

19 November 2012

Arrium Mining Quarterly Production Report

For the quarter ended 30 September 2012

Summary

- September 2012 quarter shipments of 1.61mt (dmt) in line with expectations and ahead of the quarterly average for FY12 of 1.57mt
- Average Fe grade for the quarter 59.8%
- Average realised price for the quarter of ~US\$83/t FOB (dmt), down US\$26/t on the prior quarter in line with market price reductions
- Average cost loaded on ship (wmt, excluding royalties and depreciation) for the Middleback Ranges operation of ~A\$ 41/t, unchanged from the last quarter
- Southern Iron mining progressing well with 581kt of ore mined at Peculiar Knob during the quarter
 - Supply chain infrastructure progressing to plan with haul road complete and commissioning of crusher commenced
 - First ores sold via rail to Darwin in October of 17k dmt
- Whyalla Port expansion on track for sales through Whyalla in December 2012 quarter
 - Rail, tip pocket, conveyors and first shed construction is running to schedule with connection of services complete
 - Contracts in place for the remainder of construction phases
- Expected capacity of Whyalla Port following expansion revised up from 12Mtpa to 13Mtpa
- Revised up total sales expectations (from Southern Iron and Middleback Ranges) to be at run rate of 11mtpa by mid 2013 and then to increase to ~12Mtpa by July/August 2013 once larger ship loader is installed.

Operations¹

Middleback Ranges

		September Qtr	June Qtr	Variance	Variance % previous Qtr	FY 13 YTD	FY12 YTD
Ore mined ¹	(wmt)	2,080k	2,481k	(401k)	(16.2%)	2,080k	1,304k
Ore Processed – DSO	(wmt)	1,536k	1,517k	19k	1.3%	1,536k	1,395k
Ore Processed - Beneficiated	(wmt)	436k	448k	(12k)	(2.7%)	436k	214k
Ore shipped ²							
• Fines	(dmt)	939k	1,166k	(227k)	(19.5%)	939k	776k
• Lump	(dmt)	669k	744k	(75k)	(10.1%)	669k	642k

¹ Hematite export ore operations only. Excludes magnetite operations. Data has been adjusted to exclude hematite ore that is transferred internally to OneSteel Manufacturing as feed for the Whyalla blast furnace, based on actual blast furnace consumption.

² Ore shipped reported on a dry metric tonne basis after adjusting for ~4% moisture.

Average grade of ore shipped	59.8%	59.8%		0.0%	59.8%	58.3%
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Southern Iron

		September Qtr	June Qtr	Variance	Variance % previous Qtr	YTD
Ore mined	(wmt)	581k	44k	537k	n/a	581k
Ore Processed – DSO	(wmt)	4k				4k
Ore Processed - Beneficiated	(wmt)	n/a	n/a	n/a	n/a	n/a
Ore shipped						
• PK Fines	(dmt)					
• SMR for Blending	(dmt)					
Average grade of ore shipped						

Arrium Mining Total

		September Qtr	June Qtr	Variance/t	Variance % previous Qtr	FY 13 YTD	FY12 YTD
Ore mined ¹	(wmt)	2,661k	2,525k	136k	5.4%	2,661k	1,304k
Ore Processed – DSO	(wmt)	1,540k	1,517k	23k	1.5%	1,540k	1,395k
Ore Processed - Beneficiated	(wmt)	436k	448k	(12k)	(2.7%)	436k	214k
Ore shipped ²							
• Fines	(dmt)	939k	1,166k	(227k)	(19.5%)	939k	776k
• Lump	(dmt)	669k	744k	(75k)	(10.1%)	669k	642k
Average grade of ore shipped		59.8%	59.8%		0.0%	59.8%	58.3%

Market

During the quarter the price for iron ore declined significantly based upon reduced demand from Chinese steel mills. The price bottomed just below US\$90/t (CFR, 62% Fe fines) in early September before recovering in the latter part of the month as mills began to restock. Short term market conditions continue to influence market sentiment and price. Despite this volatility all shipments were placed.

The average Platts 62% dmt benchmark price for the September quarter was down US\$28/t to US\$114/t CFR, compared to US\$142/t for the prior quarter. The change in Arrium's realised price in the September quarter was broadly in line with the movement in Platts with the average price of US\$83/t FOB (dmt), down US\$26/t on the prior quarter.

Effective 2nd September, Arrium Mining Marketing assumed responsibility for the sales agency services previously provided by BHP Billiton. No major issues or shipment disruptions were encountered, despite the market downturn during the time of the handover.

Production and Shipping

- Middleback mining volumes of 2,080kwt were 20.8% ahead of the quarterly averages for FY12
- Middleback ore shipped of 1,608kdt was 13.4% higher than the corresponding period in FY12 and 2.3% ahead of the quarterly average for the full year, but lower than the record June quarter.

The average Fe grade of Middleback ore shipped was 59.8% in line with the previous quarter.

Expectations for total export iron ore sales for FY13 have increased from ~8Mtpa to ~8-9Mtpa. This reflects the volume benefits through the supply chain debottlenecking, OBP commissioning at the Middleback Ranges, and ~2Mt expected from Southern Iron.

Southern Iron sold its first ores via rail to Darwin in October. First sales through the Whyalla Port are scheduled to occur later in the December 2012 quarter.

Costs

Middleback Ranges

Costs/ Wet metric tonne AUD	September Qtr	June Qtr
Loaded costs on ship ³	A\$ 41	A\$ 41

Average cost loaded on the ship (excluding royalties and depreciation) for ore shipped for the quarter was A\$ 41wmt, in line with the prior quarter.

Development

In October, Arrium announced that it had revised up its expectations in relation to its Southern Iron and Whyalla Port expansion. Arrium now expects to increase iron ore shipments to a run rate of approximately 11Mtpa by mid 2013, and then increase to ~12Mtpa by July/August 2013 with commissioning of the new ship loader. The expected capacity at the Whyalla Port has increased from ~12Mtpa to 13Mtpa, an increase of ~7Mtpa over its current capacity.

Peculiar Knob

Mine development at Peculiar Knob continues in line with plan, with focus in this quarter on developing drill and blast capability. Pit advancement continues to be ahead of plan, and ~580kt of ore was added to the stocks in the September quarter.

The haul road from the mine to the Wirrida rail loading site including the Stuart Highway underpass was complete in the quarter, and ore haulage has commenced to the Wirrida pre crusher stock

³ Includes mining, crushing, beneficiation, rail, road haulage and transshipping costs. Excludes capitalised costs (pre-stripping and mining licences) and depreciation and amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs.

area. The ore haulage fleet of 14 triple road trains have arrived on site, with an initial compliment of 5 of these in service to provide adequate ores for commissioning at the end of the quarter.

The Crushing and Screening construction is now complete, with the facility now in the process of being commissioned enabling first ores to be available for sale.

The Wirrida rail (4.5km) loop and associated infrastructure was complete at the end of the quarter, and commissioning of the signalling system and weighbridge will be carried out in the December quarter.

As at the end of September, the business had incurred \$79 million of its estimated total infrastructure spend of \$86 million to bring the Peculiar Knob project on line.

Whyalla Port Expansion

At Whyalla, port project construction of rail, services, materials handling, berths and ship loaders is continuing to progress in line with planned completion in mid-2013. All contracts for the port construction and associated infrastructure are in place.

Rail line construction for both the narrow gauge and standard gauge is complete with all track and facilities having passed performance testing and are now ready for service.

The materials handling and storage facilities are the critical path to Port completion, and are currently progressing to schedule. All major steel erection is complete on the first shed and electrical installation work is in progress.

Construction of the temporary berth is complete, and the radial ship loader secured under the WPG acquisition has been assembled and is ready for commissioning. A second, higher capacity travelling type ship loader is in manufacture and expected to be operational on its own permanent berth around mid 2013 increasing Port capacity to 13Mtpa.

Final regulatory approvals are not expected to impact the project schedule. The permanent berth approval was received in October and the only construction regulatory approval currently outstanding is for the second stage of the standard gauge rail provisioning facility. This application is being progressed in accordance with our schedule.

As at 30 September 2012, the expenditure incurred on the Port expansion totalled \$130 million. With construction contracts now finalised we continue to expect total expenditure on the expansion will be within the planned \$200 million.

Exploration

Exploration activity continues to focus on:

- Adding to or extending the mine life of existing operations to utilise the full capacity of the Whyalla Port
- Investigating further ferrous and non-ferrous opportunities across the Middleback Ranges and Southern Iron tenements.

Drilling activity in the September quarter generated 14,600m, with progress according to plan. The program included resource definition Reverse Circulation (RC) drilling, hydrological drilling and specialist geotechnical diamond drilling. Four out of five rigs were allocated to the hematite stream.

In the South Middleback Ranges, work focused on infill resource definition RC drilling within the mineralised zones at the Iron Duke, Iron Knight and Iron Chieftain pits and on potential extensions to the north and south. Geotechnical diamond drilling was completed at Iron Duke.

To support the Iron Knob Mining Area expansion at the northern end of the Middleback Ranges, resource extension and sterilisation RC drilling commenced to the south of Iron Princess. In addition, hydrological drilling was completed and geotechnical diamond drilling commenced.

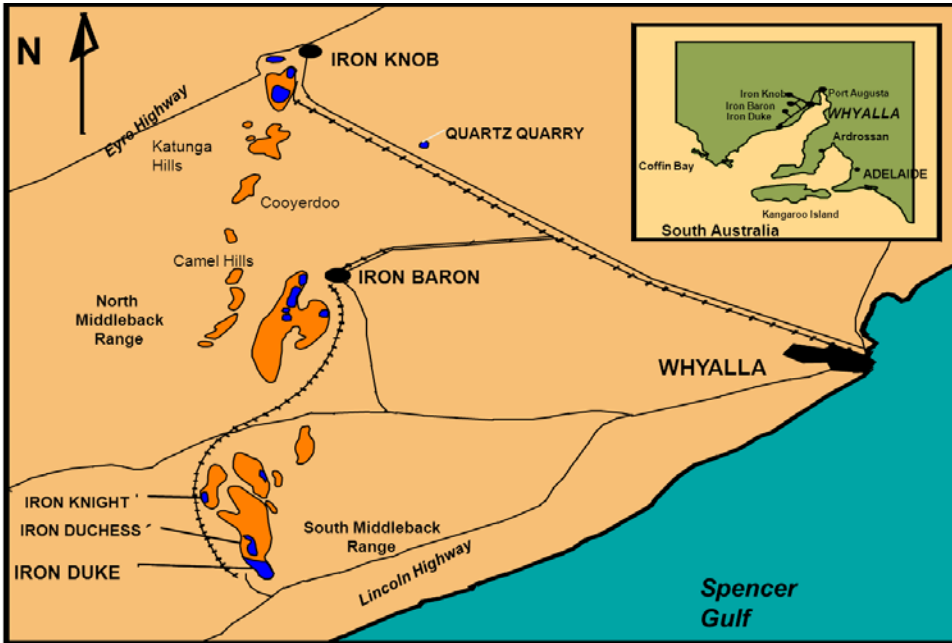
In the Southern Iron project portfolio, the Peculiar Knob RC and diamond drilling program continued, contributing to significant advances in understanding the ore body geometry. A program of deeper diamond drill holes commenced to scope the potential for depth extensions to the known mineralisation.

On the Hawks Nest project to the south-west of Peculiar Knob, heritage clearance was achieved over the project and planning for resource definition and extension RC and diamond drilling was undertaken. Subject to regulatory approvals, drilling is anticipated to commence at the Buzzard and Tui hematite projects in the December quarter.

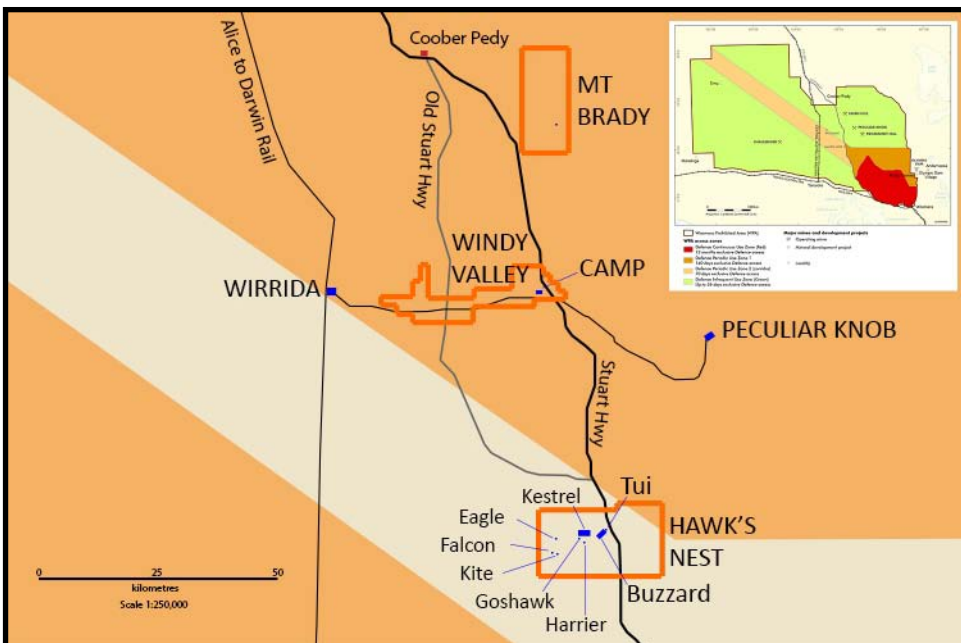
Elsewhere on the Southern Iron projects, planning is underway for an aeromagnetic survey to be carried out at the Mt Brady and Windy Valley projects, to assist in the definition of targets for an aircore drilling program. It is anticipated that the aeromagnetic survey will commence in the December quarter. This data would provide a first pass assessment of the potential for both iron ore and iron oxide copper gold (IOCG) mineralisation within these tenements.

Map of Operations

Middleback Ranges



Southern Iron



Corporate profile

Arrium Limited

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2013 Reporting Calendar

19 February 2013

Half year results

20 August 2013

Full year results

Important information

Arrium Mining is a division of Arrium Limited, a mining and materials group consisting of mining, mining consumables and steel and recycling businesses. This report has been prepared to provide additional information regarding Arrium Mining's activities related to the external sale of hematite iron ore. Due to its non-mining activities, Arrium Limited is not a 'mining entity' for the purpose of the ASX Listing Rules and therefore is not subject to the additional mandatory quarterly reporting requirements under Chapter 5 of the ASX Listing Rules. Arrium Limited is providing this report on a voluntary basis only and, accordingly, this report may not contain all of the information which would be required for an entity subject to such additional mandatory reporting requirements.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves (Reserves and Resources Information) is based on information compiled by or under the supervision of Paul Leever. 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 report. Mr Leever is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of OneSteel Manufacturing Pty Ltd. Mr Leever has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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 Leever has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

This report contains certain forward-looking statements with respect to the financial condition, results of operations and business of Arrium Limited and its Arrium Mining division and certain plans and objectives of the management of Arrium Limited and its Arrium Mining division. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of Arrium Limited, which may cause the actual results or performance of Arrium Limited to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this presentation. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, previously undiscovered geological features, the cyclical nature of the steel industry globally, the level of activity in the construction and manufacturing industries in China, the occurrence of adverse weather events, the capacity, demand for and performance of the global shipping market, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, Arrium Mining's relationships with, and the financial condition of, its suppliers and customers, legislative changes, regulatory changes or other changes in the laws which affect Arrium Mining's business, including environmental laws, a carbon tax, mining tax and operational risk. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements.

This report contains certain non-statutory financial measures including average loaded cost on ship per tonne, average realised price, measurements of royalties and depreciation in respect of specific operations and assets, development and exploration costs, cash expenses and unconsolidated expenditure, revenue and other measures. These measures are used to assist the reader understand the financial performance of the Arrium Mining division's activities covered by this report. Non-statutory financial information has not been audited or reviewed as part of the Arrium Limited audited accounts. However, a process has been agreed with Arrium Limited's auditor to agree the financial inputs utilised by Arrium Mining to derive the measures stated in the report.