



Arrium Group Companies

Report to creditors

4 September 2019

KordaMentha
Restructuring

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1 Introduction

1.1 Background

On 12 April 2016, Mark Mentha, Martin Madden, Cassandra Mathews and Bryan Webster were appointed Voluntary Administrators over 94 entities, known as the Arrium Group Companies. Their appointment followed the resignation of Said Jahani, Matthew Byrnes, Paul Billingham and Michael McCann of Grant Thornton who were appointed as Voluntary Administrators on 7 April 2016.

On 4 November 2016, each of the 94 entities entered into separate Deeds of Company Arrangement ('DOCA'), and the Voluntary Administrators became the Deed Administrators.

As at the date of this report, the status of each of the 94 entities can be summarised as follows:

1. 12 entities as listed in Appendix 1, were sold as part of the Arrium Australia core sale process on 31 August 2017.
2. 48 entities were placed into liquidation, as listed in Appendix 2, on 14 December 2017, in accordance with the terms of each respective DOCA. The liquidations were finalised on 11 April 2019, and each entity has since been deregistered by the Australian Securities & Investments Commission ('ASIC').
3. A further three entities were placed into liquidation, as listed in Appendix 3, on 20 June 2019, in accordance with the terms of each respective DOCA.
4. Two entities were recently sold to a third party, as listed in Appendix 4.
5. 29 entities remain subject to DOCA, as listed in Appendix 5.

1.2 Purpose of this report

The purpose of this report is to provide an update to creditors regarding the conduct and progress of the administrations since the previous Report to Creditors dated 14 May 2019. This report includes an update with respect to the investigations and recovery actions undertaken, the further realisation of assets, and distributions made to creditors.

This report is issued in accordance condition 4 of ASIC Instrument 18-0885.

Throughout this report, the term 'External Administrators' is used to refer to the Deed Administrators or Liquidators, or both, as the case may require.

Copies of prior reports, and updates to creditors and shareholders are available on the KordaMentha website (www.kordamentha.com) in the creditor information section.

2 Conduct of the administrations

Since the Report to Creditors dated 14 May 2019, the External Administrators have attended to the following broad categories of tasks, each of which is discussed below.

1. Transition of various entities from DOCA to liquidation, as outstanding matters within the entities are resolved.
2. Attendance to and completion of all statutory compliance and reporting tasks.
3. Further development and implementation of strategies for the realisation of the remaining assets of the Arrium Group Companies.
4. Commencement of recovery actions for the benefit of creditors of the Arrium Group Companies.

2.1 Status of remaining entities

2.1.1 Entities in liquidation

The following three entities were placed into liquidation on 20 June 2019 after approval was sought and obtained from the Arrium Creditors' Committee:

- ACN 004 410 833 Limited (formerly Arrium Limited) (In Liquidation) ('Arrium Limited')
- OS Finance Pty Limited (formerly Arrium Finance Pty Limited) (In Liquidation)

- AIOH Pty Limited (formerly Arrium Iron Ore Holdings Pty Limited) collectively ('the Plaintiff Entities').

The transition of these entities to liquidation has allowed the Liquidators to commence recovery proceedings, as discussed in section 2.5 below.

2.1.2 Entities subject to DOCA

There are 29 entities which remain subject to DOCA. The Deed Administrators will continue to assess the requirement of each entity to remain subject to DOCA, and will transition the entities to liquidation, subject to approval of the Arrium Creditors' Committee, as and when it is considered appropriate.

The status of the two entities recently sold is discussed in section 2.4 below.

2.2 Statutory reporting and compliance

2.2.1 Financial reporting obligations

Arrium Limited was placed into liquidation on 20 June 2019. As a consequence, the Liquidators of Arrium Limited are able to rely on ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251 which provides automatic relief from Part 2M.3 of the Corporations Act 2001 (Cth) ('the Act') for entities which are in the process of being liquidated. This relief supersedes the relief granted under ASIC Instrument 18-0885 as released to the Australian Securities Exchange ('ASX') on 3 October 2018.

All previous reports and updates released to creditors and other stakeholders (or copies of the instruments released on the ASX) can be accessed through the KordaMentha website.

2.2.2 Relief from holding Annual General Meetings ('AGM')

The Liquidators also rely on ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251 for relief from holding any previous, current or future AGMs of Arrium Limited. This relief supersedes the ASIC instruments previously issued.

2.2.3 Lodgement of statutory reports

The External Administrators have attended to all statutory reporting obligations required under the Act, including the lodgement of statutory reports (Form 5602 – Annual Administration Return) for all companies under their control. Contained with the Form 5602's are the receipts and payments for the nominated period, by entity. Copies of these forms are available for purchase on the ASIC website.

The External Administrators, with the assistance of tax advisers Ernst & Young, will shortly begin the process of preparing the FY2019 income tax returns for lodgement with the Australian Taxation Office.

2.3 Real property realisations

Realisation of the remaining real property assets has continued over the last two months. An update in respect of each property is provided below.

Mayfield

The External Administrators are progressing preparations for sale of the site including its subdivision to enable the site to be separated into the saleable portion, and the portion to be returned to GFG Alliance. Given the size and complexities associated with the site, a sale is not expected to occur for some time.

Somerton

The External Administrators continue to deal with an established private property group under the terms of the heads of agreement executed on 12 September 2018. Draft contracts continue to be negotiated. We recently received further correspondence from the EPA regarding existing contamination issues affecting the site, for which we are presently considering the position.

2.4 Sale of mining tenements

On 23 April 2019, the External Administrators executed a heads of agreement for the sale of the remaining mining tenements and exploration licences held by Southern Iron Pty Limited (Subject to Deed of Company Arrangement) ('Southern Iron') and Central Iron Pty Limited (Subject to Deed of Company Arrangement) ('Central Iron'). After a period of due diligence and contract negotiation, the transaction completed on 31 July 2019, with the shares in Southern Iron and Central Iron now sold, and the DOCAs effectuated.

There are a small number of post-completion matters to be attended to, and on resolution of those matters, the bank guarantee held by the Department of Energy and Mining for ~\$7.6 million, will be returned to the External Administrators.

2.5 Commencement of proceedings

On 5 July 2019, the Liquidators of the Plaintiff Entities filed proceedings in the Supreme Court of NSW, seeking to recover compensation for the loss or damage incurred by creditors, by reason of contraventions by the former directors of the Plaintiff Entities, of the insolvent trading provisions of the Corporations Act 2001.

The next directions hearing is scheduled to occur in December 2019.

2.6 Application to the Court for directions

On 20 December 2018 Justice Davies dismissed the appeal filed by the first defendant contradictor Epic Energy South Australia Pty Ltd.

The first defendant contradictor had also sought payment for its costs for the proceedings (including the appeal) pursuant to cost orders made by the Court. The Deed Administrator objected to the amount of costs claimed. The taxation of the costs of the original proceeding was scheduled to occur in June 2019, however, the parties reached a settlement in respect of the costs of the original proceeding in May 2019. In relation to the appeal costs, the Deed Administrator has sought further information from the first defendant contradictor regarding the costs claimed by it.

3 Reporting to creditors

3.1 Arrium Creditors' Committee

Since our last Report to Creditors, the External Administrators have met with the Arrium Creditors' Committee once and issued a further report. The issues discussed in these forums included:

- Post completion matters
- Liquidation of remaining entities
- Pursuit of claims
- Proofs of debt
- Realisation of property and other assets
- Other matters, as necessary.

3.2 ASX announcements

As Arrium Limited is delisted from the ASX, no further announcements will be made.

For the reference of stakeholders, historical announcements can still be accessed through the ASX.

3.3 Information available on KordaMentha website

Further information, as well as all previously issued reports, have been made available for the benefit of creditors and shareholders on the KordaMentha website and can be viewed at <https://www.kordamentha.com/Creditors/Arrium-Group-of-Companies>.

Creditors may direct any queries they have in writing to arrium@kordamentha.com.

3.4 Distributions to creditors

Twenty-three Proof of Debt forms ('POD') have not yet been adjudicated. The majority of these POD's relate to personal injury compensation claims by former contractors to the Arrium Group Companies. As these claims are subject to litigation, they are not expected to be adjudicated on for an extended period.

Five PODs remain admitted on a contingent basis, and the Deed Administrators will continue to deal with these claims as and when certain milestones relating to the claims are met.

The Deed Administrators still anticipate the next distribution will take place in late calendar year 2019.

4 Actions and timeframe to complete the administrations

The timing for the finalisation of the administrations is dependent on:

1. The period of time required to realise remaining assets as noted in section 2.3 of this report.
2. The duration of the insolvent trading proceedings discussed in section 2.5 of this report.
3. The distribution of any remaining funds to unsecured creditors (if available).
4. Attendance to other statutory obligations and resolution of outstanding matters in the administrations generally.

It is not possible to provide a definitive timeframe as to when the administrations will be finalised. The External Administrators will continue keep creditors informed as to timing of finalisation.

5 Remuneration

Remuneration of the External Administrators has been approved by the Arrium Creditors' Committee and will continue to be approved by the Arrium Creditors' Committee.

6 Shareholders


Shareholders of Arrium Limited are able to access all reports made available to the creditors of the Arrium Group Companies via the KordaMentha website (www.kordamentha.com).

7 Further information


Creditor requiring further information regarding the Arrium Group Companies can email arrium@kordamentha.com.




Mark Mentha
External Administrator



Martin Madden
External Administrator



Cassandra Mathews
External Administrator



Bryan Webster
External Administrator

KordaMentha
Level 5, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Appendix 1 – Sale entities (core sale entities)

	Entity name	ACN
1	Austube Mills Pty Limited	123 666 679
2	OneSteel Manufacturing Pty Limited	004 651 325
3	OneSteel NSW Pty Limited	003 312 892
4	OneSteel Recycling Pty Limited	002 707 262
5	OneSteel Reinforcing Pty Limited	004 148 289
6	OneSteel Trading Pty Limited	007 519 646
7	OneSteel Wire Pty Limited	000 010 873
8	P & T Tube Mills Pty Limited	010 469 977
9	SSX Services Pty Limited	083 090 831
10	The Australian Steel Company (Operations) Pty Limited	069 426 955
11	Whyalla Ports Pty Limited	153 225 364
12	XMS Holdings Pty Limited	008 742 014

Appendix 2 – Entities now deregistered

	Entity name	ACN
1	A.C.N. 006 769 035 Pty Limited	006 769 035
2	Akkord Pty Limited	060 486 991
3	ANI Construction (W.A.) Pty Limited	008 670 871
4	Atlas Group Employees Superannuation Fund Pty Limited	060 568 998
5	Atlas Group Staff Superannuation Fund Pty Limited	059 654 241
6	Atlas Group Superannuation Plan Pty Limited	065 649 050
7	Australian National Industries Pty Limited	000 066 071
8	Australian Wire Industries Pty Limited	064 267 456
9	AWI Holdings Pty Limited	004 157 475
10	B.G.J. Holdings Pty Limited	004 859 536
11	Eagle & Globe Pty Limited	000 122 305
12	Email Accumulation Superannuation Pty Limited	065 263 658
13	Email Executive Superannuation Pty Limited	065 263 818
14	Email Management Superannuation Pty Limited	065 263 710
15	Email Metals Pty Limited	004 574 681
16	Email Superannuation Pty Limited	065 263 603
17	Emwest Holdings Pty Limited	001 992 123
18	Emwest Properties Pty Limited	003 146 334
19	GSF Management Pty Limited	064 116 874
20	J. Murray-More (Holdings) Pty Limited	000 158 412
21	John McGrath Pty Limited	000 004 937
22	Kelvinator Australia Pty Limited	007 873 734
23	Litesteel Products Pty Limited	109 854 677
24	Metals Properties Pty Limited	000 040 040
25	Metalstores Pty Limited	000 267 112
26	N.K.S. (Holdings) Pty Limited	004 321 313
27	O Dee Gee Co. Pty Limited	004 208 191
28	OS Building Supplies Pty Limited (formerly known as OneSteel Building Supplies Pty Ltd)	000 045 349
29	OS Technologies Pty Limited (formerly known as OneSteel Technologies Pty Ltd)	096 380 219
30	Overseas Corporation (Australia) Pty Limited	004 242 086
31	Pipeline Supplies of Australia Pty Limited	008 573 475
32	Reosteel Pty Ltd	000 142 094
33	SSG Investments Pty Ltd	085 490 526
34	SSGL Share Plan Nominees Pty Limited	085 943 540
35	ARIX Employees Superannuation Fund Pty Ltd (formerly known as SSX Employees Superannuation Fund Pt Ltd)	064 431 116
36	ARIX Retirement Fund Pty Limited (formerly known as SSX Retirement Fund Pty Ltd)	064 431 303
37	ARIX Staff Superannuation Fund Pty Limited (formerly known as SSX Staff Superannuation Fund Pty Ltd)	064 431 072
38	Tasco Superannuation Management Pty Limited	071 901 712
39	Tube Estates Pty Limited	010 449 939

40	Tube Street Pty Limited	004 785 157
41	Tube Technology Pty Limited	010 469 986
42	Tubemakers Somerton Pty Limited	004 595 546
43	Western Consolidated Industries Pty Limited	001 185 913
44	X.C.E. Pty Limited	004 081 903
45	XEM (Aust) Pty Limited	004 158 025
46	XLA Pty Limited	004 239 392
47	XLL Pty Limited	006 301 266
48	Zinctek Pty Limited	010 474 790

Appendix 3 – Entities in liquidation

	Entity name	ACN
1	A.C.N. 004 410 833 Limited (formerly known as Arrium Limited)	004 410 833
2	OS Finance Pty Limited (formerly known as Arrium Finance Pty Ltd)	093 954 940
3	AIOH Pty Limited (formerly known as Arrium Iron Ore Holdings Pty Ltd)	152 752 844

Appendix 4 – Entities sold

	Entity name	ACN
1	Southern Iron Pty Ltd	119 611 068
2	Central Iron Pty Limited	143 503 397

Appendix 5 – Entities in DOCA

	Entity name	ACN
1	ATMH Pty Limited (formerly known as Austube Mills Holdings Pty Ltd)	123 160 172
2	Bradken Consolidated Pty Limited	000 011 932
3	Cockatoo Dockyard Pty Limited	000 025 918
4	Comsteel Pty Limited	006 218 524
5	Cooper Pedy Resources Pty Limited	151 599 905
6	Email Holdings Pty Limited	092 348 555
7	Email Pty Limited	000 029 407
8	Litesteel Technologies Pty Limited	113 101 054
9	Metpol Pty Limited	000 927 373
10	OS Americas Holdings Pty Limited (formerly known as OneSteel Americas Holdings Pty Ltd)	147 067 016
11	OS Coil Coaters Pty Limited (formerly known as OneSteel Coil Coaters Pty Ltd)	123 138 732
12	OS Corporate Pty Limited (formerly known as OneSteel MBS Pty Ltd)	096 273 979
13	OS Queensland Pty Limited (formerly known as OneSteel Queensland Pty Ltd)	010 558 871
14	OSRec Holdings Pty Limited (formerly known as OneSteel Recycling Holdings Pty Ltd)	059 240 952
15	OSRec Overseas Pty Limited (formerly known as OneSteel Recycling Overseas Pty Ltd)	105 479 356
16	OS Stainless Australia Pty Limited (formerly known as OneSteel Stainless Australia Pty Ltd)	004 610 851
17	OS Stainless Pty Limited (formerly known as OneSteel Stainless Pty Ltd)	006 362 652
18	OS USI1 Pty Limited (formerly known as OneSteel US Investments 1 Pty Ltd)	131 211 606
19	OS USI2 Pty Limited (formerly known as OneSteel US Investments 2 Pty Ltd)	131 211 571
20	PTM Pty Limited (formerly known as Palmer Tube Mills Pty Limited)	010 469 879
21	Roentgen Ray Pty Limited	000 028 106
22	SSG No. 2 Pty Limited	087 840 720
23	SSG No. 3 Pty Ltd	087 840 515
24	ARIX Acquisitions Pty Limited (formerly known as SSX Acquisitions Pty Limited)	090 574 520
25	ARIX Holdings Pty Limited (formerly known as SSX Holdings Pty Limited)	087 813 116
26	ARIX International Pty Limited (formerly known as SSX International Pty Limited)	084 990 947
27	AC Distribution Company Pty Limited (formerly known as The Arrium Creditor Distribution Company Pty Limited)	082 181 726
28	The ANI Corporation Pty Limited	000 421 358
29	Tubemakers of Australia Pty Limited	000 005 498