

SEPTEMBER 2010 QUARTERLY REPORT

27 October 2010

HIGHLIGHTS FOR THE SEPTEMBER 2010 QUARTER

- First ore-on-ship at the new Utah Point port facility on 17 September 2010
- Commenced mining at Wodgina and production ramp up at Pardoo
- Operations on track to achieve 6Mtpa export rate in the December 2010 quarter as forecast
- 313,719 ore tonnes shipped
- 612,649 ore tonnes processed
- 774,653 ore tonnes mined
- DSO Reserves increased by 50%
- Reported Turner River Hub PFS outcomes and plan to expand Pilbara production from 6 to 12Mtpa by the end of 2012
- \$108 million of cash on hand at 30 September 2010, which has increased to \$120 million at 25 October 2010
- Merger with Aurox Resources completed in August 2010
- Two New DSO discoveries at Hickman and McCameys North reported in October 2010



Atlas Iron Limited's Pilbara Projects Locations

INTRODUCTION

Atlas first commenced exporting direct shipping grade iron ore from the Pilbara of Western Australia in December 2008. Following the commencement of mining at Wodgina in June 2010, Atlas is on target to ramp up iron ore exports from 1Mtpa to 6Mtpa during the December 2010 quarter. The Company continues to pursue its growth target of exporting at a rate 12 Mtpa by the end of 2012.

Atlas' strategy is to discover and develop iron ore deposits close to Port Hedland at relatively low capital cost without needing access to rail. In only a few years the Company has also built a proven team capable of delivering a pipeline of high quality iron ore mining operations.

OPERATIONS

PRODUCTION

| Table 1: Production | | | | |
|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Sept Quarter '10 (t) | June Quarter '10 (t) | Variance Quarter (t) | Variance Quarter (%) |
| Ore Tonnes Mined | 774,653 | 283,114 | +491,539 | +173% |
| Ore Tonnes Processed | 612,649 | 322,686 | +289,963 | +90% |
| Ore Tonnes Shipped (Wet) | 313,719 | 173,557 | +140,162 | +81% |
| Ore Tonnes Shipped (Dry) | 293,485 | 164,706 | +128,779 | +78% |

| Table 2: Inventory | | | | |
|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Sept Quarter '10 (t) | June Quarter '10 (t) | Variance Quarter (t) | Variance Quarter (%) |
| Run of Mine Ore Stocks | 282,100 | 42,647 | +239,453 | +561% |
| Final Product Stocks - Site | 135,807 | 34,691 | +101,116 | +291% |
| Final Product Stocks - Port | 399,184 | 242,152 | +157,032 | +65% |

Mining during the September 2010 quarter at Pardoo continued to focus on pit development and waste mining at the South Limb and Alice East Extension, as the site prepares for expanded production leading up to the end of the 2010 calendar year. The ramp-up in ore production at the Pardoo Mine is well underway and, with first ore produced at the Wodgina mine, ore tonnes mined are in line with Atlas' expected mine capacity increases.

In the month of September 2010, ore mined across the operations was at a rate of 4.5Mtpa, ore processed was at a rate of 3.9Mtpa and port haulage was at a rate of 2.9Mtpa. All of these rates are at or above Atlas' internal forecasts, and Atlas is on track to achieve and maintain its forecast production rate by years' end.

Cash operating costs for the period were in the order of \$52/tonne. Targeted cash costs from 1 January 2011 remain at the previously stated range of \$40-43/tonne as the benefits from economies of scale and the move to the Utah Point facility take full effect.

At the Wodgina Mine pit development at Anson has continued and the processing facility was successfully commissioned during August 2010. During September 2010 the first ore from the Wodgina mine contributing to the 'Atlas Blend' was hauled to the port. Wodgina mine feed is now consistently part of the blended ship specification.

Over the September 2010 quarter, one cape size cargo was shipped through FMG's Anderson Point facility, one Panamax cargo was shipped through Port Hedland Berth 1 and the first Panamax cargo was shipped through Utah Point. Proceeds received in cash for the quarter relate to the FMG and Berth 1 shipments, with the proceeds from the Utah vessel received after 30 September 2010.

MARKETING

Iron ore sales for the September 2010 quarter were 313,719 WMT (293,485 DMT).

Demand during the quarter was generally strong with some modest short term weakness in September 2010 as customers were impacted by power rationing in certain provinces, which led to them reducing steel production. Iron ore demand and prices have since recovered during October.

Pricing in the quarter was calculated with reference to 30 day rolling average index prices, adjusted for Atlas' product grade. Meetings have been held with all customers over the quarter and a good understanding has been developed of pricing trends in the market, which continue to evolve and become more of a pure spot market.

In addition to supplies to Atlas' existing customer base some spot sales have been agreed to commence establishment of relations with new parties with a view to future term contracts.

RESERVE UPGRADE

During the September 2010 quarter the Company announced a 50% increase in Reserves for its Northern Pilbara projects. Combined reserves for Pardoo, Wodgina, Abydos and Mt Webber projects have increased to 53.7Mt grading 57.7% Fe. This Reserve figure includes the maiden reserve at Mt Webber of 19.1Mt at 57.6% Fe **

| Atlas Summary Reserves Table - June 30 2010 | | | | | | | | | |
|---|------------------------|--------|--------|----------------------|------------------------------------|-------|-------|---------|----------|
| | Reserve Classification | Kt | Fe (%) | SiO ₂ (%) | Al ₂ O ₃ (%) | P (%) | S (%) | LOI (%) | CaFe (%) |
| Sub Total | Proven | 14,273 | 58.2 | 5.5 | 1.5 | 0.09 | 0.05 | 8.7 | 63.7 |
| | Probable | 39,418 | 57.5 | 6.2 | 1.9 | 0.08 | 0.03 | 8.9 | 63.1 |
| Grand Total** | All Reserves | 53,691 | 57.7 | 6.0 | 1.8 | 0.08 | 0.03 | 8.8 | 63.2 |

Note: Bedded Ore Reserves estimated at cut-off grades in the range of 54-56% Fe

**Reserves at Mt Webber are subject to Joint Venture interests in the ratio AGO 70% : AJM 30%.

The Reserves have been estimated in compliance with the JORC Code (see Attachment 1 for further details)

The maiden Reserve at Mt Webber of 19.1Mt at 57.6%Fe represents over 97% conversion of the Indicated Resource at the Ibanez deposit. Atlas plans to complete infill drilling at the other iron deposits at Mt Webber in the current half and expects to report a resource and a reserve upgrade for Mt Webber in the December 2010 quarter.

Additional resource to Reserve conversion is also underway at the Wodgina Project, in particular at the Avro Resource, where further Reserve extensions are expected in the near term. Atlas will provide a resource and reserve upgrade in the December 2010 Quarterly report.

PROJECTS

TURNER RIVER HUB

Atlas was pleased to report on the result of its Turner River Hub Pre Feasibility Study (PFS) during the September 2010 quarter.

The proposed Turner River Hub processing facility will establish a centralised blending and processing hub for Atlas' Wodgina, Abydos and Mt Webber projects, in preparation for transport to the new Utah Point Port Facility at Port Hedland 95 kilometres away. The Hub will have an annual capacity of 10 million tonnes, meaning it will play a key role in Atlas' plan to double its production from 6Mtpa by December 2010 to 12Mtpa by December 2012 (see Figure 1).

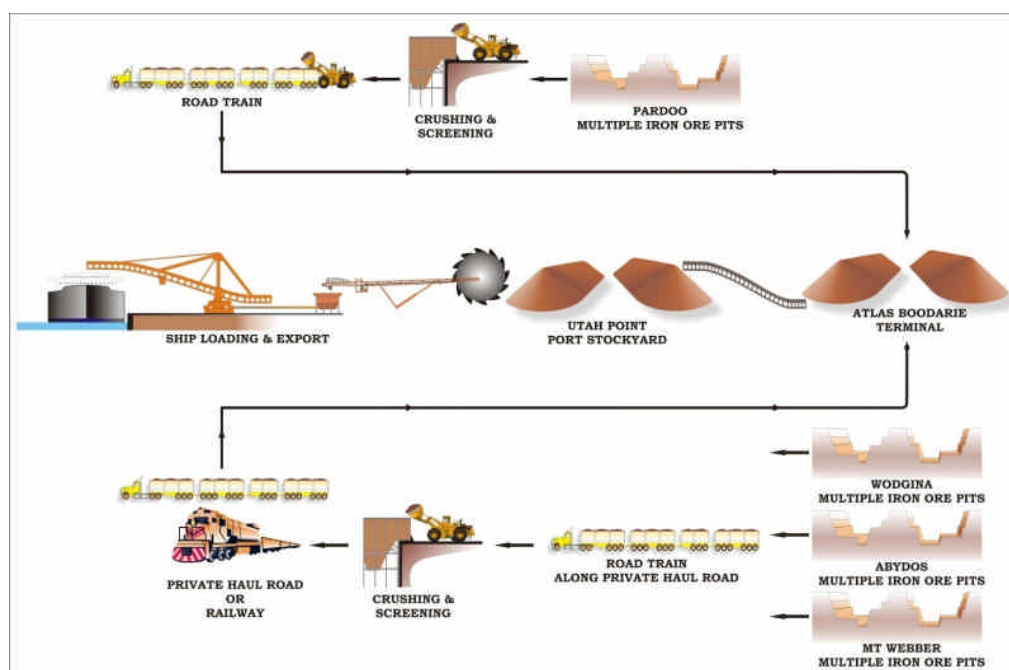


FIGURE 1 - Northern Pilbara Projects, 12Mtpa Production Process Flow Schematic

The Turner River Hub will also deliver substantial economies of scale, thereby reducing unit costs, and bring the benefits of blending ore types from multiple sources, including optimising prices received by Atlas and longer mine lives.

Ore from Atlas' current mine, Pardoo, will not be processed at the Hub and will continue to be hauled direct to the port and account for circa 2 million tonnes of annual production.

The Turner River Hub's location will also help underpin further project development within Atlas' existing North Pilbara exploration project portfolio, including the Wodgina North, Wodgina South, Western Shaw, Pincunah and Miralga Creek exploration projects (see Figure 2).

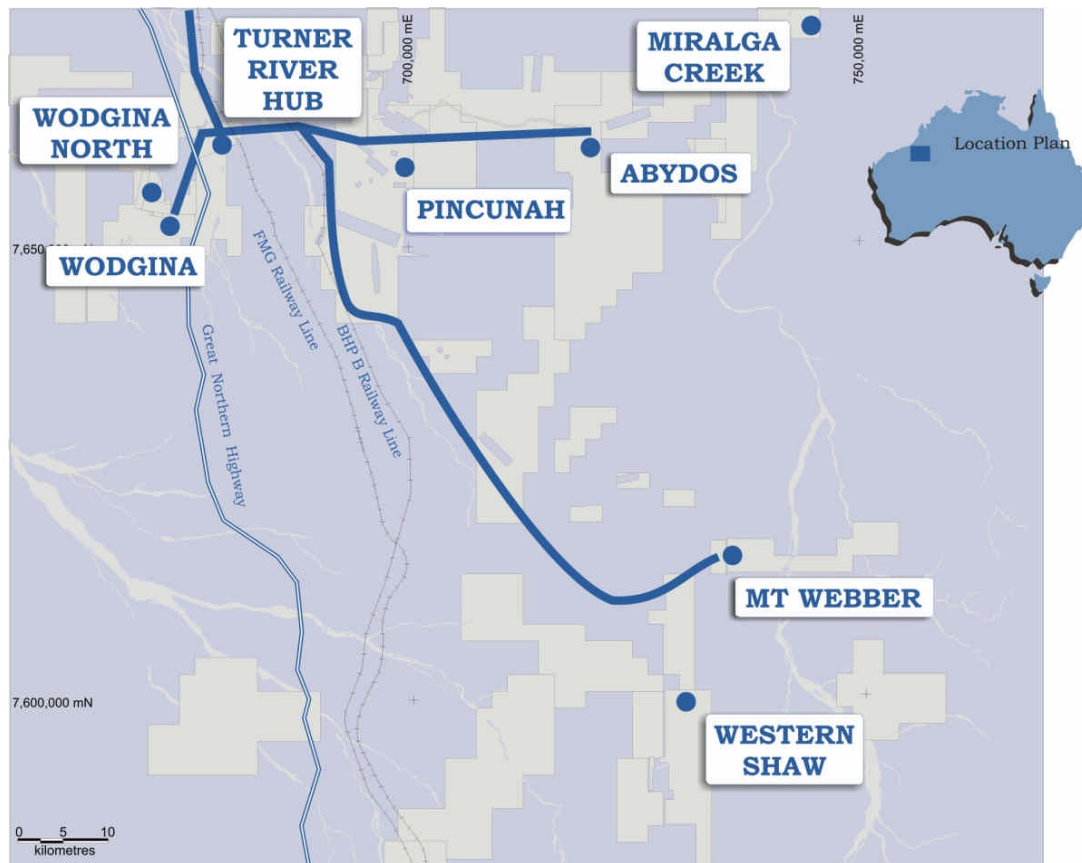


FIGURE 2 - Projects Contributing to the Turner River Hub Strategy

UTAH POINT

Consistent with the Company's previous advice, first ore on ship through the Utah Point facility was achieved on 17 September 2010. As at the date of this report the Atlas has had a total of four Panamax vessels depart Utah Point, with the commissioning of the facility well underway and generally progressing as planned.



First Vessel, the "Bergen Max" alongside at Utah Point

Following the completion of the merger with Aurox Resources, Atlas has up to 15Mtpa of capacity at the Utah Point Port Facility.

EXPLORATION AND RESOURCE DEVELOPMENT

During the September 2010 quarter Atlas drilled 642 holes, consisting of 33,423 metres of RC and 440 metres of diamond drilling across its Pilbara projects.

EXPLORATION

North Pilbara

Exploration continued on advanced projects at Wodgina and Mt Webber during the quarter. At Mt Webber, infill drilling was completed on the Ibanez deposit to enable the resource estimate to be upgraded to JORC Indicated category pursuant to its inclusion in ore reserve calculations. Results from the resource and reserve update were published on 1 September 2010.

At the Hercules DSO discovery at Wodgina, further exploration was delayed by a decision to move the RC rig to the Avro and Constellation deposits for additional infill work. Hercules exploration is expected to recommence in November 2010, with an initial resource estimate to follow in 2011.

A small reconnaissance RC program was drilled late in the quarter at the Western Shaw project, south of Mt Webber. Assays from this drilling are yet to be received.

Southeast Pilbara

The September 2010 quarter also saw increased exploration in the Newman area, with first-pass drill programs completed on the Hickman and McCamey's North projects. Areas of surface iron enrichment in the Boolgeeda Formation were targeted in both projects, with approximately 9,000 metres of drilling completed. First results were released to ASX on 20 October 2010 and included a number of encouraging intercepts from each project. Further results are awaited and additional exploration is planned for these projects during the December 2010 quarter.

RESOURCE DEVELOPMENT

Pardoo DSO Resource Development

RC drilling continued at Pardoo throughout the quarter, with 13,727 metres completed, consisting of development drilling on the Emma and Chloe deposits as well as near-mine exploration around Alice and South Limb. Further development drilling is scheduled on a number of targets at Pardoo well into 2011.

Wodgina DSO Resource Development

As mentioned above, infill drilling at Avro and Constellation continued during the quarter, with 4,132 metres drilled. Updated resource estimates for both deposits will be delivered during the December 2010 quarter, prior to the resumption of exploration at Hercules.

CORPORATE

Aurox Merger

The merger between Atlas and Aurox Resources Limited (Aurox) was completed in August 2010. No Aurox shareholders voted against the Scheme of Arrangement. Atlas shares were issued to eligible Aurox security holders on 24 August 2010.

North West Iron Ore Alliance

Atlas Iron is a founding member of the North West Iron Ore Alliance (NWIOA), a group of independent iron ore companies progressing projects in the Pilbara of Western Australia. The NWIOA is advancing the development of its South West Creek port and stock handling facility, with pre feasibility works completed and definitive feasibility studies underway.

Ridley & Balla Balla Magnetite Projects

Meetings have been held with key Ridley interested parties over the quarter, with all re-affirming their desire to partner Atlas in development of the project. Atlas has stressed to these parties that completion of a transaction in the shortest possible timeframe provides the best means of ensuring the project gets first access to available infrastructure and awaits firm advice.

Alternative divestment strategies are being investigated simultaneously as a means of realising value for Atlas shareholders in an appropriate time frame in the event that the existing parties do not progress at an acceptable pace.

The Balla Balla project was acquired via the Aurox merger. Aurox has previously progressed the project through Bankable Feasibility Study stage and has received environmental approval, so fast track development opportunities exist. Atlas has been approached by multiple parties looking to participate in the development of Balla Balla and preliminary discussions are underway to determine an appropriate commercial framework.

Both projects have been impacted by the federal government's proposed RSPT and its replacement MRRT, as they require a stable fiscal regime given the quantum of the investment required. Atlas believes magnetite projects should be excluded from the MRRT as the value of ore at extraction is minimal and therefore it is outside of the core focus of the tax, being ores which have a high value upon extraction.

Shaw River Resources Limited

At the date of this report, Atlas holds a 45.22% interest in Shaw River Resources Limited (Shaw) (ASX Code: SRR). Shaw holds non iron ore mineral rights over a portion of Atlas' Pilbara tenements. For further details on Shaw River's activities, please refer to Shaw River's Quarterly Reports or Shaw River's website.

CORPORATE PROFILE**Directors**

Geoff Clifford, Chairman
David Flanagan, Managing Director
David Hannon, Non Executive Director
Dave Smith, Non-Executive Director
Tai Sook Yee, Non-Executive Director

Company Secretary

Tony Walsh

Executive Management

Ken Brinsden, Chief Operating Officer
Mark Hancock, Chief Commercial Officer

Registered Office and Head Office

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Share Details as at 30 September 2010

540,009,119 ordinary shares

Unlisted Options as at 30 September 2010

35,563,000 Unlisted Options

Substantial Shareholders as at 30 September 2010:

IMC Group – 66.75 mil shares
UBS Nominees Pty Ltd – 37.16 mil shares
Blackrock Investment Management – 26.94 mil shares

Reporting Calendar

Resource Update: Late January 2011
December 2010 Quarterly Report: 25 January 2011
31 December 2010 Half Year Accounts: 24 February 2011

COMPETENT PERSONS AND JORC COMPLIANCE STATEMENTS**Exploration Results**

The information in this report that relates to exploration results is based on information compiled by Mr Andrew Paterson who is a member of the Australian Institute of Mining and Metallurgy and an employee of Atlas Iron Limited. Andrew Paterson 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'. Andrew Paterson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mining Reserve Estimates - Compliance with the JORC code assessment criteria

The mining reserve statement in this report has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code -- 2004 Edition). The underlying resource classification was completed by Atlas Iron Limited geologists, based principally on data density and geological confidence criteria.

Reserve Estimation

The information in this report that relates to Reserve estimations is based on information compiled by Mr Ken Brinsden, who is a member of the Australasian Institute of Mining and Metallurgy. Ken Brinsden is a full time employee of Atlas Iron Limited. Ken Brinsden 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'. Ken Brinsden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Dollars

Means Australian dollars.