



Arrium Group Companies

Report to creditors

14 May 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. On 15 December 2017, 48 entities were placed into liquidation in accordance with the terms of their respective DOCAs.

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

1. Twelve entities as listed in Appendix 1 were sold as part of the Arrium Australia core sale process on 31 August 2017.
2. Forty-eight entities were placed into liquidation (as listed in Appendix 2) on 14 December 2017, in accordance with the terms of the DOCAs. The liquidation of these entities was finalised on 11 April 2019, and it is anticipated these entities will be deregistered within the next three months.
3. Thirty-four entities remain subject to DOCA, as listed in Appendix 3.

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 21 December 2018. This report includes an update with respect to the investigations undertaken in the last four months, the realisation of assets, and distributions made to creditors.

This report is issued in accordance with clause 12 of both the Transaction Support DOCAs and the Arrium Distribution DOCA, as well as to satisfy condition 4 of Australian Securities & Investments Commission ('ASIC') Instrument 18-0885.

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 administrations

Since the Report to Creditors dated 21 December 2018, the Deed Administrators have attended to the following broad categories of tasks:

1. Attendance to and completion of all compliance and statutory reporting tasks.
2. Further development and implementation of strategies for the realisation of the remaining assets of the Arrium Group Companies.
3. Identifying potential causes of action to be brought against former directors, officers and advisers to the Arrium Group Companies arising out of conduct in the lead up to the administration.

2.1 Statutory reporting and compliance

2.1.1 Financial reporting obligations

The Deed Administrators continue to rely on the ASIC Instruments released to the Australian Securities Exchange ('ASX') on 2 October 2018, under which ASIC granted deferral relief with respect to the reporting obligations of ACN 004 410 833 Limited (formerly Arrium Limited) (Subject to Deed of Company Arrangement) ('Arrium Limited') and its controlled subsidiaries under Part 2M.3 of the Corporations Act ('the Act').

Creditors are referred to our previous report dated 21 December 2018, or to copies of the instruments released on the ASX and the KordaMentha website on 3 October 2018 to understand the particulars of the instruments.

2.1.2 Extension to time to hold Annual General Meetings ('AGM')

The Deed Administrators continue to rely on the deferral from section 250N of the Act granted by ASIC on 4 October 2018 with respect to holding the 2016 and 2018 AGM's. Further details are again available in our report dated 21 December 2018, or in the instruments released on the ASX and the KordaMentha website on 8 October 2018.

2.1.3 Lodgement of statutory reports

The Deed Administrators and Liquidators where appointed, have attended to all statutory reporting obligations required under the Act, including the lodgement of statutory reports (Form 5603 – End of Administration Return) for the requisite companies. Contained with the Form 5603'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 Deed Administrators have also, with the assistance of tax advisers Ernst & Young, prepared and lodged the FY18 income tax return.

2.2 Real property realisations

Realisation of the remaining real property assets has continued over the last six months. Only three properties remain unsold, with one currently under contract and another well progressed under the terms of an executed heads of agreement.

An update in respect to each property is provided below.

Acacia Ridge

Completion of the sale of the property occurred on 8 May 2019.

Mayfield

The Deed Administrators are progressing preparations for sale of the site. Given the size and complexities associated with the site, a sale is not expected to occur for some time.

Somerton

The Deed 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.

2.3 Sale of mining tenements

On 23 April 2019, the Deed 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) and Central Iron Pty Limited (Subject to Deed of Company Arrangement).

The Deed Administrators are now working with the purchaser to finalise the terms of the transaction documents.

The mining tenements and exploration licences were originally subject to contract with GFG Alliance however the transaction did not proceed.

2.4 Deed Administrators' investigations

The Deed Administrators have continued to progress investigations into the affairs and financial circumstances of the Arrium Group Companies in the lead up to the administrations. With a view to identifying the potential recovery actions available, a comprehensive review of Arrium Group Companies' books and records (electronic and hard copy) has been undertaken, and public examinations conducted of various former directors, officers, legal and financial advisers, and auditors of the Arrium Group Companies.

2.4.1 Public examination process

The Deed Administrators are still considering identified claims and as at the date of this report, have not yet commenced any legal proceedings.

The Arrium Creditors' Committee will continue to be kept abreast of any progress made in this respect.

2.4.2 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 is scheduled to occur in June 2019. In relation to the appeal costs, the Deed Administrator has sought further information from the first defendant contradictor.

2.5 Reporting to creditors

2.5.1 Arrium Creditors' Committee

Since our last Report to Creditors, the Deed Administrators have continued to meet with, and report to, the Arrium Creditors' Committee. These agenda for these meetings and update reports include:

- Post-sale completion matters
- Liquidation of remaining entities
- Litigation and investigations
- Realisation of property assets
- Other matters, as necessary.

2.5.2 ASX announcements

Pursuant to ASX Listing Rule 17.12 and in accordance with clause 3.4 of Guidance Note 33 (Removal of Entities from the ASX Official List), Arrium Limited was removed from the ASX Official Listing on 8 April 2019. This was as a result of the shares of Arrium Limited being suspended from trade for three years.

Prior to the delisting of Arrium Limited, the Deed Administrators released a notification on 5 April 2019 foreshadowing the delisting. The ASX subsequently independently posted an announcement regarding the delisting on 8 April 2019.

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

2.5.3 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>.

Due to the delisting from the ASX, any further updates will only be posted at the above link.

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

2.6 Distributions to creditors

Twenty Proof of Debt forms ('POD') have not yet been adjudicated. Many of these POD's relate to personal injury compensation claims. The Deed Administrators continue to liaise with the relevant insurers and/or government bodies to ascertain a true and fair representation of the debt owed at the time of appointment.

The Deed Administrators have withheld sufficient funds from the earlier distributions to allow for retrospective distributions to be made once the POD values have been determined.

There are also a further five PODs which have been admitted on a contingent basis. The Deed Administrators have withheld all distributions relating to these claims pending the outcome of the respective issues. Should the Deed Administrators reject some or all of the claims following resolution of the issues, the relevant unremitted funds will be available for distribution to the broader creditor group.

No further distributions have been made since 21 December 2018. It is still anticipated that the next distribution will take place no earlier than late 2019.

3 Strategy for remaining entities

3.1 Finalised Entities

The liquidations of the 48 entities placed into liquidation on 14 December 2017 have now been finalised. The Liquidators lodged respective Form 5603's – End of Administration Returns on 11 April 2019. The finalisation of these liquidations was completed under consultation with the Arrium Creditors' Committee.

It is expected that the entities will be deregistered by ASIC within the next three months.

3.2 Entities in DOCA

Thirty-four entities 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.

We anticipate liquidation of a large majority of these entities to occur before September 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 2.2 of this report.
2. Commencement of litigation for recovery actions identified in section 2.3 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.

As a consequence of the above it is not possible to provide a definitive timeframe as to when the administrations will be finalised. The Deed Administrators or Liquidators (as appropriate) will continue keep creditors informed as to timing of finalisation.

5 Remuneration

Remuneration of the Deed Administrators and Liquidators has, to date, been approved by the Arrium Creditors' Committee. Future remuneration of the Deed Administrators and Liquidators will continue to be approved by the Arrium Creditors' Committee.

6 Shareholders

Shareholders of ACN 004 410 833 Limited (formerly Arrium Limited) (Subject to Deed of Company Arrangement) 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.



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Appendix 1 – 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 – Finalised Entities

	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

	Entity name	ACN
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 Subject to Deed of Company Arrangement

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
4 ATMH Pty Limited (formerly known as Austube Mills Holdings Pty Ltd)	123 160 172
5 Bradken Consolidated Pty Limited	000 011 932
6 Central Iron Pty Limited	143 503 397
7 Cockatoo Dockyard Pty Limited	000 025 918
8 Comsteel Pty Limited	006 218 524
9 Coober Pedy Resources Pty Limited	151 599 905
10 Email Holdings Pty Limited	092 348 555
11 Email Pty Limited	000 029 407
12 Litesteel Technologies Pty Limited	113 101 054
13 Metpol Pty Limited	000 927 373
14 OS Americas Holdings Pty Limited (formerly known as OneSteel Americas Holdings Pty Ltd)	147 067 016
15 OS Coil Coaters Pty Limited (formerly known as OneSteel Coil Coaters Pty Ltd)	123 138 732
16 OS Corporate Pty Limited (formerly known as OneSteel MBS Pty Ltd)	096 273 979
17 OS Queensland Pty Limited (formerly known as OneSteel Queensland Pty Ltd)	010 558 871
18 OSRec Holdings Pty Limited (formerly known as OneSteel Recycling Holdings Pty Ltd)	059 240 952
19 OSRec Overseas Pty Limited (formerly known as OneSteel Recycling Overseas Pty Ltd)	105 479 356
20 OS Stainless Australia Pty Limited (formerly known as OneSteel Stainless Australia Pty Ltd)	004 610 851
21 OS Stainless Pty Limited (formerly known as OneSteel Stainless Pty Ltd)	006 362 652
22 OS USI1 Pty Limited (formerly known as OneSteel US Investments 1 Pty Ltd)	131 211 606
23 OS USI2 Pty Limited (formerly known as OneSteel US Investments 2 Pty Ltd)	131 211 571
24 PTM Pty Limited (formerly known as Palmer Tube Mills Pty Limited)	010 469 879
25 Roentgen Ray Pty Limited	000 028 106
26 Southern Iron Pty Ltd	119 611 068
27 SSG No. 2 Pty Limited	087 840 720
28 SSG No. 3 Pty Ltd	087 840 515
29 ARIX Acquisitions Pty Limited (formerly known as SSX Acquisitions Pty Limited)	090 574 520
30 ARIX Holdings Pty Limited (formerly known as SSX Holdings Pty Limited)	087 813 116
31 ARIX International Pty Limited (formerly known as SSX International Pty Limited)	084 990 947
32 AC Distribution Company Pty Limited (formerly known as The Arrium Creditor Distribution Company Pty Limited)	082 181 726
33 The ANI Corporation Pty Limited	000 421 358
34 Tubemakers of Australia Pty Limited	000 005 498