounts receivable or payable under the tax sharing agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Minerals Resource Rent Tax

Minerals Resource Rent Tax is accounted for as an income tax, as described above, as the calculation of the amount payable falls within the definition of "taxable profit" in accordance with AASB 112.

(G) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, it is recognised as part of the cost of acquisition of the asset, or as part of the expense.

Receivables and payables in the Balance Sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Balance Sheet.

The GST components of cash flows which are recoverable from, or payable to the taxation authority are classified as part of operating cash flows.

(H) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within current interest-bearing liabilities on the Balance Sheet.

(I) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of doubtful debt provided for is recognised in the Income Statement within operating expenses. When a trade receivable for which an allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Income Statement.

(J) INVENTORIES

Inventories, including raw materials, work in progress and finished goods, are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. They include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on the basis of weighted average cost. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(K) INVESTMENTS AND OTHER FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss; loans and receivables; and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date. The Group does not have any held to maturity investments or available for sale investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading, and are classified as such if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the Income Statement. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(L) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in jointly controlled entities and associates are accounted for in the consolidated financial statements by applying the equity method of accounting, after initially being recognised at cost. Under the equity method, investments in jointly controlled entities and associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the jointly controlled entity or associate. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in jointly controlled entities or associates.

The Group's share of the jointly controlled entity's and associate's post-acquisition profits or losses is recognised in the Income Statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Should the Group's share of losses in a jointly controlled entity or associate equal or exceed its interest in the entity, no further losses are recognised, unless it has incurred obligations or made payments on behalf of the entity.

The jointly controlled entity and associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(M) IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(N) LEASED ASSETS

Leases of property, plant and equipment where the Group, as lessee, has substantially all of the risks and benefits incidental to ownership of the leased item are classified as finance leases. These are initially recognised at the fair value of the leased asset, or if lower, the present value of the minimum lease payments as determined at the inception of the lease. The corresponding lease obligation, net of finance charges, is included in interest-bearing liabilities. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Income Statement.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

(O) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are carried at cost less any accumulated depreciation and/or impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the reporting period in which they are incurred.

Depreciation of property, plant and equipment

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Buildings:	20–40 years
Plant and equipment:	3–30 years
Capitalised leased assets:	Up to 30 years or life of lease, whichever is shorter.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Income Statement.

(P) EXPLORATION AND EVALUATION EXPENDITURE

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- The exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale, or
- Exploration and evaluation activities in the area of interest have not at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the Income Statement.

(Q) MINE DEVELOPMENT EXPENDITURE – PRE-PRODUCTION

Pre-production mine development expenditure represents the costs incurred in preparing mines for production, and includes stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised on a straight-line basis over the estimated useful life of the mine.

Impairment

The carrying value of pre-production mine development expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of pre-production mine development expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the Income Statement.

(R) DEFERRED STRIPPING COSTS

In mining operations, it is necessary to remove overburden and other barren waste materials to access ore from which minerals can be economically extracted. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred before production commences are included within capitalised mine development expenditure and subsequently amortised. The Group defers stripping costs incurred subsequently during the production stage of operation. Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden or waste required to be removed to mine the ore. Deferral of these post-production costs to the Balance Sheet is made, where appropriate, when actual stripping ratios vary from the average life of mine ratio.

Costs which have previously been deferred to the Balance Sheet are recognised in the Income Statement on a unit of production basis utilising the average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets of a cash generating unit for the purposes of undertaking assessments, where necessary, based on future cash flows for the cash generating unit as a whole.

(S) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable net assets of the acquired subsidiary as at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment losses recognised for goodwill are not subsequently reversed.

Gains and losses on the disposal of an operation include the carrying amount of goodwill relating to the operation sold.

System development costs

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as system development costs. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

System development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Other intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and/or impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Income Statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

method as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash generating unit level consistent with the methodology outlined for goodwill. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether indefinite life assessment continues to be supported. If not, the change in useful life assessment to finite is accounted for prospectively as a change in accounting estimate.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and appropriate proportion of overheads. Other development expenditures that do not meet this criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

A summary of the policies applied to the Group's intangible assets is as follows:

	USEFUL LIFE	AMORTISATION METHOD	INTERNALLY GENERATED OR ACQUIRED
Patented technology	Finite	Straight line over estimated useful life (17 years)	Acquired
Brand names and know how	Indefinite	No amortisation	Acquired
	Finite	Straight line over estimated useful life (2-3 years)	
Customer and supplier contracts	Finite	Timing of projected cash flows of the contracts over 1 to 15 years	Acquired
System development and other capitalised development costs	Finite	Straight line over estimated useful life (5 years)	Internally generated
Mining tenement rights	Finite	Straight line over estimated useful life (7 years)	Acquired
Exploration rights	Indefinite	No amortisation	Acquired

(T) TRADE AND OTHER PAYABLES

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured except as may arise solely by operation of the *Personal Property Securities Act 2009 (Cth).*
Other payables include liabilities in respect of trade financing within the normal operating cycle of the business.

(U) PROVISIONS

Provisions are recognised when the Group has a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(V) EMPLOYEE BENEFITS

Wages and salaries, annual leave and long service leave

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with entitlements arising from wages and salaries and annual leave which will be settled after one year, are measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match as closely as possible the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Retirement benefit obligations

A liability or asset in respect of the Group's defined benefit plan is recognised in the Balance Sheet, and is measured as the present value of the defined benefit obligation (using the projected unit credit method) at the reporting date less unrecognised actuarial gains (plus any unrecognised actuarial losses) less the fair value of the plan's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments, which arise from membership of the fund to the reporting date, calculated annually by independent actuaries. Consideration is given to expected future salary levels, experience of employee departures and periods of service.

The "corridor approach" is applied in determining the periodic impact on the Income Statement. Under this approach, cumulative actuarial gains or losses greater than 10% of the present value of the defined benefit obligation or 10% of the fair value of plan assets are recognised through the Income Statement over the average remaining service period of the employees in the plan on a straight-line basis.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

Equity-based compensation arrangements

The Arrium Group provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for Arrium Limited ordinary shares or rights to ordinary shares (equity-settled transactions). These instruments are held in trust and are subject to certain performance conditions.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the instruments at the date of the grant. The fair value is determined by an external valuation using a Monte Carlo Simulation, binomial tree methodology or a Black Scholes pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than those conditions that are linked to the price of the ordinary shares of Arrium Limited (market conditions).

The cost of the equity-settled transactions is recognised together with a corresponding increase in Equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- The extent to which the vesting period has expired, and
- The number of equity instruments that are estimated to ultimately vest, based on the best available information at the reporting date.

This valuation is formed based on the best available information at balance date. No adjustment is made for the likelihood of market conditions being met, as the effect of these conditions is included in the determination of fair value at grant date.

The dilutive effect, if any, of outstanding options or unvested shares, is reflected as additional share dilution in the computation of diluted earnings per share.

Arrium Limited ordinary shares acquired on-market and held in trust are classified and disclosed as Employee Compensation Shares and deducted from Equity.

(W) RESTORATION AND REHABILITATION

Restoration costs which are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. The costs include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs. In determining the restoration obligations, there is an assumption that no significant changes will occur in the relevant Federal and State legislation in relation to restoration in the future.

The estimated restoration costs for which the entity has a present obligation are discounted to their net present value. To the extent that the activity that creates this obligation relates to the construction of an asset, a corresponding amount is added to the related asset. Otherwise, the amount is recognised in the Income Statement.

Changes in the measurement of the existing provision that result from changes in the estimated timing or amount of cash flows, or a change in the discount rate, are adjusted on a prospective basis against the asset to which the restoration relates. Where the related asset has reached the end of its useful life, all subsequent changes in the provision are recognised in the Income Statement as they occur.

The charge to the Income Statement is a combination of the depreciation of the asset over the estimated mine life and finance cost representing the unwind of the discounting factor.

(X) INTEREST-BEARING LIABILITIES

Borrowings are initially recognised at fair value less any transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost. Any difference between the proceeds (net of the transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current interest-bearing liabilities where there is an obligation to settle the liability within 12 months, and as non-current interest-bearing liabilities where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(Y) FINANCE COSTS

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance leases and net receipt or payment from interest rate swaps. Finance costs are expensed in the Income Statement, except where they relate to the financing of projects under construction, where they are capitalised up to the date of commissioning or sale.

(Z) CONTRIBUTED EQUITY

Issued capital

Issued and paid-up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in Equity as a reduction of the share proceeds received, net of tax.

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the Arrium shareholders.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Employee compensation shares

Shares in the Arrium Group purchased for equity-based compensation arrangements are held in Trust and deducted from contributed equity in employee compensation shares. Upon vesting, the shares are transferred from employee compensation shares into the share-based payment reserve.

Shares issued under the former Share Plan carry voting rights and the beneficial holder is entitled to any dividends paid during the vesting period. There are no voting entitlements attached to the rights held in trust, nor are any dividends paid until such time as the rights vest and the shares are allotted.

(AA) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date that a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative qualifies for hedge accounting, and if so, the nature of the item being hedged. The Arrium Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges)
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)
- Hedges of a net investment in a foreign operation (net investment hedges).

At the inception of a hedge relationship, the Group formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the hedges have been, and will continue to be, highly effective in offsetting changes in the fair values or the cash flows of hedged items throughout the financial reporting periods for which they were designated.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset, liability or firm commitment that are attributable to the hedged risk. The Group discontinues fair value hedge accounting if the hedging instrument expires, or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the Income Statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Equity as a hedging reserve. The change in fair value relating to the ineffective portion is recognised immediately in the Income Statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Amounts accumulated in Equity are transferred to the Income Statement in the periods when the hedged item affects profit or loss such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold or terminated or exercised without replacement or rollover, any amounts recognised in Equity remain in Equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, amounts recognised in Equity are immediately transferred to the Income Statement.

Net investment hedges

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the Income Statement.

Derivatives that do not qualify for hedge accounting

Certain derivatives instruments do not qualify for hedge accounting and are classified as held for trading financial instruments. Changes in the fair value of any such derivatives are recognised immediately in the Income Statement.

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of derivative financial instruments that are not traded in active markets is determined using valuation techniques. The Arrium Group uses a variety of methods and assumptions that are based on market conditions existing at balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair values of the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at balance date.

(AB) GOVERNMENT GRANTS

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match them with the costs they are intended to compensate.

(AC) NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent writedown of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Income Statement.

(AD) CARBON EMISSIONS LIABILITY AND CARBON UNITS

Arrium receives free carbon units for facilities which qualify as Emissions Intensive Trade Exposed activities under the Jobs and Competitiveness Program. These are to partially offset both the direct carbon emissions liability under the Australian Government's Clean Energy Legislative Package 2011 and the indirect carbon cost from higher electricity charges. Free carbon units are recognised as an intangible asset at fair value and amortised to the Income Statement over the compliance period to match the additional expense on carbon emissions. Purchases of carbon units are recognised as an intangible asset at cost. Purchased carbon units are used to acquit the emissions liability by offsetting the liability against the intangible asset.

The carbon emissions liability is recognised as a provision on the Balance Sheet based on the best estimate of the expenditure required to settle the obligation. The excess of carbon emissions liability over the carrying amount of available carbon units are measured at fair value. Carbon emissions expense, based on actual production and emissions data, is recognised either as cost of sales in the income statement or cost of inventories in the Balance Sheet.

(AE) CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Australian Accounting Standards and AASB Interpretations adopted as at 1 July 2012:

AASB 2011-9 Amendments to Australian Accounting Standards

This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

These changes have been reflected in the Group's Statement of Comprehensive Income.

(AF) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 30 June 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group with the exception of the below:

AASB 10 Consolidated Financial Statements (applicable to annual reporting periods beginning on or after 1 January 2013)

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control.

The adoption of this standard is not expected to have a material impact on the Group.

AASB 11 Joint Arrangements (applicable to annual reporting periods beginning on or after 1 January 2013)

AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures.

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

The adoption of this standard is not expected to have a material impact on the Group.

AASB 13 Fair Value Measurement (applicable to annual reporting periods beginning on or after 1 January 2013)

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

The impact on the Group's financial statements as a result of this standard is not expected to be material.

AASB 119 Employee Benefits (applicable to annual reporting periods beginning on or after 1 January 2013)

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. The corridor approach will no longer be permitted. The standard also revised the method of calculating the return on plan assets.

The revised standard also changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

Had the Group adopted the new rules in the current reporting period, the loss for the current period would have been approximately $6.6 million lower, other comprehensive income $54.0 million higher and total comprehensive income for the period approximately $21.9 million lower than reported. In the Balance Sheet as at 30 June 2013, retirement benefit obligations would have been $11.4 million higher, deferred tax assets $8.6 million higher, net defined benefit assets $19.2 million lower and total equity $21.9 million lower.

The Group will apply the new standard when it becomes operative, being from 1 July 2013.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (applicable to annual reporting periods beginning on or after 1 January 2013)

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

Had the Group adopted the new rules in the current period, the impact on the Income Statement and total comprehensive income would not be material. In the Balance Sheet as at 30 June 2013, deferred stripping asset would have been approximately $87 million lower, inventory $3 million lower, deferred tax liability $26 million lower and retained earnings $63 million lower.

The Group will apply the new standard when it becomes operative, being from 1 July 2013.

AASB 9 Financial Instruments (applicable to annual reporting periods beginning on or after 1 January 2015)

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(d) Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:
   - The change attributable to changes in credit risk is presented in other comprehensive income (OCI)
   - The remaining change is presented in the Income Statement.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

The impact of the new standard on the Group's financial statements has not yet been determined.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses based on historical experience and on other various factors it believes to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

SIGNIFICANT ACCOUNTING JUDGEMENTS

Impairment of non-financial assets other than goodwill and intangibles with indefinite useful lives

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset or cash generating unit (CGU) that may lead to impairment. These include business performance, technology, economic and political environments and future business expectations. If an impairment indicator exists, the recoverable amount of the asset is determined. Given the current uncertain economic environment, management considered that the indicators of impairment were significant enough, and as such, these assets have been tested for impairment in this financial period. Refer to Note 14 for impairment recognised in the current financial year. Based on the recoverable amount estimates, the carrying value of the Group's non-financial assets and groups of assets continues to be supported.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. There are many transactions and calculations undertaken during the ordinary course of business for

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

which the ultimate tax determination is uncertain. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Balance Sheet and the application of income tax legislation. These judgements are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of tax assets and liabilities recognised on the Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Income Statement.

Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences (including those relating to MRRT), are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired on at least an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated using a value in use discounted cash flow methodology. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are detailed in Note 14.

Provision for restoration and rehabilitation

Restoration and rehabilitation costs are a normal consequence of the Group's operations. The provisions include future cost estimates associated with dismantling, closure and decontamination of various sites. The calculation of the provisions require assumptions such as application of environmental legislation, site closure dates, available technologies and consultant cost estimates.

The ultimate cost of restoration and rehabilitation is uncertain and costs can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other sites. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the site. Changes to the estimated future costs for sites are recognised in the Balance Sheet by adjusting both the expense or asset (if applicable) and provision. The assumptions used in the estimation of restoration and rehabilitation provisions are detailed in Note 18.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date of grant. The fair value is determined by an external valuer using a Monte-Carlo Simulation, binomial tree methodology or a Black Scholes pricing model, using the assumptions detailed in Note 29. The accounting estimates and assumptions relating to equity-settled share-based payment would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Defined benefit plans

Various actuarial assumptions are required when determining the Group's pension schemes and other post-employment benefit obligations. AASB 119 Employee Benefits requires employee benefit provisions and defined benefit plan liabilities to be determined by discounting future cash flows using discount rates determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, using market yields at the end of the period on government bonds. In re-estimating Australian employee benefit provisions and defined benefit plan liabilities for financial reporting purposes at 30 June 2013, Arrium Group has changed from using market yields on Australian Commonwealth government bonds to a blend of market yields on Australian Commonwealth government and state government bonds. This has resulted in a decrease in the Australian defined benefit plan liabilities of approximately $4.2 million after tax effect. The impact of changes in discount rates on employee benefit provisions was not material.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties. In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Ore reserve and resource estimates

Ore resources are estimates of the mineralisation that has reasonable prospects for economical extraction in the future as defined by the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Estimates are based largely on geological information. There is no guarantee that all mineral resources will convert to ore reserves.

Ore reserves are derived from the Group's Ore Resources as defined under the JORC Code. They are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by competent persons as defined by the JORC Code. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body.

Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property plant and equipment, provision for rehabilitation and depreciation and amortisation charges.

Australian Government's carbon pricing mechanism

The Australian Government's carbon pricing mechanism commenced on 1 July 2012. It has impacted the cash flows of the Group in the financial year ended 30 June 2013 and is expected to have an impact on the future cash flows of the Group.

Arrium's carbon emission liability is estimated based on actual production and emission data. The carbon emissions liability at year end is reduced by any carbon units surrendered to the Clean Energy Regulator during the year to acquit the emissions liability.

The Group has incorporated the expected impact of the carbon pricing mechanism in its impairment testing as at 30 June 2013 based upon its assessment of the Clean Energy Legislative Package and associated regulations, including the benefit of assistance from the Steel Transformation Plan and free unit allocations for Emissions Intensive Trade Exposed facilities.

Minerals Resource Rent Tax

The Minerals Resource Rent Tax (MRRT) applies to iron ore and coal extraction activities from 1 July 2012. The MRRT applies to Arrium's iron ore mining operations both to the export sales and the ore used in the Steelworks. MRRT deferred tax assets arise in respect of these activities and are required to be measured over the relevant life of mine. Arrium produces a five-year plan and has had to extend that in order to measure the impact of the MRRT over the life of the mine. Estimates and assumptions for the life of the mine are subject to potentially significant change. As the deferred tax asset in respect of MRRT is subject to assessment for recoverability each reporting period, the deferred tax asset recognised is subject to change.

3. SEGMENT INFORMATION

2013	MINING[1]	MINING CONSUMABLES[1]	STEEL[1]	RECYCLING[1]	TOTAL SEGMENTS
	$m	$m	$m	$m	$m
Segment revenues					
Sales to external customers	973.0	1,469.8	3,306.2	1,011.6	6,760.6
Intersegment revenue	0.1	78.2	110.8	333.2	522.3
Other revenue/income from external customers	3.8	18.7	68.8	4.7	96.0
Total segment income	**976.9**	**1,566.7**	**3,485.8**	**1,349.5**	**7,378.9**
Intersegment eliminations					(522.3)
Unallocated					98.3
Consolidated income[6]					**6,954.9**
Segment share of (loss) of investments accounted for using the equity method	-	(0.6)	-	(0.5)	(1.1)
Unallocated					0.1
Consolidated share of (loss) of equity accounted investments					**(1.0)**
Segment earnings before interest, tax, depreciation, amortisation and impairment	**339.6**	**197.2**	**75.8**	**7.5**	**620.1**
Depreciation, amortisation and impairment	(91.1)	(44.6)	(118.8)	(15.8)	(270.3)
Segment earnings/(loss) before interest and tax	**248.5**	**152.6**	**(43.0)**	**(8.3)**	**349.8**
Restructuring costs[4]					(93.8)
Impairment[3]					(930.7)
Other costs					0.7
Finance costs					(118.1)
Intersegment eliminations					(75.9)
Unallocated					42.2
Consolidated (loss) before tax[5]					**(825.8)**
Tax benefit					133.2
Consolidated (loss) after tax					**(692.6)**
Segment assets	**2,159.1**	**2,453.4**	**2,505.5**	**479.8**	**7,597.8**
Investments accounted for using the equity method	-	7.1	-	-	7.1
Tax assets					522.7
Intersegment eliminations					(45.7)
Unallocated assets					529.7
Consolidated assets					**8,611.6**
Segment liabilities	**500.6**	**388.9**	**727.3**	**114.6**	**1,731.4**
Tax liabilities					426.4
Intersegment eliminations					(44.1)
Unallocated liabilities					2,764.4
Consolidated liabilities					**4,878.1**
Other segment information					
Capital expenditure	302.7	53.8	53.1	11.2	420.8
Unallocated capital expenditure					1.8
Consolidated capital expenditure					**422.6**

3. SEGMENT INFORMATION CONTINUED

2012	MINING[1]	MINING CONSUMABLES[1]	STEEL[1,2]	RECYCLING[1]	TOTAL SEGMENTS
	$m	$m	$m	$m	$m
Segment revenues					
Sales to external customers	814.7	1,442.2	3,819.0	1,202.8	7,278.7
Intersegment revenue	-	86.9	145.9	376.2	609.0
Other revenue/income from external customers	4.3	11.5	93.9	10.7	120.4
Total segment income	**819.0**	**1,540.6**	**4,058.8**	**1,589.7**	**8,008.1**
Intersegment eliminations					(609.0)
Unallocated[2]					317.2
Consolidated income[6]					**7,716.3**
Segment share of profit/(loss) of investments accounted for using the equity method		0.8		(0.1)	0.7
Unallocated[2]					0.3
Consolidated share of profit of equity accounted investments					**1.0**
Segment earnings before interest, tax, depreciation, amortisation and impairment	**343.7**	**171.6**	**65.9**	**24.1**	**605.3**
Depreciation, amortisation and impairment	(40.8)	(36.4)	(122.3)	(17.5)	(217.0)
Segment earnings/(loss) before interest and tax	**302.9**	**135.2**	**(56.4)**	**6.6**	**388.3**
Restructuring costs[4]					(47.0)
Impairment[3]					(138.8)
Other costs					(38.9)
Finance costs					(121.1)
Intersegment eliminations					(35.8)
Unallocated[2]					7.1
Consolidated profit before tax[5]					**13.8**
Tax benefit					49.8
Consolidated profit after tax					**63.6**
Segment assets	**1,685.9**	**2,303.1**	**3,534.5**	**674.1**	**8,197.6**
Investments accounted for using the equity method	-	7.2	-	1.2	8.4
Tax assets					245.7
Intersegment eliminations					(51.8)
Unallocated assets[2]					531.5
Consolidated assets					**8,931.4**
Segment liabilities	**306.2**	**362.8**	**712.7**	**107.9**	**1,489.6**
Tax liabilities					320.0
Intersegment eliminations					(50.2)
Unallocated liabilities[2]					2,671.4
Consolidated liabilities					**4,430.8**
Other segment information					
Capital expenditure	654.0	35.2	65.2	10.7	765.1
Unallocated capital expenditure					6.6
Consolidated capital expenditure					**771.7**

1 Segment results are equivalent to the underlying results of each segment and include both continuing and discontinued operations.
2 The 2012 comparatives have been restated to reflect the change in segment structure and formation of the Steel segment as announced on 30 May 2013. The 2012 comparatives have also been restated to include New Zealand Distribution following the disposal of Arrium's interest in Steel & Tube Holdings in October 2012 and classification of the former reporting segment as a discontinued operation.
3 Relating to the impairment of property, plant and equipment and indefinite life intangible assets in the Steel and Recycling segments of $748.6 million and $178.4 million respectively. The remaining balance relates to unallocated. In 2012, impairment related to the Steel segment.
4 Restructuring costs related to redundancies from organisational changes and other direct expenditure associated with business restructures such as onerous leases in the Steel and Recyling segments of $69.9 million and $14.5 million respectively. The remaining balance relates to unallocated. In 2012, restructuring costs related to the Recycling ($2.2 million), Mining Consumables ($0.6 million) and Steel segments ($38.6 million) with the remaining balance relating to unallocated.
5 Consolidated profit/(loss) before tax included a loss of $831.7 million (2012: loss of $291.5 million) relating to discontinued operations.
6 Consolidated income includes $777.5 million (2012: $1,301.1 million) relating to discontinued operations.

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on internal reporting that is reviewed and used by the MD&CEO and the executive management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the products provided, with each operating segment representing a strategic business unit that offers different products and serves different markets.

The reportable segments are based on operating segments including those that meet the aggregation criteria as determined by the similarity of the products produced and sold as these are the sources of the Group's major risks and have the most effect on the rates of return.

Mining

The Mining segment's operations are located in South Australia; the Middleback Ranges, approximately 60 kilometres from the Whyalla township, and Southern Iron, which includes the Peculiar Knob tenement, located approximately 90 kilometres from the Cooper Pedy township. The Mining segment exports hematite iron ore to external customers and supplies both pelletised magnetite iron ore and some hematite lump iron ore to Arrium's integrated steelworks at Whyalla.

Mining Consumables

The Mining Consumables segment comprises Moly-Cop grinding media businesses, Moly-Cop Ropes, Waratah Steel Mill and AltaSteel, with businesses located across North America, South America, Indonesia and Australia.
The Mining Consumables segment supplies resource companies with a range of key mining consumables, including grinding media, wire ropes and rail wheels.

Steel

The Steel segment manufactures billet at its integrated steelworks in Whyalla and two electric arc furnaces. The manufacturing operations also include several rolling and wire mills, and pipe and tube mills. The Whyalla steelworks produces common and special grade billet as feedstock for the downstream Rod and Bar mills as well as producing rail and structural steel products for sale to external customers. Billets produced from Whyalla and the Sydney and Laverton electric arc furnaces are rolled into a wide range of long products for sale or further processing.

The Steel segment also distributes a diverse range of manufactured and externally sourced steel and metal products including structural steel sections, steel plate, angles, channels, reinforcing steel, carbon and stainless coils and flat products and a range of aluminium products to the construction, manufacturing and resource markets.

Recycling

The Recycling segment supplies steelmaking raw materials to domestic and international steel mills, as well as non-ferrous metals for recycling. The Recycling segment operates in 11 countries through a combination of physical operations in the form of collection sites and trading offices that supply raw materials to foundries, smelters and steel mills in Australia and globally.

Intra/Intersegment transfers

The Mining segment sells pelletised iron ore to the Steel segment. The Recycling segment sells raw materials to the Steel segment.

All sales between segments are conducted on an arm's length basis, with terms and conditions no more favourable than those which it is reasonable to expect when dealing with an external party, except for the sales of iron ore from the Mining segment to the Steel segment which occurs at cost.

MAJOR CUSTOMERS

The Group has a number of customers to which it provides products. No single external customer generates 10% or more of the Group's revenue.

GEOGRAPHIC INFORMATION

In presenting information on the basis of geographical area, revenue is based on the operation's country of domicile. Non-current assets other than financial instruments and deferred tax assets are based on the geographic location of assets.

The information below includes discontinued operations.

2013	AUSTRALIA	OTHER FOREIGN COUNTRIES
	$m	$m
Revenues from external customers		
Sales to external customers	5,147.4	1,613.2
Other revenue/income from external customers	71.3	24.7
Total income	5,218.7	1,637.9
Non-current assets	4,085.4	1,931.4

3. SEGMENT INFORMATION CONTINUED

2012	AUSTRALIA	OTHER FOREIGN COUNTRIES
	$m	$m
Revenues from external customers		
Sales to external customers	5,596.9	1,681.8
Other revenue/income from external customers	96.6	23.8
Total income	5,693.5	1,705.6
Non-current assets	4,578.1	1,941.1

4. INCOME STATEMENT ITEMS

	CONSOLIDATED	
	2013 $m	2012 $m
(A) SALES REVENUE		
Product sales	6,078.7	6,308.0
Rendering of services	6.2	6.8
Total sales revenue	6,084.9	6,314.8
(B) OTHER REVENUE		
Interest received from unrelated parties	2.8	2.4
Rental revenue	2.6	3.7
Other revenue[1]	50.6	88.8
Total other revenue	56.0	94.9
TOTAL REVENUE	**6,140.9**	**6,409.7**
(C) OTHER INCOME		
Net gains on disposal of property, plant and equipment	21.7	0.5
Net fair value gains[2]	14.8	5.0
Total other income	36.5	5.5
TOTAL INCOME	**6,177.4**	**6,415.2**
2 Comprised of:		
Net fair value gain/(loss) on financial liabilities designated in fair value hedges	5.1	(17.3)
Net fair value (loss)/gain on derivatives designated in fair value hedges	(0.9)	18.4
Net fair value gain/(loss) on derivatives not qualifying as hedges	15.7	(4.3)
Net loss on ineffectiveness on hedge of net investments in foreign operations	-	(0.9)
Net (loss)/gain on financial liabilities measured at amortised cost	(5.1)	9.1
	14.8	5.0
(D) OPERATING EXPENSES		
Manufacturing expenses[4]	145.6	107.4
Distribution expenses	88.5	90.8
Marketing expenses	113.1	103.4
Administrative expenses	690.8	497.1
Total operating expenses	1,038.0	798.7
(E) FINANCE COSTS		
Interest expense related to:		
Bank loans	119.9	124.4
Finance leases	0.9	0.6
Provision for restoration and rehabilitation discount adjustment	2.2	1.3
	123.0	126.3
Less: Borrowing costs capitalised[3]	(5.6)	(8.6)
Total finance costs	117.4	117.7

1 Includes amounts attributable to Steel Transformation Plan.

3 The weighted average interest rate applied was 2.86% (2012: 4.48%).

4 Includes mining expenses.

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
(F) PROFIT BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
Continuing operations:		
Depreciation of property, plant and equipment:		
Buildings	15.6	14.0
Plant and equipment	182.6	153.2
Leased assets	1.4	0.7
Amortisation of mine development expenditure	28.8	9.4
Amortisation of finite-life intangible assets	28.9	17.0
Impairment of property, plant and equipment[1]	26.0	-
Impairment of goodwill and other intangible assets[1]	219.4	-
Impairment of mine development expenditure	-	3.4
Writedown of inventory to net realisable value	8.1	23.9
Minimum operating lease rentals	85.7	78.7
Restructuring costs[2]	46.6	27.5
Research and development costs[3]	124.5	124.5
Discontinued operations:		
Depreciation of property, plant and equipment:		
Buildings	2.6	2.9
Plant and equipment	14.1	23.3
Amortisation of finite-life intangible assets	0.1	0.3
Impairment of property, plant and equipment[1]	81.1	39.5
Impairment of goodwill and other intangible assets[1]	603.6	99.3
Writedown of inventory to net realisable value[4]	19.4	9.2
Minimum operating lease rentals	18.0	24.9
Restructuring costs[2]	28.0	7.6
Research and development costs[3]	-	0.8

1 Impairment relating to the Recycling and Steel businesses.

2 Restructuring costs related to redundancies from organisational changes and other direct expenditure associated with business restructures such as onerous leases.

3 Research and development costs largely consists of process and product improvement projects undertaken on the production line as part of the continuous drive for manufacturing efficiency and product advancement. Arrium undertakes many such projects.

4 Of the total writedown of inventory to net realisable value, $19.1 million arises as a result of restructuring activities.

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
(G) EMPLOYEE BENEFITS EXPENSE		
Included in employee benefits expense are the following items:		
Continuing operations:		
Defined contribution company contributions	50.2	51.5
Defined benefit plan expense (Note 19)	17.1	12.9
Employee provisions[5]	153.4	157.1
Share-based payments expense	6.9	6.3
Discontinued operations:		
Employee provisions[5]	23.7	14.1

5 Includes redundancies raised as part of restructuring activities.

5. INCOME TAX

	CONSOLIDATED 2013 $m	2012[2] $m
(A) INCOME STATEMENT		
Current income tax charge	34.7	0.5
Over provided in prior years	(41.3)	(18.5)
Deferred tax benefit relating to the origination and reversal of temporary differences	(126.6)	(31.8)
Income tax benefit recognised in the Income Statement	(133.2)	(49.8)
(B) RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Profit before tax from continuing operations	5.9	305.3
Loss before tax from discontinued operations	(831.7)	(291.5)
Total (loss)/profit before income tax	(825.8)	13.8
Prima facie income tax (benefit)/expense calculated at 30% (2012: 30%)	(247.8)	4.1
Research and development allowance	(12.5)	(9.4)
Income tax impact of MRRT taxation expense	24.7	15.2
Differences in overseas tax rates	(3.9)	(11.3)
Non-deductible impairment	244.1	28.3
Capital gains non-taxable[2]	(8.5)	(3.8)
Adjustments in respect of income tax of previous years[1]	(39.0)	(18.5)
Foreign currency translation differences[2]	(3.7)	(1.0)
Other items[2]	(4.3)	(2.8)
Income tax (benefit)/expense recognised in the income statement	(50.9)	0.8
MRRT-related deferred taxation benefit	(82.3)	(50.6)
Total taxation benefit	(133.2)	(49.8)
Aggregate income tax (benefit)/expense is attributable to:		
Continuing operations	(64.6)	9.0
Discontinued operations	(68.6)	(58.8)
	(133.2)	(49.8)

1 Primarily attributable to Research and Development claims not previously recognised together with finalisation of prior period amendments from 2008-2011.

2 The 2012 balances have been further disaggregated between other items, capital gains non-taxable and foreign currency translation differences. It also includes non-deductible expenses.

(C) MOVEMENT IN DEFERRED TAX BALANCES DURING THE YEAR

$m	BALANCE AT 1 JULY 2011	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	RECOGNISED DIRECTLY IN EQUITY	BALANCE AT 30 JUNE 2012	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	RECOGNISED DIRECTLY IN EQUITY	BALANCE AT 30 JUNE 2013
Deferred tax assets									
Employee benefit provisions (including retirement benefit obligations)	92.7	(5.6)	–	–	87.1	3.0	–	–	90.1
Other provisions	45.9	(19.5)	–	12.8[2]	39.2	7.1	–	–	46.3
Inventory provisions	8.4	0.8	–	–	9.2	0.2	–	–	9.4
Derivative financial instruments and interest bearing liabilities	–	1.2	11.2	–	12.4	(3.5)	43.3	–	52.2
Net unrealised foreign exchange gains/losses	5.6	(1.9)	–	–	3.7	(3.0)	–	–	0.7
MRRT starting base	–	50.6	–	–	50.6	82.3	–	–	132.9
Research and development tax offset carry forward from 2012 tax return	–	–	–	–	–	62.4	–	–	62.4
Tax losses available to offset against future taxable income	–	–	–	–	–	86.0	–	–	86.0
Share-based payments	–	–	–	–	–	–	–	0.5	0.5
Other items	10.4	4.8		5.3[2]	20.5	20.7	–	–	41.2
	163.0	30.4	11.2	18.1	222.7	255.2	43.3	0.5	521.7
Deferred tax liabilities									
Property, plant and equipment and intangibles	216.1	5.5	–	14.0[2]	235.6	18.9	–	–	254.5
Stores and spares	25.4	(3.2)	–	–	22.2	0.6	–	–	22.8
Deferred charges	38.5	3.9	–	–	42.4	17.4	–	–	59.8
Share-based payments	2.6	(2.0)	–	(0.1)	0.5	–	–	(0.5)	-
Derivative financial instruments	5.7	(5.7)	–	–	–	–	–	–	–
Research and development feedstock adjustment	–	–	–	–	–	17.8	–	–	17.8
MRRT income tax impact	–	15.2	–	–	15.2	24.7	–	–	39.9
Other items	5.0	(0.9)	–	–	4.1	3.7	–	–	7.8
	293.3	12.8	–	13.9	320.0	83.1	–	(0.5)	402.6

2 Relates to tax balances acquired and accounted for in the business combination valuation reserve.

5. INCOME TAX CONTINUED

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
Deferred tax balances are attributable to:		
Deferred tax assets		
Continuing operations	486.6	222.7
Disposal groups and assets held for sale	35.1	-
	521.7	222.7
Deferred tax liabilities		
Continuing operations	399.9	320.0
Disposal groups and assets held for sale	2.7	-
	402.6	320.0

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
(D) TAX MOVEMENTS RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME		
Deferred tax related to items charged or credited directly to other comprehensive income during the year		
Cash flow hedges:		
– net gains taken to equity	0.6	5.7
– transferred to profit and loss	(2.9)	(3.2)
– transferred to initial carrying amount of hedged items	2.3	(1.4)
Currency translation differences:		
– net investment hedges	43.3	10.1
Income tax charged directly to other comprehensive income	43.3	11.2

(E) TAX EFFECT ACCOUNTING BY MEMBERS OF THE TAX CONSOLIDATED GROUP

The head entity Arrium Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Arrium Group has applied the stand-alone taxpayer approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) assumed from controlled entities in the tax consolidated group.

The amounts receivable or payable under the tax sharing agreement are due upon receipt of the funding advice from the head entity which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

(F) UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of estimated capital losses amounting to $43.0 million (2012: $65.3 million). Deferred tax assets have not been recognised in respect of MRRT amounting to $408.4 million (2012: $540.7 million).

Capital tax losses are subject to continuity of ownership tests and MRRT unrecognised deferred tax assets are subject to future taxable mining profits. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit or future mining profit will be available against which the consolidated entity can utilise the benefits.

(G) MINERALS RESOURCE RENT TAX

On 29 March 2012, the Minerals Resource Rent Tax Bill 2011, Minerals Resource Rent Tax (Consequential Amendments and Transitional Provisions) Bill 2011, Minerals Resource Rent Tax (Imposition-General) Bill 2011, Minerals Resource Rent Tax (Imposition-Customs) Bill 2011 and Minerals Resource Rent Tax (Imposition–Excise) Bill 2011 which collectively implemented the Federal Government's Minerals Resource Rent Tax was enacted.

The Minerals Resource Rent Tax (MRRT) applies from 1 July 2012 and seeks to tax coal and iron ore extraction activities in Australia. As a result of the MRRT, Arrium has recognised deferred tax assets of $132.9 million (2012: $50.6 million), deferred tax liabilities of $39.9 million (2012: $15.2 million) and a corresponding net decrease in income tax expense of $57.6 million (2012: $35.4 million) for the year ended 30 June 2013.

6. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Company's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares which comprise restricted shares granted to employees.

The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share:

(A) EARNINGS

	CONSOLIDATED	
	2013 $m	2012 $m
(Loss)/Profit attributable to equity holders of the parent	(694.7)	57.7
Add: Adjustment for employee compensation shares	2.1	(0.2)
(Loss)/earnings used in calculating basic and diluted earnings per share attributable to equity holders of the parent	(692.6)	57.5
Net profit for the period attributable to continuing operations	70.5	296.3
Less: Non-controlling interests	(0.7)	(1.0)
Profit from continuing operations attributable to equity holders of the parent	69.8	295.3
Less: Adjustment for employee compensation shares	(0.2)	(1.2)
Earnings used in calculating basic and diluted earnings per share from continuing operations attributable to equity holders of the parent	69.6	294.1

(B) NUMBER OF ORDINARY SHARES

	2013 NUMBER OF SHARES	2012 NUMBER OF SHARES
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,344,284,948	1,335,544,142
Dilutive effect of executive share rights and restricted stock	-	1,208,098
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	1,344,284,948	1,336,752,240

ISSUES AFTER 30 JUNE 2013

There have been no other subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of the financial report.

(C) EARNINGS PER SHARE

	CONSOLIDATED	
	2013 CENTS/ SHARE	2012 CENTS/ SHARE
Basic (loss)/earnings per share	(51.52)	4.30
Diluted (loss)/earnings per share	(51.52)	4.30
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:		
Basic earnings per share	5.18	22.02
Diluted earnings per share	5.17	22.01

7. RECEIVABLES

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
Current		
Trade receivables[1]	625.9	900.7
Provision for doubtful debts	(3.1)	(6.5)
	622.8	894.2
Other receivables	98.1	58.8
	720.9	953.0
Non-current		
Other receivables	13.2	–
	13.2	–

1 $7.1 million (2012: $8.4 million) of the trade receivables balance are known as Metalcard in the Steel segment whereby interest is charged on the outstanding balance at an average interest rate throughout the year of 11.93% (2012: 12.59%).

Trade receivables (excluding Metalcard receivables within the Steel segment) are non-interest bearing and are generally on 30 to 60 day terms.

(A) PROVISION FOR DOUBTFUL DEBTS

A provision for doubtful debt is recognised when there is objective evidence that an individual trade receivable is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation or default or delinquency in payments are considered indicators that the trade receivable is impaired.

Movements in the provision for doubtful debts during the year were as follows:

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
Carrying amount at the beginning of the year	(6.5)	(3.7)
Disposal groups and assets held for sale	2.4	–
Additional amounts provided	(2.5)	(6.9)
Utilised	2.5	2.3
Reversal of unutilised amounts	1.2	1.7
Net foreign currency differences on translation of foreign operations	(0.2)	0.1
Carrying amount at the end of the year	(3.1)	(6.5)

Amounts charged to the provision for doubtful debts are written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

The total value of impaired receivables at 30 June 2013 is $3.1 million (2012: $6.5 million). These receivables are all greater than 30 days overdue and have been fully provided for.

(B) PAST DUE BUT NOT IMPAIRED

At balance date, receivables of $36.6 million (2012: $74.3 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The aging analysis of these receivables are as follows:

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
1 to 30 days	26.6	50.9
31 to 60 days	3.8	9.6
61 to 90 days	3.1	11.4
Over 90 days	3.1	2.4
	36.6	74.3

(C) FAIR VALUE AND CREDIT RISK

Due to the short-term nature of these receivables, their carrying values are assumed to approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

(D) FOREIGN EXCHANGE AND INTEREST RATE RISK

The Group's exposure to foreign exchange and interest rate risk related to trade and other receivables is disclosed in Note 32.

8. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2013 $m	2012 $m
Current assets		
Forward contracts – cash flow hedges	–	7.1
Forward contracts – held for trading	10.7	9.1
Option contracts – cash flow hedges	0.5	0.7
Option contracts – held for trading	0.1	–
	11.3	16.9
Non-current assets		
Interest rate swap contracts – fair value hedges	20.3	27.5
Cross-currency interest rate swap contracts – held for trading	2.9	2.4
	23.2	29.9
Current liabilities		
Forward contracts – cash flow hedges	0.5	1.1
Forward contracts – held for trading	9.2	4.0
Option contracts – cash flow hedges	2.5	0.4
Interest rate swap contracts – cash flow hedges	0.8	2.5
Cross-currency interest rate swap contracts – cash flow hedges	–	15.8
	13.0	23.8
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	7.1	10.6
Cross-currency interest rate swap contracts – fair value hedges	27.7	34.0
Cross-currency interest rate swap contracts – cash flow hedges	10.4	12.8
	45.2	57.4

INSTRUMENTS USED BY THE GROUP

The Group is party to derivative financial instruments in the normal course of business in order to manage exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 32).

(a) Interest rate swap contracts – cash flow hedges

It is the Group's policy to hedge part of its variable interest rate loans from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Australian dollar-denominated bank loans of the Group currently bear an average variable interest rate of 5.14% (2012: 5.99%).

Swaps in place cover 43% (2012: 53%) of the variable AUD loan principal outstanding and are timed to expire between two and three years. This is managed on a portfolio basis and assumes that debt facilities are renewed. During the year, the fixed interest rates ranged between 3.10% and 7.51% (2012: 5.90% and 7.51%) and the variable rates settings between 2.95% and 3.53% (2012: 4.18% and 4.90%) compared with three-month BBSW which at balance date was 2.82% (2012: 3.49%).

The Group has USD denominated bank loans that currently bear an average variable interest rate of 2.58% (2012: 2.37%). Swaps in place cover 31% (2012: 32%) of the variable USD loan principal outstanding and are timed to expire between one and four years. This is managed on a portfolio basis and assumes that debt facilities are renewed. During the year, the fixed interest rates ranged between 0.93% and 1.74% (2012: 0.93% and 1.74%) and the variable rates settings between 0.28% and 0.46% (2012: 0.25% and 0.56%) compared with three-month LIBOR which at balance date was 0.27% (2012: 0.46%).

The Group also has Canadian dollar denominated bank loans that currently bear an average interest rate of 3.17% (2012: 3.31%). Swaps in place cover 31% (2012: 38%) of the variable Canadian loan principal outstanding and are timed to expire between two and three years. This is managed on a portfolio basis and assumes that debt facilities are renewed. During the year, the fixed interest rate was 2.59% (2012: 2.59%) and the variable rate ranged between 1.28% and 1.30% (2012: 1.28% and 1.30%) compared with three-month CDOR which at balance date was 1.28% (2012: 1.31%).

The contracts require settlement of net interest receivable or payable at 90-day intervals. The contracts are settled on a net basis where master netting agreements are in place. The majority of the settlement dates coincide with the dates on which interest is payable on the underlying debt.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the cash flow hedge reserve to the extent that the hedge is effective. It is reclassified into the Income Statement when the hedged interest expense is recognised. Any ineffective portion is recognised in the Income Statement immediately. There was no material hedge ineffectiveness recognised in the Income Statement in the current or prior year.

8. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

(b) Interest rate swap contracts – fair value hedges

At 30 June 2013, the Group had a series of interest rate swaps in place with a notional amount of USD230 million (2012: USD230 million) whereby it receives an average fixed interest rate of 3.48% semi-annually (2012: 3.50%) in USD and pays a floating rate of interest equal to USD LIBOR amount quarterly.

Swaps currently in place cover 100% (2012: 100%) of USD30 million US Private Placement debt issued in August 2007 and USD200 million in June 2008. The swaps are being used to protect the value of USD denominated debt against changes in fair value due to changes in the benchmark interest rate. During the year, the fixed interest rates ranged between 3.00% and 3.89% (2012: 3.00% and 3.89%) and the variable rates between 0.28% and 0.46% (2012: 0.25% and 0.58%) compared with the three-month LIBOR which at balance date was 0.27% (2012: 0.46%). Interest payments on the debt are made semi-annually.

(c) Cross-currency interest rate swap contracts – fair value hedges

At balance date, the Group had a series of cross-currency interest rate swaps in place with a notional amount of USD60 million (2012: USD60 million) whereby it receives a fixed interest rate of 5.5% semi-annually (2012: 5.5%) and pays a floating rate of interest equal to BBSW in AUD on the notional amount quarterly.

Swaps currently in place cover 100% (2012: 100%) of the loan principal outstanding. The swaps are being used to hedge the exposure to changes in the fair value of its US Private Placement, fixed interest USD denominated senior notes raised in April 2003 (a twelve year tranche of USD60 million expiring in April 2015). The fixed interest rate was 5.54% (2012: 5.54%) and the variable rate was between 4.42% and 4.89% (2011: 5.59% and 6.38%) compared with the three-month BBSW which at balance date was 2.82% (2012: 3.49%). Interest payments on the debt are made semi-annually.

The expiration of the cross-currency interest rate swaps is matched to the expiry of the underlying debt.

(d) Cross-currency interest rate swaps – cash flow hedges

At balance date, the Group had a cross-currency interest rate swap in place with a notional amount of USD20 million (2012: USD45 million) whereby it receives an average fixed interest rate of 5.98% (2012: 5.9%) in USD on the notional amount semi-annually and pays an average fixed interest rate of 7.27% (2012: 7.3%) in AUD on the notional amount semi-annually.

The swap currently in place covers 100% of the designated loan principal outstanding (2012: 100%) and is timed to expire as each loan repayment falls due. The swap is being used to hedge the exposure to fluctuations in cash flow due to fluctuations to the AUD/USD spot exchange rate on USD denominated senior notes. During the year, the fixed interest rates paid ranged between 7.21% and 7.27% (2012: 7.21% and 7.33%) and the fixed rates received between 5.98% and 5.79% (2012: 5.64% and 5.98%). Interest payments on the debt are made semi-annually.

The contract requires settlement of interest receivable or payable at 180-day intervals. The contract is settled on a net basis where master netting agreements are in place. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the cash flow hedge reserve, to the extent that the hedge is effective, and reclassified into the Income Statement when the hedged interest expense is recognised. The ineffective portion is recognised in the Income Statement immediately. There was no material hedge ineffectiveness recognised in the Income Statement in the current or prior year.

The expiration of the cross-currency interest rate swaps is matched to the expiry of the underlying debt.

(e) Forward contracts – cash flow hedges

The Group is exposed to foreign exchange risk through primary financial assets and liabilities and anticipated future transactions modified through derivative financial instruments such as forward exchange contracts.

The Group has a series of forward exchange contracts to hedge highly probable forecast or committed purchases. The contracts are timed to mature when payments for the purchases are scheduled to be made.

The portion of the gain or loss on the forward contract that is determined to be an effective hedge is recognised directly in equity in the cash flow hedge reserve. Amounts accumulated in Equity are transferred to the Income Statement in the periods when the hedged item affects profit or loss such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability. There was no material hedge ineffectiveness recognised in the Income Statement in the current or prior year.

At balance date, the details of outstanding contracts are:

	CONSOLIDATED					
	2013			2012		
	AVERAGE EXCHANGE RATE	BUY	SELL	AVERAGE EXCHANGE RATE	BUY	SELL
		$m	$m		$m	$m
Currency						
United States Dollar						
Up to 3 months	0.95	–	13.3	0.97	10.0	102.9
3 months to 12 months	0.98	–	1.6	0.97	6.0	98.0
12 months to 2 years	–	–	–	0.98	–	6.4
		–	14.9		16.0	207.3
Euro						
Up to 3 months	–	–	–	0.76	0.8	–
3 months to 12 months	–	–	–	0.77	2.0	–
		–	–		2.8	–
Indonesian Rupiah						
Up to 3 months	–	–	–	9,530	3.6	–
3 months to 12 months	–	–	–	9,714	5.7	–
		–	–		9.3	–
New Zealand Dollar						
Up to 3 months	–	–	–	1.29	–	1.2
					–	1.2
Singapore Dollar						
Up to 3 months	–	–	–	1.24	0.3	–
		–	–		0.3	–

(f) Option contracts – cash flow hedges

At balance date the Group had a series of foreign currency collars being a combination of written put options and purchased call options with a notional amount of USD76 million (2012: USD60 million).

The options are being used to hedge the exposure to fluctuations in cash flow due to fluctuations to the AUD/USD spot exchange rate on highly probable forecasted sales of iron ore and scrap in USD in the ensuing financial year. The contracts are timed to mature when receipt of payment from customers are forecasted to occur. Changes in the intrinsic value of the options are deferred in equity in the cash flow hedge reserve. Changes in the fair value of the option other than intrinsic value are recognised in the Income Statement as they occur. There was no hedge ineffectiveness recognised in the Income Statement in the current year.

(g) Forward contracts, option contracts and cross-currency interest rate swap contracts – held for trading

The Group has entered into forward exchange and cross-currency interest rate swap contracts which are economic hedges but do not satisfy the requirements for hedge accounting. These contracts are accounted for as held for trading financial instruments and are subject to the same risk management policies as all other derivative contracts (refer to Note 32).

9. INVENTORIES

	CONSOLIDATED	
	2013 $m	2012 $m
Raw materials		
At cost	232.5	283.9
At net realisable value	14.4	32.3
	246.9	316.2
Work in progress		
At cost	428.4	337.9
At net realisable value	0.5	1.9
	428.9	339.8
Finished goods		
At cost	427.0	574.6
At net realisable value	50.2	48.4
	477.2	623.0
Stores, spares and other		
At cost	124.4	166.9
At net realisable value	3.5	5.0
	127.9	171.9
Total inventories		
At cost	1,212.3	1,363.3
At net realisable value	68.6	87.6
	1,280.9	1,450.9

10. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2013 $m	2012 $m
Current		
Loan to jointly controlled entity	0.8	–
	0.8	–
Non-current		
Loan to jointly controlled entity	–	1.3
	–	1.3

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
Investment in jointly controlled entity[1]	12.8	12.8
Investment in associate[2]	-	1.2
	12.8	14.0

1 Arrium Limited has a 50% ownership interest and voting power in BOSFA Pty Ltd (2012: 50%) and Genalta Recycling Inc (2012: 50%). BOSFA Pty Ltd is a company incorporated in Australia involved in the distribution of steel wire products with a balance date of 31 December. Genalta Recycling Inc is a company incorporated in Canada involved in the recycling and sale of Scrap Metals and has a balance date of 31 December.

2 The Group disposed of its interest and voting power in Suntech Metals Company on 10 April 2013 (2012: 20% interest). Suntech Metals Company is a company incorporated in Thailand involved in the collection and sale of non-ferrous scrap metal.

There were no impairment losses relating to investments accounted for using the equity method. There were no commitments or contingencies.

The following information illustrates summarised financial information relating to the Group's investments accounted for using the equity method:

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
Share of jointly controlled entity and associate's income, expenses and results[3]		
Income	28.3	28.2
Expenses	(30.2)	(26.7)
Net (loss)/profit before income tax	(1.9)	1.5
Income tax benefit/(expense)	1.0	(0.5)
Net (loss)/profit after income tax	(0.9)	1.0
Share of jointly controlled entity and associate's assets and liabilities		
Current assets	9.5	7.8
Non-current assets	10.1	11.9
Current liabilities	(4.6)	(3.2)
Non-current liabilities	(2.2)	(2.5)
Net assets	12.8	14.0

3 Includes share of income, expenses and results of Suntech Metals Company from 1 July 2012 to 10 April 2013.

12. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED				
	LAND	BUILDINGS	PLANT AND EQUIPMENT	LEASED ASSETS	TOTAL
	$m	$m	$m	$m	$m
Year ended 30 June 2013					
Net carrying amount at the beginning of the year	188.5	362.7	2,190.0	13.4	2,754.6
Additions	1.9	11.9	333.5	-	347.3
Disposals	(18.1)	(29.6)	(26.0)	-	(73.7)
Disposal groups and assets held for sale	(16.5)	(45.7)	(36.8)	-	(99.0)
Transfers and other movements	0.8	21.4	3.5	-	25.7
Impairment loss	(6.4)	(13.7)	(86.9)	-	(107.0)
Depreciation	-	(18.2)	(196.7)	(1.4)	(216.3)
Net foreign currency differences on translation of foreign operations	(0.4)	10.0	46.2	-	55.8
Net carrying amount at the end of the year	149.8	298.8	2,226.8	12.0	2,687.4
At 30 June 2013					
Cost	149.8	453.2	3,586.8	14.1	4,203.9
Accumulated depreciation and impairment	-	(154.4)	(1,360.0)	(2.1)	(1,516.5)
Net carrying amount	149.8	298.8	2,226.8	12.0	2,687.4

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	CONSOLIDATED				
	LAND	BUILDINGS	PLANT AND EQUIPMENT	LEASED ASSETS	TOTAL
	$m	$m	$m	$m	$m
Year ended 30 June 2012					
Net carrying amount at the beginning of the year	208.9	368.5	2,008.6	–	2,586.0
Acquisitions through business combinations	–	–	14.3	–	14.3
Additions	1.6	14.3	378.6	14.1	408.6
Disposals	(14.4)	(4.8)	(11.9)	–	(31.1)
Disposal groups and assets held for sale	(3.2)	(5.2)	(0.7)	–	(9.1)
Transfers and other movements	(2.0)	12.3	(4.8)	–	5.5
Impairment loss	(4.2)	(6.5)	(28.8)	–	(39.5)
Depreciation	–	(16.9)	(176.5)	(0.7)	(194.1)
Net foreign currency differences on translation of foreign operations	1.8	1.0	11.2	–	14.0
Net carrying amount at the end of the year	188.5	362.7	2,190.0	13.4	2,754.6
At 30 June 2012					
Cost	192.3	550.0	3,654.5	14.1	4,410.9
Accumulated depreciation and impairment	(3.8)	(187.3)	(1,464.5)	(0.7)	(1,656.3)
Net carrying amount	188.5	362.7	2,190.0	13.4	2,754.6

13. MINE DEVELOPMENT EXPENDITURE

	CONSOLIDATED		
	DEFERRED STRIPPING	PRE-PRODUCTION EXPENDITURE	TOTAL
	$m	$m	$m
Year ended 30 June 2013			
Net carrying amount at the beginning of the year	141.3	176.6	317.9
Additions	–	74.2	74.2
Deferrals	74.9	–	74.9
Amortisation	(14.9)	(28.8)	(43.7)
Net foreign currency differences on translation of foreign operations	–	11.1	11.1
Other movement	–	58.2	58.2
Net carrying amount at the end of the year	201.3	291.3	492.6
At 30 June 2013			
Cost	238.5	348.9	587.4
Accumulated depreciation and impairment	(37.2)	(57.6)	(94.8)
Net carrying amount	201.3	291.3	492.6
Year ended 30 June 2012			
Net carrying amount at the beginning of the year	128.2	79.1	207.3
Additions	–	56.1	56.1
Acquisitions through business combinations	–	18.2	18.2
Deferrals	35.4	–	35.4
Amortisation	(22.3)	(9.4)	(31.7)
Impairment loss	–	(3.4)	(3.4)
Net foreign currency differences on translation of foreign operations	–	(0.7)	(0.7)
Other movement	–	36.7	36.7
Net carrying amount at the end of the year	141.3	176.6	317.9
At 30 June 2012			
Cost	163.6	204.5	368.1
Accumulated depreciation and impairment	(22.3)	(27.9)	(50.2)
Net carrying amount	141.3	176.6	317.9

14. OTHER INTANGIBLES AND GOODWILL

	CONSOLIDATED									
	GOODWILL	SYSTEM DEVELOPMENT COSTS	CUSTOMER RELATION-SHIPS	SUPPLIER CONTRACTS	KNOW-HOW	BRAND NAMES	PATENTS	MINING TENEMENT RIGHTS	EXPLORATION RIGHTS	TOTAL
	$m	$m	$m	$m	$m	$m	$m	$'m	$m	$m
Year ended 30 June 2013										
Opening net carrying amount	2,351.3	5.0	69.5	10.6	8.6	114.0	0.1	246.6	16.3	2,822.0
Acquisitions through business combinations	0.2	-	-	-	-	-	-	-	-	0.2
Additions	-	0.6	-	-	0.1	0.2	-	-	-	0.9
Disposals	(31.6)	-	-	-	-	-	-	-	-	(31.6)
Amortisation	-	(2.9)	(5.0)	(1.1)	(5.6)	-	(0.1)	(14.3)	-	(29.0)
Impairment	(747.1)	(1.2)	-	(7.0)	-	(67.7)	-	-	-	(823.0)
Net foreign currency differences on translation of foreign operations	66.5	0.1	5.6	(0.3)	0.2	3.4	-	18.7	1.4	95.6
Net carrying amount at the end of the year	1,639.3	1.6	70.1	2.2	3.3	49.9	-	251.0	17.7	2,035.1
At 30 June 2013										
Cost	2,038.9	76.8	95.8	14.5	18.7	104.4	-	266.9	17.7	2,633.7
Accumulated amortisation and impairment, net of discontinued operations	(399.6)	(75.2)	(25.7)	(12.3)	(15.4)	(54.5)	-	(15.9)	-	(598.6)
Net carrying amount	1,639.3	1.6	70.1	2.2	3.3	49.9	-	251.0	17.7	2,035.1
Year ended 30 June 2012										
Net carrying amount at the beginning of the year	2,422.2	10.2	69.8	11.7	13.6	115.9	0.7	–	–	2,644.1
Acquisitions through business combinations	0.3	–	–	–	–	–	–	256.4	17.0	273.7
Additions	–	0.3	–	–	–	0.5	–	–	–	0.8
Disposals	(18.3)	–	–	–	–	–	–	–	–	(18.3)
Amortisation	–	(5.6)	(4.5)	(1.4)	(5.7)	–	(0.1)	–	–	(17.3)
Impairment	(94.2)	–	–	–	–	(4.6)	(0.5)	–	–	(99.3)
Net foreign currency differences on translation of foreign operations	41.3	0.1	4.2	0.3	0.7	2.2	–	(9.8)	(0.7)	38.3
Net carrying amount at the end of the year	2,351.3	5.0	69.5	10.6	8.6	114.0	0.1	246.6	16.3	2,822.0
At 1 July 2012										
Cost	2,445.5	78.7	109.5	14.2	17.2	125.0	9.7	246.6	16.3	3,062.7
Accumulated amortisation and impairment, net of discontinued operations	(94.2)	(73.7)	(40.0)	(3.6)	(8.6)	(11.0)	(9.6)	-	-	(240.7)
Net carrying amount	2,351.3	5.0	69.5	10.6	8.6	114.0	0.1	246.6	16.3	2,822.0

14. OTHER INTANGIBLES AND GOODWILL CONTINUED

DESCRIPTION OF THE GROUP'S INTANGIBLE ASSETS

Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis and whenever there is an indication of impairment.

The carrying amount of goodwill in the Steel segment has been impaired to its recoverable amount during the year by $579.1 million (2012: nil) and the carrying amount of goodwill in the Recycling segment has been impaired to its recoverable amount during the year by $168.0 million (2012: nil) This loss has been included in "Operating Expenses" in the Income Statement.

System development costs

System development costs are carried at cost less accumulated amortisation and impairment losses. These have been assessed as having a finite life and amortised on a straight-line basis. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Customer relationships, supplier contracts, know-how, patents and finite life brand names

These intangibles have been acquired through business combinations and are carried at cost less accumulated amortisation and impairment losses. These intangible assets have been determined to have finite lives. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Indefinite life brand names

Included in Brand Names are indefinite life brand names with a carrying amount of $49.9 million as at 30 June 2013 (2012: $114.0 million). These brand names are core to the continuing operations of the Group and accordingly have been assessed as having an indefinite useful life as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. Indefinite life brand names are carried at cost less accumulated impairment losses. These assets are subject to impairment testing on an annual basis and whenever there is an indication of impairment.

The carrying amount of the indefinite life brand names within the Steel segment have been fully impaired by $67.7 million (2012: nil) to their estimated recoverable amount of nil. This loss has been included in "Operating Expenses" in the Income Statement.

Mining tenement rights

Mining tenement rights have been acquired through business combinations and are carried at cost less accumulated amortisation and impairment losses. These intangible assets have been determined to have finite useful lives. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Exploration rights

Exploration rights acquired through business combinations are carried at cost less any accumulated impairment losses. These intangible assets are not amortised but are subject to impairment testing on an annual basis or whenever there is an indicator of impairment.

IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE USEFUL LIVES

(a) Carrying amount of goodwill and intangibles with indefinite useful lives allocated to each of the cash generating units (CGUs)

For the purpose of impairment testing, goodwill and/or indefinite life intangibles have been allocated to the Group's CGUs/groups of CGUs which represent the lowest level within the Group at which they are monitored for internal management purposes.

The aggregate carrying value of goodwill and indefinite life brand names according to the CGUs are as follows:

	CONSOLIDATED		
2013	GOODWILL	INDEFINITE LIFE BRAND NAMES	TOTAL
	$m	$m	$m
Recycling	176.7	-	176.7
Steel			
Manufacturing	-	-	-
Distribution	190.9	-	190.9
Mining Consumables	1,271.7	49.2	1,320.9
Unallocated	-	0.7	0.7
	1,639.3	49.9	1,689.2

2012	CONSOLIDATED GOODWILL	INDEFINITE LIFE BRAND NAMES	TOTAL
	$m	$m	$m
Recycling	333.5	–	333.5
Steel[2]			
Manufacturing	533.0	21.8	554.8
Distribution	255.8	45.9	301.7
Mining Consumables	1,216.6	46.3	1,262.9
Unallocated[1]	12.4	–	12.4
	2,351.3	114.0	2,465.3

1 The New Zealand Distribution segment ceased to be an operating segment on the disposal of Steel & Tube Holdings on 9 October 2012. Accordingly, the June 2012 balance has been reclassified as unallocated.

2 On 30 May 2013 Arrium announced the merger of the Manufacturing and Distribution operating segments into Steel effective 1 July 2013. Accordingly, the June 2012 balances for the Manufacturing and Distribution operating segments have been combined into Steel.

(b) Key assumptions used in value in use calculations

The recoverable amount of the CGUs/groups of CGUs to which goodwill and/or indefinite life brand names have been allocated has been determined based on a value in use calculation using the cash flow projections based on the five-year forecast approved by the Board. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

CGU/GROUP OF CGUS	DISCOUNT RATE 2013 %	DISCOUNT RATE 2012 %	TERMINAL GROWTH RATE 2013 %	TERMINAL GROWTH RATE 2012 %
Recycling	11.6	9.2	2.5	2.0
Manufacturing	11.0	9.6	2.5	2.0
Australian Distribution	12.2	10.5	2.5	2.0
Mining Consumables				
North Americas	12.4	8.5	3.0	2.0
South Americas	13.5	7.8	3.0	2.0
AltaSteel	9.8	8.5	3.0	2.0
Australia	12.2	10.1	3.0	2.0

The calculation of value in use is most sensitive to the following assumptions:

- Discount rates
- Gross margins
- Raw materials price inflation
- Market conditions
- Growth rate used to extrapolate cash flows beyond the forecast period.

Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each CGU/group of CGUs that are not already reflected in the cash flows. In determining appropriate discount rates for each unit, regard has been given to a weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit. The Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above.

Gross margins – the basis used to determine the value assigned to the margins in the CGUs are the actual margins achieved, adjusted for efficiency improvement as well as movements in input costs and international steel prices in line with external sources of information.

Raw materials price inflation – values assigned to this key assumption are consistent with external sources of information except for Arrium owned mines, where the value assigned is in line with mining contracts and other cost escalators such as oil.

Market conditions – assumptions on key domestic market segment activity including construction, mining, agriculture and manufacturing are consistent with external sources of information. Assumptions including GDP, CPI and wages escalation are consistent with external sources of information. Long-term forecast AUD/USD and NZD exchange rates are used which are consistent with external sources of information.

Growth rate estimates – are based on published industry research and do not exceed the growth rate of the markets or country to which the CGUs/group of CGUs are dedicated.

14. OTHER INTANGIBLES AND GOODWILL CONTINUED

(c) Sensitivity to changes in assumptions

Manufacturing
For the Manufacturing CGU, actual recoverable amount based on the value in use calculation is consistent with its carrying amount. Management recognises that the cash flow projections, discount and growth rates used to calculate the value in use may vary to what they have estimated. Management notes the value in use estimate is particularly sensitive in the following areas:

- An increase by 1% in the discount rate used will result in an impairment loss of $127.0 million.
- A fall in the growth rate to 1% will result in an impairment loss of $141.0 million.

Recycling
For the Recycling CGU, actual recoverable amount based on the value in use calculation is consistent with its carrying amount. Management recognises that the cash flow projection, discount and growth rates used to calculate value in use may vary to what they have estimated. Management notes the value in use estimate is particularly sensitive in the following areas:

- An increase by 1% in the discount rate used will result in an impairment loss of $30.0 million.
- A fall in the growth rate to 1% will result in an impairment loss of $35.0 million.

15. OTHER ASSETS

	CONSOLIDATED	
	2013 $m	2012 $m
Current		
Other assets	7.2	11.8
	7.2	11.8
Non-current		
Defined benefit asset (Note 19)	32.7	27.8
	32.7	27.8

16. PAYABLES

	CONSOLIDATED	
	2013 $m	2012 $m
Current		
Trade and other payables	1,098.1	1,054.0
	1,098.1	1,054.0
Non-current		
Other payables	0.2	0.3
	0.2	0.3

Trade payables are non-interest bearing and are generally settled on 30 to 60 day terms. Other payables are non-interest bearing and include liabilities in respect of trade financing within the normal operating cycle of the business.

FAIR VALUES

Due to the short-term nature of these payables, their carrying amounts are assumed to approximate their fair values.

FOREIGN EXCHANGE RISK

The Group's exposure to foreign exchange risk related to trade and other payables is disclosed in Note 32.

17. INTEREST-BEARING LIABILITIES

	CONSOLIDATED	
	2013 $m	2012 $m
Current		
Finance lease (Note 25)	1.1	1.0
Unsecured		
Bank loans	–	31.4
US Private Placement – at amortised cost[2]	–	24.9
	1.1	57.3
Non-current		
Finance lease (Note 25)	11.6	12.7
Unsecured		
Bank loans[1]	1,966.8	1,801.7
US Private Placement – at fair value[2,4,5]	89.7	93.2
US Private Placement – at amortised cost[3,4,5,6]	484.0	446.5
	2,552.1	2,354.1

1 Included in bank loans are USD1.1 billion and CAD230 million of debt designated as a hedge of the Group's net investments in its US and Canadian operations. Gains and losses on the translation of the debt are recorded in equity offsetting losses and gains on the translation of the net investments in subsidiaries to the Group functional currency AUD. During the year, net losses of $73.2 million (2012: $33.6 million) on the translation of the designated debt were recorded in equity. There was no ineffectiveness recognised in the Income Statement during the year (2012: $0.9 million loss).

2 Included in this balance is USD60 million issued under US Private Placement in April 2003 at 5.55% payable in April 2015. This has been hedged using a series of cross-currency interest rate swaps and accounted for as a fair value hedge – refer to Notes 8 and 32.

3 Included in this balance is US Private Placement debt recognised on acquisition of SSX Pty Ltd in August 2007. This comprises USD30 million at 6.08% payable in July 2014 and USD20 million at 6.08% payable in June 2015. USD25 million was repaid in June 2013. Of the balance at 30 June, USD20 million (2012: USD45 million) has been hedged using a cross-currency interest rate swap accounted for as a cash flow hedge – refer to Notes 8 and 32. A further USD30 million is designated as a hedge of the Group's net investments in its US operations. Gains and losses on the translation of the debt are recorded in equity offsetting losses and gains on the translation of the net investments in subsidiaries to the Group functional currency AUD. During the year, net unrealised losses of $1.7 million (2012: $1.2 million) on the translation of the designated debt were recorded in equity. There was no ineffectiveness recognised in the Income Statement during the year (2012: nil).

4 Interest rate risk on the USD30 million referred to above has been hedged using an interest rate swap to receive a fixed interest rate of 3.0% semi-annually (2012: 3.0%) in USD and pay a floating rate of interest equal to LIBOR in USD on the notional amount quarterly. The underlying debt continues to be carried at amortised cost. The future interest payment cash flows, being the hedged item, are carried at fair value.

5 Included in this balance is USD200 million US Private Placement debt issued in July 2008. This comprises USD50 million at 7.0% payable in July 2015, USD97 million at 7.3% payable in July 2018 and USD53 million at 7.4% payable in July 2020. Interest rate risk on the debt has been hedged using a series of interest rate swaps to receive an average fixed interest rate of 3.5% (2012: 3.5%) in USD and pay a floating rate of interest equal to LIBOR in USD on the notional amount quarterly. The underlying debt continues to be carried at amortised cost. The future interest payment cash flows, being the hedged item, are carried at fair value.

6 Included in this balance is USD200 million US Private Placement debt issued in June 2011. This comprises USD50 million at 4.95% payable in June 2018, USD125 million at 5.61% payable in June 2021 and USD25 million at 5.71% payable in June 2023. This debt is designated as a hedge of the Group's net investments in its US operations. Gains and losses on the translation of the debt are recorded in equity offsetting losses and gains on the translation of the net investments in subsidiaries to the Group functional currency AUD. During the year, net losses of $11.6 million (2012: $5.7 million) on the translation of the designated debt were recorded in equity. There was no ineffectiveness recognised in the Income Statement in the current or prior year.

At 30 June 2013, the fair value of US Private Placement debt carried at amortised cost on Balance Sheet is $484.0 million (2012: $471.4 million).

FAIR VALUES

Unless disclosed above, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing interest rates.

RISK EXPOSURES

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 32.

18. PROVISIONS

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
Current		
Employee benefits (Note 29)	259.9	277.2
Restoration and rehabilitation	14.2	16.4
Legal and customer claims	8.6	11.6
Restructuring	32.1	14.9
Carbon unit liability	30.5	-
	345.3	320.1
Non-current		
Employee benefits (Note 29)	39.5	49.4
Defined benefit liability (Note 19)	30.4	45.0
Restoration and rehabilitation	151.2	141.0
Legal and customer claims	1.2	1.6
Restructuring	1.7	–
	224.0	237.0

	CONSOLIDATED				
	LEGAL AND CUSTOMER CLAIMS	RESTORATION AND REHABILITATION	RESTRUCTURING	CARBON UNIT LIABILITY	TOTAL
2013	$m	$m	$m	$m	$m
Movements in carrying amounts					
Carrying amount at the beginning of the year	13.2	157.4	14.9	-	185.5
Disposal of controlled entities	(0.7)	-	(0.2)	-	(0.9)
Additional amounts provided	5.2	31.4	70.4	62.9	169.9
Reversal of unutilised amounts	(2.0)	(10.2)	(6.3)	-	(18.5)
Utilised	(5.4)	(9.1)	(19.3)	(32.4)	(66.2)
Net foreign currency differences on translation of foreign operations	0.2	2.6	(0.1)	-	2.7
Unwinding of discount to present value	-	1.9	-	-	1.9
Discontinued operations	(0.7)	(8.6)	(25.6)	-	(34.9)
Carrying amount at the end of the year	9.8	165.4	33.8	30.5	239.5

PROVISION FOR RESTORATION AND REHABILITATION

Provision for restoration and rehabilitation comprise obligations relating to reclamation, site closure and other costs.

PROVISION FOR LEGAL AND CUSTOMER CLAIMS

Provision for legal and customer claims relates to estimates of settlement of legal claims with regulators, customers and others for alleged liability and/or legal costs associated with such claims.

PROVISION FOR RESTRUCTURING

Provision for restructuring comprised of obligations relating to redundancies from organisational changes and other direct expenditure associated with business restructures.

PROVISION FOR CARBON UNIT LIABILITY

Provision for carbon unit liability relates to obligations to pay for carbon emissions based on actual emissions and consumption data.

19. RETIREMENT BENEFIT OBLIGATIONS

The Arrium Group participates in a number of defined benefit and accumulation plans in Australia and Canada. The funds provide benefits either on a defined benefit or cash accumulation basis, for employees on retirement, resignation, disablement, or to their dependants on death.

ACCUMULATION PLANS

The benefits provided by accumulation funds are based on contributions and income thereon held by the fund on behalf of the member. Contributions are made by the member and the Company based on a percentage of the member's salary, as specified by the fund rules. These contributions are expensed in the period in which they are incurred. Contributions by the Group of 9% of employees' wages and salaries are legally enforceable in Australia.

DEFINED BENEFIT PENSION PLANS

Australia

The Group has two superannuation plans in Australia, one of which has defined benefit sections and defined contribution sections. The benefits provided by the defined benefit sections of the plan are based on the length of service of the member and the salary of the member at or near retirement. Member contributions, based on a percentage of salary, are specified by the fund rules. The defined benefit sections have been closed to new members since February 2011.

Employer contributions are made each month to the fund in accordance with the advice of the actuary to the fund, at levels deemed to be adequate to fund benefit payments in accordance with the fund's Trust Deed. These contributions are expensed in the period in which they are incurred.

Canada

The pension plans are defined benefit plans funded by employer contributions made in accordance with the most recent actuarial valuations for funding purposes.

The Group also operates a number of plans in Canada, which provide employees with post-employment benefits in respect of medical costs. Contributions are made on a pay-as-you-go basis as benefits are paid.

The following tables summarise the components of the net defined benefit expense recognised in the Income Statement and the funded status and amounts recognised in the Balance Sheet for the respective plans.

	DEFINED BENEFIT PENSION PLANS		POST-EMPLOYMENT MEDICAL BENEFITS
2013	AUSTRALIA $m	CANADA $m	CANADA $m
Net defined benefit expense			
Current service cost	14.4	2.4	0.9
Interest cost on benefit obligation	7.8	6.6	1.8
Expected return on plan assets	(19.6)	(8.1)	–
Salary sacrifice contributions	2.4	–	–
Net actuarial losses recognised in the year	8.0	0.5	–
Effect of curtailments and settlements	–	–	–
Net defined benefit expense	13.0	1.4	2.7
Actual return on plan assets	47.8	11.8	–
Defined benefit asset/(liability) included in the Balance Sheet			
Fair value of plan assets	333.2	144.7	–
Present value of defined benefit obligation	(328.7)	(151.9)	(35.4)
Surplus/(Deficit) at the end of the year	4.5	(7.2)	(35.4)
Net actuarial losses not yet recognised	28.2	13.6	(1.4)
Net defined benefit asset – non-current (refer to Note 15)	32.7	–	–
Net defined benefit liability – non-current (refer to Note 18)	–	6.4	(36.8)

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

2012	DEFINED BENEFIT PENSION PLANS AUSTRALIA $m	DEFINED BENEFIT PENSION PLANS CANADA $m	POST-EMPLOYMENT MEDICAL BENEFITS CANADA $m
Net defined benefit expense			
Current service cost	12.8	2.1	0.7
Interest cost on benefit obligation	13.6	6.8	1.8
Expected return on plan assets	(22.2)	(7.4)	–
Salary sacrifice contributions	3.8	–	–
Effect of curtailments and settlements	0.9	–	–
Net defined benefit expense	8.9	1.5	2.5
Actual return on plan assets	3.3	3.6	–
Defined benefit asset/(liability) included in the Balance Sheet			
Fair value of plan assets	299.3	112.1	–
Present value of defined benefit obligation	(356.1)	(140.1)	(37.2)
Deficit at the end of the year	(56.8)	(28.0)	(37.2)
Net actuarial losses not yet recognised	84.6	16.2	4.0
Net defined benefit asset – non-current (refer to Note 15)	27.8	–	–
Net defined benefit liability – non-current (refer to Note 18)	–	(11.8)	(33.2)

The Group has no legal obligation to settle any defined benefit liability with an immediate contribution or additional one-off contributions.

2013	DEFINED BENEFIT PENSION PLANS AUSTRALIA $m	DEFINED BENEFIT PENSION PLANS CANADA $m	POST-EMPLOYMENT MEDICAL BENEFITS CANADA $m
Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation	356.1	140.1	37.2
Interest cost	7.8	6.6	1.8
Current service cost	14.4	2.4	0.9
Contributions by plan participants	3.0	–	–
Benefits paid	(32.3)	(7.1)	(1.2)
Settlements	–	–	–
Actuarial (gains)/losses on obligation	(20.3)	0.3	(6.0)
Net foreign exchange differences	–	9.6	2.7
Closing defined benefit obligation	328.7	151.9	35.4
Changes in the fair value of plan assets			
Opening fair value of plan assets	299.3	112.1	–
Expected return	19.6	8.1	–
Contributions by employer	17.9	18.6	1.2
Contributions by plan participants	0.6	–	–
Benefits paid	(32.3)	(7.1)	(1.2)
Settlements	–	–	–
Actuarial gains	28.1	3.7	–
Net foreign exchange differences	–	9.3	–
Closing fair value of plan assets	333.2	144.7	–

2012	DEFINED BENEFIT PENSION PLANS AUSTRALIA $m	DEFINED BENEFIT PENSION PLANS CANADA $m	POST-EMPLOYMENT MEDICAL BENEFITS CANADA $m
Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation	333.5	126.5	31.9
Interest cost	13.6	6.8	1.8
Current service cost	12.8	2.1	0.7
Contributions by plan participants	4.4	–	–
Benefits paid	(44.3)	(6.3)	(1.1)
Business combinations	(7.2)	–	–
Actuarial losses on obligation	43.3	11.4	4.0
Net foreign exchange differences	–	(0.4)	(0.1)
Closing defined benefit obligation	356.1	140.1	37.2
Changes in the fair value of plan assets			
Opening fair value of plan assets	324.3	114.1	–
Expected return	22.2	7.4	–
Contributions by employer	22.6	1.0	1.1
Contributions by plan participants	0.6	–	–
Benefits paid	(44.3)	(6.3)	(1.1)
Business combinations	(7.2)	–	–
Actuarial losses	(18.9)	(3.8)	–
Net foreign exchange differences	–	(0.3)	–
Closing fair value of plan assets	299.3	112.1	–

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

2013	DEFINED BENEFIT PENSION PLANS AUSTRALIA %	DEFINED BENEFIT PENSION PLANS CANADA %
Equity instruments	57.5	64.3
Property	4.5	–
Debt instruments	23.0	34.0
Alternatives	15.0	1.7

2012	DEFINED BENEFIT PENSION PLANS AUSTRALIA %	DEFINED BENEFIT PENSION PLANS CANADA %
Equity instruments	57.5	63.1
Property	4.5	–
Debt instruments	23.0	35.1
Alternatives	15.0	1.8

The expected rate of return on plan assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories.

The principal actuarial assumptions used in determining defined benefit obligations for the Group's defined benefit plans are shown below:

2013 PRINCIPAL ACTUARIAL ASSUMPTION	DEFINED BENEFIT PENSION PLANS AUSTRALIA %	DEFINED BENEFIT PENSION PLANS CANADA %	POST-EMPLOYMENT MEDICAL BENEFITS CANADA %
Discount rate[1]	4.1	4.7	4.9
Expected rate of return on assets	N/A	6.6	N/A
Future salary increases	3.5	3.3	3.1
CPI inflation	2.5	N/A	N/A
Immediate healthcare trend rate	N/A	N/A	6.9
Ultimate healthcare trend rate	N/A	N/A	4.5

1 For the financial year ended 30 June 2013, the discount rate for Australian defined benefit funds was determined based on a blend of Commonwealth and state government bonds. The discount rate for financial year ended 30 June 2012 was based on current market yields for Australian Commonwealth government bonds.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

2012 PRINCIPAL ACTUARIAL ASSUMPTION	DEFINED BENEFIT PENSION PLANS AUSTRALIA %	 CANADA %	POST-EMPLOYMENT MEDICAL BENEFITS CANADA %
Discount rate	2.8	5.4	5.7
Expected rate of return on assets	6.3	6.6	N/A
Future salary increases	3.7	3.3	3.1
CPI inflation	2.2	N/A	N/A
Immediate healthcare trend rate	N/A	N/A	7.3
Ultimate healthcare trend rate	N/A	N/A	4.5

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in the Income Statement. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	POST-EMPLOYMENT MEDICAL BENEFITS			
SENSITIVITY TO TREND ASSUMPTIONS	VALUATION TREND + 1%		VALUATION TREND – 1%	
	2013 $m	2012 $m	2013 $m	2012 $m
Effect on total service cost and interest cost components	0.6	0.5	(0.5)	(0.4)
Effect on post-employment benefit obligation for medical costs	3.4	6.6	(3.1)	(5.2)

	DEFINED BENEFIT PENSION PLANS AUSTRALIA				
	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Historic summary					
Defined benefit plan obligation	(328.7)	(356.1)	(333.5)	(322.4)	(376.4)
Plan assets	333.2	299.3	324.3	298.6	303.8
Surplus/(Deficit)	4.5	(56.8)	(9.2)	(23.8)	(72.6)
Experience adjustments arising on plan liabilities	(0.1)	(14.1)	(17.3)	17.8	(2.5)
Experience adjustments arising on plan assets	(28.1)	18.9	18.2	23.6	(54.7)

	DEFINED BENEFIT PENSION PLANS CANADA		POST-EMPLOYMENT MEDICAL BENEFITS CANADA	
	2013 $m	2012 $m	2013 $m	2012 $m
Historic summary				
Defined benefit plan obligation	(151.9)	(140.1)	(35.4)	(37.2)
Plan assets	144.7	112.1	–	–
Deficit	(7.2)	(28.0)	(35.4)	(37.2)
Experience adjustments arising on plan liabilities	0.4	(1.1)	0.1	–
Experience adjustments arising on plan assets	–	–	–	–

Employer contributions – Australia

Excluding salary sacrifice contributions, the Group intends to continue to contribute to the defined benefit sections of the plan at a rate of at least 13.5% (2012: 13.5%) of superannuation salaries, in line with the actuary's latest recommendations.

The Group also intends to contribute the additional "top-up" contributions to the Arrium Superannuation Fund to fund the current funding deficit as instructed by the Fund actuary from time to time.

Total employer contributions excluding any additional "top-up" contributions expected to be paid by the Group in respect of defined benefit sections for the year ending 30 June 2014 are $7.8 million (2013: $8.5 million).

Employer contributions – Canada

Total employer contributions to pension and post-employment medical plans in Canada expected to be paid for the year ending 30 June 2014 are $6.8 million (2013: $10.9 million).

20. CONTRIBUTED EQUITY

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
Contributed equity		
Issued capital (a)	3,803.6	3,796.5
Employee compensation shares (b)	(25.6)	(25.6)
Total contributed equity	3,778.0	3,770.9
(a) Issued capital		
Number of ordinary shares: 1,355,433,903 (2012: 1,345,665,626)		
Issued and paid-up	3,803.6	3,796.5
(b) Employee compensation shares		
Number of ordinary shares: 6,283,917 (2012: 6,283,917)		
Shares held in trust under equity-based compensation arrangements	(25.6)	(25.6)

	NUMBER OF ORDINARY SHARES		VALUE OF ORDINARY SHARES	
	2013	2012	2013 $m	2012 $m
Movement in issued capital for the period				
On issue at the beginning of the year	1,345,665,626	1,338,106,652	3,796.5	3,787.2
Shares issued under a dividend reinvestment plan[1]	9,768,277	7,558,974	7.1	9.3
On issue at the end of the year	1,355,433,903	1,345,665,626	3,803.6	3,796.5
Movements in employee compensation shares for the period				
Held in trust at the beginning and end of the year	(6,283,917)	(6,283,917)	(25.6)	(25.6)

1 The dividend reinvestment plan provides shareholders with an opportunity to acquire additional ordinary shares of Arrium Limited in lieu of cash dividends. Shares were issued at $0.58 (October 2012) and $0.95 (April 2013).

Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

21. RETAINED EARNINGS

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
At the beginning of the year	734.6	770.7
Net (loss)/profit	(694.7)	57.7
Transfer from asset revaluation reserve	1.8	-
Dividends paid (Note 23)	(67.4)	(93.8)
At the end of the year	(25.7)	734.6

22. RESERVES

	CONSOLIDATED 2013 $m	2012 $m
Foreign currency translation reserve	(48.2)	(88.2)
Cash flow hedge reserve	0.3	0.4
Share-based payments reserve	26.2	19.3
Asset revaluation reserve	-	1.8
	(21.7)	(66.7)
(A) FOREIGN CURRENCY TRANSLATION RESERVE		
At the beginning of the year	(88.2)	(104.2)
Net investment hedges	(100.9)	(23.5)
Reclassified to profit and loss	(6.9)	-
Exchange fluctuations on overseas net assets	147.8	39.5
At the end of the year	(48.2)	(88.2)
(B) CASH FLOW HEDGE RESERVE		
At the beginning of the year	0.4	2.9
Losses taken to equity	(1.4)	(13.4)
Transferred to profit and loss	6.7	7.6
Transferred to initial carrying amount of hedged items on Balance Sheet	(5.4)	3.3
At the end of the year	0.3	0.4
(C) SHARE-BASED PAYMENTS RESERVE		
At the beginning of the year	19.3	13.0
Expense recognised	6.9	6.3
At the end of the year	26.2	19.3
(D) ASSET REVALUATION RESERVE		
At the beginning of the year	1.8	1.8
Transferred to retained earnings	(1.8)	-
At the end of the year	-	1.8

NATURE AND PURPOSE OF RESERVES

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and the effective portion of the gain or loss on net investment hedges.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of the gain or loss on hedge instruments and the underlying hedged item in designated cash flow hedges relationships.

Share-based payments reserve

The share-based payments reserve is used to record the value of equity-based compensation provided to employees and senior executives as part of their remuneration. Refer to Note 29 for further details of these plans.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of the pre-acquisition carrying amounts of intangible assets acquired through business combinations, to their fair values.

23. DIVIDENDS

The following dividends have been paid, declared or recommended since the end of the preceding financial year:

	ON ORDINARY SHARES	DIVIDEND PER ORDINARY SHARE
	$m	CENTS
2013		
Interim dividend for 2013, paid 18 April 2013	27.0	2.0
Final dividend for 2012, paid on 18 October 2012	40.4	3.0
	67.4	5.0
2012		
Interim dividend for 2012, paid 19 April 2012	40.3	3.0
Final dividend for 2011, paid on 13 October 2011	53.5	4.0
	93.8	7.0

DIVIDENDS NOT RECOGNISED AT YEAR END

In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 3.0 cents per fully paid ordinary share (2012: 3.0 cents). The aggregate amount of the proposed dividend expected to be paid on 17 October 2013 but not recognised as a liability at year end is $40.7 million (2012: $40.4 million).

DIVIDEND FRANKING

There were no franking credits available for the subsequent financial year.

The balance of the franking account at year end has been adjusted for franking credits arising from the payment of provision for income tax and dividends recognised as receivables, franking debits arising from the payment of proposed franked dividends and franking credits that may be prevented from distribution in subsequent financial years.

24. NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION TO CASH FLOW STATEMENT

Cash at balance date as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	CONSOLIDATED	
	2013 $m	2012 $m
Cash and cash equivalents	438.3	268.1
Cash and cash equivalents attributable to discontinued operations (Note 34)	-	3.6
	438.3	271.7
At call bank loan	-	(2.0)
	438.3	269.7

(B) RECONCILIATION OF PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

	2013 $m	2012 $m
(Loss)/Profit after tax	(692.6)	63.6
Adjusted for non-cash items		
Depreciation and amortisation	274.1	220.8
Impairment of plant and equipment and intangible assets	930.1	142.2
Net gains on disposal of property, plant and equipment	(32.6)	(8.9)
Net gain on disposal of business	-	(3.1)
Net gain on disposal of controlled entity	(2.4)	-
Share of net loss/(profit) of investments accounted for using the equity method	0.9	(1.0)
Net fair value change on derivative financial instruments	(2.7)	(4.4)
Unrealised foreign exchange (gains)/losses	(10.8)	19.8
Share-based payment expense	6.9	6.5
Finance costs	8.1	8.8
Changes in assets and liabilities net of effects of purchase and sale of controlled entities and business		
Decrease/(Increase) in receivables	141.9	(68.2)
(Increase)/Decrease in inventories	(46.8)	113.4
(Increase)/Decrease in deferred tax balances	(171.8)	(26.1)
(Increase)/Decrease in other assets	(78.6)	(9.1)
(Decrease)/Increase in tax provisions	30.3	(57.7)
(Decrease)/Increase in payables	194.6	47.1
(Decrease)/Increase in provisions	41.6	26.4
Net cash flow from operating activities	590.2	470.1

(C) NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year, dividends of $7.1 million (2012: $9.3 million) were satisfied via the issue of shares under a dividend reinvestment plan (refer Note 20).

(D) FAIR VALUES

The carrying amount of the Group's cash and cash equivalents approximate their fair value.

25. COMMITMENTS

(A) CAPITAL COMMITMENTS

During the year ended 30 June 2013, the Group entered into contracts to purchase property, plant and equipment for $58.7 million (2012: $161.4 million).

(B) OPERATING LEASE COMMITMENTS

The Arrium Group has entered into various non-cancellable operating leases on property, plant and equipment. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also leases various plant and machinery under cancellable operating leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are follows:

	CONSOLIDATED	
	2013 $m	2012 $m
Within one year	90.8	82.4
After one year but not more than five years	171.6	173.7
Longer than five years	29.7	41.3
Total operating lease commitments	292.1	297.4

(C) FINANCE LEASE COMMITMENTS

The Group has finance leases for plant and machinery.

Commitments in relation to finance leases are payable as follows:

	CONSOLIDATED			
		2013 $m		2012 $m
	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS
Within one year	1.9	1.9	1.9	1.9
After one year but not more than five years	7.8	6.4	7.8	6.3
Longer than five years	7.2	4.4	9.1	5.5
Total operating lease commitments	16.9	12.7	18.8	13.7
Less: Amounts representing finance charges	(4.2)	–	(5.1)	–
Present value of minimum lease repayments	12.7	12.7	13.7	13.7

26. CONTINGENCIES

CONTINGENT LIABILITIES

Contingent liabilities at the balance date not otherwise provided for in the financial statements are categorised as follows:

	CONSOLIDATED	
	2013 $m	2012 $m
Guarantees and indemnities		
Bank guarantees covering:		
Workers' compensation self-insurance licences[1]	52.5	48.9
Performance of contracts	45.5	46.7

1 In Australia, Arrium Limited has given guarantees to various state workers' compensation authorities as a prerequisite for self-insurance. Of this amount, a total of $32.9 million (2012: $36.2 million) has been provided for in the consolidated financial statements as recommended by independent actuarial advice.

Third party claims

The Group has been involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including claims for damages and commercial disputes relating to its business, products or services. Based on legal advice obtained, other than amounts already provided for in the accounts, the Directors do not expect any material liability to eventuate.

Taxation

From time to time, the Company is subject to information requests, reviews, audits and investigations by tax authorities in the various jurisdictions in which the Group operates, including the Australian Taxation Office (ATO). These include a current audit by the ATO in relation to a sale and leaseback transaction entered into in 2004. Amended assessments have been received in respect of the sale and leaseback transaction for $26.0 million, comprising $16.5 million of primary tax, $5.4 million of interest and $4.1 million of penalty. The ATO has advised that the amended assessments are based on its determination to deny a part of the income tax deductions in respect of lease rental payments made under the sale and leaseback transaction.

The Company strongly disputes this view and believes its treatment of the lease payments is supported by both case law and the ATO's own published ruling on sale and leaseback transactions. The Company intends to vigorously defend its position and to pursue all avenues of objection as appropriate. Accordingly, no liability has been recognised in the Company's financial statements in relation to this transaction. As part of the objection process, the Company has paid $7.4 million of the assessed primary tax and interest whilst the matter is disputed. This amount has been offset against other agreed tax refunds with the ATO.

27. CONTROLLED ENTITIES

The consolidated financial statements at 30 June 2013 include the following controlled entities:

ENTITY	NOTES	COUNTRY OF INCORPORATION	% OF SHARES HELD 2013	% OF SHARES HELD 2012
Arrium Limited	(a)	Australia		
A.C.N. 006 769 035 Pty Ltd		Australia	100.0	100.0
Akkord Pty Limited		Australia	100.0	100.0
Alta Steel Chile S.A.	(c)	Chile	100.0	100.0
AltaSteel Ltd.		Canada	100.0	100.0
ANI Construction (W.A.) Pty Ltd		Australia	100.0	100.0
ANI Finance (UK) Ltd		United Kingdom	100.0	100.0
ANI Mineral Processing, LLC		USA	100.0	100.0
Arrium Finance Pty Limited	(b)	Australia	100.0	100.0
Arrium Iron Ore Holdings Pty Limited	(b)	Australia	100.0	100.0
Atlas Group Employees Superannuation Fund Pty Ltd		Australia	100.0	100.0
Atlas Group Staff Superannuation Fund Pty Ltd		Australia	100.0	100.0
Atlas Group Superannuation Plan Pty Ltd		Australia	100.0	100.0
Australian National Industries Pty Ltd		Australia	100.0	100.0
Australian Tube Mills Pty Limited	(h)	Australia	100.0	100.0
Australian Wire Industries Pty Ltd		Australia	100.0	100.0
AWI Holdings Pty Limited		Australia	100.0	100.0
B.G.J. Holdings Proprietary Limited		Australia	100.0	100.0
Bradken Consolidated Pty Limited		Australia	100.0	100.0
Central Iron Pty Ltd		Australia	100.0	100.0
Cockatoo Dockyard Pty Limited		Australia	100.0	100.0
Commonwealth Steel Company Pty Limited		Australia	100.0	100.0
Comsteel Pty Limited		Australia	100.0	100.0
Coober Pedy Resources Pty Ltd		Australia	100.0	100.0
Eagle & Globe Pty Limited		Australia	100.0	100.0
Email Accumulation Superannuation Pty Ltd		Australia	100.0	100.0
Email Executive Superannuation Pty Ltd		Australia	100.0	100.0
Email Holdings Pty Limited		Australia	100.0	100.0
Email Management Superannuation Pty Ltd		Australia	100.0	100.0
Email Metals Pty Ltd		Australia	100.0	100.0
Email Pty Ltd		Australia	100.0	100.0
Email Superannuation Pty Limited		Australia	100.0	100.0
Emwest Holdings Pty Ltd		Australia	100.0	100.0
Emwest Properties Pty Limited		Australia	100.0	100.0
Fagersta Australia Pty Ltd	(b)	Australia	100.0	100.0
Fagersta Steels Pty Ltd	(b)	Australia	100.0	100.0
GCG (JB) Sdn Bhd	(e)	Malaysia	100.0	100.0
GSF Management Pty Limited		Australia	100.0	100.0
GST Philippines Inc.	(c)	Philippines	100.0	100.0
HP Metal Recycling (HK) Limited		Hong Kong	100.0	100.0
HP Metal Recycling Inc.		Philippines	100.0	100.0
HPR Industrial (JB) Sdn Bhd	(e)	Malaysia	100.0	100.0
Inversiones Moly-Cop S.A.	(c)	Chile	100.0	100.0
J Murray-More (Holdings) Pty Ltd		Australia	100.0	100.0
John McGrath Pty Ltd		Australia	100.0	100.0
Kelvinator Australia Pty Ltd		Australia	100.0	100.0
Linstar Holdings Sdn Bhd	(e)	Malaysia	100.0	100.0
Litesteel Products Pty Ltd		Australia	100.0	100.0
Litesteel Technologies America, LLC		USA	100.0	100.0
Litesteel Technologies Pty Ltd	(b)	Australia	100.0	100.0
Maple Leaf Metals (A Partnership)	(c)	Canada	100.0	100.0
M-Asia Enterprise (KL) Sdn Bhd	(e)	Malaysia	100.0	100.0
Metals Properties Pty Ltd		Australia	100.0	100.0

			% OF SHARES HELD	
ENTITY	NOTES	COUNTRY OF INCORPORATION	2013	2012
Metalstores Pty Limited		Australia	100.0	100.0
Metpol Pty Ltd		Australia	100.0	100.0
Moly-Cop Adesur S.A.	(c)	Peru	94.1	94.1
Moly-Cop Canada (A Partnership)	(c)	Canada	100.0	100.0
Moly-Cop Chile S.A.	(c)	Chile	100.0	100.0
Moly-Cop Group SARL	(c)	Luxembourg	100.0	100.0
Moly-Cop Mexico S.A de C.V.	(c)	Mexico	100.0	100.0
Moly-Cop Peru S.A.C.	(c)	Peru	100.0	100.0
MolyCop Steel Inc.		Canada	100.0	100.0
Moly-Cop USA LLC	(c)	United States	100.0	100.0
N.K.S. (Holdings) Proprietary Limited		Australia	100.0	100.0
O Dee Gee Co. Pty Ltd		Australia	100.0	100.0
OneSteel Americas Holdings Pty Limited	(b)	Australia	100.0	100.0
OneSteel Asia Limited		Hong Kong	100.0	100.0
OneSteel Australian Tube Mills Pty Limited	(h)	Australia	100.0	100.0
OneSteel Building Supplies Pty Limited		Australia	100.0	100.0
OneSteel Coil Coaters Pty Ltd	(b)	Australia	100.0	100.0
OneSteel Group (US Holdings) Inc.		USA	100.0	100.0
OneSteel Insurance Pte Ltd		Singapore	100.0	100.0
OneSteel Manufacturing Pty Limited	(b)	Australia	100.0	100.0
OneSteel MBS Pty Limited	(b)	Australia	100.0	100.0
OneSteel NSW Pty Limited	(b)	Australia	100.0	100.0
OneSteel NZ Holdings Limited		New Zealand	100.0	100.0
OneSteel NZ Limited		New Zealand	100.0	100.0
OneSteel Queensland Pty Limited		Australia	100.0	100.0
OneSteel Recycling (Fiji) Limited		Fiji	100.0	100.0
OneSteel Recycling (PNG) Limited	(d)	PNG	-	100.0
OneSteel Recycling Asia Limited		Hong Kong	100.0	100.0
OneSteel Recycling Holdings Pty Ltd	(b)	Australia	100.0	100.0
OneSteel Recycling Hong Kong Limited		Hong Kong	100.0	100.0
OneSteel Recycling NZ Limited		New Zealand	100.0	100.0
OneSteel Recycling Overseas Pty Limited	(b)	Australia	100.0	100.0
OneSteel Recycling Pty Limited	(b)	Australia	100.0	100.0
OneSteel Recycling, Inc.		USA	100.0	100.0
OneSteel Reinforcing Pty Limited	(b)	Australia	100.0	100.0
OneSteel Technologies Pty Limited		Australia	100.0	100.0
OneSteel Trading Pty Limited	(b)	Australia	100.0	100.0
OneSteel UK Holdings Limited	(c)	United Kingdom	100.0	100.0
OneSteel US Investments		USA	100.0	100.0
OneSteel US Investments 1 Pty Ltd	(b)	Australia	100.0	100.0
OneSteel US Investments 2 Pty Ltd		Australia	100.0	100.0
OneSteel Wire Pty Limited	(b)	Australia	100.0	100.0
Overseas Corporation (Australia) Pty Ltd		Australia	100.0	100.0
P & T Tube Mills Pty Ltd	(h)	Australia	100.0	100.0
Palmer Tube Mills (NZ) Limited		New Zealand	100.0	100.0
Palmer Tube Mills Pty Limited	(h)	Australia	100.0	100.0
Pipeline Supplies of Australia Pty Limited		Australia	100.0	100.0
PT Commonwealth Steel Indonesia		Indonesia	100.0	100.0
QMR, Inc.		Philippines	100.0	100.0
Reosteel Pty Ltd		Australia	100.0	100.0
Roentgen Ray Pty Ltd		Australia	100.0	100.0
Servicios Moly-Cop S.A de C.V.	(c)	Mexico	100.0	100.0
Southern Iron Pty Ltd	(b)	Australia	100.0	100.0
SSG Investments Pty Ltd		Australia	100.0	100.0
SSG No.2 Pty Ltd		Australia	100.0	100.0
SSG No.3 Pty Ltd		Australia	100.0	100.0

27. CONTROLLED ENTITIES CONTINUED

			% OF SHARES HELD	
ENTITY	NOTES	COUNTRY OF INCORPORATION	2013	2012
SSGL Share Plan Nominees Pty Ltd		Australia	100.0	100.0
SSX Acquisitions Pty Limited	(b)	Australia	100.0	100.0
SSX Employees Superannuation Fund Pty Ltd		Australia	100.0	100.0
SSX Holdings Pty Limited		Australia	100.0	100.0
SSX International Pty Limited	(b)	Australia	100.0	100.0
SSX Pty Limited	(b)	Australia	100.0	100.0
SSX Retirement Fund Pty Ltd		Australia	100.0	100.0
SSX Services Pty Limited	(b)	Australia	100.0	100.0
SSX Staff Superannuation Fund Pty Ltd		Australia	100.0	100.0
Steel & Tube Holdings Limited	(f)	New Zealand	-	50.3
Steel & Tube New Zealand Limited	(f)	New Zealand	-	50.3
Stube Industries Limited	(f)	New Zealand	-	50.3
Tasco Superannuation Management Pty Ltd		Australia	100.0	100.0
Thai Metal Recycling Limited		Thailand	100.0	100.0
The ANI Corporation Pty Limited		Australia	100.0	100.0
The Australian Steel Company (Operations) Pty Ltd	(b)	Australia	100.0	100.0
TMR Loha Holdings Limited		Thailand	100.0	100.0
Tube Estates Pty Ltd		Australia	100.0	100.0
Tube Street Pty Ltd		Australia	100.0	100.0
Tube Technology Pty Ltd		Australia	100.0	100.0
Tubemakers of Australia Pty Limited		Australia	100.0	100.0
Tubemakers Somerton Pty Limited		Australia	100.0	100.0
Wembley Insurance Pte Ltd	(g)	Singapore	100.0	100.0
Western Consolidated Industries Pty Ltd		Australia	100.0	100.0
Whyalla Ports Pty Ltd	(b)	Australia	100.0	100.0
X.C.E. Pty Ltd		Australia	100.0	100.0
XEM (Aust) Pty Limited		Australia	100.0	100.0
XLA Pty Ltd		Australia	100.0	100.0
XLL Pty Ltd		Australia	100.0	100.0
XMS Holdings Pty Limited	(b)	Australia	100.0	100.0
Zinctek Pty Ltd		Australia	100.0	100.0

a) Arrium Limited is a public company limited by shares, incorporated and domiciled in Australia. The registered office is c/- Company Secretary, Arrium Limited, Level 40, 259 George Street, Sydney NSW 2000, Australia.

b) These entities are party to a Deed of Cross Guarantee or Assumption Deed (Deeds) with Arrium Limited pursuant to ASIC Class Order 98/1418 and are, as at the date of execution of the Deeds, eligible for the benefit of the individual class order.

c) Balance date 31 December.

d) These companies are deregistered.

e) These companies are in liquidation.

f) These companies were disposed on 9 October 2012. See Note 34 for additional details.

g) Balance date 31 March.

h) These entities were party to a Deed of Cross Guarantee with Arrium Limited pursuant to ASIC Class Order 98/1418. On 5 February 2013, these entities were disposed of to SSG No. 2 Pty Ltd, a wholly-owned subsidiary of Arrium Limited, and accordingly ASIC Class Order 98/1418 ceased to apply to these entities.

The financial years of all controlled entities above, with the exception of (c) and (g), are the same as that of the parent entity, Arrium Limited.

DEED OF CROSS GUARANTEE

Financial information for the Arrium Limited class order closed group:

	CLOSED GROUP	
	2013 $m	2012 $m
Income Statement		
Sales revenue	4,481.2	4,681.7
Cost of sales	(3,550.2)	(3,653.9)
Gross profit	931.0	1,027.8
Other revenue	141.5	125.7
Other income	3.0	18.1
Operating expenses	(972.0)	(777.0)
Finance costs	(101.1)	(104.9)
Share of net loss of investments accounted for using the equity method	(0.5)	(0.1)
(Loss)/Profit before income tax	1.9	289.6
Income tax expense/(benefit)	119.0	(5.2)
Profit after tax from continuing operations	120.9	284.4
Net loss from discontinued operations, after tax	(56.6)	(256.5)
Profit after tax	64.3	27.9
Statement of Comprehensive Income		
Profit after tax	64.3	27.9
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
– net losses taken to equity	(1.5)	(13.4)
– transferred to profit	6.7	7.6
– transferred to initial carrying amount of hedged items	(5.4)	3.3
Currency translation differences:		
– net investment hedges	(100.9)	(23.5)
– exchange fluctuations on overseas net assets	86.5	26.0
Other comprehensive loss for the year, net of tax	(14.6)	–
Total comprehensive income for the year	49.7	27.9
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	241.1	307.0
Net profit	64.3	27.9
Dividends provided for or paid	(67.4)	(93.8)
Retained earnings at the end of the year	238.0	241.1

27. CONTROLLED ENTITIES CONTINUED

	CLOSED GROUP	
	2013 $m	2012[1] $m
Balance Sheet		
Current assets		
Cash and cash equivalents	230.2	143.6
Receivables	1,148.4	777.1
Derivative financial instruments	6.4	11.4
Inventories	982.5	1,099.9
Tax assets	–	18.8
Other assets	6.7	7.9
Disposal groups and assets held for sale	195.7	16.1
Total current assets	2,569.9	2,074.8
Non-current assets		
Derivative financial instruments	20.3	27.4
Other financial assets	1,435.5	1,365.9
Property, plant and equipment	2,151.5	2,171.5
Mine development expenditure	492.2	317.6
Other intangibles and goodwill	1,601.8	1,963.2
Deferred tax assets	86.7	–
Other assets	45.8	27.7
Total non-current assets	5,833.8	5,873.3
TOTAL ASSETS	8,403.7	7,948.1
Current liabilities		
Payables	851.3	815.4
Derivative financial instruments	8.6	20.8
Interest-bearing liabilities	613.6	421.0
Provisions	313.3	281.6
Disposal groups and liabilities held for sale	112.5	3.0
Total current liabilities	1,899.3	1,541.8
Non-current liabilities		
Derivative financial instruments	45.2	57.1
Interest-bearing liabilities	2,279.3	2,102.2
Deferred tax liabilities	–	78.9
Provisions	123.6	108.0
Total non-current liabilities	2,448.1	2,346.2
TOTAL LIABILITIES	4,347.4	3,888.0
NET ASSETS	4,056.3	4,060.1
Equity		
Contributed equity	3,778.0	3,770.9
Retained earnings	238.0	241.1
Reserves	40.3	48.1
TOTAL EQUITY	4,056.3	4,060.1

1 The 2012 comparatives have been restated to present the net deferred tax position.

28. RELATED PARTY DISCLOSURES

(A) TRANSACTIONS WITH RELATED PARTIES IN THE WHOLLY-OWNED GROUP

Throughout the year, the parent entity, Arrium Limited, entered into the following transactions with members of the wholly-owned group:

- Loans were received
- Interest was paid
- Dividends were received
- Tax related transactions occurred within the tax consolidated group.

(B) TRANSACTIONS WITH JOINTLY CONTROLLED ENTITY

	CONSOLIDATED	
TRANSACTION TYPE	2013 $m	2012 $m
Product sales to jointly controlled entity	1.5	2.7
Product purchases from jointly controlled entity	8.0	16.3
Dividends received from jointly controlled entities	0.6	–
Repayment of loan (from)/loan to jointly controlled entity	0.5	0.3
Amounts receivable from jointly controlled entity	1.0	0.2
Amounts payable to jointly controlled entity	–	2.0

These transactions were undertaken on commercial terms and conditions.

(C) TRANSACTIONS WITH ASSOCIATE

	CONSOLIDATED	
TRANSACTION TYPE	2013 $m	2012 $m
Product sales to associate	–	9.3
Product purchases from associate	–	7.6
Amounts receivable from associate	–	0.7

(D) ULTIMATE CONTROLLING ENTITY

The ultimate controlling entity of the Arrium Group is Arrium Limited.

29. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2013 NUMBER	2012 NUMBER
Employees as at 30 June	10,078	11,007

	$m	$m
The aggregate employee benefit liability is comprised of:		
Provisions (current)	259.9	277.2
Provisions (excluding defined benefit liability) (non-current)	39.5	49.4
Total employee benefit liabilities	299.4	326.6

(A) SELF-INSURED WORKERS' COMPENSATION PROVISION

Obligations under self-insurance workers' compensation licences included in provision for employee benefits:

	CONSOLIDATED	
	2013 $m	2012 $m
New South Wales	19.0	26.4
Queensland	1.5	2.3
Victoria	4.4	4.3
South Australia	2.6	2.6
Western Australia	0.9	0.6
Total self-insurance workers' compensation provision	28.4	36.2

29. EMPLOYEE BENEFITS CONTINUED

Arrium provides the following share and rights plans for employees:

(B) EMPLOYEE SHARE PLANS

Arrium has two share plans under which eligible employees may acquire ordinary shares in the Company. The most recent offer under the employee share plan was made in May 2013 to eligible employees as at 1 April 2013. All Australian resident permanent employees (excluding Arrium Directors) are eligible to participate in either, or both, the Tax Exempt or Tax Deferred Share Plans. Both the Tax Exempt and Tax Deferred Plans enable participating employees to make salary sacrifice contributions to purchase shares on-market on a monthly basis. Under both plans, the Company also grants to contributing participants a parcel of fully paid ordinary shares to the value of $125 ($375 employee contribution) or $250 ($750 employee contribution) per year for employees participating in the Tax Exempt Plan and $333 per year for employees participating in the Tax Deferred Plan for a minimum $1,000 employee contribution. The shares must be held in the plan for a minimum of three years whilst the participant remains an employee of Arrium for both the Tax Exempt Plan and Tax Deferred Plan before they can be withdrawn.

The matching shares granted by the Company are purchased on-market or allocated from surplus shares forfeited under either the employee share plan or the executive share plan. The matching shares are allocated each month at the same time as the employee contributed shares, which are purchased on the 15th of each month. The number of shares allocated to the employee is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange on the date of the purchase.

Offers under the scheme are at the discretion of the Company. All Arrium shares acquired under the Tax Exempt and Tax Deferred plans rank equally with all other Arrium shares and carry dividend and voting rights.

All plan management and administration costs relating to the plans are met by the Company.

	2013	2012
Total number purchased by employees during the year ('000s)	4,685	4,017
Weighted average fair value of shares granted during the period ($)	0.84	1.05

(C) LONG-TERM INCENTIVE (LTI) PERFORMANCE RIGHTS PLAN (PRP)

The PRP for senior management provides for Rights to fully paid Arrium Limited ordinary shares. In addition, a special Service Rights allocation in 2011 provides for Rights to fully paid Arrium Limited ordinary shares. Rights are held in trust until vested to the participant. There are no voting entitlements attached to the Rights held in trust, nor are any dividends paid until such time as the Rights vest and the shares are allotted.

Vesting of Performance Rights is subject to the Company achieving specific performance hurdles and a three-year qualifying period. Vesting of the Service Rights is subject to a two-year service condition. There are no retesting provisions if Performance Rights fail to vest at the conclusion of the Performance Period. In addition, all or some of these Rights may vest to an individual on termination when special circumstances apply. At the discretion of the Board these include redundancy, death and permanent disability. There are no cash settlement alternatives. No consideration is required in accepting the Performance Rights.

The Performance Rights have two hurdles including Arrium's EPS growth measured against EPS targets as determined by the Board and Arrium's Total Shareholder Return (TSR) measured against the Comparator Index, the S&P/ASX 200 Index (excluding the consumer discretionary, consumer staples, financial services, health, information technology and telecommunications services sectors). For each instalment, 50% of the Rights will vest subject to Arrium's TSR performance to the Base Comparator Index and the remaining 50% of Rights will vest subject to Arrium's EPS growth against set targets.

	2013	
	NUMBER '000S	WEIGHTED AVERAGE FAIR VALUE $
Outstanding at the beginning of the year	9,570	1.09
Rights issued during the year	13,318	0.50
Rights vested during the year	–	–
Outstanding at the end of the year	22,888	0.75

	2012	
	NUMBER '000S	WEIGHTED AVERAGE FAIR VALUE $
Outstanding at the beginning of the year	–	–
Rights issued during the year	9,570	1.09
Rights vested during the year	–	–
Outstanding at the end of the year	9,570	1.09

The fair values of the Performance Rights granted is estimated at the grant date using either a Monte Carlo Simulation analysis or a binomial tree approach taking into account the terms and conditions upon which the Rights were granted. The fair value of the Service Rights is estimated at grant date using either a binomial tree approach or the Black Scholes model.

The following table lists the inputs to the models used.

GRANT DATE	PERFORMANCE HURDLE	DIVIDEND YIELD	EXPECTED VOLATILITY	RISK-FREE RATE	EXPECTED LIFE	WEIGHTED AVERAGE SHARE PRICE AT GRANT DATE
01/07/2011	Service	3.59%	–	4.84%	2 years	$1.84
30/08/2011	TSR	4.66%	40%	3.78%	3 years	$1.41
30/08/2011	EPS	4.66%	40%	3.78%	3 years	$1.41
01/09/2011	Service	4.26%	–	3.85%	2 years	$1.55
24/02/2012	Service	6.24%	–	3.71%	2 years	$1.03
24/02/2012	TSR	6.24%	60%	3.71%	3 years	$1.03
24/02/2012	EPS	6.24%	60%	3.71%	3 years	$1.03
5/11/2012	TSR	7.00%	60%	2.60%	3 years	$0.39
5/11/2012	EPS	7.00%	60%	2.60%	3 years	$0.58
21/12/2012	Service	5.40%	60%	2.69%	3 years	$0.78
21/12/2012	TSR	5.40%	60%	2.69%	3 years	$0.58
21/12/2012	EPS	5.40%	60%	2.69%	3 years	$0.78

The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome.

(D) LONG-TERM INCENTIVE (LTI) SHARE PLAN

During the year ended 30 June 2012, the Company replaced the existing LTI Share Plan with a new Performance Rights Plan (PRP) which continues to operate in the year ended 30 June 2013. The new PRP applied from 1 July 2012, with the previous LTI Share Plan remaining in operation until all unvested awards have either vested or the executive's entitlement lapses. No further awards have been granted under the previous LTI Share Plan since it was replaced by the PRP.

The LTI Share Plan for senior management provides for grants of Arrium Limited ordinary shares. The shares granted are held in trust until vested to the participant. The shares held in trust carry voting rights and the holder is entitled to any dividends paid during the vesting period.

Vesting is subject to the Company achieving specific performance hurdles and a three-year qualifying period. If the shares do not vest immediately at the end of the three-year qualifying period, provisions exist that enable retesting of the performance hurdles. In addition, all or some of these shares may vest to an individual on termination when special circumstances apply. At the discretion of the Board these include redundancy, death and permanent disability. There are no cash settlement alternatives.

The performance hurdles relate to two comparative groups, namely the Australian Consumer Price Index plus 5% (Base Index) and the S&P/ASX 200 Index (excluding banks, media and telecommunications) (Comparator Index) that are measured against Arrium's performance in terms of TSR. For each instalment, 50% of the shares will vest subject to Arrium's TSR performance to the Base Index and the remaining 50% of shares will vest subject to Arrium's performance to the Comparator Index.

	2013		2012[1]	
	NUMBER '000S	WEIGHTED AVERAGE FAIR VALUE $	NUMBER '000S	WEIGHTED AVERAGE FAIR VALUE $
Outstanding at the beginning of the year	5,621	4.53	5,877	4.54
Shares vested during the year	–	–	–	–
Shares forfeited during the year	(1,450)	5.89	(256)	4.84
Outstanding at the end of the year	4,171	3.73	5,621	4.53

1 In the prior period, the above table incorrectly excluded shares forfeited during the year. Management has restated this balance to correctly include all shares forfeited during 2012.

There were no shares purchased or granted during the year.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) DETAILS OF KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel

	CONSOLIDATED	
	2013 $	2012 $
Short-term benefits	11,294,455[2,5]	11,587,731[1,4]
Long-term benefits	336,301	487,430[3,4]
Post-employment benefits	331,316	442,255
Share-based payments	3,953,260	3,443,534
	15,915,332	15,960,950

1 The 2012 comparatives have been restated to exclude the gross up amounts relating to reportable fringe benefits.

2 Inclusive of accrued short-term leave entitlements during the period.

3 Inclusive of accrued long-term leave entitlements during the period.

4 The 2012 comparatives have been restated to include accrued leave entitlements during the period.

5 In 2012, G J Plummer was awarded a deferred STIP component of $320,000 contingent on achieving personal targets relating to iron ore and port development projects in South Australia in 2013. This amount was paid in 2013 and has been included in short-term benefits.

The Company has applied the exemption under Corporations Regulation 2M.3.03 which relieves listed companies from providing detailed remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report which has been audited.

Loans to Key Management Personnel

There were no loans made to or outstanding from Key Management Personnel during the current or prior year.

Other transactions and balances with Key Management Personnel

Key Management Personnel of Arrium Limited and its related parties or their related entities, conduct transactions with entities within the Arrium Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Key Management Personnel or their related entity at an arm's length in similar circumstances. These transactions include the following and have been quantified below where the transactions are considered to be of interest to users of these financial statements.

(B) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL[1]

2013	HELD AT 1 JULY 2012	GRANTED AS REMUNERATION	NET CHANGE OTHER	HELD AT 30 JUNE 2013
	NUMBER	NUMBER	NUMBER	NUMBER
Directors				
R B Davis	188,995	–	–	188,995
C R Galbraith, AM	200,000	–	–	200,000
P G Nankervis	116,890	–	30,000	146,890
G J Plummer	3,683,868	–	(305,461)	3,378,407
D A Pritchard	143,921	–	–	143,921
A G Roberts	339,467	–	(57,344)	282,123
P J Smedley	410,455	–	–	410,455
G J Smorgon, AM	15,107	–	–	15,107
R Warnock	10,837	–	11,538	22,375
Executives				
R C Bakewell	109,254	–	7,573	116,827
G D A Feurtado	51,572	–	(9,830)	41,742
S H Hamer	315,745	–	(49,771)	265,974
L J Selleck	579,583	–	(47,517)	532,066
G A Waters	231,726	–	257	231,983
Total	6,397,420	–	(420,555)	5,976,865

2012	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION[1]	NET CHANGE OTHER	HELD AT 30 JUNE 2012
	NUMBER	NUMBER	NUMBER	NUMBER
Directors				
R B Davis	88,995	–	100,000	188,995
C R Galbraith, AM	156,056	–	43,944	200,000
P G Nankervis	56,890	–	60,000	116,890
G J Plummer	3,683,868	–	–	3,683,868
D A Pritchard	143,921	–	–	143,921
A G Roberts	339,467	–	–	339,467
P J Smedley	410,455	–	–	410,455
G J Smorgon, AM	15,107	–	–	15,107
R Warnock	10,244	–	593	10,837
Executives				
R C Bakewell	103,196	–	6,058	109,254
G D A Feurtado	51,572	–	–	51,572
S H Hamer	315,745	–	–	315,745
M R Parry	261,339	–	(255,302)	6,037
L J Selleck	572,324	–	7,259	579,583
G A Waters	231,535	–	191	231,726
Total	6,440,714	–	(37,257)	6,403,457

1 Include ordinary shares held directly, indirectly or beneficially including held by their related parties.

The shareholdings of former Key Management Personnel, at the date they ceased to be Key Management Personnel, were as follows:

2012	HELD AT 1 JULY 2011 NUMBER	GRANTED AS REMUNERATION NUMBER	NET CHANGE OTHER NUMBER	HELD ON CEASING TO BE KMP NUMBER
Executive				
M R Parry	261,339	–	(255,302)	6,037

(C) RIGHTS HOLDINGS OF KEY MANAGEMENT PERSONNEL[1]

2013	HELD AT 1 JULY 2012	GRANTED AS REMUNERATION[1]	NET CHANGE OTHER	HELD AT 30 JUNE 2013
	NUMBER	NUMBER	NUMBER	NUMBER
Directors				
R B Davis	–	–	–	–
C R Galbraith, AM	–	–	–	–
P G Nankervis	–	–	–	–
G J Plummer	1,637,531	2,575,757	–	4,213,288
D A Pritchard	–	–	–	–
A G Roberts	487,506	681,818	–	1,169,324
P J Smedley	–	–	–	–
G J Smorgon, AM	–	–	–	–
R Warnock	–	–	–	–
Executives				
R C Bakewell	487,506	757,575	–	1,245,081
G D A Feurtado	449,047	515,151	–	964,198
S H Hamer	487,506	681,818	–	1,169,324
L J Selleck	460,930	681,818	–	1,142,748
G A Waters	446,568	681,818	–	1,128,386
Total	4,456,594	6,575,755	–	11,032,349

30. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

2012	HELD AT 1 JULY 2011	GRANTED AS REMUNERATION[1]	NET CHANGE OTHER	HELD AT 30 JUNE 2012
	NUMBER	NUMBER	NUMBER	NUMBER
Directors				
R B Davis	–	–	–	–
C R Galbraith, AM	–	–	–	–
P G Nankervis	–	–	–	–
G J Plummer	–	1,637,531	–	1,637,531
D A Pritchard	–	–	–	–
P J Smedley	–	–	–	–
G J Smorgon, AM	–	–	–	–
R Warnock	–	–	–	–
Executives				
R C Bakewell	–	487,506	–	487,506
G D A Feurtado	–	449,047	–	449,047
S H Hamer	–	487,506	–	487,506
A G Roberts	–	487,506	–	487,506
L J Selleck	–	460,930	–	460,930
G A Waters	–	446,568	–	446,568
Total		4,456,594	–	4,456,594

1 Rights granted as remuneration to the MD&CEO and Executives are held in trust on the participant's behalf during the performance period. Participants are not able to withdraw shares from the trust until shares vest as a result of the performance conditions being achieved.

31. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2013 $	2012 $
Amounts paid or payable to the auditor of Arrium Limited, for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	1,704,704	1,640,884
Other services in relation to the entity and any other entity in the consolidated group		
Other regulatory audits	137,500	152,075
Other assurance related work	78,879	14,000
Other services	91,880	330,150
	2,012,963	2,137,109
Amounts paid or payable to other auditors for:		
An audit or review of the financial report of certain controlled entities in the consolidated group	–	178,836
	–	178,836

32. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, US Private Placements (Senior Notes), finance leases, cash and short-term deposits and derivative financial instruments. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk and liquidity risk.

The Group manages its exposure to key financial risks including interest rate and currency risk in accordance with the Group's financial risk management policy. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions, principally interest rate swaps, cross-currency interest rate swaps and forward foreign exchange contracts. Derivatives classified as held for trading are based on limits set by the Board. Although they provide an economic hedge, they do not qualify for hedge accounting under AASB 139.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and foreign currency risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the rolling cash flow forecasts comparing projected debt levels for the next 12 months against total committed facilities.

Primary responsibility for identification and control of financial risks rests with the Treasury Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

(A) INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt borrowings. The objective of the Group's policy is to neutralise exposures within levels of tolerance acceptable to the Board, minimising interest expense whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk where the borrowings are carried at fair value. The Group's policy is to manage its interest expense using a mix of fixed and floating interest rate debt. The Group's policy is to keep 30%–70% or the lesser of, the expected usage of borrowings or the committed exposure to a minimum of five years at fixed rates of interest, using interest rate swaps to achieve this when necessary.

The Group analyses its interest rate exposure on a dynamic basis. Within this analysis, consideration is given to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates. Based on the various considerations, the Group manages its interest rate risk by using interest rate swaps. Such swaps have the economic effect of converting interest on borrowings from floating to fixed rates or fixed to floating rates. Under interest rate swaps, the Group agrees with other parties to exchange at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

At balance date, the Group had the following financial assets and liabilities exposed to interest rate risk:

	CONSOLIDATED	
	2013 $m	2012 $m
Financial assets		
Cash and cash equivalents	438.3	268.1
Trade receivables	7.1	8.4
Financial liabilities		
Bank loans	(1,966.8)	(1,801.7)
US Private Placement – at fair value	(89.7)	(93.2)
Net exposure before hedging	(1,611.1)	(1,618.4)
Cross-currency and interest rate swaps[1]	345.8	381.8
Net exposure to cash flow and fair value interest rate risk	(1,265.3)	(1,236.6)

1 Notional principal amounts of cross-currency and interest rate swaps.

Sensitivity

If interest rates had increased by 100 or decreased by 100 basis points as at 30 June and with all other variables held constant, post-tax profit for the year would have been $4.5 million lower/$1.9 million higher (excluding upside sensitivity of a 100 basis points decrease which causes a negative interest rate on USD borrowings in fair value hedge) (2012: $9.2 million lower/$14.1 million higher), mainly as a result of higher/lower interest expense resulting on variable rate debt. Other components of equity would have been $8.2 million higher/$10.4 million lower (2012: $11.0 million higher/$12.5 million lower) as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

(B) FOREIGN CURRENCY RISK

The Group's primary sources of foreign currency risk are sales of product, including iron ore, and purchases of inventory in a currency other than the functional currency; purchases of commodity inputs; capital expenditure denominated in foreign currency and in its net investment in foreign currency denominated operations.

It is the Group's policy to use forward exchange contracts to eliminate the currency exposures on any individual transactions in excess of USD0.5 million or equivalent. Committed exposures will be 100% covered when the transaction is contracted, whilst projected exposures (contract underpinning) will be 50% covered where there are ongoing sales or purchases and the transaction is relatively certain. It is the Group's policy to negotiate the terms of the forward exchange contracts to exactly match the terms of the underlying purchase to maximise hedge effectiveness.

Net investment hedges

The Group seeks to mitigate its exposure to foreign currency translation risk on the value of the net assets of its USD denominated operations by borrowing in US dollars. The first USD1,295.4 million (2012: USD1,343.4 million) of the Group's net investment in foreign operations is hedged in this manner (refer to Note 17 and Note 8).

In addition to its US operations, the Group has foreign currency translation risk arising on the value of the net assets of its Canadian-based operations. This risk is mitigated through the designation of a CAD230.0 million (2012: CAD200.0 million) denominated debt as a net investment hedge.

Arrium also has foreign currency exposure arising from its US Private Placements of Senior Notes (refer Note 17). Part of this exposure has been hedged using a series of cross-currency interest rate swaps designated either as fair value or cash flow hedges.

32. FINANCIAL RISK MANAGEMENT CONTINUED

The Group's exposure to foreign currency risk at balance date was as follows (in Australian dollars):

	CONSOLIDATED						
	2013			2012			
	USD $m	CAD $m	OTHER[1] $m	USD $m	NZD $m	CAD $m	OTHER[2] $m
Cash and cash equivalents	5.3	–	6.3	46.1	5.2	–	–
Net investment in foreign operations	1,439.3	279.3	(7.2)	1,410.9	54.2	232.3	–
Trade and other receivables	42.4	–	1.2	34.9	0.8	–	0.5
Trade and other payables	(42.0)	–	(5.2)	(50.7)	(0.1)	–	(6.0)
Bank loans and US Private Placement debt[3]	(1,487.4)	(236.7)	–	(1,446.9)	–	(192.7)	–
Net exposure	(42.4)	42.6	(4.9)	(5.7)	60.1	39.6	(5.5)
Forward exchange contracts – buy	183.2	–	25.2	247.2	1.0	–	29.6
Forward exchange contracts – sell	(168.5)	(40.1)	(7.8)	(389.5)	(10.9)	(15.5)	–
Cross-currency interest rate swaps	140.2	(50.9)	–	204.6	–	(95.9)	–

1 Japanese Yen, Indonesian Rupiah, New Zealand dollar, Pounds Sterling, Canadian dollar and Euro.

2 Japanese Yen, Indonesian Rupiah, Pounds Sterling, Canadian dollar and Euro.

3 Notional principal amounts.

Sensitivity

Had the Australian dollar weakened/strengthened against the major foreign currencies detailed in the above table by 10% as at 30 June and with all other variables held constant, the Group's post-tax profit for the year would have been $7.9 million lower/$6.5 million higher (2012: $3.7 million lower/$3.0 million higher), mainly as a result of foreign exchange gains/losses on translation of the above foreign currency denominated financial instruments. Other components of equity would have been $1.3 million lower/$0.7 million higher (2012: $20.0 million lower/$16.4 million higher) had the Australian dollar weakened /strengthened by 10% against the major foreign currencies detailed in the above table, arising from translation of net investment in foreign operations and forward exchange contracts, interest rate and cross-currency interest rate swaps designated as cash flow hedges. The Group's exposure to other foreign exchange movements is not material.

(C) COMMODITY PRICE RISK

The primary sources of commodity price risk for the Group are iron ore sales made in US dollars; copper, nickel and zinc purchases in US dollars; aluminium purchases which are made in Australian dollars but with prices set in US dollars; energy purchases made in Australian dollars that can be subject to long-term contracts; scrap purchases made outside the Arrium Group and diesel purchases. Commodity price risk is measured by the effect of price movement sensitivities applied to annual usage estimated by the business units.

Commodity price risk is managed by either putting in place fixed price contracts, fixed price swaps or options. The Group's exposure to commodity price risk on financial instruments is not significant.

(D) CREDIT RISK

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, and derivative financial instruments. The Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not hold any credit derivatives to offset its credit exposure. The credit risk of any one counterparty with respect to receivables and derivative financial instruments is not significant.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board and are regularly monitored. In addition, receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant.

For financial instruments, limits for each counterparty are set primarily on credit rating, adjusted for country rating and the nominal level of shareholders' funds. The Group does not expect any counterparties to fail to meet their obligations given their high credit ratings. For financial assets and liabilities measured at fair value through profit and loss, the amount of change in fair value that is attributable to credit risk is not material.

(E) LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, US Private Placement of Senior Notes and finance leases. In addition to committed facilities, Arrium has 11am money market lines and an overdraft facility that assists with the intra-month cash management. Debt maturities are spread out to limit risk on debt rollover.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at balance date:

	CONSOLIDATED	
	2013 $m	2012 $m
Expiring within one year	5.0	–
Expiring beyond one year	936.9	1,040.4
	941.9	1,040.4

Maturity analysis of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table reflect all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the reporting date.

For all other obligations, the respective undiscounted cash flows are presented. Cash flows for financial liabilities without fixed maturity are based on the conditions existing at balance date.

CONSOLIDATED	LESS THAN 12 MONTHS $m	1 - 5 YEARS $m	GREATER THAN 5 YEARS $m	TOTAL CONTRACTUAL CASH FLOWS $m
2013				
Financial liabilities				
Trade and other payables	1,098.1	0.2	–	1,098.3
Forward contracts				
– (Inflow)	(220.8)	–	–	(220.8)
– Outflow	220.8	–	–	220.8
Option contracts	2.5	–	–	2.5
Interest rate swaps	13.6	20.1	0.2	33.9
Cross-currency interest rate swaps	7.4	188.2	–	195.6
Bank loans	11.3	1,983.2	–	1,994.5
US Private Placement – Senior Notes	34.3	454.4	246.5	735.2
	1,167.2	2,646.1	246.7	4,060.0
2012				
Financial liabilities				
Trade and other payables	1,052.9	0.3	–	1,053.2
Forward contracts				
– (Inflow)	(379.2)	(6.4)	–	(385.6)
– Outflow	365.4	6.3	–	371.7
Option contracts	0.4	–	–	0.4
Interest rate swaps	17.5	25.9	0.7	44.1
Cross-currency interest rate swaps	100.1	194.5	–	294.6
Bank loans	31.4	1,803.3	–	1,834.7
US Private Placement – Senior Notes	58.0	338.9	313.7	710.6
	1,246.5	2,362.8	314.4	3,923.7

(F) FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Group uses various methods in estimating the fair value of a financial instrument. These comprise:

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

32. FINANCIAL RISK MANAGEMENT CONTINUED

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised below:

	2013		2012	
	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2)	TOTAL	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2)	TOTAL
CONSOLIDATED	$m	$m	$m	$m
Financial assets				
Forward contracts	10.7	10.7	16.2	16.2
Option contracts	0.6	0.6	0.7	0.7
Interest rate swaps	20.3	20.3	27.5	27.5
Cross-currency interest rate swaps	2.9	2.9	2.4	2.4
	34.5	34.5	46.8	46.8
Financial liabilities				
Forward contracts	9.7	9.7	5.1	5.1
Option contracts	2.5	2.5	0.4	0.4
Interest rate swaps	7.9	7.9	13.1	13.1
Cross-currency interest rate swaps	38.1	38.1	62.6	62.6
	58.2	58.2	81.2	81.2

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, cross-currency interest rate swaps and forward exchange contracts not traded on a recognised exchange. These instruments are included in Level 2.

Transfer between categories

There were no transfers between categories during the year.

(G) CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio (net debt to net debt plus equity). The targeted range for debt considered appropriate in the normal circumstances is 30–40%. The Board is comfortable with the current level of gearing given the external environment.

The Group is subject to externally imposed capital requirements and has complied with these requirements during the current and prior year.

The gearing ratios at the balance date were as follows:

	CONSOLIDATED	
	2013 $m	2012 $m
Total debt	2,553.2	2,411.4
Less: Cash and cash equivalents	(438.3)	(268.1)
Net debt	2,114.9	2,143.3
Total equity	3,733.5	4,500.6
Less: Non-controlling interests	(2.9)	(61.8)
Equity	3,730.6	4,438.8
Net debt plus equity	5,845.5	6,582.1
Gearing ratio	36.2%	32.6%

Sensitivity

Had the Australian dollar strengthened/weakened against the USD by 5 cents as at 30 June 2013 and with all other variables held constant, gearing would have been 1% lower/1% higher mainly as a result of foreign exchange losses/gains on the translation of USD denominated debt.

33. PARENT ENTITY DISCLOSURES

The parent company of the Group, as at and throughout the financial year ended 30 June 2013, was Arrium Limited.

Presented below is supplementary information about the parent entity.

	PARENT	
	2013 $m	2012 $m
Result of the parent entity		
(Loss)/profit after tax	(631.2)	206.5
Other comprehensive income	–	–
Total comprehensive (loss)/income for the year	(631.2)	206.5
Financial position of the parent entity at year end		
Current assets	7.8	0.5
Non-current assets	3,789.9	4,942.5
Total assets	3,797.7	4,943.0
Current liabilities	501.5	962.5
Total liabilities	501.5	962.5
Total equity of the parent entity comprising:		
Share capital	3,778.0	3,770.9
Retained earnings	(506.8)	191.8
Reserves	25.0	17.8
Total Equity	3,296.2	3,980.5

GUARANTEES, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS OF THE PARENT ENTITY

Arrium Limited has given guarantees amounting to $52.5 million (2012: $48.9 million) to various state workers' compensation authorities in Australia as a prerequisite for self-insurance. Refer to Note 26.

PARENT ENTITY GUARANTEES IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

As explained in Note 27, the Company has entered into a Deed of Cross Guarantee in accordance with a class order issued by the Australian Securities and Investments Commission. Arrium Limited, and all the controlled entities which are party to the deed, have guaranteed the repayment of all current and future creditors in the event that any of these companies are wound up.

The Company is also a guarantor in respect of certain financing arrangements including wholly-owned subsidiaries which are not party to the Deed of Cross Guarantee.

The parent entity does not have any capital commitments for acquisition of property, plant and equipment as at 30 June 2013 (2012: nil).

34. DISCONTINUED OPERATIONS

(A) DETAILS OF DISCONTINUED OPERATIONS

Australian Tube Mills (ATM)

In February 2013, the Arrium Board determined the ATM business, part of the Steel segment, would be held for sale. The ATM business manufactures structural pipe and tube from facilities at Acacia Ridge, QLD, Newcastle, NSW and Somerton, VIC. Accordingly, as at 30 June 2013, the ATM business has been classified as a discontinued operation. The comparatives for the year ended 30 June 2012 have been restated.

Merchandising

The non-integrated Merchandising business, part of the Steel segment, met the criteria for classification as held for sale effective 30 June 2013. The Merchandising portfolio comprises a range of businesses that process and distribute steel and other metal products in Australia. Accordingly, as at 30 June 2013, the Merchandising business has been classified as a discontinued operation.

For the year ended 30 June 2012, the Piping Systems and Oil & Gas Pipe (OGP) businesses, forming part of the Merchandising business, were classified as discontinued operations. The sale of the Piping Systems business was completed in March 2012. On 31 May 2012, the Group ceased manufacturing at its OGP business, based in Kembla Grange, NSW.

US Recycling

The US Recycling operations, part of the Recycling segment, met the criteria for classification as held for sale as at 30 June 2013. Accordingly, as at 30 June 2013, the US Recycling operations have been classified as discontinued. The comparatives for the year ended 30 June 2012 have been restated.

Divestment of the ATM, Merchandising and US Recycling businesses is being pursued over the next 12 months.

Steel & Tube Holdings Limited

On 9 October 2012, Arrium disposed of its 50.3% stake in Steel & Tube Holdings, a public listed company in New Zealand, for a fixed price of NZ$2.05 per share. Steel & Tube Holdings formed the New Zealand Distribution segment, and upon disposal, New Zealand Distribution ceased to be a reporting segment. As at 30 June 2013, Steel & Tube Holdings was classified as a discontinued operation. The comparatives for the year ended 30 June 2012 have been restated accordingly.

34. DISCONTINUED OPERATIONS CONTINUED

LiteSteel

In December 2011, the Arrium Board decided to exit its LiteSteel business, which previously formed part of the Steel segment. The LiteSteel business sold and marketed LiteSteel beams primarily in Australia and the United States. The LiteSteel business operations have now closed, with the US business assets having been sold in June 2012. As at 30 June 2012, the LiteSteel business was classified as a discontinued operation.

(B) RESULTS OF THE DISCONTINUED OPERATIONS

The results of the held for sale and discontinued operations for the year until disposal are presented below:

	2013 $m	2012 $m
Revenue	756.1	1,279.7
Expenses	(774.4)	(1,202.3)
Gross (loss)/profit	(18.3)	77.4
Other revenues	19.0	18.3
Operating expenses	(149.4)	(248.1)
Finance costs	(0.7)	(3.4)
Impairment of goodwill	(579.4)	(94.2)
Impairment of property, plant and equipment	(81.1)	(39.5)
Impairment of intangible assets	(24.2)	(5.1)
Gain on sale of the business or controlled entity before income tax	2.4	3.1
Loss before tax from discontinued operations	(831.7)	(291.5)
Tax benefit	68.6	58.8
Loss for the year from discontinued operations[1]	(763.1)	(232.7)
Loss per share for profit from discontinued operations attributable to the ordinary equity holders of the parent:		
Basic loss per share (cents per share)	(56.70)	(17.72)
Diluted loss per share (cents per share)	(56.70)	(17.72)

1 Loss for the year from discontinued operations relates to the parent.

(C) ASSETS AND LIABILITIES HELD FOR SALE

The major classes of assets and liabilities held for sale are as follows:

	2013 $m	2012 $m
Assets		
Cash and cash equivalents[1]	–	3.6[1]
Receivables	86.2	3.5
Inventory	137.5	1.2
Property, plant and equipment	107.5	9.1
Current tax assets	1.0	–
Deferred tax assets	35.1	–
Other assets	1.3	0.1
Assets held for sale	368.6	17.5
Liabilities		
Payables	121.9	2.4
Provisions	50.8	–
Current tax liabilities	–	–
Deferred tax liabilities	2.7	4.4
Liabilities held for sale	175.4	6.8
Net assets	193.2	10.7

1 Includes bank overdraft subject to master netting arrangements.

(D) CASH FLOW INFORMATION OF THE DISCONTINUED OPERATIONS

The net cash flows of discontinued operations are as follows:

	2013 $m	2012 $m
Operating activities	(29.5)	142.1
Investing activities	97.1	10.0
Financing activities	–	–
Net cash (outflow)/inflow	67.6	152.1

(E) DETAILS OF THE SALE OF THE DISCONTINUED OPERATIONS

	2013 $m	2012 $m
Cash consideration received	71.6	82.5
Carrying amount of net assets sold	(135.9)	(79.4)
Non-controlling interests	59.8	–
Reclassified from reserves	6.9	–
Gain on sale before income tax	2.4	3.1
Income tax expense	-	-
Gain on sale after income tax	2.4	3.1

The carrying amounts of assets and liabilities of the discontinued operations as at the date of the sale were:

	2013 $m	2012 $m
Cash	2.8	–
Receivables and other assets	50.6	30.4
Inventory	69.5	40.5
Property, plant and equipment	38.4	6.8
Intangibles	31.6	18.3
Deferred tax assets	–	0.9
Payables	(22.2)	(13.9)
Borrowings	(27.7)	–
Provisions	(4.6)	(3.6)
Current tax liabilities	(1.1)	–
Net deferred tax liabilities	(1.4)	–
Net assets	135.9	79.4

35. BUSINESS COMBINATIONS

The initial accounting for the acquisition of WPG subsidiaries on 6 October 2011 had been determined provisionally as at that date. In accordance with Accounting Standard AASB3 Business Combinations, the Group has 12 months from the date of acquisition to complete the allocation of the cost of the business combination to the assets, liabilities and contingent liabilities acquired. The finalisation of the allocation on 6 October 2012 had no impact on the financial statements for the year ended 30 June 2012 or the year ended 30 June 2013.

36. EVENTS AFTER BALANCE SHEET DATE

On 16 August 2013, the High Court of Australia refused leave sought by BlueScope Steel (A.I.S.) Pty Limited to appeal a decision of the New South Wales Court of Appeal in favour of OneSteel Manufacturing Pty Limited (a wholly owned subsidiary of the Company) in respect of a contractual dispute. The litigation has now been finalised, subject to quantification of legal costs. No adjustment is required in respect of the 30 June 2013 financial statements.

On 19 August 2013, the Company reduced its share capital by $831.8 million for the amount that is not represented by available assets, reflecting the impairment charges incurred by the Company and Consolidated Entity during the year ended 30 June 2013. This will have the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. The transaction has been made in accordance with section 258F of the Corporations Act 2001 (Cth) and will not result in any gains or losses being recognised in future reporting periods. The financial effect of this transaction will not affect the financial statements for the year ended 30 June 2013, but will be included in the financial statements for the year ending 30 June 2014.

On 20 August 2013, the directors have declared the payment of a final dividend of 3.0 cents per fully paid ordinary share. The aggregate amount of the final dividend expected to be paid on 17 October 2013 but not recognised as a liability in the financial statements for the year ended 30 June 2013 is $40.7 million.

Other than the above, there have been no circumstances arising since 30 June 2013 that have significantly affected or may significanly affect:

(a) The operations

(b) The results of those operations, or

(c) The state of affairs of Arrium Group in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the consolidated financial statements and accompanying notes set out on pages 46 to 125 and the Remuneration Report in Sections B to F in the Directors' Report are in accordance with the *Corporations Act 2001* (Cth), including:

(i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and

(ii) giving a true and fair view of the consolidated group's financial position as at 30 June 2013 and of their performance for the financial year ended on that date, and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1

(c) that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 27.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth).

This declaration is made in accordance with a resolution of the Directors.

Peter Smedley
Chairman

Andrew Roberts
Managing Director & Chief Executive Officer

Sydney
20 August 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ARRIUM LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Arrium Limited (the company), which comprises the consolidated balance sheet as at 30 June 2013, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising Arrium Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited Sections B to F of the Remuneration Report included in pages 51 to 62 of the Directors' Report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Arrium Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

AWYoung

A W Young
Partner

Sydney
20 August 2013

CORPORATE GOVERNANCE STATEMENT

Arrium Limited has been listed on the Australian Securities Exchange (ASX) since 23 October 2000 (ASX:ARI).

This statement outlines the corporate governance practices adopted by the Board or put in place throughout the financial year.

BOARD OF DIRECTORS

The Board has adopted a Board Charter & Corporate Governance Guidelines (Guidelines).

The Guidelines constitute a reference point for Directors, employees and shareholders in understanding the company's approach to the processes, performance measures, values and ethical standards which govern Directors and employees. The Guidelines are designed to facilitate an evaluation of the company's framework and procedures in the context of ensuring accountability and transparency.

The primary role of the Board is the protection and enhancement of shareholder value.

The Board has responsibility for corporate governance. It oversees the business and affairs of the company, establishes the strategies and financial objectives with management and monitors the performance of management directly and indirectly through Board committees.

The Directors have conferred on the Managing Director and Chief Executive Officer (MD&CEO) all the powers of management of the company subject to certain specified powers reserved for the Board which are referenced in the Guidelines.

The Board has established a framework for management of the company, including a system of internal control and business risk management and appropriate ethical standards.

The Board reviews the company's performance and considers other important matters such as strategic issues and plans, major investment and divestment decisions, diversity, human resources matters, governance and compliance matters, and receives regular division and corporate function presentations. Senior management is regularly involved in Board discussions, and Directors have opportunities, such as visits to major operational sites, for contact with a wider group of employees.

The Board embraces the need for, and continued maintenance of, the highest standards of ethical conduct. The company's Code of Conduct formalises the obligation of Directors and employees to act within the law and to act honestly and ethically in all business activities.

For the purposes of the proper performance of their duties relating to the company, Directors are entitled to obtain independent professional advice at the company's expense following pre-approval by the Chairman. This advice is treated as advice to the Board.

BOARD COMMITTEES

The Board has established five committees. Each committee has a clear mandate and operating procedures and operates principally in a review or advisory capacity, except in cases where particular powers are specifically conferred on the committee by the Board. Board committees may also be established from time to time to deal with matters arising.

In considering the composition of committees, the Board considers the number of Directors and the skills required to discharge and appropriately share the responsibilities conferred by the Board.

BOARD COMPOSITION AND NON-EXECUTIVE DIRECTOR INDEPENDENCE

The Board regularly assesses the independence of each Director. For this purpose, an Independent Director is a Non-Executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.

In addition to being required to conduct themselves in accordance with principles for Directors' conduct and Directors' responsibilities outlined in the Guidelines, Directors must be meticulous in disclosure of any material contract or relationship in accordance with the *Corporations Act 2001* (Cth). Directors must strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and Arrium policies.

Each Director (or interests associated with each Director) may be a shareholder in the company. Each Director may be involved with other companies or professional firms which may, from time to time, have dealings with Arrium. Directors must be meticulous in ensuring that disclosure, as required by law, is made of any dealings and, where requisite, details are set out in the company's Financial Report.

The Board has assessed that each of the Non-Executive Directors of the company is an Independent Director. In reaching that determination, in addition to the matters referred to above, the Board has taken into account:

- Specific disclosures made by each Director
- Where applicable, the related party dealings of each Director, noting that those dealings are not material under accounting standards
- That no Director is a substantial shareholder or an officer of or otherwise associated with a substantial shareholder
- That no Non-Executive Director has ever been employed by Arrium or any of its subsidiaries, and
- That no Director has a contract with Arrium (other than as a Director), or is associated with a supplier, professional adviser, consultant to or customer of Arrium that is material under applicable accounting standards.

The Board does not consider that term of service should be considered as a factor affecting the question of independence. The Board considers that a fixed maximum tenure is not in the company's interests. Instead, it considers that a Director should not seek re-election if they or the Board considers it is not appropriate to do so. Matters considered by the Board may include renewal and succession, size, experience and skill mix, diversity and performance.

A key responsibility of the Board's Governance & Nominations Committee (G&NC) is to consider and make recommendations to the Board in relation to Board composition. The aim of the Directors is to create a Board which has the appropriate mix and depth of skills, experience and attributes to discharge its responsibilities to the highest standard and which, in discharging those responsibilities, vigorously and constructively challenges and motivates the company's executives to achieve outstanding performance in the interests of all stakeholders.

In considering the appointment or recommendation for appointment of Directors, attributes and matters which are taken into account include diversity in its widest sense, outstanding career performance, impeccable values, capacity to contribute constructively to a team, willingness and capacity to devote the time and effort required, capacity to contribute strongly to the assessment and oversight of risk and risk management, capacity to contribute to the development and implementation of strategy and the company's policies and a strong appreciation of the responsibilities of the company to its shareholders, employees, the communities in which it operates, its suppliers, customers and other stakeholders. Where the G&NC considers it appropriate, external professional consultants are engaged to assist in identifying suitable candidates for appointment to the Board.

Refer to pages 42 to 43 for the period of office held by each Director and for the experience and qualifications of each Director and the Company Secretary.

PERFORMANCE EVALUATION

In each reporting period, the performance of the Board and each Board committee in meeting shareholder and stakeholder expectations is evaluated under the direction of the Chairman. In addition, the Chairman discusses individual Director contributions with each Director face-to-face annually.

Senior management is subject to an annual performance evaluation process which involves the assessment of performance against specific and measurable qualitative and quantitative performance criteria. An annual performance evaluation for senior management has been undertaken during the reporting period in accordance with this process.

REMUNERATION AND DIVERSITY

The Human Resources Committee reviews and makes recommendations to the Board in respect of remuneration.

Details concerning diversity matters are set out on page 36.

The remuneration of Key Management Personnel is set out in the Remuneration Report on pages 50 to 62.

RISK MANAGEMENT

Arrium is committed to managing risk to protect our people, the environment, company assets and our reputation, as well as to realise opportunities.

Arrium's risk-based system of internal control assists it to operate effectively and efficiently, achieve business objectives, ensure reliable reporting and comply with applicable laws and regulations.

Management implements this by designing and establishing a system for identifying, assessing, monitoring and managing material business risk throughout the company including the company's internal compliance and control systems. Management is expected to:

- Design and implement a system of ongoing risk reviews capable of responding promptly to new and evolving risks
- Monitor the effectiveness of the system of risk and internal control management
- Provide an annual assurance to the Board regarding the extent of its compliance, and
- Regularly report to the Board on the effectiveness of the management of Arrium's material business risks.

A description of the company's risk management system and the nature of the risks is outlined in the Risk Management section on pages 29 to 30.

The MD&CEO and the Chief Financial Officer (CFO) are required to provide and have provided assurance via a written statement to the Board in accordance with s295A of the Corporations Act.

The Board notes that, due to its nature, internal control assurance from the MD&CEO and the CFO can only be reasonable rather than absolute. This is due to factors such as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and the fact that much of the evidence available is persuasive rather than conclusive and therefore cannot, and cannot be designed to, reveal all weaknesses in control procedures.

In response to this, sign-offs are provided by key stakeholders in each Division and corporate function to support the assurance provided.

EXTERNAL AUDIT

KPMG was appointed as the company's external auditor in 2007.

The external auditor attends the Annual General Meeting and is available to answer questions about the conduct of the audit and the preparation and content of the audit report.

The Board conducts discussions and holds meetings with the external auditor without management present. Additional information on the appointment, review, provision of non-audit services, independence and other considerations is set out in the Audit & Compliance Committee Charter.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

The shareholdings of Key Management Personnel are set out in Note 30 of the Financial Report on pages 116 to 118.

SECURITIES DEALING

The company's Securities Dealing Policy requires all Directors, officers and employees (including employees on fixed-term contracts), relevant consultants and contractors retained by the company from time to time (collectively Arrium People and individually an Arrium Person) to comply with the law relating to insider trading and with the rules outlined in the Securities Dealing Policy. The Securities Dealing Policy contains additional responsibilities which apply to Arrium People who are managers at level 3 (General Managers) and above, including Directors and senior executives.

CONTINUOUS DISCLOSURE

Arrium's Continuous Disclosure Policy sets out the procedures in place to ensure that shareholders and the market are provided with full and timely information about the company's activities in compliance with its continuous disclosure obligations.

SHAREHOLDER COMMUNICATIONS

The methods by which Arrium communicates with shareholders include:

- Releases to the ASX
- Annual General Meeting
- Share Registry correspondence
- www.arrium.com which hosts:
  - Information about the company such as an overview, corporate governance documents (refer below), corporate history and strategy
  - Information about our businesses: Mining, Mining Consumables and Steel & Recycling
  - Arrium's Investor Centre, which includes ASX releases, dividend information including the Dividend Reinvestment Plan Rules, shareholder information, reports and presentations, webcasts, a financial calendar, a financial snapshot and media contacts, and
  - Sustainability information including an overview, safety and people, customers and markets, environment, community, economic and sustainability reports.

Shareholders are encouraged to subscribe to e-communications by contacting the Share Registry and to attend the AGM or, if they are unable to attend the AGM, to appoint a proxy or vote online.

CORPORATE GOVERNANCE DOCUMENTS

Arrium has a range of charters, policies, guidelines and codes in connection with its governance practices. These documents are available on www.arrium.com and include:

- Constitution of the company
- Board Charter & Corporate Governance Guidelines
- Audit & Compliance Committee Charter
- Governance & Nominations Committee Charter
- Human Resources Committee Charter
- Occupational Health, Safety & Environment Committee Charter
- Operational Risk Committee Charter
- Code of Conduct
- Continuous Disclosure Policy
- Diversity Policy
- Risk Policy
- Securities Dealing Policy
- Shareholder Communications Policy, and
- Annual Report Corporate Governance Statement.

BOARD OF DIRECTORS

P J (PETER) SMEDLEY
Chairman, Independent Non-Executive Director *BCom, MBA, FAICD*

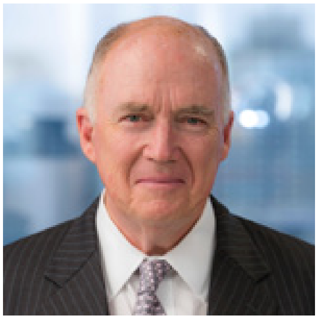
Age 70. Appointed a Director and Chairman in October 2000. Mr Smedley is Chairman of the Operational Risk Committee and a member of the Governance & Nominations Committee and the Human Resources Committee. He is Chairman of Orygen Youth Health Research Centre and the Colonial Foundation. He is also a Director of The Australian Ballet and the Haven Foundation. His previous roles include Managing Director and Chief Executive Officer of Mayne Group Limited, Managing Director and Chief Executive Officer of the Colonial Group Limited, Chairman of CARE Australia, Spotless Group Limited and the State Bank of New South Wales, Executive Director, Downstream Oil and Chemicals, Executive Director Coal and Metals for Shell Australia Limited, Deputy Chairman of Newcrest Mining Limited and Director of Austen & Butta Limited. Other listed company directorships held during the period 1 July 2010 to 30 June 2013: Spotless Group Limited from 8 December 2006 to 16 August 2012.

A G (ANDREW) ROBERTS
Managing Director & Chief Executive Officer *BCom*

Age 46. Mr Roberts joined Arrium from BHP Steel, starting in 1989. Prior to his current appointment, Mr Roberts was Chief Executive Mining Consumables. He has held a number of roles in marketing, sales and general business management across the Manufacturing, Materials/Iron Ore, Steel-in-Concrete and Distribution businesses and recently Mining Consumables. Mr Roberts did not hold any other listed company directorships during the period 1 July 2010 to 30 June 2013.

R B (BRYAN) DAVIS
Independent Non-Executive Director *BSc (Tech), FAIMM, MAICD*

Age 70. Appointed a Director in December 2004. Mr Davis is Chairman of the Occupational Health, Safety & Environment Committee and a member of the Audit & Compliance Committee and the Operational Risk Committee. He is Chairman of the NSW Coal Competence Board. His previous roles include Non-Executive Director of Coal and Allied Industries Limited, Newcrest Mining Limited, Executive Director of Mining of Pasminco Limited, Director of North Flinders Mine Limited, Chairman of Indophil Resources NL, Bendigo Mining Limited and Terramin Australia Limited, Executive Director of Australian Consolidated Minerals Group, Chairman of the NSW Minerals Council, member of the NSW State Minerals Advisory Council and various senior management positions at CRA Limited. Other listed company directorships held during the period 1 July 2010 to 30 June 2013: Coal and Allied Industries Limited from September 2000 to December 2011 and Terramin Australia Limited from July 2009 to June 2012.

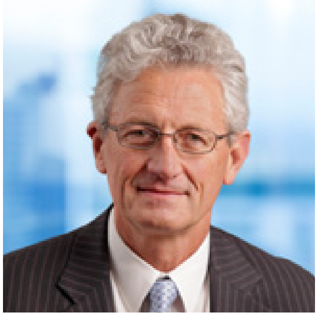


C R (COLIN) GALBRAITH AM
Independent Non-Executive Director *LLB (Hons), LLM, FAICD*

Age 65. Appointed a Director in October 2000. Mr Galbraith is Chairman of the Governance & Nominations Committee and a member of the Audit & Compliance Committee. He is a Special Adviser at Gresham Partners Limited, a Director of CARE Australia and Colonial Foundation, Chairman of BHP Billiton Community Trust and a Trustee of Royal Melbourne Hospital Neuroscience Foundation. His previous roles include Director of Commonwealth Bank of Australia, Colonial Group, Azon Limited and GasNet Australia Limited (Group) and the Australian Institute of Company Directors. Other listed company directorships held during the period 1 July 2010 to 30 June 2013: Commonwealth Bank of Australia from June 2000 to October 2012.

P G (PETER) NANKERVIS
Independent Non-Executive Director *B Ec (Hons), FCPA, GAICD*

Age 63. Appointed a Director in December 2004. Mr Nankervis is Chairman of the Audit & Compliance Committee and a member of the Operational Risk Committee. He is also a Director of Dairy Australia Limited. His previous roles include Chief Financial Officer of Cadbury Schweppes Asia Pacific, Finance Director of Cadbury Schweppes Australia Limited and Director of Mitchell Communications Group Limited. Mr Nankervis did not hold any other listed company directorships during the period 1 July 2010 to 30 June 2013.



G J (GEOFF) PLUMMER
Executive Director *BEc*

Age 57. Appointed a Director in December 2004. Appointed Managing Director & Chief Executive Officer on 2 May 2005. Mr Plummer joined the company in October 2000 from BHP after 22 years with the group. His previous roles with Arrium were Deputy Managing Director and prior to that Executive General Manager Market Mills. His roles at BHP included President Rod & Bar Products (BHP Steel), General Manager of the joint venture company Bekaert/BHP Steel Cord, President of Australian Logistics Services in BHP Transport and various management positions in BHP wire operations. He is a Director of the World Steel Association. Mr Plummer did not hold any other listed company directorships during the period 1 July 2010 to 30 June 2013.

D A (DEAN) PRITCHARD
Independent Non-Executive Director *BE, FIE Aust, CP Eng, FAICD*

Age 68. Appointed a Director in October 2000. Mr Pritchard is a member of the Occupational Health, Safety & Environment Committee, the Human Resources Committee and the Operational Risk Committee. He is a Director of OZ Minerals Limited and Steel & Tube Holdings Limited. His previous roles include Chief Executive Officer of Baulderstone Hornibrook, Chairman of ICS Global Limited, Director of Eraring Energy, RailCorp, Spotless Group Limited and Zinifex Limited. Other listed company directorships held during the period 1 July 2010 to 30 June 2013: Steel & Tube Holdings Limited since May 2005, Spotless Group Limited from May 2007 to 16 August 2012 and OZ Minerals Limited since June 2008.

G J (GRAHAM) SMORGON AM
Independent Non-Executive Director *B.Juris LL.B*

Age 63. Appointed a Director in September 2007. Mr Smorgon became Chairman of the Human Resources Committee in August 2009 and is a member of the Operational Risk Committee and the Occupational Health, Safety & Environment Committee. He is also Chairman of the GBM Group, Smorgon Consolidated Investment and Scental Pacific. He is a Director of Incitec Pivot Limited and a Trustee of The Victorian Arts Centre Trust. His previous roles include Chairman of the Print Mint Group, Director of Fed Square Pty Ltd, Chairman of the Arts Centre Foundation, Chairman of Smorgon Steel Group Ltd, President of the Carlton Football Club, Deputy Chairman of Melbourne Health, Director of The Walter and Eliza Hall Institute of Medical Research, Chairman of Creative Brands, Chairman of GBM Logic, Member of the Council of Bialik College, Director of Playbox Theatre Company and Playbox Malthouse Limited, Trustee of the Royal Melbourne Hospital Neuroscience Foundation, Chairman of the RMIT Marketing Industry Advisory Working Committee and Partner of law firm Barker Harty & Co. Other listed company directorships held during the period 1 July 2010 to 30 June 2013: Incitec Pivot Limited since December 2008.

R (ROSEMARY) WARNOCK
Independent Non-Executive Director *BA (Media), MAICD*

Age 66. Appointed a Director in September 2010. Ms Warnock is a member of the Audit & Compliance Committee and the Occupational Health, Safety & Environment Committee. She is Chair of Arrium's Superannuation Policy Committee. She is a Director of Steel & Tube Holdings Limited. She is also Chairman of Thinc Group Holdings Pty Ltd and a Principal of The Adelante Group. Her previous roles include Executive Mentor with Merryck & Co, Expert Panel Member of the Independent Review of the Environment Protection & Biodiversity Conservation Act, Interim Chief Executive of the Clean Energy Council and numerous global senior executive positions within BP. Other listed company directorships held during the period 1 July 2010 to 30 June 2013: Steel & Tube Holdings Limited since September 2010.

K (KARA) NICHOLLS
Company Secretary *BBus, MLS, FCIS, MAICD, JP*

Age 37. With over 15 years experience in equity capital markets, Ms Nicholls brings extensive knowledge of the Australian Securities Exchange listing rules, corporate governance and company administration to the Board. Ms Nicholls has extensive experience in commercial transactions and compliance matters. Prior to joining Arrium in 2009, Ms Nicholls gained six years experience with the Macquarie Group and over five years with the Australian Securities Exchange.

RESERVES AND RESOURCES STATEMENT

ORE RESERVES AND MINERAL RESOURCES

The information in this report that relates to the mineral resources and ore reserves is based on information compiled by Paul Leevers, a member of the Australasian Institute on Mining and Metallurgy.

Mr Leevers is a full-time employee of a wholly-owned subsidiary of Arrium Limited and 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 consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

MIDDLEBACK RANGES

The Arrium Middleback Ore Reserve has been derived at a cut-off grade of 53% Fe. Hematite reserves have reduced by 2.3Mt after depletion of 4.6Mt and the addition of the Iron Cavalier Deposit 5.2Mt and removal of the Duchess North 5.3Mt. Change in cut-off grade from 55% Fe to 53% Fe has resulted in an additional 2.9Mt to reserve. The change in cut-off grade reflects current mine plans and sales forecasts. Additional resource was identified in Iron Chieftain and Monarch Mining Area.

Magnetite Reserves have reduced by 4.2Mt, which is inline with depletion. Magnetite reserves are inclusive of magnetite stockpiles which will be depleted during life of mine.

Arrium has reviewed all previously mined areas and is furthering exploration activity to establish the potential to further increase hematite reserves. Arrium holds an exploration lease that extends from Iron Knob in the North to Iron Duke in the South that covers an area of significant mineralisation. Exploration will continue in the new financial year.

SOUTHERN IRON

The Southern Iron Ore Resource and the Southern Iron Ore Reserve is represented by the Peculiar Knob and Hawks Nest Deposits which are wholly-owned by Arrium.

The Southern Iron Ore Reserve represents an increase of 8Mt after depletion of 1.5Mt due to sales, addition of the Hawks Nest Deposit of 9.9Mt and reduction of 0.3Mt at Peculiar Knob based on resource updates. Exploration actively continues at Peculiar Knob and in the Hawks Nest Area where the Buzzard Deposit is located. The Hawks Nest Area contains the resources of Buzzard and Tui.

All resource and reserve figures represent estimates at the end of June 2013, unless otherwise stated. Rounding of tonnes and grade information may result in small differences presented in the totals. Moisture is estimated at 3% and grades are reported uncalcined.

MIDDLEBACK RANGES HEMATITE RESERVES

		AS AT 30 JUNE 2013									AS AT 30 JUNE 2012				
CATEGORY		PROVED ORE RESERVE			PROBABLE ORE RESERVE			TOTAL ORE RESERVES			TOTAL ORE RESERVES			ARRIUM INTEREST	COMPETENT PERSON
	ORE TYPE	TONNES (m)	Fe GRADE (%)	P (%)	TONNES (m)	Fe GRADE (%)	P (%)	TONNES (m)	Fe GRADE (%)	P (%)	TONNES (m)	Fe GRADE (%)	P (%)	(%)	
Total quantity	Hematite, Goethite, Limonite, Minor magnetite	4.5	59.0	0.06	37.7	58.2	0.08	42.2	58.3	0.08	44.4	59.5	0.09	100	P Leevers

MIDDLEBACK RANGES MAGNETITE RESERVES

		AS AT 30 JUNE 2013									AS AT 30 JUNE 2012				
CATEGORY		PROVED ORE RESERVE			PROBABLE ORE RESERVE			TOTAL ORE RESERVES			TOTAL ORE RESERVES			ARRIUM INTEREST	COMPETENT PERSON
	ORE TYPE	TONNES (m)	DTR GRADE (%)	Fe GRADE (%)	TONNES (m)	DTR GRADE (%)	Fe GRADE (%)	TONNES (m)	DTR GRADE (%)	Fe GRADE (%)	TONNES (m)	DTR GRADE (%)	Fe GRADE (%)	(%)	
Total quantity	Magnetite	43.3	43.5	39.8	23.0	38.7	37.3	66.3	41.8	38.9	70.5	42.8	40.2	100	P Leevers

SOUTHERN IRON HEMATITE RESERVES

		AS AT 30 JUNE 2013									AS AT 30 JUNE 2012				
CATEGORY		PROVED ORE RESERVE			PROBABLE ORE RESERVE			TOTAL ORE RESERVES			TOTAL ORE RESERVES			ARRIUM INTEREST	COMPETENT PERSON
	ORE TYPE	TONNES (m)	Fe GRADE (%)	P (%)	TONNES (m)	Fe GRADE (%)	P (%)	TONNES (m)	Fe GRADE (%)	P (%)	TONNES (m)	Fe GRADE (%)	P (%)	(%)	
Total quantity	Hematite, Goethite, Limonite, Minor magnetite	0.7	61.2	0.02	23.7	62.0	0.03	24.5	62.0	0.03	16.4	63.1	0.01	100	P Leevers

MINERAL RESOURCES

The table on the following page shows Arrium's insitu resource base adjacent to existing operations at a cut-off grade of Fe >50% and SiO_2 <20%.

The Total Mineral Resource includes all resources, including those used to derive ore reserves.

Mineral Resources that have not been used for estimation of ore reserves are shown separately.

Additional hematite resources were identified primarily at the Iron Chieftain and Iron Monarch Areas where exploration is continuing.

RESERVES AND RESOURCES STATEMENT CONTINUED

The magnetite resource represents a decrease of 41.1Mt after depletion of 4.1Mt and removal of 37.0Mt of exclusive resources outside of the current operation due to further drilling.

MIDDLEBACK RANGES HEMATITE RESOURCES

CATEGORY	TYPE	MEASURED RESOURCES TONNES (m)	MEASURED RESOURCES Fe GRADE (%)	INDICATED RESOURCES TONNES (m)	INDICATED RESOURCES Fe GRADE (%)	INFERRED RESOURCES TONNES (m)	INFERRED RESOURCES Fe GRADE (%)	AS AT 30 JUNE 2013 TOTAL RESOURCES 2013 TONNES (m)	AS AT 30 JUNE 2013 TOTAL RESOURCES 2013 Fe GRADE (%)	AS AT 30 JUNE 2012 TOTAL RESOURCES 2012 TONNES (m)	AS AT 30 JUNE 2012 TOTAL RESOURCES 2012 Fe GRADE (%)	ARRIUM INTEREST (%)	COMPETENT PERSON
Total quantity	Hematite, Goethite, Limonite, Minor magnetite	18.9	58.3	69.9	59.0	55.1	56.8	143.8	58.0	153.2	58.0	100	P Leevers
Quantity excluded from ore reserves	Hematite, Goethite, Limonite, Minor magnetite	7.9	59.4	30.7	59.3	43.3	56.8	81.9	58.0	91.9	57.0	100	P Leevers

MIDDLEBACK RANGES MAGNETITE RESOURCES

CATEGORY	TYPE	MEASURED RESOURCES TONNES (m)	MEASURED RESOURCES DTR GRADE (%)	MEASURED RESOURCES Fe GRADE (%)	INDICATED RESOURCES TONNES (m)	INDICATED RESOURCES DTR GRADE (%)	INDICATED RESOURCES Fe GRADE (%)	INFERRED RESOURCES TONNES (m)	INFERRED RESOURCES DTR GRADE (%)	INFERRED RESOURCES Fe GRADE (%)	AS AT 30 JUNE 2013 TOTAL RESOURCES 2013 TONNES (m)	AS AT 30 JUNE 2013 TOTAL RESOURCES 2013 DTR GRADE (%)	AS AT 30 JUNE 2013 TOTAL RESOURCES 2013 Fe GRADE (%)	AS AT 30 JUNE 2012 TOTAL RESOURCES 2012 TONNES (m)	AS AT 30 JUNE 2012 TOTAL RESOURCES 2012 DTR GRADE (%)	AS AT 30 JUNE 2012 TOTAL RESOURCES 2012 Fe GRADE (%)	ARRIUM INTEREST (%)	COMPETENT PERSON
Total quantity	Magnetite	47.2	43.6	39.9	74.6	36.5	36.5	65.3	31.8	29.5	187.1	36.7	34.9	228.2	38.8	39.7	100	P Leevers
Quantity excluded from ore reserves	Magnetite	5.3	47.4	38.3	45.2	36.8	36.7	61.7	31.9	29.4	112.2	34.6	32.8	150.4	39.6	39.5	100	P Leevers

SOUTHERN IRON HEMATITE RESOURCES

CATEGORY	TYPE	MEASURED RESOURCES TONNES (m)	MEASURED RESOURCES Fe GRADE (%)	INDICATED RESOURCES TONNES (m)	INDICATED RESOURCES Fe GRADE (%)	INFERRED RESOURCES TONNES (m)	INFERRED RESOURCES Fe GRADE (%)	AS AT 30 JUNE 2013 TOTAL RESOURCES 2013 TONNES (m)	AS AT 30 JUNE 2013 TOTAL RESOURCES 2013 Fe GRADE (%)	AS AT 30 JUNE 2012 TOTAL RESOURCES 2012 TONNES (m)	AS AT 30 JUNE 2012 TOTAL RESOURCES 2012 Fe GRADE (%)	ARRIUM INTEREST (%)	COMPETENT PERSON
Total quantity	Hematite, Goethite, Limonite, Minor magnetite	0.7	61.2	30.3	62.2	9.9	60.2	40.9	61.7	32.5	63.2	100	P Leevers
Quantity excluded from ore reserves	Hematite, Goethite, Limonite, Minor magnetite	0.0	0.0	5.1	60.9	7.0	60.3	12.0	60.6	15.8	62.4	100	P Leevers

ARRIUM – IRON BARON AND SOUTH MIDDLEBACK RANGE ORE BENEFICIATION STOCKPILES

These are resources currently held in historically built and newly constructed stockpiles that will be beneficiated to yield usable ore.

Ore beneficiation commenced in the 2005 financial year at Iron Duke and in the 2012 financial year at Iron Baron, drawing feed from the ore beneficiation stockpiles and mining.

Ore suitable for beneficiation is constantly being added to stockpiles at the mining operations due to recovery of resource outside of declared reserve.

Beneficiation stockpile tonnes have reduced slightly after additions to these stockpiles from mining have been offset by depletion due to processing by the ore beneficiation operations.

The ore beneficiation stockpiles with a mean estimated grade exceeding 45% Fe that can be beneficiated to meet current export grade specifications comprise the mineral resources in the following table.

Tonnes are reported before considering beneficiation yield, and grades are reported uncalcined. The estimates are valid as at 30 June 2013.

ARRIUM ORE BENEFICIATION STOCKPILES

CATEGORY	TYPE	MEASURED RESOURCES TONNES (MT DRY)	MEASURED RESOURCES Fe GRADE (% UNCALCINED)	INDICATED RESOURCES TONNES (MT DRY)	INDICATED RESOURCES Fe GRADE (% UNCALCINED)	INFERRED RESOURCES TONNES (MT DRY)	INFERRED RESOURCES Fe GRADE (% UNCALCINED)	AS AT 30 JUNE 2013 TOTAL RESOURCES 2013 TONNES (MT DRY)	AS AT 30 JUNE 2013 TOTAL RESOURCES 2013 Fe GRADE (% UNCALCINED)	AS AT 30 JUNE 2012 TOTAL RESOURCES 2012 TONNES (MT DRY)	AS AT 30 JUNE 2012 TOTAL RESOURCES 2012 Fe GRADE (% UNCALCINED)	ARRIUM INTEREST (%)	COMPETENT PERSON
Total quantity	Hematite, Goethite, Limonite, Minor magnetite	2.7	53.6	7.3	53.3	8.7	53.6	18.7	53.5	19.2	53.5	100	P Leevers