



December 2013 Quarterly Report

29 January 2014

Record shipments and strong prices underpin bumper Quarter and first half of FY14

HIGHLIGHTS

- Record 5.1Mt shipped during first half, including a record 2.7Mt (WMT) for the Dec13 Qtr despite cyclone impacts late in December (Sep13 Qtr: 2.4Mt; Dec12 Qtr: 1.75Mt)
- Full-year production guidance for FY14 increased to 10.2–10.7Mt shipped
- First-half C1 cash operating costs (wet, FOB, excluding royalties) of ~A\$48-49/t
- FY14 C1 cash operating cost guidance range tightened to A\$49 - \$52/t
- Average headline price of ~US\$120/t CFR (DMT) received for Standard Fines product and ~US\$92/t CFR (DMT) received for Value Fines for the Dec Qtr
- Forecast EBITDA of A\$193M-\$203M for the half-year to 31 December 2013
- \$389M gross cash on hand at 31 December 2013, after cash outflow of ~A\$109M on investing activities during the Dec13 Qtr
- Production ramp-up achieved at the recently-commissioned Abydos mine
- Utah Yard 2 port facility fully operational
- Mining commenced at Mt Webber with haulage/shipping on track for the Jun14 Qtr
- Significant exploration success at Corunna Downs, a new North Pilbara iron ore province
- Strong customer demand for 2014 contracts, with reduced discounts achieved

Subsequent to the Qtr

- Experienced resources executive Brian Lynn commenced as CFO on 20th January
- Further North Pilbara exploration success at the Miralga Creek Project, adjacent to the Abydos haul road (see ASX 'Exploration Update' announcement of 29th January 14)
- Investors can listen to the analysts' briefing call, which starts at 10.30 AEDT (7.30 WST) today. Click on the link <http://www.brr.com.au/event/119896/ken-brinsden-managing-director>

Atlas Iron (ASX: AGO) is pleased to advise that it has recorded outstanding results at all levels of its business in the six months to December 31, 2013, shipping a record 5.1Mt during a period of strong iron ore pricing. With Atlas' continued focus on cost control, production costs continue to be competitive. When combined with strong pricing, record operating cash flow was generated during the half.

Atlas Managing Director Ken Brinsden said the first-half performance and the Company's continued confidence in the outlook for the iron ore price put Atlas on track for a very strong result for the financial year.

"With the prices we have received, our cost discipline and further record shipments in the face of weather interruption, we have increased our cash on hand to \$389 million. This is after approximately A\$109 million in investing activities, which will assist in further production growth at Atlas within the next year," Mr Brinsden said.

"The outstanding exploration success at Corunna Downs and now Miralga Creek highlight Atlas' project pipeline. Atlas has a commanding position as the mid-tier iron ore miner with real long term growth options at its disposal."



OPERATIONS

MINE PRODUCTION AND SHIPPING

Table 1: Production

	Dec13 Quarter (t)	Sep13 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined ¹	2,340,312	2,885,689	(545,377)	(18.9%)
Ore Tonnes Processed	2,816,798	2,728,200	88,598	3.2%
Haulage to Port	2,776,125	2,562,483	213,642	8.3%

Note 1: Ore Tonnes Mined represents ore tonnes delivered to Run-of-Mine (ROM) stockpiles at the processing plant

Note 2: Please see Appendix 1 for further details of production outputs by mine

Table 2: Inventory and Shipping

Inventory (see Appendix 1 for detail)	Dec13 Quarter (t)	Sep13 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Final Product Stocks - Port	272,326	200,373	71,953	35.9%
Shipping				
Ore Tonnes Shipped (Wet)	2,704,172	2,403,634	300,538	12.5%
Ore Tonnes Shipped (Dry)	2,533,270	2,225,567	307,703	13.8%

With the Abydos mine achieving a successful ramp up, it is now making a full contribution to combined Pilbara production. Mining and processing at Abydos has in many respects exceeded feasibility study expectations, reflecting the capability of Atlas' development and production teams and its on-site contractors. Atlas achieved record processing, haulage and shipping during the quarter.

Atlas shipped 2.7Mt (WMT) for the Dec13 Qtr, made up of 2.23Mt of Standard Fines and 0.48Mt of Value Fines. Total shipments for the quarter increased 12.5% on the Sep13 Qtr and 55% from the Dec12 Qtr. Atlas shipments for the first half of FY14 are 53% higher than shipments for the first half of FY13.

Operational efficiencies and continued customer demand has resulted in shipments of Value Fines exceeding budget (an additional two cargos). As previously indicated, given the cash flow generated by the product, Atlas will continue to take advantage of Values Fines production while there is sufficient flexibility in production capacity and there is demand for the product.

Standard Fines shipments for the quarter were impacted by port closure in late December due to cyclone Christine, meaning the last two ships of the month slipped into January 2014 and as a result 0.27Mt of Standard Fines were in port inventory at 31 December 2013.

Quarter-on-quarter final product inventory levels have increased at the port (36%) and the mines (23%).



While mining ceased at Mt Dove and Pardoo during the Quarter, the processing of stockpiles at each site has continued in the March Quarter. Atlas will maintain its production rate through ongoing production at Abydos and with the commencement of mining and processing at Mt Webber. Crushing and screening of stockpiles at Mt Dove and Pardoo will be completed in the current Quarter. First haulage from Mt Webber is scheduled during the Jun14 Qtr.

While there was record processed tonnes during the Dec13 Qtr, Wodgina crushing performance was impacted by plant downtime during the month of November and crusher breakdowns during December. Outperformance at the Abydos and Mt Dove mines assisted overall processing capacity.

Atlas reaffirms its FY14 shipping guidance of 9.0–9.3Mt of Standard Fines and increases its Value Fines guidance to 1.2–1.4Mt (previously 0.8 – 1.2Mt). Therefore, full year production guidance for FY14 has been increased to 10.2–10.7Mt shipped.

Cash operating cost guidance (wet FOB and excluding royalties) for FY14 has been tightened to the range of A\$49 - 52/t.

MARKETING

Iron ore prices remained firm over the Dec13 Qtr with seasonal price weakness previously experienced at this time of the year not evident during the Quarter.

Atlas' average headline sale price for the Dec13 Qtr was US\$120/DMT for Standard Fines (Sep13 Qtr US\$117 – increase of 2%) and US\$92/DMT for Value Fines (Sep13 Qtr US\$98 – decrease of 6%). The ultimate prices achieved continued to be positively impacted by the lower Australian dollar.

The average grade of Standard Fines shipped for the Dec13 Qtr was 57% Fe, in line with Atlas' targeted specification. The average grade for Value Fines for the Dec13 Qtr was 53.7% Fe.

During the Quarter, a number of new offtake agreements were signed with durations of 1 to 3 years to a mixture of new and existing customers, with up to 7.9Mt now contracted for calendar 2014. The remaining tonnes will be held for spot sales, with further term contracts to be considered once Mt Webber production commences.

Strong demand was experienced during the contracting process, resulting in reduced discount levels and improved contract terms to Atlas in the new agreements.

DECEMBER QUARTER PRICING OUTCOME SUMMARY	Standard Fines*	Value Fines*
Headline CFR Sale Price USD / DMT (62%Fe)	\$134.64	\$134.64
Atlas Realised CFR Sale Price USD / DMT	\$120.24	\$92.07
Atlas Realised CFR Sale Price AUD / DMT	\$129.67	\$98.92
Average Product Moisture	6.06%	7.53%
Atlas Realised CFR Sale Price AUD / WMT	\$121.81	\$91.47
Average Freight AUD / WMT	\$12.94	\$13.43
Atlas Realised FOB Sale Price AUD / WMT	\$108.87	\$78.04

*Some cargoes are provisionally priced based on 1 January forward curve with the final price to be settled in coming months.



PROJECTS – HORIZON I

Mt Webber

Following Board approval in July 2013 for the initial 3Mtpa Mt Webber Stage 1 project, construction is approaching 50% complete and is progressing well. Key progress to date includes:

- completion of the accommodation village on time and within budget,
- receipt of final Government approvals for the upgrade of the Hillside – Marble Bar public road,
- start of preliminary road construction works during December, and
- mine development progress is in line with planned activity.

Mining operations commenced in December, with first haulage to port planned for the Jun14 Qtr.



Photo 1 - Mt Webber ROM Pad, Ramp to the Ibanez Pit and Mining



Photo 2 - Mt Webber Camp Facilities

Feasibility works for Mt Webber Stage 2 project have continued to progress. A focus to reduce costs has revealed further capital and operating cost reduction opportunities, relative to previous estimates. The key operating cost for Stage 2 (prior to any rail solution) is road transport and this cost is now well understood, following execution of the road haulage transport contract with McAleese Resources. Atlas expects that Mt Webber Stage 2 (6Mtpa run rate) operating costs will be broadly comparable with the current year operating cost guidance range.

Sealing of the road from the mine to the highway has been brought forward from Stage 2 to Stage 1 due to the safety and operating cost benefits achieved. The approval of the incremental capital for the Stage 2 project will be taken to the Board for approval in the Mar14 Qtr.

PROJECTS – HORIZON II

McPhee Creek

The McPhee Creek pre-feasibility studies continued during the period, with studies underway for rail spurs, as an input into feasibility evaluations. The McPhee Creek pre-feasibility is targeted for completion early in the Mar14 Qtr, with planning for the next stage of study underway.



SE Pilbara

Atlas continues to progress minor feasibility studies for its environmentally-approved south-east Pilbara projects, with development scenarios subject to the applicable infrastructure solution.

Rail and Port

Discussions pertaining to third-party rail haulage have continued to gain momentum during the period and Atlas is now proceeding towards finalising an agreement.

Atlas remains confident that based on the terms under discussion, the Company will be able to pursue its growth options while maintaining its over-riding commitment to shareholder returns.

A haulage agreement will give Atlas access to its vast Pilbara resources, in turn enabling it to take greater advantage of its valuable port capacity allocations. While the agreement would facilitate substantial increases in Atlas' production, Atlas' commitment to the development of these projects is ultimately determined by financial returns, not increasing production alone.

Confidentiality arrangements in place and commercial interests associated with the discussion prevent Atlas from elaborating further on the negotiations at this stage.

In addition to Atlas' right to up to 15Mtpa of capacity at the existing Utah Point port, Atlas also holds a 63% interest in North West Infrastructure (NWI), which has rights to 50Mtpa of export capacity at Port Hedland.

EXPLORATION AND RESOURCE GEOLOGY

During the Dec13 Qtr Atlas completed 323 RC drill holes for a total of 23,238m and 7 diamond drill holes for 1007m at the Mt Webber, Abydos, Corunna Downs and Miralga Creek projects. The main focus was Corunna Downs, where one RC rig and one diamond rig have been engaged. Six of the diamond holes for 630.8m were drilled for Geotechnical purposes at Split Rock. RC drilling later in the half focused on the previously undrilled Miralga Creek prospect.

Continued exploration success is building a broad pipeline of opportunities for Atlas to maintain and grow its Pilbara Reserve base. Greenfields opportunities like Miralga Creek demonstrate that the North Pilbara remains a favourable location for iron ore exploration and Atlas' significant land holding in this region is a strategic advantage.

Atlas spent \$8.0 million on exploration during the quarter. During the Mar14 Qtr further RC drilling is planned for Corunna Downs and Wodgina.



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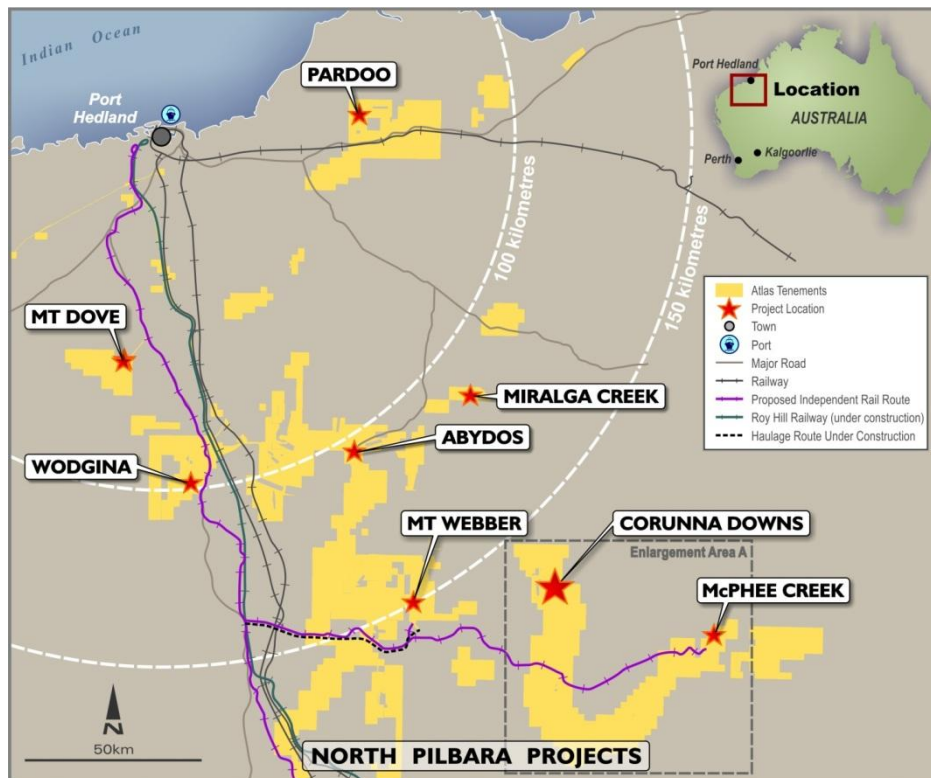


Figure 1 - North Pilbara Projects, Atlas Tenements, Existing and Proposed Infrastructure.

Miralga Creek

RC drilling commenced at Miralga Creek during the Dec13 Qtr, testing a number of mapped surface enrichment targets to evaluate the depth extent and quality of iron mineralisation. Initial assay results are now at hand and Atlas is pleased to announce further success in its North Pilbara exploration program.

At its 100 per cent-owned Miralga Creek Project, first-pass RC drilling has intersected iron mineralization in banded iron formations along strike from the Abydos operation. The project's location is highly complementary to Atlas' existing activities at the Abydos Mine and as such over the coming months there will be continued exploration focus to evaluate the potential in the project (See separate ASX 'Exploration Update' announcement dated 29th January 2014).

Corunna Downs

During the Dec13 Qtr work at Corunna Downs focused on additional exploration at a number of prospects nearby the existing Split Rock resource. Follow up definition drilling of three of these prospects works toward defining new resources at the Razorback, Shark Gully and Runway prospects (see ASX announcement 9th December 2013, 'Outstanding drill results show Corunna Downs is emerging as a major new North Pilbara iron ore province').

Atlas received a host of outstanding drilling results from the ongoing Corunna Downs exploration program during the Dec13 Qtr. These results (and results subsequent to the



quarter) demonstrated that Corunna Downs is emerging as a major new iron ore province in close proximity to Port Hedland.

The focus during the Mar14 Qtr will be on testing several remaining targets at Corunna along with further exploration of the 80km of stratigraphy in the area in order to scope the broader potential of the project area. Assessments of Atlas' tenure between the Corunna Downs project south of the Split Rock resource, and north-east towards McPhee Creek have determined additional targets in similar geology.

Atlas has now set an initial exploration target for the first 8km of strike in the north of the Corunna Project of 100-150 million tonnes at 55-58% Fe. (Please see Atlas' Corunna Downs exploration announcement of 9th December, 2013).

CORPORATE

Key Personnel Appointments

Experienced resources executive Brian Lynn has joined Atlas as Chief Financial Officer, effective 20th January 2014.

Mr Lynn is a Chartered Accountant who joins Atlas from Mincor Resources NL, where he also held the position of Chief Financial Officer. His 12 years at Mincor saw significant entrepreneurial activity and growth, multiple mine developments and periods of operational discipline, all of which is invaluable experience on which Atlas will draw over coming years.

Cash Position

Cash as at 31 December 2013 was \$389M. Atlas' 'Term Loan B' Debt facility of USD\$272M is fully drawn, with USD\$11M drawn under the pre-export finance facility. Other finance facilities of AUD\$95M available to the Company are undrawn.

Centaurus Metals Limited

Atlas holds a 19.85% strategic interest in Centaurus Metals Limited, an emerging Brazilian iron ore explorer and developer (see Centaurus' website: www.centaurus.com.au for further details).

Shaw River Manganese Limited

Atlas holds a 53.4% strategic interest in Shaw River, a manganese exploration and development company (see Shaw River's website: www.shawriver.com.au for further details).



CORPORATE PROFILE

Directors

David Flanagan,	Non-Executive Chairman
Ken Brinsden,	Managing Director
Mark Hancock,	Executive Director, Commercial
David Hannon,	Non-Executive Director
Dave Smith,	Non-Executive Director
Tai Sook Yee,	Non-Executive Director
Jeff Dowling,	Non-Executive Director
Kerry Sanderson AO,	Non-Executive Director
Geoff Simpson,	Non-Executive Director

Company Secretary

Mark Hancock

Executive Management

Jeremy Sinclair,	Chief Operating Officer
Rob Wilson,	Chief Development Officer
Brian Lynn,	Chief Financial Officer

Registered Office and Head Office

Level 18, 300 Murray Street, Perth WA 6000
Website: atlasiron.com.au

Share Details as at 31 December 2013

915,496,158 ordinary shares

Unlisted Options as at 31 December 2013

13,155,000 Unlisted Options

Substantial Shareholders as at 31 December 2013

IMC Group	85.81M shares
Paradise Investment Management	48.79M shares
Dimensional	45.99M shares

Reporting Calendar

Half Year Accounts	25 February 2014
March 2014 Quarterly Report	24 April 2014

Appendix 1 – Mine Production by Location and Inventory

Table A: Mine Production – Pardoo

	Dec13 Quarter (t)	Sep13 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined ¹	277,644	369,802	(92,158)	(24.9%)
Ore Tonnes Processed	275,162	333,842	(58,680)	(17.6%)
Haulage to Port	292,559	314,271	(21,712)	(6.9%)

Table B: Mine Production – Wodgina

	Dec13 Quarter (t)	Sep13 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined ¹	1,205,724	1,485,663	(279,939)	(18.8%)
Ore Tonnes Processed	1,120,231	1,473,182	(352,951)	(24.0%)
Haulage to Port	1,197,362	1,438,643	(241,281)	(16.8%)

Table C: Mine Production – Mt Dove

	Dec13 Quarter (t)	Sept13 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined ¹	84,566	657,868	(605,868)	(92.1%)
Ore Tonnes Processed	676,040	616,974	59,066	9.6%
Haulage to Port	599,352	601,078	(1,726)	(<1%)

Table C: Mine Production – Abydos

	Dec13 Quarter (t)	Sept13 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined ¹	772,378	372,356	400,022	107.4%
Ore Tonnes Processed	745,365	304,202	441,163	145.0%
Haulage to Port	686,852	208,491	478,361	229.4%

Note 1: Ore Tonnes Mined represents ore tonnes delivered to Run-of-Mine (ROM) stockpiles at the processing plant.

Table D: Inventory

Inventory	Dec13 Quarter (t)	Sept13 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	510,150	1,019,201	(509,051)	(49.9%)
Final Product Stock at site	479,483	389,832	89,651	23.0%
Final Product Stocks - Port	272,326	200,373	71,953	35.9%