

Circular to Employees

13 April 2016

Dear Sir/Madam

Arrium Group of Companies (all Administrators Appointed) (refer to attached schedule) ('the Group')

As you are aware Said Jahani, Matthew Byrnes, Paul Billingham and Michael McCann of Grant Thornton ('Former Administrators') were appointed as Administrators of the Group on 7 April 2016.

Pursuant to an Order of the Federal Court of Australia, Martin Madden, Mark Mentha, Bryan Webster and I, Cassandra Mathews, were appointed as Administrators of the Group at approximately 7 pm on 12 April 2016.

The appointment was a result of aligned interest and co-operation between the key stakeholders associated with the Group. It is our intention to trade on a "business as usual" basis while we work with the companies, employees, unions, financiers, suppliers, State and Federal Governments to restore confidence to all of Arrium's businesses, both in Australia and overseas. To that end, an orderly transition of control has been arranged with the Former Administrators which will limit the impact on the Group.

As it is our intention to continue to operate the Group on a business as usual basis, you will continue to remain employed by the Group to perform your customary duties and responsibilities in accordance with the terms and conditions of your employment contract, as well as other duties and responsibilities which you may be required to perform by either myself or my fellow Administrators (or our representatives) from time to time. Accordingly, salary and wage payments will continue to be made in the ordinary course of business. Please note we are not personally liable in relation to your employment prior to our appointment as Administrators.

There is an ASIC class order and Deeds of Cross Guarantee that impact some companies in the Group. The Administrators will address how these issues may affect you at the meetings (as detailed below).

Safety

Safety continues to be the first priority for all stakeholders in the Group. If you are aware of any safety or OH&S issues, please escalate these in accordance with the Group's policies in this regard.

If you are aware of any immediate safety issues that have not been addressed, please liaise with your EGM urgently.

Ongoing trading

We are currently assessing the financial position of the Group and will be reviewing various options.

As a consequence of the appointment, as Administrators we will take full responsibility for the management operations of the Group and the control of its assets.

All assets of the Group must be secured against theft.

All known breaches of the law or regulations (e.g. health, safety, hygiene, fire, etc.) are to be notified to us in writing immediately.

Concurrent Meetings of Creditors

As outlined in the Former Administrators' Circular to Creditors, dated 7 April 2016 the First Meetings of Creditors pursuant to Section 436E of the Act will be held on:

Date: Tuesday, 19 April 2016
Time: 2:00 pm (AES Time)
Location: Wesley Conference Centre, 220 Pitt Street, Sydney, NSW 2000

A live webcast of the meetings will also be shown in Whyalla. KordaMentha staff members will be present in Whyalla and you will be provided an opportunity to vote on the resolutions at the meetings and raise any questions you may have with the Chairman, time permitting. The details are as follows:

Date: Tuesday, 19 April 2016
Time: 1:30 pm (SA Time)
Location: Westland Hotel, 110 McDouall Stuart Avenue, Whyalla, SA, 5608

Please note that the particulars of these meetings have not changed and are as originally advised by the Former Administrators.

Please arrive at the meeting locations approximately 1–2 hours early to ensure there is sufficient time for registration prior to the commencement of the meetings.

As advised by the Former Administrators, the purpose of these meetings is to determine:

- a. whether to appoint a committee of creditors
- b. if so, who are to be the committee's members.

An audio webcast facility will also be available to observe the meetings. Please note that creditors observing the meetings will not be considered as attendees of the meetings and will not be able to vote or participate in the meetings. If you wish to vote or participate, you must attend in person or by proxy. Login details for the webcast can be obtained from Link Market Services at arrium@linkmarketservices.com.au or by phone on 1300 553 490.

A second meeting of creditors will be held, at which creditors will vote on the future of the Group. Details of that meeting and a Report to Creditors on the Group's business, property, affairs and financial circumstances will be sent to you in due course.

Proxies and proofs of debt

A Form 532 - Appointment of Proxy and a Form 535 – Formal Proof of Debt or Claim were mailed to all employees by the Former Administrators.

As a result of a Federal Court Order, a representative of the AWU will be able to attend and vote on behalf of AWU members without the member having to complete a proxy form. This order does not stop members from attending personally or signing a proxy appointing some other person to attend on the members' behalf if they wish.

Employees wishing to vote at the meetings, who are not members of the AWU and who will not be attending in person, must complete a proxy and return it to Link Market Services.

We are in the process of preparing an estimate of each employees' entitlements and these will be forwarded to employees in due course. To simplify the process, if you attend the meetings or a proxy represents you at the meetings, your employee entitlements figure will be taken to have been admitted for voting purposes. **Employees do not have to lodge a Proof of Debt form**, however as noted above, if you are not a member of the AWU, you will need to lodge a proxy or attend in person to vote at the meetings. Employees should note that the amounts will be recorded for voting purposes at the meetings only and may be subject to change following a more detailed review process.

Proxies must be received no later than 4:00 pm on the last business day prior to the meetings, being Monday, 18 April 2016 failing which creditors or their proxies may be excluded from voting at the meetings. They may be submitted as follows:

By mail: Arrium and associated entities (Administrators Appointed)
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By facsimile: +61 2 9287 0309

By email: arrium@linkmarketservices.com.au

General information regarding the conduct of meetings of creditors and the completion of proxy forms can be found on our website www.kordamentha.com in the [Creditor Information section](#).

Unpaid entitlements

Employees of the Group other than directors or their related persons have a statutory priority of payment in respect of outstanding entitlements such as wages, superannuation, holiday pay and long service leave.

Fair Entitlement Guarantee

Fair Entitlement Guarantee ('FEG') is a legislative safety net scheme operated by the Commonwealth Government for employees of insolvent entities that have been placed in liquidation. Under the scheme, employees may be able to claim for amounts owing for wages, annual leave, long service leave, payment in lieu of notice and redundancy. General information can be found at [Fair Entitlements Guarantee \(FEG\)](#) at www.employment.gov.au.

Administrators' background

We are Registered Liquidators and Official Liquidators. We are all partners in the firm KordaMentha, which is an independent, tier one professional services firm specialising in corporate recovery, corporate advisory and real estate services. Our personal profiles as well as detailed information about KordaMentha can be found on our website www.kordamentha.com. If you do not have internet access and would like further background information, please contact our office.

Prior involvement/independence

Enclosed is our Declaration of Independence, Relevant Relationships and Indemnities.

Administrators' remuneration

There are four basic methods that can be used to calculate the remuneration charged by an insolvency practitioner. They are:

- Time based on hourly rates – this is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.
- Fixed fee – the total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. At times, an insolvency practitioner will finalise an administration for a fixed fee.
- Percentage – the total fee charged is based on a percentage of a particular variable, such as the gross proceeds of asset realisations.
- Contingency – the fee is structured to be contingent on a particular outcome being achieved.

KordaMentha calculates remuneration on the basis of an hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed as it fairly reflects the necessary work performed and overcomes the difficulty in identifying the scope of the work required, particularly on longer term engagements. A copy of KordaMentha Rates National FY2016 is attached, showing the qualifications and experience of each classification and the role that classification generally takes in an administration. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage. An information sheet for creditors in relation to approving remuneration has been released by ASIC (Information Sheet 85) and is available at [KordaMentha/Creditor Information](#).

Given our recent appointment to 94 companies in the Group and the scale and complexity of the issues to be dealt with in relation to the Group, we are unable to provide an estimate of our remuneration in this circular.

We advise that we have not received any indemnity, guarantee or contribution from a member, director or any other party related to the Group for our fees and expenses.

Disbursements

Disbursements are divided into three types:

- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs – these are recovered at cost. Examples of externally provided professional service disbursements are travel, accommodation, search fees and lodgement fees.
- Internal disbursements – these are recovered on a reasonable commercial basis. These disbursements are generally charged at cost, though some may be charged at a rate which recoups both variable and fixed costs. Examples of internal disbursements include printing and postage costs, travel allowance and data room hosting.

Details of our disbursement policy are included with the attached KordaMentha Rates National FY 2016

The privacy of your information

We may collect personal information in relation to your employment with the Group either from you, the Group or otherwise in connection to your employment. KordaMentha takes all reasonable steps to protect the personal information we hold about you from misuse and loss and from unauthorised access, modification or disclosure. From time to time, we may need to disclose personal information regarding you to a third party, such as a regulatory body. Except for certain disclosures required by the Corporations Act, such disclosures will be made on a confidential basis and, where possible, will require the third party to comply with appropriate privacy obligations.

If you would like to access or change the personal information KordaMentha holds about you, you can contact the contact person detailed in this letter at KordaMentha and request the relevant change or access. To action any change or access request, we will need to verify your identity and comply with our other procedures which are in place to prevent unauthorised access to personal information. If you have a complaint in relation to the privacy of your information, please contact privacy@kordamentha.com. Our privacy policy can be found on the KordaMentha website.

Other information

Information sheets in relation to the Administration process may be found at <http://www.asic.gov.au/insolvencyinfosheets>.

Thank you for your assistance in this matter and should you require any further information, please do not hesitate to call 1300 553 490 or email arrium@linkmarketservices.com.au.

Yours faithfully



Cassandra Mathews
Administrator

Enc.

Appendix 1 - Listing of entities

Company name	ACN
A.C.N. 006 769 035 Pty Limited	006 769 035
Akkord Pty Limited	060 486 991
ANI Constructions (W.A.) Pty Limited	008 670 871
Arrium Finance Pty Limited	093 954 940
Arrium Iron Ore Holdings Pty Limited	152 752 844
Arrium Limited	004 410 833
Atlas Group Employees Superannuation Fund Pty Limited	060 568 998
Atlas Group Staff Superannuation Fund Pty Limited	059 654 241
Atlas Group Superannuation Plan Pty Limited	065 649 050
Australian National Industries Pty Limited	000 066 071
Australian Wire Industries Pty Limited	064 267 456
Austube Mills Holdings Pty Limited	123 160 172
Austube Mills Pty Limited	123 666 679
AWI Holdings Pty Limited	004 157 475
B.G.J. Holdings Pty Limited	004 859 536
Bradken Consolidated Pty Limited	000 011 932
Central Iron Pty Limited	143 503 397
Cockatoo Dockyard Pty Limited	000 025 918
Comsteel Pty Limited	006 218 524
Coober Pedy Resources Pty Limited	151 599 905
Eagle & Globe Pty Limited	000 122 305
Email Accumulation Superannuation Pty Limited	065 263 658
Email Executive Superannuation Pty Limited	065 263 818
Email Holdings Pty Limited	092 348 555
Email Management Superannuation Pty Limited	065 263 710
Email Metals Pty Limited	004 574 681
Email Pty Limited	000 029 407
Email Superannuation Pty Limited	065 263 603
Emwest Holdings Pty Limited	001 992 123
Emwest Properties Pty Limited	003 146 334
GSF Management Pty Limited	064 116 874
J. Murray-More (Holdings) Pty Limited	000 158 412
John McGrath Pty Limited	000 004 937
Kelvinator Australia Pty Limited	007 873 734
Litesteel Products Pty Limited	109 854 677
Litesteel Technologies Pty Limited	113 101 054
Metals Properties Pty Limited	000 040 040
Metalstores Pty Limited	000 267 112
Metpol Pty Limited	000 927 373
N.K.S. (Holdings) Pty Limited	004 321 313
O Dee Gee Co. Pty Limited	004 208 191
OneSteel Americas Holdings Pty Limited	147 067 016
OneSteel Building Supplies Pty Limited	000 045 349
OneSteel Coil Coaters Pty Limited	123 138 732
OneSteel Manufacturing Pty Limited	004 651 325
OneSteel MBS Pty Limited	096 273 979
OneSteel NSW Pty Limited	003 312 892
OneSteel Queensland Pty Limited	010 558 871
OneSteel Recycling Holdings Pty Limited	059 240 952
OneSteel Recycling Overseas Pty Limited	105 479 356
OneSteel Recycling Pty Limited	002 707 262
OneSteel Reinforcing Pty Limited	004 148 289
OneSteel Stainless Australia Pty Limited	004 610 851
OneSteel Stainless Pty Limited	006 362 652

OneSteel Technologies Pty Limited	096 380 219
OneSteel Trading Pty Limited	007 519 646
OneSteel US Investments 1 Pty Limited	131 211 606
OneSteel US Investments 2 Pty Limited	131 211 571
OneSteel Wire Pty Limited	000 010 873
Overseas Corporation (Australia) Pty Limited	004 242 086
P & T Tube Mills Pty Limited	010 469 977
Palmer Tube Mills Pty Limited	010 469 879
Pipeline Supplies of Australia Pty Limited	008 573 475
Reosteel Pty Limited	000 142 094
Roentgen Ray Pty Limited	000 028 106
Southern Iron Pty Limited	119 611 068
SSG Investments Pty Limited	085 490 526
SSG No. 2 Pty Limited	087 840 720
SSG No. 3 Pty Limited	087 840 515
SSGL Share Plan Nominees Pty Limited	085 943 540
SSX Acquisitions Pty Limited	090 574 520
SSX Employees Superannuation Fund Pty Limited	064 431 116
SSX Holdings Pty Limited	087 813 116
SSX International Pty Limited	084 990 947
SSX Pty Limited	082 181 726
SSX Retirement Fund Pty Limited	064 431 303
SSX Services Pty Limited	083 090 831
SSX Staff Superannuation Fund Pty Limited	064 431 072
Tasco Superannuation Management Pty Limited	071 901 712
The ANI Corporation Pty Limited	000 421 358
The Australian Steel Company (Operations) Pty Limited	069 426 955
Tube Estates Pty Limited	010 449 939
Tube Street Pty Limited	004 785 157
Tube Technology Pty Limited	010 469 986
Tubemakers of Australia Pty Limited	000 005 498
Tubemakers Somerton Pty Limited	004 595 546
Western Consolidated Industries Pty Limited	001 185 913
Whyalla Ports Pty Limited	153 225 364
X.C.E. Pty Limited	004 081 903
XEM (Aust) Pty Limited	004 158 025
XLA Pty Limited	004 239 392
XLL Pty Limited	006 301 266
XMS Holdings Pty Limited	008 742 014
Zinctek Pty Limited	010 474 790

Corporations Act 2001

Declaration of independence, relevant relationships and indemnities (if we are appointed Administrators)

Arrium Limited (Administrators Appointed)

ACN 004 410 3833 ('the Company') and Associated Entities (Collectively "the Arrium Group" refer to schedule 1)

This declaration requires us as the Practitioners to be appointed to the Arrium Group to make declarations as to:

- our independence generally
- relationships, including:
 - any relationships with the Arrium Group and others within the previous 24 months
 - the circumstances of the appointment
 - any prior professional services provided to the Arrium Group within the previous 24 months
 - that there are no other relationships to declare
- any indemnities given, or up-front payments made, to us.

This declaration is made in respect of, Mark Francis Xavier Mentha, Martin Madden, Bryan Webster and Cassandra Elysium Mathews, our partners and the KordaMentha Group.

Independence

We, Mark Francis Xavier Mentha, Bryan Webster, Martin Madden, and Cassandra Elysium Mathews, of KordaMentha, Level 24, 333 Collins Street, Melbourne, VIC 3000, and Level 5, Chifley Tower, 2 Chifley Square, Sydney NSW 2000 have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Voluntary Administrators of the Arrium Group in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would preclude us from accepting this appointment.

Circumstances of appointment

We have had no contact with the Arrium Group concerning this appointment.

Details of our dealings with the Australian Workers Union ("AWU") and the Bilateral Financiers and Note holders (collectively the "Financiers"), specifically in relation to the Arrium Group, are summarised below:

Date	Contact	KordaMentha Contact	Nature of contact	Other comment
7 April 2016	AWU	Mark Mentha Mark Korda Craig Shepard Brian Webster Sebastian Hams	Meeting at KordaMentha	Discussed the implications of the Voluntary Administration process and the voting rights of employees
8 April 2016 – 11 April 2016	AWU and Financiers	Mark Korda	Various phone calls	Further discussions with respect to the Voluntary Administration process.

We did not receive any remuneration in relation to these dealings.

Relevant relationships

Name - The Australia Workers' Union ("AWU")

KordaMentha has undertaken formal insolvency engagements where the AWU represent employees of the insolvent entity, due to the nature of KordaMentha's business. This includes advisory, consulting and services and the appointment of KordaMentha's registered liquidators to companies as formal insolvency appointments.

Reasons why not an impediment or conflict

In our opinion, this relationship does not result in a conflict of interest or duty as the work that KordaMentha has undertaken, will not influence our ability to fully comply with the statutory and fiduciary obligations associated with the voluntary administration of the Arrium Group in an objective and impartial manner.

Name - Financiers

The Financiers have provided finance to the Arrium Group.

Nature of the relationship

KordaMentha has had relationships with a number of the Financiers, due to the nature of KordaMentha's business. This includes business advisory, consulting services and the appointment of KordaMentha's registered liquidators to companies (in some cases by the Financiers when they are secured creditor).

Reasons why not an impediment or conflict

In our opinion, this relationship does not result in a conflict of interest or duty as the work that KordaMentha has undertaken, will not influence our ability to fully comply with the statutory and fiduciary obligations associated with the voluntary administration of the Arrium Group in an objective and impartial manner.

Name - Australian Taxation Office ('ATO')

Nature of the relationship

KordaMentha undertakes work from time to time on behalf of the ATO. This includes the appointment of KordaMentha's registered liquidators to companies as a formal appointment where the ATO has asked us to consent to act as liquidators.

Reasons why not an impediment or conflict

In our opinion, this relationship does not result in a conflict of interest or duty as the work that KordaMentha has undertaken, will not influence our ability to fully comply with the statutory and fiduciary obligations associated with the voluntary administration of the Arrium Group in an objective and impartial manner.

Name – Other creditors

Nature of the relationship

Given the size of the Arrium Group it is likely that we may have provided professional services to one or more of the Arrium Group's creditors over the last 24 months.

Reasons why not an impediment or conflict

In our opinion, this relationship does not result in a conflict of interest or duty as the work that KordaMentha has undertaken, will not influence our ability to fully comply with the statutory and fiduciary obligations associated with the voluntary administration of the Arrium Group in an objective and impartial manner.

Prior professional services to the company

To the best of our knowledge and belief neither we, nor our firm, have provided any professional services to the Arrium Group in the previous 24 months.

Indemnities

We have not been indemnified in relation to this voluntary administration, other than any indemnities that we may be entitled to under statute.

Upfront payments

We have not been provided with any upfront payments in relation to this voluntary administration.

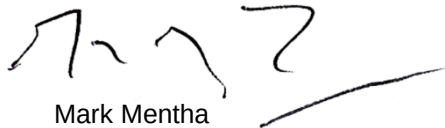
Multiple company appointments

It is acknowledged that we have been appointed over 94 related companies and we have obligations to each of the companies individually (as defined in Section 435A of the Corporations Act) and not to the Arrium Group as a whole. As such it is acknowledged that potential conflicts could possibly arise in carrying out duties to each company. We are not aware of any such conflicts at this time.

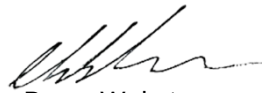
General

As required under the ARITA Code of Professional Practice, if circumstances change, or new information is identified, we will update this declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the Arrium Group's creditors.

Dated: 11 April 2016



Mark Mentha
Voluntary Administrator



Bryan Webster
Voluntary Administrator



Martin Madden
Voluntary Administrator



Cassandra Mathews
Voluntary Administrator

KordaMentha rates

National

Applicable from 29 June 2015

FY 2016

Classification	\$ per hour*
Principal Appointee/Partner/Executive Director	650
Director	595
Associate Director 1	550
Associate Director 2	500
Manager	475
Senior Executive Analyst	400
Executive Analyst	375
Senior Business Analyst	325
Business Analyst	275
Administration	150

*Exclusive of GST

KordaMentha disbursement policy

Disbursements incurred from third party suppliers are charged at the cost invoiced. KordaMentha does not add any margin to disbursements incurred through third parties.

There are no charges for internal KordaMentha disbursements, such as internal photocopy use, telephone calls or facsimiles, except for bulk printing and postage that is performed internally, which are calculated on a variable cost recovery basis.

In relation to any employee allowances, being kilometre allowance and reasonable travel allowance, the rate of the allowance set by KordaMentha is at or below the rate set by the Australian Taxation Office.

If a KordaMentha data room is utilised, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room.

Certain services provided by Forensic Technology may require the processing of electronically stored information into specialist review platforms. Where these specific Forensic Technology resources are utilised, the fee will be based on units (e.g. number of laptops), size (e.g. per gigabyte) and/or period of time (e.g. period of hosting).

GST is applied to disbursements as required by law.

KordaMentha disbursement internal rates and allowances

Description	Charge*
Photocopying, printing (general)	\$0.02 per page
Envelopes and postage (varies due to size and weight)	\$0.76 to \$1.86 per envelope
Travel Reimbursement	\$0.60 per kilometre
Meal per diem, etc.	Up to \$92.70 per day per staff member (unless other arrangements made)
Dataroom fee (varies based on MB size)	\$1,000 to \$5,000 per month

*Exclusive of GST

KordaMentha classifications

Classification	Guide to level of experience
Principal Appointee/Partner/Executive Director	Registered/Official Liquidator/Trustee, his or her Partners. Specialist skills brought to the administration. Generally in excess of 10 years' experience.
Director	More than eight years' experience and more than three years as a Manager. Answerable to the appointee, but otherwise responsible for all aspects of an administration. Controls staffing and their training.
Associate Director 1	Six to eight years' experience with well developed technical and commercial skills. Will have conduct of minor administrations and experience in control of a small to medium team of staff. Assists with the planning and control of medium to large administrations.
Associate Director 2	Five to seven years' experience with well developed technical and commercial skills. Will have conduct of minor administrations and experience in control of a small to medium team of staff. Assists with the planning and control of medium to large administrations.
Manager	Four to six years' experience. Will have had conduct of minor administrations and experience in control of one to three staff. Assists with the planning control of medium to large administrations.
Senior Executive Analyst	Three to four years' experience. Assists planning and control of small to medium administrations as well as performing some of the more difficult tasks on larger administrations.
Executive Analyst	Two to three years' experience. Required to control the tasks on small administrations and is responsible for assisting tasks on medium to large administrations.
Senior Business Analyst	Graduate with one to two years' experience. Required to assist in day-to-day tasks under supervision of more senior staff.
Business Analyst	Undergraduate or graduate with up to one year experience. Required to assist in day-to-day tasks under supervision of more senior staff.
Administration	Appropriate skills, including books and records management and accounts processing particular to the administration.