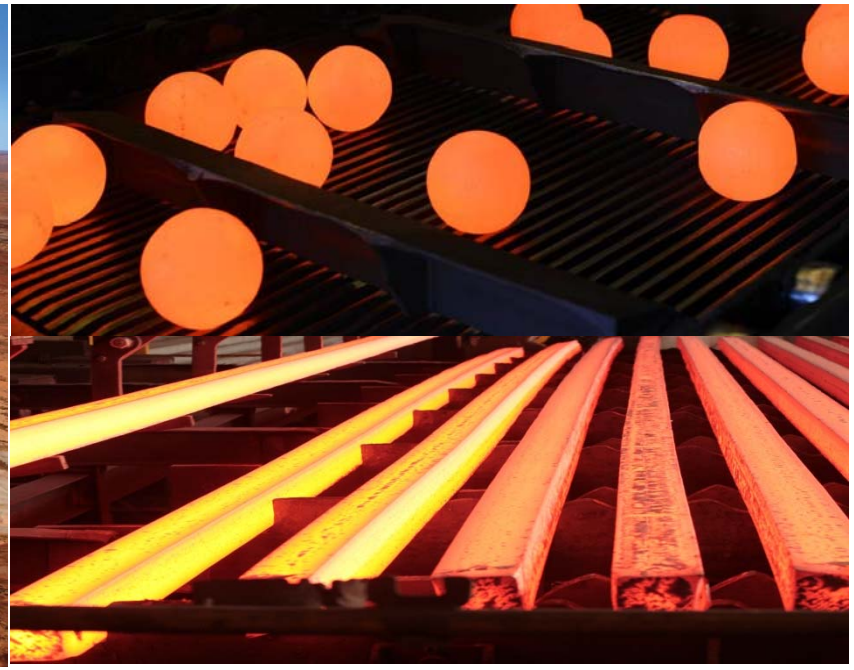

Welcome to Arrium Limited's 2013 Annual General Meeting

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This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of Arrium and certain plans and objectives of the management of Arrium. 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, which may cause the actual results or performance of Arrium 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, the cyclical nature of the steel industry, the level of activity in the construction, manufacturing, mining, agricultural and automotive industries in Australia and North and South America and, to a lesser extent, the same industries in Asia and New Zealand, mining activity in the Americas, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, Arrium'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'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 presentation contains certain non-statutory financial measures including underlying EBIT, underlying EBITDA, underlying NPAT, underlying earnings per share and underlying effective tax rate. These measures are used to assist the reader understand the financial performance of the company’s operations. Non-statutory financial information has not been audited or reviewed as part of KPMG’s report on the 2013 Full Year Financial Report. However, KPMG have undertaken a set of procedures to agree the financial information in this presentation to underlying information supplied by the company. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group’s total operations including continuing and discontinued operations. Details of the reconciliation between non-statutory and statutory financial measures can be found in the Appendix of this presentation.

All balance sheet items are based on statutory financial information. Except as otherwise expressed, references in this document to net profit/loss after tax refer to net profit/loss attributable to equity holders of the parent. Segment results referred to throughout this presentation are those reported in the 2013 Full Financial Report. They are equivalent to segment underlying results.

The information in this presentation that relates to 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 presentation. Mr Leevers is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of Arrium. 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 presentation of the matters based on his information in the form and context in which it appears.

The information in this presentation 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 presentation of the matters based on his information in the form and context in which it appears.

Safety and evacuation procedures

- In the event of an emergency evacuation, you will be alerted by:
  - An audible signal; and
  - An announcement to evacuate
- Emergency exits in this room are located along the South wall
- Emergency exits in the lobby are located in the Southwest corner
- After exiting the hotel, please follow the directions of the hotel staff and proceed to Grosvenor Square located at the intersection of Harrington and Grosvenor Streets

Arrium Limited Board

Peter Smedley
Chairman and Independent Non-Executive Director

Dean Pritchard
Independent Non-Executive Director

Andrew Roberts
Managing Director and Chief Executive Officer

Graham Smorgon AM
Independent Non-Executive Director

Arrium Limited Board

Rosemary Warnock
Independent
Non-Executive Director

Bryan Davis
Independent
Non-Executive Director

Peter Nankervis
Independent
Non-Executive Director

Colin Galbraith AM
Independent
Non-Executive Director

Kara Nicholls
Company Secretary

Items of business

- Receive and consider the Financial Report, Directors' Report, Notes to the Financial Statements and Auditor's Report for the year ended 30 June 2013

- Adopt the Remuneration Report for the year ended 30 June 2013

- Re-election of Mr C R Galbraith AM and Ms R Warnock as Directors

FY13 overview

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- Underlying NPAT[1] $168 million
- Statutory NPAT loss of $695 million
  - Includes asset impairments and restructuring costs $961 million
- Delivered on our commitments
- Well positioned to realise the value from strategic investments

1 A reconciliation of non-statutory underlying results to statutory results can be found in the Appendix of this presentation. Unless otherwise expressed, financial measures used in this presentation are of non-statutory underlying results.

Delivering on strategy

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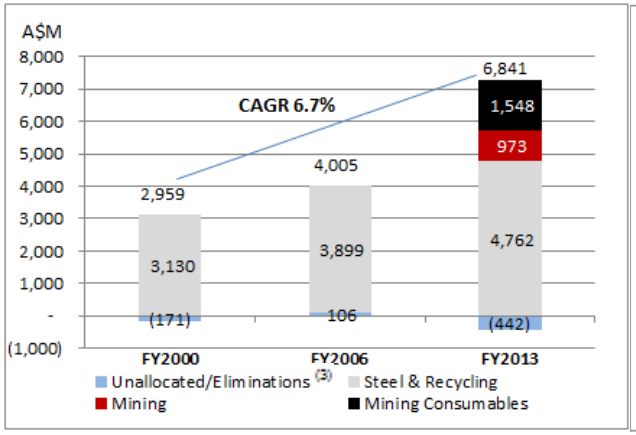
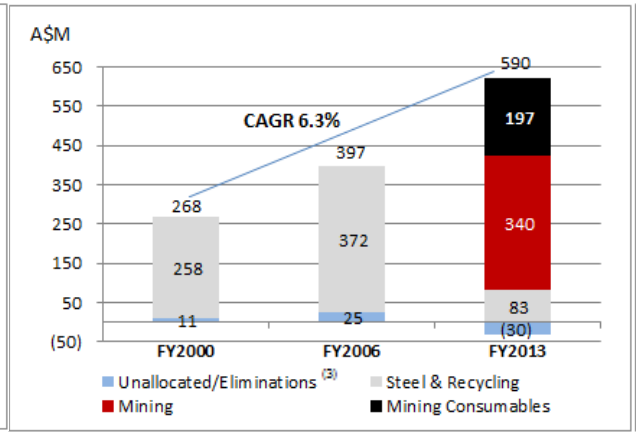
- Continued growth as an international Mining and Materials company
  - Mining business and Whyalla Port capacity doubled
  - Strong earnings from Mining and Mining Consumables
- Debt reduction and improving leverage now key focus for enhancing shareholder value

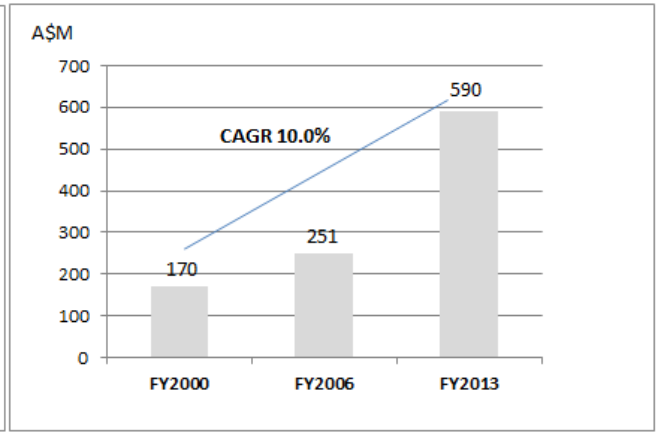
Revenue [1] [2]



EBITDA[1]



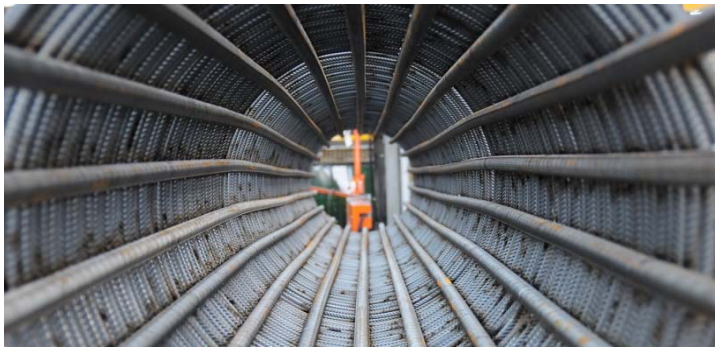
Statutory Operating Cash Flow [4]



[1] Segment results referred to throughout this presentation are those reported in the 2013 Financial Report. They are equivalent to segment underlying results for total continuing and discontinued operations. For a reconciliation of consolidated results, refer to the 2013 Annual Report.
[2] Revenue comprised of external and intersegment revenues only.
[3] Unallocated/eliminations comprised of Corporate Head Office results, New Zealand Distribution results and inter-segment eliminations.
[4] Statutory operating cash flow is defined as NPAT plus depreciation, amortisation and impairments plus / (less) non-cash items and changes in working capital.

FY13 performance highlights

- Arrium Mining
  - Strong EBITDA contribution $340 million
  - Record iron ore sales 8.28Mt
- Arrium Mining Consumables
  - EBITDA up 15% to $197 million
  - Sales volumes up 8% pcp
- Arrium Steel
  - EBITDA and cash positive
  - Formation of single Steel business
  - Non-integrated businesses held for sale
- Statutory operating cash flow up 26% to $590 million



Outlook

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Mining

- Business continuing to perform well, and reflecting benefits of expansion
  - Iron ore sales of ~6Mt for 1H, and ~12Mt for FY14 expected
  - Magnetite Optimisation Project tracking to plan
- Average iron ore prices expected to remain at solid levels over balance of FY14, particularly given impact of outlook for sustained lower AUD
  - Underpinned by continued strong demand from China
- Average grade for FY14 of ~60% Fe
- Q1 FY14 loaded cash cost ~A$49/wmt[1] – subject to inflation going forward
- Continuing to assess opportunities to increase sales above 12Mtpa and utilise full capacity of Whyalla Port

1 Includes mining, crushing, beneficiation, rail, road haulage and transshipping costs. Excludes capitalised costs (infrastructure, pre-stripping and mining licences) and depreciation and amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs. Includes impact of IFRIC 20 *'Stripping Costs in the Production Phase of a Surface Mine'* of ~$1/wmt reduction in cash cost compared to methodology applied in prior periods.

Outlook

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Mining Consumables

- Business has continued to perform well in 1H, underpinned by strong demand for grinding media, particularly in North and South America
- Outlook for grinding media demand remains strong
  - Continued high levels of copper, gold and iron ore production expected in key markets
  - Declining head grades
  - Expected CAGR of 8% (FY13 – 17) North and South America
- Well placed to capture at least our high market share of expected growth in grinding media demand
- Mining ropes and rail wheels demand in 1H impacted by some miners in Australia destocking, as previously indicated

Outlook

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Steel

- Continuation of generally weak domestic and international steel markets in 1H, as previously indicated
- Cost savings from establishment of single Steel business tracking to plan ($40 million annualised, $30 million in FY13)
- Steel earnings[1]:
  - 1H EBITDA expected to be similar to 2H13
    - Weaker domestic volumes experienced in 2H13 continued through 1H14 to date
    - Price increases early 2Q14, but pressure due to subsequent increase in AUD and lower steelmaking raw material prices
  - 2H EBITDA expected to benefit from:
    - Improved volumes from recommencement of slow recovery in domestic construction markets
    - Encouraged by recent lift in market confidence and quote activity in key construction markets
    - Full impact of cost savings
- Currently pursuing anti-dumping

1 EBITDA for continuing operations (newly formed integrated single Steel business). Small EBITDA loss expected 1H14 for discontinued Steel businesses (held for sale) comprising ATM and Merchandising, compared to a small EBITDA contribution from those discontinued businesses in 2H13.

Outlook

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Recycling

- Continued difficult external environment for global scrap market
- Earnings starting to benefit from rationalisation and cost reductions in Australia/Asia businesses

Outlook

Reducing debt and improving leverage

- Good progress being made on increasing EBITDA and reducing net debt
  - Realising benefits from growth investments in Mining and Mining Consumables
  - Progressing well with divestment program
    - Continue to expect total proceeds for FY14 of $200 – $250 million

Outlook

arrium MINING AND MATERIALS

Earnings guidance

- Quantitative guidance for Group not appropriate at this time due to uncertainty around
  - Iron ore prices
  - FX
  - International economy
  - Rate of growth in Australian economy

- 2H FY14 underlying NPAT expected to benefit from:
  - Continuation of increased rate of iron ore sales volumes (~12Mt for FY14)
  - Continued growth in Mining Consumables
  - Higher sales volumes in Steel
  - Full impact of cost reductions ($40m annualised, $30m in FY14)

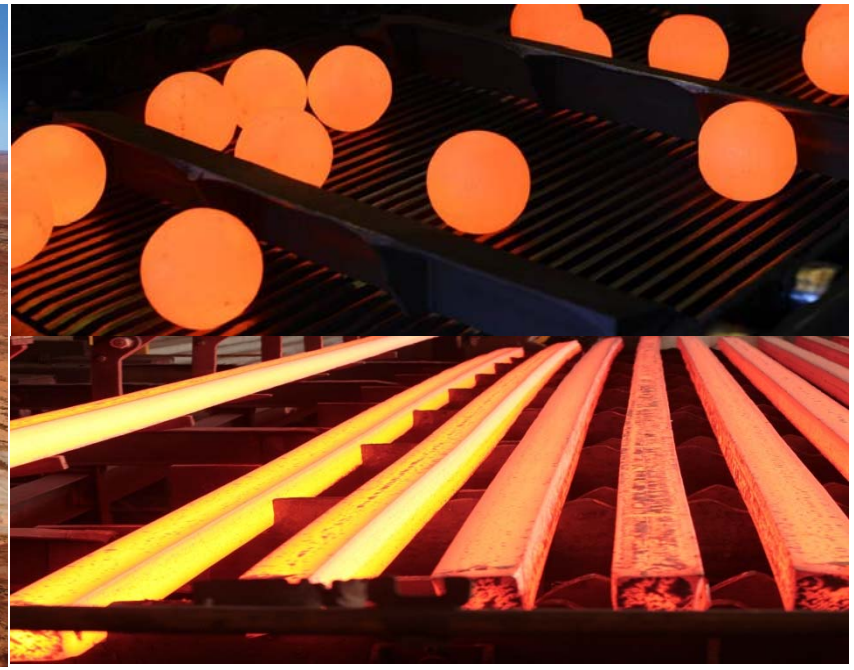
New MD and CEO

- Mr Roberts appointed MD and CEO effective 1 July 2013
  - Extensive experience across all business segments
  - Key figure in the development and implementation of Arrium's transformation strategy
  - Smooth and seamless succession

Andrew Roberts
Managing Director and Chief Executive Officer

Board renewal

- Board renewal has been on hold since 2011
- Two new directors to be added for next phase of company's development
- Three directors have been on Board since spin out in 2000
  - Peter Smedley (Chairman) will not stand for re-election November 2014
  - Dean Pritchard will not stand for re-election November 2014
  - Colin Galbraith (Chairman of Governance and Nominations Committee) standing for re-election this AGM
    - Ensures orderly transition of knowledge



Andrew Roberts, Managing Director and CEO

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Summary

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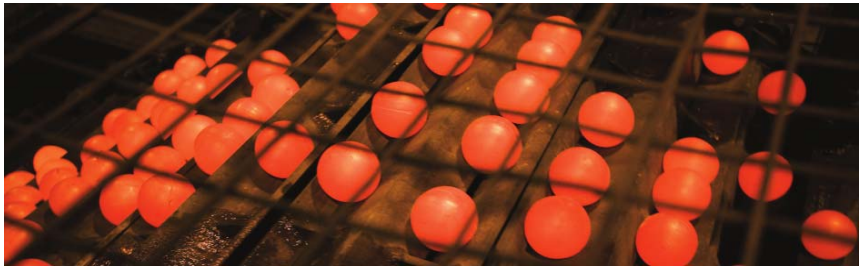
Highlights

- Transformational year
- Doubled Mining business and Whyalla Port on time and on budget
- Continued strong earnings and volume growth in Mining Consumables
- Further improvement in Steel despite weaker external environment
- Strong cash flow is helping drive down debt



FY13 in Review

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Financial summary

- Underlying NPAT $168 million (FY12 $195 million)
- Strong statutory operating cash flow $590 million, up 26% on FY12
- Net debt $2,115 million (down from 1H13 and FY12)
  - In line with guidance despite adverse FX impact at year end
- Successfully refinanced US$800 million debt facilities
  - No significant debt maturities until FY16
- Gearing 36.2%
  - Well within banking covenant test

FY13 in Review

Arrium Mining

- On time and on budget delivery of expansion
  - Doubled sales rate to 12Mtpa in June
  - Port capacity doubled to 13Mtpa
- Strong EBITDA contribution of $340m
- Record iron ore sales volumes, up 34%
- Assumed responsibility for all iron ore sales and marketing into China / Asia
- Launched new blended products – well received by customers

Mining Production Report Q1 FY14

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- Shipments 3.1Mt (dmt)
  - On track for ~12Mtpa FY14 target
- Average realised price US$113/dmt (fob), up US$9/dmt on prior quarter
  - Higher in AUD at $123/dmt (fob)
- Average Fe grade 60.3% - per guidance
- Average cash cost A$49/wmt[1] - per guidance

1 Includes mining, crushing, beneficiation, rail, road haulage and transshipping costs. Excludes capitalised costs (infrastructure, pre-stripping and mining licences) and depreciation and amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs. Includes impact of IFRIC 20 *'Stripping Costs in the Production Phase of a Surface Mine'* of ~$1/wmt reduction in cash cost compared to methodology applied in prior periods.

FY13 in Review

Arrium Mining Consumables

- Substantial contributor to group earnings (FY13 EBITDA ~$200m, up 15%)
- All businesses (Grinding Media, Ropes and Rail Wheels) performed well
  - Strong volume growth
  - High levels of copper and gold production
  - Solid pipeline of new mining projects/expansions
- Capacity expansions
- Strong cash generator

FY13 in Review

Arrium Steel

- Improved performance in Steel
- Continued focus on cash generation
- Formation of a single Steel business
- Divestments – non-integrated
- Recycling – lower volumes and prices
- Significant leverage to improvement in external environment
  - Demand
  - Sustained lower AUD

Outlook

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- Mining and Mining Consumables:
  - Continuing to perform well in 1H
  - Outlook remains positive
- Steel
  - Difficult external environment
  - Encouraged by recent lift in market confidence and quote activity
- Good progress being made on reducing net debt and improving leverage
- Progressing well with divestment program
  - Have completed/under contract, divestments ~$120 million
  - Expect ~$90 million cash proceeds in 1H

Summary

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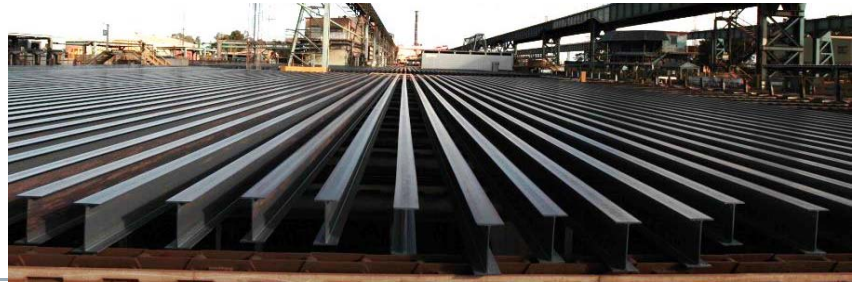
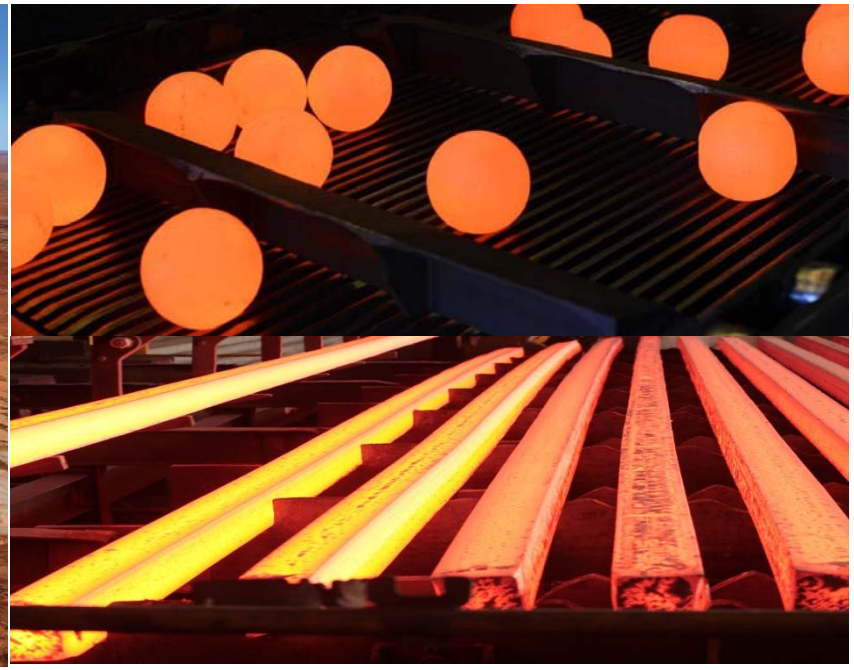
- Doubled Mining business and Port on time and on budget
- Strong earnings from Mining
- Strong year on year earnings growth from Mining Consumables
- Formed single Steel business
- Strong cash outcome
- Primary focus is debt reduction and improved leverage





Appendix

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FY13 statutory vs underlying results

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Year ended 30 June 2013	Statutory Results			Underlying Results			
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations	**Total Operations Statutory**	Restructuring costs[1]	Impairment[2]	Tax adjustments & other items[3]	**Total Operations Underlying**
Sales revenue	6,084.9	756.1	**6,841.0**	-	-	-	**6,841.0**
Other revenue/income	92.5	21.4	**113.9**	-	-	-	**113.9**
Total revenue/income	6,177.4	777.5	**6,954.9**	-	-	-	**6,954.9**
Gross profit/(loss)	1,069.7	(18.3)	**1,051.4**	-	-	-	**1,051.4**
EBITDA	626.0	(129.5)	**496.5**	93.8	-	(0.7)	**589.6**
Depreciation and amortisation	(257.2)	(16.8)	**(274.0)**	-	-	-	**(274.0)**
Impairment	(245.5)	(684.7)	**(930.2)**	-	930.7	-	**0.5**
EBIT	123.3	(831.0)	**(707.7)**	93.8	930.7	(0.7)	**316.1**
Finance costs	(117.4)	(0.7)	**(118.1)**	-	-	-	**(118.1)**
Earnings before tax	5.9	(831.7)	**(825.8)**	93.8	930.7	(0.7)	**198.0**
Tax expense/(benefit)	64.6	68.6	**133.2**	(28.1)	(35.4)	(97.3)	**(27.6)**
Profit/(loss) after tax	70.5	(763.1)	**(692.6)**	65.7	895.3	(98.0)	**170.4**
Non-controlling interests	(2.1)	-	**(2.1)**	-	-	-	**(2.1)**
Net profit/(loss) after tax	68.4	(763.1)	**(694.7)**	65.7	895.3	(98.0)	**168.3**

Unless otherwise stated, certain financial measures referred to in this document, including underlying results and ratios based on underlying results are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's report on the full year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this document to underlying information supplied by the Company. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's total operations including continuing and discontinued operations.

1 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.
2 Impairment of property, plant and equipment and intangible assets associated with Recycling and Steel segments.
3 Relates to tax adjustments related to prior years, the net impact of Mineral Resource Rent Tax, gain on disposal of Steel and Tube Holdings and other non-recurring items.

FY12 statutory vs underlying results

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Year ended 30 June 2012	Statutory Results			Underlying Results				
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations	**Total Operations Statutory**	Transaction costs[1]	Restructuring costs[2]	Impairment[3]	Tax adjustments & other items[4]	**Total Operations Underlying**
Sales revenue	6,314.8	1,279.7	**7,594.5**	-	-	-	-	**7,594.5**
Other revenue/income	100.4	21.4	**121.8**	-	-	-	-	**121.8**
Total revenue/income	6,415.2	1,301.1	**7,716.3**	-	-	-	-	**7,716.3**
Gross profit/(loss)	1,120.3	77.4	**1,197.7**	-	-	-	-	**1,197.7**
EBITDA	620.7	(122.8)	**497.9**	26.6	47.0	-	9.5	**581.0**
Depreciation and amortisation	(194.3)	(26.5)	**(220.8)**	-	-	-	2.8	**(218.0)**
Impairment	(3.4)	(138.8)	**(142.2)**	-	-	138.8	-	**(3.4)**
EBIT	423.0	(288.1)	**134.9**	26.6	47.0	138.8	12.3	**359.6**
Finance costs	(117.7)	(3.4)	**(121.1)**	-	-	-	-	**(121.1)**
Earnings before tax	305.3	(291.5)	**13.8**	26.6	47.0	138.8	12.3	**238.5**
Tax expense/(benefit)	(9.0)	58.8	**49.8**	(7.9)	(17.2)	(13.4)	(48.8)	**(37.5)**
Profit/(loss) after tax	296.3	(232.7)	**63.6**	18.7	29.8	125.4	(36.5)	**201.0**
Non-controlling interests	(5.9)	-	**(5.9)**	-	-	-	-	**(5.9)**
Net profit/(loss) after tax	290.4	(232.7)	**57.7**	18.7	29.8	125.4	(36.5)	**195.1**

Unless otherwise stated, certain financial measures referred to in this document, including underlying results and ratios based on underlying results are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's report on the full year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this document to underlying information supplied by the Company. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's total operations including continuing and discontinued operations.

1 Direct costs related to the acquisition of WPG Resources Limited subsidiaries in October 2011 and the sale of Piping Systems business.
2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.
3 Impairment of property, plant and equipment and intangible assets associated with the Oil and Gas Pipe and LiteSteel™ Technologies businesses and land and buildings at Acacia Ridge.
4 Relates to tax adjustments related to prior years, the net impact of Mineral Resource Rent Tax, gain on disposal of Piping Systems and other non-recurring items.

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MINING AND MATERIALS

2013 ANNUAL GENERAL MEETING ADDRESSES

CHAIRMAN'S ADDRESS – MR PETER SMEDLEY

Good afternoon ladies and gentlemen.

On behalf of the Board of Directors, I warmly welcome you to the Thirteenth Annual General Meeting of Arrium Limited.

Before we proceed to formal business, I would like to turn our attention to consideration of the 2013 financial results.

I will provide some commentary on the company's financial and strategic outcomes for the year, before turning to some other important matters including the outlook for our businesses.

I will then invite Arrium's Managing Director and Chief Executive Officer, Mr Andrew Roberts to provide some additional commentary on the company's performance and outlook.

As an overall comment, the year was another very significant one in our growth as a mining and materials company.

Financially, the company delivered an underlying net profit after tax of $168 million. Statutory net profit after tax was a loss of $695 million, and includes asset impairments and restructuring costs of $961 million.

A significant contributor to the extent of the asset impairment charge for the year was our decision to hold the non-integrated steel businesses for sale – I will discuss this further shortly.

Strategically, we continued to deliver on our commitments in relation to growing our Mining and Mining Consumables businesses and improving the performance of our Steel business. We are well positioned to realise the value from these strategic investments – which is the theme of this year's Annual Report.

The Board declared dividends for the year totalling 5 cents a share, unfranked.

When I stood before you at last year's AGM, I explained how the company had transformed from being solely an Australian domestic steel long products producer and steel distributor at the time of being spun out from BHP in 2000, to its position today as an international diversified mining and materials company.

This transition included major milestones such as the commencement of Project Magnet in 2005, which led to the creation of a new export iron ore revenue stream for the company; the acquisition of Smorgon Steel in 2007 which, in addition to providing us with domestic and international grinding media businesses, delivered $100 million in synergy benefits and helped us to weather the GFC period; and the acquisition of Moly-Cop at the end of 2010, which made us the largest supplier of grinding media in the world with leading market positions in key growth areas such as North and South America.

Our most recent milestone was achieved this year with the doubling of our Mining business, which I am pleased to advise was completed on time and on budget – uncommon in the resources sector in recent years. This included doubling our rate of iron ore sales to 12Mtpa in June this year, and doubling the capacity of our Whyalla Port in July to 13Mtpa – both 1Mtpa more than the target originally announced.

The benefits of this transformation can be clearly seen in the charts on the screen behind me. These show the significant growth in revenue, EBITDA and operating cash flow compared to when we were spun out as a steel company 13 years ago, as well as the substantial contributions our strategic

investments in Mining and Mining Consumables made to group revenue and earnings in FY13. We have been very focused on putting the physicals in place to deliver this.

Our level of debt – which increased as a result of these strategic growth investments – is above where we would prefer it to be in this environment, so we now have debt reduction and improving our leverage as a key focus for enhancing shareholder value.

We expect to achieve this through the earnings and cash benefits from our Mining and Mining Consumables growth, improved earnings and cash generation in Steel, and from the divestment of non-integrated steel businesses and properties.

Over the short to medium term we continue to have good growth opportunities in our Mining and Mining Consumables businesses, which do not require significant capital investment. These include utilising the full capacity of the Whyalla Port, and capturing at least our high market share of the expected strong growth in grinding media.

Turning now to performance highlights for the year. Our Mining and Mining Consumables businesses continued to perform strongly. The Mining business contributed a very strong $340 million of EBITDA after recording a record 8.2mt of iron ore sales for the year, reflecting the ramp up of the new Southern Iron operation, and operational improvements at the Middleback Ranges operation.

The Mining Consumables business continued to grow strongly and is now a business of scale. EBITDA for the year was up 15% to $197 million, with sales volumes up 8% on the prior financial year.

In Arrium Steel, cost reductions and operational improvements helped deliver a further lift to the earnings performance of the Steel business despite a weaker external environment. However in Recycling, the adverse impact of weaker scrap prices more than offset the benefit of cost and operational improvements. Arrium Steel was again underlying EBITDA and cash positive for the year, and has significant leverage to a sustained lower Australian dollar and a modest improvement in demand.

The Steel business remains a key part of our business portfolio. However, going forward the company's focus will be on its integrated steel value chain, which is where it has competitive advantage. As I mentioned earlier, at year end our non-integrated steel businesses were held for sale. Mr Roberts will be providing an update on how we are progressing with these sales.

A further significant strategic initiative in Steel was announced late May. This was the formation of a single steel business through combining the steel Manufacturing and Distribution businesses. This is expected to reduce complexity and cost and help to further improve the earnings and cash performance of the Steel business.

Overall cash generation was also a highlight for the year. Statutory operating cash flow for the company was very strong at $590 million, up 26% compared to the prior financial year.

Safety is a core value for the company and every effort is made to continue to improve our capability to recognise, assess and manage risk, as well as reduce injury and incidents.

While I am pleased to report further improvements this year in our safety practices and key safety performance metrics, I am extremely saddened to advise you that just last month a contractor at our Moly-Cop operation in Arequipa, Peru was fatally injured while undertaking a task near an overhead bridge crane. This incident is being fully investigated, with appropriate responses both at the site and across the company being taken. Counselling and other support has been provided to those impacted by this tragic accident.

I would now like to update you on the businesses and their outlook.

Firstly, Mining. This business is continuing to perform well, with iron ore sales tracking in line with our target of 6mt for the half year and 12mt for the full year.

In addition to its hematite iron ore stream, the business is progressing well with its magnetite optimisation work designed to deliver an additional 400ktpa of magnetite ore products, as well as providing other benefits such as reduced mining activity and related cash outlays. This work includes the installation of a tertiary grinder and modifications to the grinding circuit. We expect the benefits of this project to commence in the second half.

In relation to prices, continued strong demand from China is expected to underpin solid average iron ore prices over the balance of this financial year, particularly given the outlook for a sustained lower Australian dollar.

Guidance for the grade of our hematite iron ore sales is unchanged at an average of approximately 60% Fe for FY14, and our Q1 FY14 loaded cash cost is approximately $49/wmt – and we expect this to be subject to inflation going forward.

As previously mentioned, our short to medium term growth focus for this business is through lifting sales to utilise the full capacity of the newly expanded Whyalla Port. We are continuing to progress this work.

Moving to Mining Consumables. This business has, and continues to perform well, underpinned by strong demand for grinding media, particularly in North and South America.

Going forward, we see no change to this strong demand. In fact we expect a compound annual growth rate of approximately 8% in the demand for grinding media in North and South America over the FY13 to FY17 period. And, we are well placed to at least capture our high market share of this expected growth.

Continued high levels of copper, gold and iron ore production in our key markets, as well as declining head grades are key factors in the growth.

In our mining ropes and rail wheels businesses, demand in the first half has been impacted by some miners in Australia destocking, as we flagged at our August full year results briefing.

Turning now to Steel. The first half has seen a continuation of the generally weak domestic and international steel markets, as indicated at our August results briefing.

However, we have continued to do well with what we can control, and this includes tracking to plan with the $40 million of cost savings associated with the establishment of the single Steel business.

Overall, we expect Steel earnings for this half to be similar to the prior half. Volumes have continued to be relatively weak, but we have put a number of price increases through early in the second quarter. Although these are under some pressure due to the subsequent increase in the Australian dollar and lower steelmaking raw material prices.

Going forward, we are encouraged by a recent lift in market confidence and quote activity in key construction markets, and expect our second half Steel earnings to benefit from an increase in volumes associated with a recommencement of the slow recovery in domestic construction markets, as well as from the full impact of our cost savings.

In Recycling, we expect the difficult external environment for the global scrap market to continue over the short term, but earnings are expected to benefit from rationalisation and cost reductions in the Australia and Asia businesses.

As I mentioned, reducing debt and improving our leverage – which is calculated as Net Debt divided by EBITDA – is now our primary focus.

I am pleased to advise that we are making good progress here. EBITDA is benefiting from our recent growth investments in Mining and Mining Consumables, and this, together with good progress with our

divestment program – which we continue to expect will deliver proceeds of between $200 to $250 million in FY14 – is helping to reduce net debt.

In line with our normal practice, we are not providing quantitative guidance for the group at this time due to the uncertainty around key drivers such as iron ore prices, the exchange rate and the rate of growth in the international and domestic economy.

However, we do expect underlying net profit after tax for the second half to benefit from delivering the expanded rate of iron ore sales, from continued growth in Mining Consumables, increased sales volumes in Steel, as well as the full impact of the Steel cost reductions.

I would now like to make a few comments on the appointment of Mr Roberts as the company's new Managing Director and CEO.

At last year's AGM, I advised that Geoff Plummer had indicated that he would be leaving Arrium, and that the Board would be commencing the process of identifying and appointing a replacement.

In February, the Board was delighted to announce the appointment of Mr Roberts from a strong pool of both internal and external candidates. Andrew has extensive experience across all our business segments, most recently as Chief Executive of Mining Consumables, and he has been a key figure in the development and implementation of Arrium's transformation strategy.

His succession included a transition period with Mr Plummer, in which Mr Roberts was responsible for planning the company's strategy, operations and organisation from the 2014 financial year. Pleasingly, this enabled a very smooth and seamless succession, which became effective 1 July.

I would like to thank Geoff Plummer for his outstanding contribution during his tenure as our Managing Director and Chief Executive Officer. The company is now well positioned to take advantage of our new growth platforms.

I would now like to turn to Board succession activities. Board succession implementation was deliberately put on hold in 2011 to ensure that we were fully focussed on, and accountable for the tasks of:

- Ensuring the integration and development of the major acquisitions of Moly-Cop and Southern Iron;
- Implementing plans for iron ore production and port capacity to double our export sales to 12Mtpa, and our port capacity to 13Mtpa; and
- To develop the necessary process for a potential internal or external succession at the chief executive level.

We have now achieved all of those aspirations, and will now return to Board succession.

Dean Pritchard, Colin Galbraith and I have been on the Board for the full period of transition from our October 2000 listing as an Australasian long products steel producer and distribution company, to what it is now, an international diversified mining and materials company which derives the bulk of its income offshore.

This is now the ideal time for the Board to take on new directors for the next phase of the company's development.

To facilitate this, Dean and I will not stand for re-election when our current terms expire in November 2014. This will allow two new directors to join the Board and stand for your endorsement at the AGM in 2014.

Colin is standing for re-election at this AGM to ensure an orderly transition of knowledge, as Chairman of the Governance and Nominations Committee, to my successor post the AGM in November 2014.

I will keep you informed of our progress on this important transition.

On behalf of Arrium's Board of Directors, I would like to thank all of our shareholders for their continuing support in what has been a transformational year for the company. We are now very well placed to realise the benefits from our recent investments in this transformation.

Finally, I would like to thank Mr Roberts and Mr Plummer, the Executive Management team and all of our employees for their dedication and performance.

arrium
MINING AND MATERIALS

MANAGING DIRECTOR & CEO'S ADDRESS – MR ANDREW ROBERTS

Thank you Chairman, and good afternoon ladies and gentlemen.

After almost 25 years with the company, I am very honoured to be here with you today as Arrium's Managing Director and CEO, and for the exciting opportunity that the Board has entrusted to me to lead this company through its next era of growth and prosperity.

I have been part of the management team that has helped chart Arrium's remarkable transformation from a domestic steel business into the international mining and materials company we are today.

We face the future with great confidence and conviction. We have the right strategy, and our growth prospects are very encouraging.

A few months ago we completed our latest growth project – doubling our iron ore sales rate to 12 million tonnes per year, and the capacity of our Whyalla Port to 13 million tonnes per a year.

Having set up the growth platforms in our Mining and Mining Consumables businesses, we are now concentrating on deploying our strong cash flows to pay off debt and improve our leverage to reflect the current external environment. We have outlined a clear plan to achieve this.

As the Chairman mentioned, paying off debt and improving leverage provides the most value to you, our shareholders, in the short to medium term.

I would now like to turn to the highlights for the past year.

Overall, the 2013 financial year was another transformational one for Arrium, and one in which we continued to deliver our strategic commitments. As well as doubling the size of our Mining business on time and on budget, we generated strong earnings and volume growth in our Mining Consumables business, delivered further improvements in the Steel business despite very adverse market conditions, and we produced very strong cash flow across the group.

The successful doubling of the Mining business to 12Mtpa means we are now the fourth largest exporter of hematite iron ore in Australia, albeit a long way short of the majors.

Let me recap the key financial metrics.

As the Chairman highlighted both our underlying and statutory results, I will focus my comments on the underlying performance for the year.

Underlying net profit after tax was $168 million compared to $195 million for the previous financial year, with earnings significantly weighted to the second half as guided, due to the ramp up of iron ore sales from our mining expansion.

The lower underlying profit compared to the prior year was due mainly to lower average iron ore prices that more than offset the benefit we got from increased iron ore sales volumes, and higher earnings in Mining Consumables and the Steel business.

Pleasingly, operating cash flow was up 26% to $590 million for the year.

Our net debt at year end was in line with our guidance at just over two billion, despite the impact of a sharp fall in the Australian dollar towards the end of the financial year.

Gearing at 36% is well below the threshold in our debt covenant.

We refinanced $800 million of US dollar debt facilities that were due to mature in the second half of 2014, and that means we now have no significant debt maturing until the 2016 financial year.

Turning now to our businesses. Both our Mining and Mining consumables businesses continued to perform very well during the year, while our Steel business built on the significant improvement achieved in the prior year despite weaker domestic and international steel markets.

In Mining, the business again delivered a strong result with EBITDA and EBIT, $340 million and $249 million respectively.

Revenue increased 19% to $977 million as the impact of lower iron ore prices was more than offset by a 32% increase in sales volumes to 8.2mt – a record for the business. This pleasing result was driven by record sales from our operations at the Middleback ranges of 6.7mt, and the ramp up of our southern iron expansion in the second half.

Arrium assumed responsibility for all iron ore sales and marketing activities, with marketing teams based in Australia and North Asia. The business sold its first cargo outside of China, and also launched two new blended products, our Whyalla blend and our Opal blend. These new products provide benefits for customers through their lower impurities and moisture – and I am pleased to say they have been very well received.

In doubling the size of our Mining business we:

- Commenced sales of first ores from Southern Iron in October last year, only 53 weeks after 'turning first dirt' at the mine;
- Received and transhipped first ores from Southern Iron through the expanded Whyalla port in December 2012;
- In May this year we received the first ores from the Middleback Ranges mines on our new narrow gauge rail line for blending with Southern Iron ores;
- And then in June 2013, we reached our targeted run rate of 12 million tonnes per year – which was a very pleasing outcome.

Today we released our Mining Production Report for the first quarter of this financial year. In summary, it shows that we have maintained the expanded run rate of 12 million tonnes per annum, and that we are on track to deliver our target for the full year.

Average market prices for iron ore have remained relatively strong, and somewhat better than many were forecasting for the quarter.

Our average realised fob price was US$113/dmt, up from us$104/dmt in the previous quarter. In Australian dollars, the realised average fob price was significantly higher at $123/dmt.

Our average iron ore grade for the quarter was 60.3% Fe, in line with guidance, as was our loaded cash cost which averaged A$49 a wet metric tonne for the quarter.

Further information on our first quarter performance can be found in the report on our Arrium website or from the ASX.

Turning now to Mining Consumables, this is a great story. This business has continued to grow strongly in both earnings and volumes, and is now a substantial contributor to the Arrium group, delivering around one third of the company's total EBITDA in FY13.

EBITDA was up 15% to $197 million, and EBIT up 13% to $153 million, reflecting the increased contributions from North America, South America and Australasia.

We are a major supplier of grinding media to copper and gold miners and with strong growth in the production of these commodities we enjoyed strong growth in our sales volumes.

There is an attractive and transparent pipeline of new mine projects and expansions either planned or underway that underpins our confidence around grinding media demand going forward.

In terms of our Mining Consumables businesses, the Moly-Cop grinding media business again performed very well, as did the Australasian rail wheels and ropes businesses. All these businesses recorded increased contributions compared to the prior year.

We have expanded grinding media capacity at Lima, Peru and our Cilegon, Indonesia expansion is tracking to plan. The additional 40 thousand tonnes of capacity at Lima was completed on time and on budget in August this year, while the additional 50 thousand tonnes of capacity at Cilegon is expected to be completed at the end of the March 2014 quarter. We have also announced that work has commenced on adding 120 thousand tonnes of capacity at our Kamloops facility in Canada.

This business generates a significant amount of cash which is funding its organic growth projects, with plenty left over to return to the group to pay down debt.

Moving now to the Arrium Steel segment, which includes both our Steel and Recycling businesses.

In Steel in the 2013 financial year, we continued to face a very challenging external environment with a high Australian dollar and generally weak construction and manufacturing markets.

However, our focus on cost reductions and operational improvements helped lift EBITDA to $76 million for the year, a 15% improvement over the prior year.

We remain focused on cash generation in the Steel business. This includes improved earnings from cost reductions and driving down working capital, as well as through divesting non-integrated steel businesses and properties.

In line with this focus, I announced at the end of May this year that we were combining our steel Manufacturing and Distribution businesses to form a single Steel business. We expect this to deliver annualised savings of approximately $40 million, of which $30 million is expected in this current financial year.

In Recycling, the business was adversely impacted by weaker ferrous and non-ferrous scrap prices and volumes. EBIT for the year was a loss of $8 million, but included a breakeven result in the second half driven by cost and operational improvements.

The continued focus on cost reductions in both the Steel and Recycling businesses has resulted in a further lowering of their breakeven point and an increase to their already significant leverage to any improvement in demand or any sustained reduction in the Australian dollar.

To recap on the outlook. As the Chairman outlined, the Mining and Mining Consumables businesses are continuing to perform well and their outlook remains positive. While in Steel, the external environment remains difficult but we are continuing to do well with what we can control, and we are encouraged by a recent lift in market confidence and quote activity.

We are making good progress with our key strategic priority of paying down debt and improving our leverage. This is being achieved by a lift in group earnings, as well as cash proceeds from our non-integrated steel divestment program.

The Chairman indicated that we expect total proceeds from the divestment program to total $200 to $250 million this financial year. I am pleased to advise that we have either completed, or have under contract, divestments totalling approximately $120 million, and expect approximately $90 million of this to be received in cash by the first half of this financial year.

To sum up ladies and gentlemen, it was another significant year of growth as an international mining and materials company.

We completed our mining expansion on time and on budget, and both the Mining and Mining Consumables businesses continued to be major contributors to our earnings and growth.

We again improved the performance of our Steel business, including restructuring the business into a single Steel business to take advantage of our integrated value chain, which is where we have clear competitive advantage.

Our short to medium term priority for delivering enhanced shareholder value is to pay down more debt and improve our leverage, and we have outlined a clear plan for achieving this.

We have the right operating strategy. We are, and expect to continue, to generate good cash outcomes to bring down debt. And the growth prospects for our Mining and Mining Consumables businesses are very encouraging.

To all of Arrium's customers, thank you for your ongoing support and custom, and most importantly, our relationship.

To all of Arrium's employees and contractors, on behalf of the entire management team I would like to acknowledge and extend our thanks and appreciation of your dedication and efforts during the year.

Our ongoing focus on our core values of safety and customer will not waiver.

To the Chairman and Board, thank you for your guidance, support and direction throughout the year.

I would also like to thank Mr Geoff Plummer for his support and guidance, which ensured my transition into this role, was both a smooth and seamless one.

And finally, to you our shareholders thank you for your continued support and confidence in our company.