

ASX RELEASE

31 October 2012

ARRIUM REJECTS REVISED ACQUISITION PROPOSAL

Arrium Limited (ASX:ARI) advises that after market close yesterday it received another unsolicited, non-binding and conditional acquisition proposal from a consortium of Noble Group Limited, POSCO Australia Pty Ltd, National Pension Service of Korea, Korea Investment Corporation and Korea Finance Corporation to acquire all of the shares in the company.

The revised proposal contemplated an acquisition of all the shares in Arrium for an indicative cash price of A\$0.88 per share by way of a scheme of arrangement.

The revised proposal was highly conditional and incorporated virtually all of the conditions which attached to the previous proposal, including the need to undertake due diligence and arrange debt financing.

Arrium's Board and its advisers have carefully reviewed the revised proposal. The Board believes that the revised proposal significantly undervalues Arrium in the context of a change of control transaction and that the revised proposal is highly conditional. The consortium still requires to hold discussions with Arrium's lenders in relation to the refinancing of its existing debt (the terms of which have not been disclosed to Arrium). This requirement, together with the consortium's need for weeks of due diligence, creates significant transaction risk.

Arrium Chairman, Mr Peter Smedley, commented, "We have carefully considered the revised proposal. We believe that the revised proposal significantly undervalues Arrium and is not in the best interests of Arrium shareholders. We also believe that the highly conditional nature of the proposal carries significant risk."

"Arrium has an attractive portfolio of businesses including a world class mining consumable business and an iron ore business which is performing well and has very attractive growth options. The expansion of our mining operations and port remain on track."

"The revised proposal is opportunistic. It comes as iron ore prices are rising and after we have shipped the first ore from our new mine two weeks ago."

"Arrium's Board remains committed to maximising value for shareholders and will consider all options available to achieve that objective."

Price

The indicative price of \$0.88 per share:

- represents a very low price / earnings (PE) multiple of only c 4x broker consensus FY2014 NPAT¹ (being the first year in which Arrium expects to generate the full benefits of the expansion of its iron ore mining operations);

- is less than the price at which Arrium shares traded as recently as late August 2012; and
- represents a premium of only 2% above the volume weighted average price of Arrium's shares during the six months prior to the announcement of the previous proposal.

Conditions

The consortium has not arranged the debt finance necessary to acquire Arrium and it still requires access to Arrium's existing lenders to facilitate this. The consortium has not disclosed the details of the arrangements that it wants to negotiate with Arrium's lenders.

The consortium has provided a letter from Bank of America Merrill Lynch in relation to financing. The letter is highly conditional and does not specify any amount of available funding. The letter indicates that it is not an offer or commitment to provide financing (and cannot be relied upon as such) and that there can be no assurance that any financing will be available.

A summary of the conditions of the revised proposal are set out in the Annexure.

ENDS

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Notes

1. Calculated using the most recent broker reports available since the release of Arrium's FY12 results

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

Annexure

Summary of the conditions of the revised proposal

The revised proposal was conditional on various matters including:

- (due diligence) - satisfactory completion of due diligence on a non-exclusive basis which the consortium expected would take four weeks;
- (arranging debt finance) - the consortium has not arranged the debt finance necessary to acquire Arrium and it still requires access to Arrium's existing lenders to facilitate this. The consortium has not disclosed the details of the arrangements that it wants to negotiate with Arrium's lenders.
- (consortium member approvals) - board and / or relevant internal approvals by each consortium member. The consortium has declined to disclose the ownership proportion of each member;
- (no distributions) - no payment of dividends or capital returns by Arrium;
- (no MAC) - no material adverse change to Arrium's business, operations or capital structure;
- (Arrium Board recommendation) - unanimous recommendation of the proposal by Arrium's Board;
- (regulatory approvals) – receipt of required regulatory approvals, including FIRB, Department of Defence and potentially ACCC and other global merger approvals; and
- (SIA) - execution of a Scheme Implementation Agreement on 'acceptable and customary terms and conditions' including exclusivity provisions and break fee triggers.