

# **Arrium Mining Quarterly Production Report**

# For the quarter ended 31 March 2013

#### **Summary**

- March 2013 quarter shipments of 1.97Mt (dmt) up 0.15Mt on prior quarter (includes 0.50Mt of Southern Iron sales)
- Year to date sales 5.39Mt (dmt), up 23% on prior corresponding period
- Average realised price ~US\$114/t FOB (dmt), up US\$13/t on prior quarter
- Average cost loaded on ship ~A\$ 42/t for Middleback Ranges (wmt, excluding royalties and depreciation), down \$1/t compared to previous quarter
- Record quarterly ore mined of 3.14Mt (wmt). Supports expected sales ramp up in Q4 13
- Achieved planned major milestones for expansion
  - The CSL Whyalla (new self-powered transshipment vessel) commissioned, operational and loading from the existing and new harbours
  - o 3 full capes of Southern Iron ores loaded in the quarter
  - o 2<sup>nd</sup> export shed completed in March
- Remaining construction activities for Port progressing well, with expansion on time and budget for sales to be fully ramped up by July/August 2013
  - o Expect to be at sales run rate of 11Mtpa by June
  - o FY13 sales estimated at 8.2 to 8.4Mt consistent with previous guidance
  - Sales run rate to lift from 11Mtpa to 12Mtpa in July/August

# Operations<sup>1</sup>

Middleback Ranges

		Mar Qtr	Dec Qtr	Variance	Variance % previous Qtr	FY 13 YTD	FY12 YTD
Ore mined <sup>1</sup>	(wmt)	2,538k	2,026k	512k	25%	6,644k	4,429k
Ore Processed – DSO	(wmt)	1,262k	1,283k	(21k)	(2%)	4,081k	4,630k
Ore Processed - Beneficiated	(wmt)	494k	537k	(43k)	(8%)	1,467k	655k
Ore shipped <sup>2</sup>							
<ul> <li>Fines</li> </ul>	(dmt)	840k	937k	(97k)	(10%)	2,716k	2,531k
• Lump	(dmt)	625k	752k	(127k)	(17%)	2,046k	1,849k
Total	(dmt)	1,465k	1,689k	(224k)	(13%)	4,762k	4,380k

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<sup>&</sup>lt;sup>1</sup> 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.

<sup>&</sup>lt;sup>2</sup> Ore shipped reported on a dry metric tonne basis after adjusting for ~4% moisture.



#### Southern Iron

		Mar Qtr	Dec Qtr	Variance	Variance % previous Qtr	FY13 YTD	FY12 YTD
Ore mined	(wmt)	606k	549k	57k	10%	1,736k	
Ore Processed – DSO	(wmt)	533k	269k	264k	98%	806k	
Ore Processed - Beneficiated	(wmt)	n/a	n/a	n/a	n/a	n/a	
<ul><li>Ore shipped</li><li>PK Fines</li><li>SMR for Blending</li></ul>	(dmt) (dmt)	501k	126k	375k	297.6%	627k	

Arrium Mining Total

		Mar Qtr	Dec Qtr	Variance	Variance % previous Qtr	FY 13 YTD	FY12 YTD
Ore mined <sup>1</sup>	(wmt)	3,144k	2,575k	569k	22%	8,380k	4,429k
Ore Processed – DSO	(wmt)	1,795k	1,552k	243k	16%	4,887k	4,630k
Ore Processed - Beneficiated	(wmt)	494k	537k	(43k)	(8%)	1467k	655k
Ore shipped <sup>2</sup> • Fines • Lump		1,341k 625k	1,063k 752k	278k (127k)	26% (17%)	3,343k 2,046k	2,531k 1,849k
Total	(dmt)	1,966k	1,815k	151k	8%	5,389k	4,380k
Average grade shipped	of ore	60.1%	60.0%	0.1%	0.2%	60.0%	59.0%

#### Market

The market price for iron ore remained strong in the March quarter. The Platts 62% Fe index averaged US\$148/t CFR (dmt), a US\$26/t improvement on the prior quarter. Arrium Mining's average price for the quarter of US\$114/t FOB (dmt) was up US\$13/t compared to the prior quarter. Compared to the September 2012 quarter, Arrium's FOB average price has risen by \$31 compared to a US\$34/t increase in the Platts 62% Fe index price<sup>2</sup>.

Arrium Mining continues to broaden its customer base as it ramps up production and introduces new products into the market. The business is receiving good support from new and existing customers for its recently introduced Whyalla Lump and Fines blend, as well as its Opal Fines, which is a blend of fines from the Middleback and Southern Iron operations.

## **Production and Shipping**

Good mining performance continued through the quarter reflecting the successful transition to the new mining contractor BGC at the South Middleback mines in November 2012. Ore mined at the

<sup>&</sup>lt;sup>2</sup> Difference can be due to price penalties, weighting of shipments in quarter and timing related to the determination of pricing for contract customers



South Middleback mines is now exceeding levels achieved prior to the changeover, while mining volumes at Southern Iron are on plan:-

- Middleback ore mined of 2,538kt (wmt), 25% higher than the previous quarter,
- Southern Iron ore mined of 606kt (wmt), 10% higher.

The arrival in March of new narrow gauge wagons and locomotives enabled commencement of the Middleback ramp up, supporting the first loading of blended MBR/SI ores. The first of the new narrow gauge locomotives entered service during April.

Shipments of Middleback ore through the existing port of 1,465kt (wmt) were 13% lower than the previous quarter. Volumes were impacted by some operational issues related to the narrow gauge rail and seasonal weather conditions in January, where high winds delayed the loading of a number of cape vessels.

At Southern Iron, 533kt of iron ore was crushed in the quarter. This is an increase of 98% over the previous quarter, in line with the increase in iron ore shipments.

Guidance for total export iron ore sales for FY13 is between 8.2 and 8.4Mt. The expected sales lift in the final quarter of FY13 reflects further supply chain ramp up from Southern Iron, including the addition of 44 rail wagons to the Southern Iron network early in the quarter.

#### Costs

Middleback Ranges

Costs/ Wet metric tonne AUD	March Qtr	December Qtr
Loaded costs on ship⁴	A\$42	A\$43

Average cost loaded on the ship (excluding royalties and depreciation) for the quarter was A\$42/wmt, a \$1/t decrease compared to the prior quarter due to increased mining.

Southern Iron costs reflect the costs associated with ramp-up and commissioning.

#### **Development**

Whyalla Port Expansion

On completion, the Whyalla Port Expansion Project will see Arrium Mining's port capacity increase by ~7Mtpa to 13Mtpa. The project comprises two export sheds and associated tip pockets and conveyors, rail access to both the national grid for Southern Iron ores and the narrow gauge line from our Middleback Mines, initially a temporary ship loader to be replaced by a new permanent berth and higher capacity ship loader, and a self-powered transshipment vessel, the CSL Whyalla, as a means to load cape vessels.

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<sup>&</sup>lt;sup>4</sup> Includes mining, crushing, beneficiation, rail, road haulage and transshipping costs. Excludes capitalised costs (prestripping and mining licences) and depreciation and amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs.



Further significant progress was made during the quarter, including the following milestones: -

- The CSL Whyalla was fully commissioned and is meeting or exceeding our targets for the loading of ores
- The second export shed was completed and commenced receiving ores in early April
- Additional rail fleet is being commissioned to deliver increased volumes in the June quarter
- 3 full cape vessels were loaded through the new facilities in the quarter, testing established infrastructure at its designed rate. Blending of Middleback ores with Southern Iron ores commenced in April.

The project remains on track to support the increased port capacity in July / August 2013 with completion of the permanent berth due in the next quarter, and the installation and commissioning of the higher capacity ship loader targeted for July.

As at 31 March 2013, the expenditure incurred on the Port expansion totalled \$171 million. With construction contracts now finalised, we continue to expect total expenditure to be within the planned \$200 million. The upstream infrastructure at Peculiar Knob is complete with project spend within guidance of \$86 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 opportunities across the Middleback Ranges and Southern Iron tenements.

Drilling activity in the March quarter generated 6,242m, with progress in line with plan. The program included resource definition Reverse Circulation (RC) and diamond drilling and specialist geotechnical diamond drilling. Three rigs were allocated to the Hematite stream.

To support the Iron Knob Mining Area expansion at the northern end of the Middleback Ranges, geotechnical diamond drilling was carried out at Iron Princess and at Iron Monarch. Further resource extension RC and diamond drilling remains to be completed to the south of Iron Princess.

In the northern portion of the South Middleback Ranges project area, resource definition and extension RC drilling commenced at Iron Chieftain North.

In the Southern Iron project portfolio, resource definition and extension RC drilling continued on the Hawks Nest project at the Buzzard and Tui hematite prospects, utilising up to three rigs. Geotechnical diamond drilling commenced at Buzzard.

In addition to drilling activities on the Southern Iron projects, aeromagnetic surveys were completed on each of the Mt Brady, Windy Valley and Hawks Nest projects. The new high resolution magnetic and radiometric data have undergone processing and imaging and interpretation is underway. The data is expected to significantly assist a first pass assessment of the potential for both iron ore and iron oxide copper gold (IOCG) mineralisation within these tenements, and to aid in the definition of targets for aircore and RC drilling programs.

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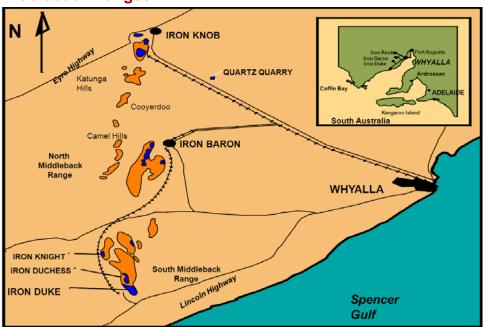


The information in this report that relates to Exploration Results is based on information compiled by or under the supervision of Geoff Johnson BSc (Hons), PhD, Grad Dip Env Sc. Dr Johnson is a Fellow of the Australian Institute of Geoscientists and a Fellow of the Australasian Institute of Mining and 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 report of the matters based on his information in the form and context in which it appears.

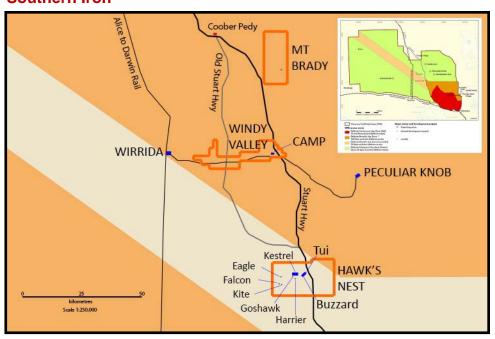


# **Map of Operations**

# **Middleback Ranges**



## **Southern Iron**





## Corporate profile

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## **Next Mining Quarterly Production Report**

20 August 2013



# 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 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 report. Mr Leevers is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of OneSteel Manufacturing Pty Ltd. 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 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.