

31 October 2014

Dear Securityholder

In my letter to you dated 15 September 2014, I advised that the company had announced a fully underwritten \$754 million capital raising including a \$656 million 1 for 1 pro rata accelerated renounceable entitlement offer (with retail entitlements trading), and a placement to institutional investors to raise around \$98 million.

On 14 October 2014 Arrium announced that the capital raising had been completed, with \$754 million raised including around \$465 million from the institutional component and approximately \$290 million from the retail component. All new shares were issued at \$0.48 cents a share.

The capital raising has enabled Arrium to significantly reduce its level of debt and strengthen its balance sheet, and the company now has a more appropriate capital structure for the current challenging environment.

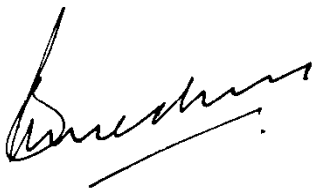
In our October 2014 announcements we indicated there was a significant shortfall in the take up of both the retail component of the Entitlement Offer as well as the subsequent Retail Shortfall Bookbuild. This was understandable given the company's share price fell below the Offer price of \$0.48 cents a share during the capital raising period. This shortfall was taken up by the underwriter and sub-underwriters.

In the period following announcement of our raising, share prices of other mid-tier Australian iron ore producers moved lower and iron ore prices and market sentiment continued to be under downward pressure.

The deterioration in iron ore prices, related sentiment and our share price since the announcement of our capital raising has reinforced that the timing of the raising, the amount of the raising, as well as our decision to have it fully underwritten were both prudent and appropriate.

I will talk about this and other matters at our Annual General Meeting to be held at Sheraton on the Park, Sydney on Monday 17 November 2014 commencing at 2.30 pm. I do hope you are able to attend.

Yours faithfully



Peter Smedley
Chairman