

6 November 2012

Dear Shareholder

During the last month Arrium received two unsolicited proposals from a consortium of Noble Group (a Hong Kong based commodities trader), POSCO (a Korean based steelmaker) and three investment funds associated with the Korean government to acquire all the shares in Arrium.

The first proposal was at an indicative price of 75 cents per share and the second proposal (which was received last week) was at an indicative price of 88 cents per share. Both proposals were non-binding and highly conditional. The approach from the consortium was opportunistic and came at a time when Arrium's share price was near an all-time low, following iron ore prices being at their lowest point for several years.

Arrium's Board and its advisers carefully reviewed the proposals and concluded that they significantly undervalued Arrium in the context of a change of control transaction and were highly conditional. Consequently the Board determined that neither of the proposals were in the best interests of Arrium shareholders.

It is worth highlighting that the indicative price of the second proposal at 88 cents per share:

- represented a very low price / earnings (PE) multiple of around only 4 times the average of analysts' estimates of Arrium's expected net profit after tax for the 2014 financial year (being the first year in which Arrium expects to generate the full benefits of the expansion of its iron ore mining operations);
- was less than the price at which Arrium shares traded as recently as late August 2012; and
- represented a premium of only 2% above the VWAP of Arrium's shares over the 6 months prior to the announcement of the previous proposal.

You can obtain copies of the announcements made by Arrium relating to these proposals from our website at www.arrium.com.

Arrium has an attractive portfolio of businesses. The Board continues to have a positive view of the prospects for Arrium's businesses and your company is making significant investments which are expected to deliver increased returns for our shareholders.

- Our Mining business is expected to double its level of iron ore sales to 12 million tonnes per annum by July/August 2013 and our port capacity is expected to double to 13 million tonnes per annum by the end of this financial year. This expansion remains on track and on budget, with the first ore sales from our Southern Iron business made last month. This investment is expected to generate a significant increase in earnings and cash flow.
- Our Mining Consumables business is the global leader in grinding media, with operations in key markets including Australia, North America, South America and Indonesia. This business continues to perform well and grow, generating significant earnings and cash flow.

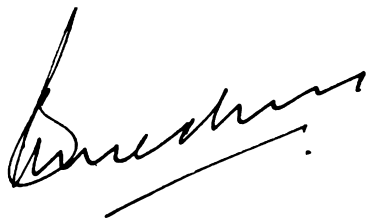
- We have significantly improved the performance of our Australian steel business despite key steel markets being at cyclical lows and a very high exchange rate. This was evidenced by the turnaround in performance for the second half of the 2012 financial year, with the manufacturing business recording a positive EBITDA result for the half.

Your Board remains committed to maximising value for shareholders and will consider all options available to achieve that objective.

If you would like to provide any feedback to me on this matter you can do so by emailing Heather McPherson at mcpersonh@arrium.com.

Thank you for your continuing support of the company.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Smedley', with a horizontal line underneath it.

Peter Smedley
Chairman