



September 2014 Quarterly Report

23 October 2014

## Key Points

- > All-in cash costs\* A\$68.90/wmt CFR for the September 2014 Quarter, down from \$75/wmt in the June 14 Quarter
- > C1 cash costs \$48.10/wmt (wet basis, FOB and excluding royalties) for the September 2014 Quarter, down from A\$51/wmt in the June 2014 Quarter
- > Average headline price of US\$69.62/dmt CFR received for Standard Fines over the September 2014 Quarter, after adjusting for US\$5.24/dmt of negative provisional pricing adjustments
- > Competitive product discount of circa 10% achieved, resulting in average headline price of A\$70.83/wmt CFR received for Standard Fines over the September 2014 Quarter
- > FY2015 all-in cash cost guidance reduced to A\$65-\$70/wmt CFR (previously A\$68-\$73/wmt CFR)
- > FY2015 C1 cash cost guidance reduced to A\$46-\$49/wmt FOB (previously A\$47-\$50/wmt FOB)
- > Reduced FY2015 capex to A\$94M, from A\$125M
- > Updated FY2015 production guidance of 12.4Mt - 13Mt, from 12.2Mt - 12.8Mt
- > 3.1Mt wmt shipped for the September 2014 Quarter (June 2014 Quarter 3.1Mt) comprising 3Mt of Standard Fines and 0.1Mt of Value Fines
- > Investors can listen to the analysts' briefing call via webcast, which starts at 10.00am EST (7.00am WST) today. Click on the link <http://www.brrmedia.com/event/127903>

Atlas Iron Limited (ASX: AGO) is pleased to advise that it has significantly reduced costs across its operations during the September 2014 Quarter, achieving an all-in cash cost\* of A\$68.90/wmt CFR (previously \$75/wmt) and a C1 cash cost of A\$48.10 (previously A\$51/wmt).

At the same time, Atlas has delivered another strong Quarter of production, shipping a total of 3.1Mt wmt, including 3Mt of Standard Fines. Production for FY15 is expected to be 12.4Mt-13Mt (up from previous guidance of 12.2Mt-12.8Mt) and up 14-19% from 10.9Mt shipped in FY14.

The reduction in costs for the Quarter continues a material structural shift in Atlas' sustainable overall cost base. Due to the accelerated result of the cost improvement initiatives, Atlas has reduced its all-in cash cost and C1 cost guidance for FY2015 to A\$65-\$70/wmt CFR and A\$46-\$49/wmt FOB respectively.

Additionally, capex guidance for FY2015 has been reduced to \$94M (from \$125M).

Atlas Managing Director Ken Brinsden said:

"This material reduction in costs across the business highlights Atlas' ability to respond to changing market conditions. The cost reductions, together with continued strong results from operations, will ensure Atlas remains competitive and can take advantage of iron ore price increases as they emerge."

Atlas Iron Limited  
ABN 63 110 396 168

Raine Square, Level 18  
300 Murray Street Perth WA 6000

PO Box 7071  
Cloisters Square Perth WA 6850

P: +61 8 6228 8000  
F: +61 8 6228 8999

E: [atlas@atlasiron.com.au](mailto:atlas@atlasiron.com.au)  
W: [www.atlasiron.com.au](http://www.atlasiron.com.au)



Atlas had A\$205M cash on hand at 30 September 2014 after A\$67M investment in development projects in the Quarter.

Note: Actual cost outcomes for the September quarter are derived from unaudited management accounts and exclude one-off restructuring costs of approximately \$1.7M.

\* 'all-in cash costs' includes C1 production costs, royalties, freight, corporate and administration, expensed exploration and evaluation but excludes interest expense and capital expenditure.

## Operations

### Mine Production and Shipping

**Table 1 - Production**

	Sep14 Quarter (t)	Jun14 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined <sup>1</sup>	3,723,125	3,586,689	136,436	4%
Ore Tonnes Processed	3,659,560	3,134,070	525,490	17%
Haulage to Port	3,273,816	3,137,908	135,908	4%

**Note 1:** Ore Tonnes Mined represents ore tonnes delivered to Run-of-Mine (ROM) stockpiles at the processing plant and includes 529,703 tonnes delivered from Mt Webber which will be distributed under the terms of the JVA between Atlas and Altura. Refer to ASX Announcement of 8 July 2013 for further information.

**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)	Sep14 Quarter (t)	Jun14 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Final Product Stocks - Port	323,804	143,209	180,595	126%
<b>Shipping</b>				
Ore Tonnes Shipped (Wet)	3,093,468	3,084,100	9,368	0%
Ore Tonnes Shipped (Dry)	2,921,067	2,912,401	8,666	0%

Atlas shipped 3.1Mt wmt for the September 2014 Quarter, comprising 3Mt of Standard Fines and 0.1Mt of Value Fines.

The September 2014 Quarter was one of continued solid performance across mining, processing, haulage and shipping. The 12Mtpa production rate achieved in the previous Quarter was maintained in the September Quarter.

A continued focus on cost management, cost reduction initiatives and reliable production performance has resulted in C1 cash costs for the September 2014 Quarter of \$48.10/wmt (FOB and excluding royalties). The C1 cash cost result for the Quarter, in combination with reductions to other costs



contributing to the all-in delivered cash cost to China, has resulted in an all-in delivered cash cost to China of A\$68.90/wmt CFR (A\$75/wmt CFR for the June 2014 Quarter).

On the basis of the cost improvement program results achieved in the September 2014 Quarter, and further savings expected over the remainder of the year, Atlas has reduced its C1 cash cost guidance for the full year to A\$46-\$49/wmt FOB (previously A\$47-\$50/wmt FOB (refer to ASX announcement 'Cost-improvement program delivers significant opex savings per tonne & FY15 capex reduced by \$31M' of 23 October 2014)).

Finished product stock levels at the port and sites increased during the September 2014 Quarter. Quarter-on-Quarter there has been a slight increase in Run-of-Mine stocks (ROM), with a significant increase in product stocks at the port predominantly as a result of strong production from the mines and port haulage, in concert with unplanned downtime at the port during September. It is planned to reduce stock at the port and mines over the December 2014 Quarter.

## Marketing

Overall iron ore pricing fell significantly during the September 2014 Quarter, with the Platts 62% Fe IODEX averaging US\$90.24 compared with US\$102.57 for the June 2014 Quarter. The price fall resulted from a continuation of the rapid expansion of iron ore supply into China (particularly from major Australian producers), restrictions on credit availability in China and reduced buying leading into the Chinese holidays in early October.

Discounts being offered in the market by major suppliers remained elevated compared to historical levels, though there was some relief from the weaker Australian dollar during the month of September. Notwithstanding elevated spot pricing discounts, Atlas has continued to achieve competitive pricing for its product. Average discounts to the iron adjusted 62% Fe IODEX achieved in the Quarter were approximately 10% for Atlas' Standard Fines product. Atlas' Australian dollar-realised prices were 6% lower compared to the previous Quarter.

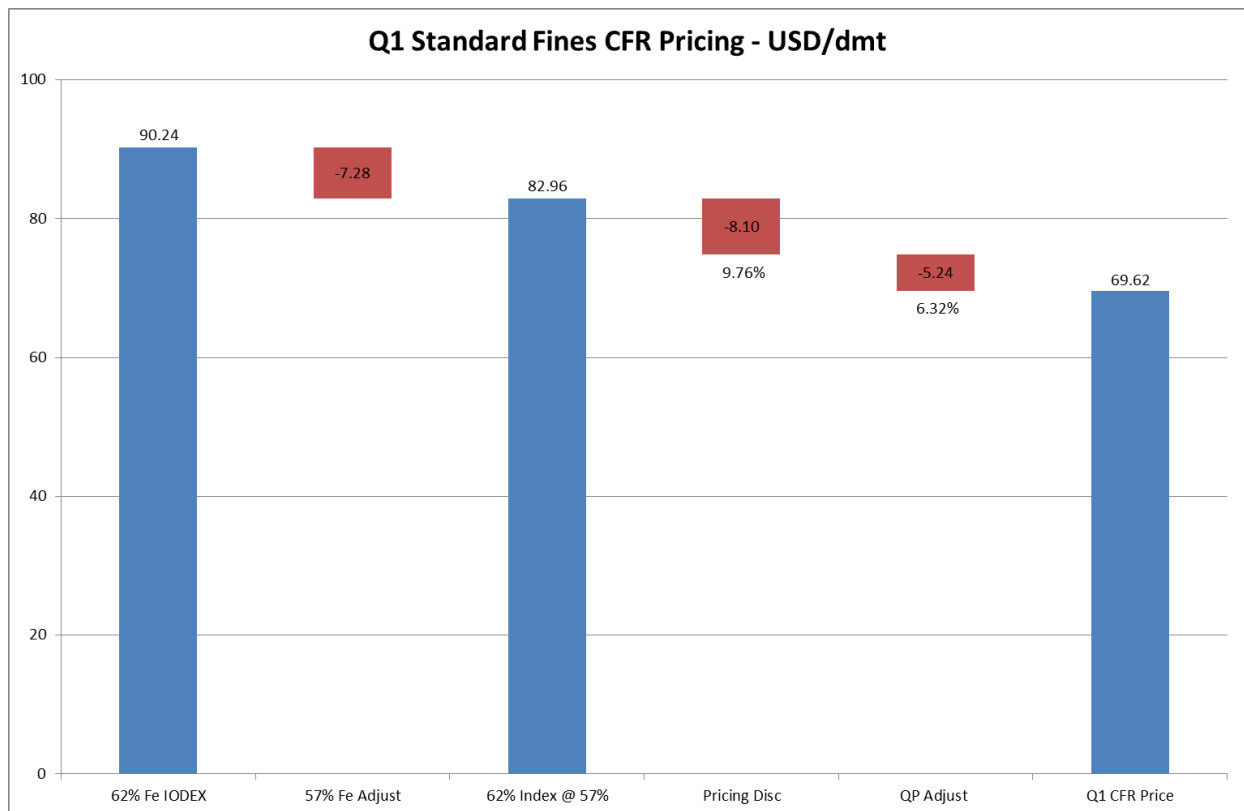
Atlas' average headline sale price for tonnes delivered during the September 2014 Quarter was US\$69.62 CFR dmt (June 2014 Quarter US\$74), after adjusting for the impact of negative provisional pricing movements. These provisional pricing movements arose largely from the significant drop in price over September, which resulted in the 15 cargoes that were unpriced at quarter-end being valued on the basis of a US\$77.75 estimated price (arising from futures markets) for the December quarter. Pricing in the December quarter is presently tracking at levels in excess of the 30 September price. If maintained this would result in positive revaluation in the current quarter.

As a result of the weakening iron ore market, only one shipment of Value Fines was made during the Quarter.

Atlas maintains its view that both the headline index price and discounts have declined below their true market equilibrium point and that this trend will correct itself as the market absorbs new supply, through the seasonal restocking cycle and as high cost production continues to exit the market.



September Quarter Pricing Outcome Summary	Standard Fines*	Value Fines*
Headline CFR Sale Price USD / dmt (62% Fe)	\$90.24	\$90.24
<b>Atlas Realised CFR Sale Price USD / dmt</b> (excluding provisional pricing adjustments)	<b>\$74.86</b>	<b>\$54.71</b>
Provisional Pricing Impacts	(5.24)	0.64
<b>Atlas Realised CFR Sale Price USD / dmt</b> (after provisional pricing impacts)	<b>\$69.62</b>	<b>\$55.35</b>
Atlas Realised CFR Sale Price AUD / dmt	\$74.99	\$58.52
Average Product Moisture	5.55%	6.45%
<b>Atlas Realised CFR Sale Price AUD / wmt</b>	<b>\$70.83</b>	<b>\$54.74</b>
Average Freight AUD / wmt	(\$11.39)	(\$9.24)
<b>Atlas Realised FOB Sale Price AUD / wmt</b>	<b>\$59.44</b>	<b>\$45.50</b>





The average grade for Standard Fines shipped for the September 2014 Quarter was 56.83% Fe. The average grade for Value Fines for the September 2014 Quarter was 53.45% Fe.

At the date of this report Atlas has outstanding iron ore hedges totaling 520,000 tonnes which will settle during the December 2014 Quarter at prices ranging from A\$91.01 to A\$95.33 basis 62% Fe.

## Projects

Project activity reduced materially in the September 2014 Quarter, with a total of approximately A\$57M invested in progressing mine development and capitalised exploration. This includes \$31 million of project spending within the quarter and \$26M of cash outflow arising from accruals incurred in the June quarter.

From the third Quarter of FY2015, capital investment falls away markedly as Atlas' investment in new mine assets and infrastructure is completed. (See ASX announcement 'Cost-improvement program delivers significant opex savings per tonne & FY15 capex reduced by \$31M' of 23 October 2014).

### HORIZON 1 PROJECTS

#### Mt Webber - Stage 1

As of October the Mt Webber Stage 1 project has largely ramped-up to the planned 3Mtpa processing rate. Production is expected to ramp up to 6Mtpa during the March quarter, following the commissioning of the second phase expansion by the end of the December 2014 Quarter.



Figure 1- Mt Webber Run-of-Mine Ore Pad, Crusher and Final Product Pad



## **Mt Webber – Stage 2**

Good progress has been made with the development of the Mt Webber Stage 2 project during the September 2014 Quarter, with the project on schedule for commissioning during December 2014, followed by ramp up over the March 2015 Quarter.

Atlas is also pleased to advise that the total cost for the combined stages of the Mt Webber project are tracking below the estimated total cost of A\$212M\*, inclusive of contributions towards regional road upgrades. Of this amount A\$187M has already been incurred as at 30 September 2014.

\*Gross Mine Capex – partially funded by Atlas JV Partner, Altura Mining Ltd, under JV terms. Refer to the ASX Announcement dated 8 July 2013 for further information.

## **HORIZON II PROJECTS**

### **Rail and Port**

Discussions pertaining to third-party rail haulage negotiations have continued to progress during the September 2014 Quarter.

Confidentiality arrangements are in place and commercial interests associated with the discussions 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 an allocation of 50Mtpa of export capacity within South-West Creek in Port Hedland's inner harbour. NWI remains actively engaged with the State authorities to finalise lease arrangements.

### **McPhee Creek / Corunna Downs**

The McPhee Creek Mine and Rail pre-feasibility study has been largely completed and reviewed by Atlas' Board. However approval remains subject to the completion of an integrated rail and port infrastructure solution.

### **SE Pilbara**

Active work on SE Pilbara opportunities is on hold pending finalisation of an integrated rail and port infrastructure solution. In any event the SE Pilbara projects are scheduled later in Atlas' project development pipeline.

### **Horizon II Partnering**

Atlas continues to undertake preliminary discussions with a number of parties who have expressed interest in becoming project development partners for its Horizon II asset suite. Expressions of interest have been sought from investment advisors, with a view to establishing and facilitating a formal process to progress these transactions.

## **EXPLORATION AND RESOURCE GEOLOGY**

During the September 2014 Quarter exploration drilling was scaled back significantly. Drilling was undertaken at Corunna Downs where 32 RC drill holes for 2,984m were completed at the Runway and Glen Herring Prospects. Data from these programs has been received and is progressing through the estimation process.



## Corporate

### Cost Initiatives

During the September 2014 Quarter Atlas has continued to work on its cost improvement program to significantly reduce the total cost of delivering iron ore tonnes to the market. These initiatives have targeted Atlas' entire cost base including operational, corporate, mine capital, project development and exploration spend.

Subsequent to the end of the September 2014 Quarter, Atlas announced that its cost improvement program had already delivered significant savings per tonne. (See ASX announcement 'Cost-improvement program delivers significant opex savings per tonne and FY15 capex reduced by \$31M' of 23 October 2014).

As a result of the cost improvement program, Atlas now expects to save a total of A\$65M-A\$90M per year, a significant increase from the A\$50M-A\$80M previously announced. In addition to ongoing operational savings, Atlas has also reduced its forecast capital expenditure for 2015 by \$31M to \$94M.

### Financial Position Summary

Cash as at 30 September 2014 was A\$205M after investment in development projects of ~ A\$67M (including \$27M in cash outflows arising from accruals as at 30 June, 2014). Funds were predominantly utilised for the ongoing Mt Webber project and financing of the Altura Mining Limited loan.

Following the introduction of the Mining Rehabilitation Fund by the Department of Mines and Petroleum on 1 July 2014, the Company has received \$18M during the September 2014 Quarter following the cancellation of performance bonds and associated release of funds required to "cash back" these bonds. The \$18M is included in the cash balance of \$205M recorded at 30 September 2014.

Atlas' 'Term Loan B' Debt facility of US\$270M is fully drawn. Other finance facilities of A\$107M available to the Company are drawn to the extent of \$14M as at the balance date.

### Resignation of Director

During the Quarter Non-Executive Director, Kerry Sanderson AO tendered her resignation to take up the position of Governor of Western Australia.

### Centaurus Metals Limited (Centaurus)

Atlas holds a 20.97% strategic interest in Centaurus, an emerging Brazilian iron ore explorer and developer (see Centaurus' website: [www.centaurus.com.au](http://www.centaurus.com.au) for further details).

### Shaw River Manganese Limited (Shaw River)

As part of its ongoing strategy to reduce expenditure, Atlas has agreed to divest its interest in Shaw River Manganese Limited (ASX: SRR). During the Quarter, Atlas sold 9.69% of its interest in Shaw to Byrve Resources Pty Ltd (Byrve). The agreement with Byrve includes an option to acquire Atlas' remaining interest (43.76%), subject to Shaw obtaining shareholder approval and approval under the Namibian Competition Act.



## 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
Geoff Simpson,	Non-Executive Director

### General Counsel & Company Secretary

Yasmin Broughton

### Executive Management

Brian Lynn,	Chief Financial Officer
Jeremy Sinclair,	Chief Operating Officer

### Registered Office and Head Office

Level 18, 300 Murray Street, Perth WA 6000

### Share Details as at 30 September 2014

915,701,543 ordinary shares

### Unlisted Options as at 30 September 2014

11,350,000 Unlisted Options

### Substantial Shareholders as at 30 September 2014

IMC Group	85.81M shares
Dimensional	45.99M shares

### Reporting Calendar

Annual General Meeting	29 October 2014
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Website: [www.atlasiron.com.au](http://www.atlasiron.com.au)

Twitter: @Atlas\_Iron



## Appendix 1

### Mine Production by Location and Inventory

**Table A – Mine Production Wodgina**

	Sep14 Quarter (t)	Jun14 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined <sup>1</sup>	1,540,437	1,452,368	88,069	6%
Ore Tonnes Processed	1,525,747	1,483,148	42,599	3%
Haulage to Port	1,363,747	1,511,346	(147,599)	(10%)

**Table B – Mine Production Wodgina (transferred to Mt Dove)**

	Sep14 Quarter (t)	Jun14 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined (transfer Wodgina to Mt Dove)	597,253	673,723	(76,470)	(11%)
Ore Tonnes Processed (at Mt Dove)	602,989	677,554	(74,565)	(11%)
Haulage to Port (Mt Dove to Port)	613,321	612,187	1,134	0%

**Table C – Mine Production Abydos**

	Sep14 Quarter (t)	Jun14 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined <sup>1</sup>	1,055,732	924,926	130,806	14%
Ore Tonnes Processed	1,013,868	950,009	63,859	7%
Haulage to Port	869,628	976,974	(107,346)	(11%)

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

**Table D – Mine Production Mt Webber**

	Sep14 Quarter (t)	Jun14 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Tonnes Mined <sup>2</sup>	529,703	533,443	(3,740)	(1%)
Ore Tonnes Processed	516,956	8,514	508,442	-
Haulage to Port	427,120	-	427,120	-

Note 2: Ore Tonnes Mined represents ore tonnes delivered to Run-of-Mine (ROM) stockpiles on a 100% basis at the processing plant which will be distributed under the terms of the JVA between Atlas and Altura. Refer to ASX Announcement of 8 July 2013 for further information.

**Table E – Inventory**

	Sep14 Quarter (t)	Jun14 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site <sup>3</sup>	1,046,306	997,341	48,965	5%
Final Product Stock at site	618,327	271,876	346,451	127%
Final Product Stocks - Port	323,804	143,209	180,595	126%

Note 3: Run-of-Mine Ore at site represents ore tonnes delivered to Run-of-Mine (ROM) stockpiles at the processing plant. Tonnes reported from Mt Webber on a 100% basis, which will be distributed under the terms of the JVA between Atlas and Altura. Refer to ASX Announcement of 8 July 2013 for further information.