



June 2015 Quarterly Report

31 July 2015

Atlas ramping up production after cutting costs and strengthening balance sheet

Key points

- Operations resumed at two Pilbara mines, with third resumed in July
- Production ramping up to 14-15Mtpa target by end of CY2015
- Implemented an innovative cost-cutting contractor collaboration model
- Previously announced benchmark breakeven price of US\$50/DMT CFR China; recent falls in AUD:USD further improve the position
- Cash on hand of A\$73M at 30 June 2015 (pre capital raising)
- Capital raising of A\$87M (gross, including A\$53M of new cash) completed in July

Overview

Atlas is pleased to report on a pivotal Quarter for the Company, during which it suspended and then resumed production, cut costs by implementing an innovative contractor collaboration model and launched a capital raising which subsequent to Quarter end raised A\$87M.

The sharp fall in the iron ore price prompted Atlas to announce on 10 April 2015 that it would suspend operations at its three Pilbara projects. Atlas then completed a detailed review which resulted in a revised operating strategy based around the contractor collaboration model (refer ASX announcement 15 May 2015).

As part of this strategy, Atlas entered into new commercial relationships with key contractors and, with the support of the Western Australian Government, resolved to target a substantially lower cost base. Atlas now aims to be break even at a benchmark 62%Fe price of US\$50/DMT CFR* (based on the assumptions set out in the Glossary below, which include an AUD:USD exchange rate of 0.7850).

During the Quarter, production resumed at two of Atlas' mines with a third re-started in early July. The business is now on track to return to full production of 14 to 15 million tonnes per annum and achieve its operating costs target by the end of this calendar year.

Due to the suspension of mining operations, export volumes fell compared to the previous Quarter. Product sales included 5½ lump cargoes which attracted a premium price and are now a part of Atlas' ongoing iron ore sales strategy.

Atlas also agreed to change timing of payments to key contractors, resulting in a draw-down of cash. Invoices for these key contractors are now predominantly paid in the month incurred as opposed to normal 30 day terms.

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Despite the challenges encountered during the Quarter, Atlas is now in a stronger financial and operating position with sharply lower costs, a more robust balance sheet and the support of shareholders, contractors, employees and the WA Government.

Events Subsequent to Quarter Ending

- Following the receipt of shareholder approval on 25 June 2015, Atlas completed an A\$87M (gross, including A\$53M of new cash) capital raising on 24 July 2015. The raising improves the working capital position of the Company and strengthens Atlas' balance sheet considerably, providing further protection against future iron ore price volatility.
- Atlas shares resumed trading on 27 July 2015, along with the new listed options which were issued as part of the capital raising (ASX:AGOO).
- Subsequent to Quarter end there has been a significant fall in the AUD:USD exchange rate from approximately 77 cents to 73 cents which has a favourable impact on the previously announced break-even price target of 62%Fe US\$50/DMT CFR*.

Quarterly - Key Metrics

	June 15 Quarter (WMT)	Mar 15 Quarter (WMT)	Variance Quarter
Ore tonnes shipped (WMT)	1.9M	3.4M	(1.5M)
C1 cash costs (A\$/WMT)	\$46	\$43	(7%)
All-in cash costs** (A\$/WMT CFR China)	\$61	\$60	(2%)
Full cash cost*** (A\$/WMT CFR China)	\$66	\$63	(5%)
Capital (A\$)	\$3M	\$3M	-
Net AUD Atlas CFR Sale Price (WMT)	\$55	\$50	10%
** and *** Please refer to Glossary in this announcement			

Atlas continued its strong focus on costs throughout the Quarter which, together with the contractor collaboration model, should significantly reduce costs for future production. However, the interruption to production and shipping volumes caused by the suspension of operations resulted in C1 costs of A\$46/WMT (A\$43/WMT March 15 Quarter) due to the lower volumes.

Operations

Mine Production and Shipping

Table 1 - Production

	June 15 Quarter (WMT)	March 15 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Ore Mined	1,781,872	3,017,931	(1,236,059)	(41%)
Ore Processed	2,079,893	3,424,017	(1,344,124)	(39%)
Haulage to Port	1,961,309	3,401,713	(1,440,404)	(42%)

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

Table 2 – Inventory and Shipping

Inventory (see Appendix 1 for detail)	June 15 Quarter (WMT)	March 15 Quarter (WMT)	Variance Quarter (WMT)	Variance Quarter (%)
Final Product Stocks – Port	104,498	57,027	47,471	83%
Shipping				
Ore Shipped (Wet)	1,907,281	3,378,696	(1,471,415)	(44%)
Ore Shipped (Dry)	1,801,295	3,189,466	(1,388,171)	(44%)

Atlas shipped 1.9M WMT for the June Quarter, 1.4M WMT of which was Standard Fines and 0.5M WMT of which was Lump. Atlas shipped 12.2M WMT for FY15. The 44% reduction in shipped tonnes for the Quarter resulted from the suspension of operations in April.



Marketing

The benchmark Platts 62% Fe IODEX averaged US\$58/DMT in the June Quarter compared with US\$62/DMT in the March 2015 Quarter. The Australian dollar was relatively stable in the June Quarter, averaging US77.75c compared with US77.36c in the March 2015 Quarter.¹

The June Quarter was marked by significant iron ore price volatility, with the price reaching a low in April of US\$47.50/DMT (Platts 62% CFR basis) followed by a strong recovery over May and June to a high of US\$65.75/DMT.

The iron ore price volatility reflected the significant global economic challenges over the Quarter, including uncertainties with respect to Greece and the Eurozone, the robustness of the Chinese economy and expectations of continued production increases from major producers.

Over the Quarter, discounts being offered in the market by major suppliers were more favourable to Atlas compared to the prior Quarter and has led to improved discounts being achieved for Atlas' product.

Atlas' average realised headline sale price for tonnes delivered during the June 2015 Quarter was US\$44.07/DMT CFR (March 2015 Quarter US\$49.85/DMT CFR). The June figure increased to US\$44.86/DMT after adjusting for the impact of positive provisional pricing movements, up from US\$41.68/DMT in the March Quarter. This means Atlas' ultimate realised sale price was up Quarter on Quarter.

The June Quarter average realised sale price was negatively impacted by timing of sales, with more than half of the tonnes sold in April, the lowest priced month of the Quarter. May and June sales volumes were impacted by mine suspensions.

Atlas is now hedging a greater proportion of its cargoes and with final pricing of cargoes generally being closer to their sailing date, the effects of provisional pricing are expected to continue to be less material to the business going forward than has historically been the case.

Atlas' new Lump product is being successfully sold to a range of customers and achieved an average premium of US\$9/DMT over fines during the Quarter.

Freight costs for the Quarter decreased to A\$7.95/WMT (March Quarter A\$10.57/WMT), largely due to lower oil prices reducing fuel costs.

At the end of the Quarter, Atlas had approximately 2 million WMT subject to some form of forward price fixing via the use of forwards, collars or puts. Further detail on these arrangements is contained in the Company's ASX announcement dated 8 July 2015.

¹ Average FX rates quoted for the Quarter are simple average of the three monthly average FX rates as published by RBA.



Corporate

On 7 April 2015 the Company requested a voluntary suspension in the trading of its shares pending the outcome of an extensive review of the Company's operations, financial outlook, asset sale opportunities and capital structure. Following this review, Atlas suspended production (see ASX announcement dated 10 April 2015) while it looked to restructure its business. The Company's shares remained suspended from trading on ASX for the remainder of the Quarter and were reinstated to trading on 27 July 2015.

On 15 May 2015, the Company announced an innovative new "Contractor Collaboration" business model, allowing the resumption of operations with materially lower costs. The Contractor Collaboration model applies to the Wodgina and Abydos sites, with a separate agreement struck with BGC at the Mt Webber site (see ASX announcement dated 2 June 2015) to realise lower mining costs. Site operations have been sequentially restarted and are ramping up with targeted break-even price of approximately US\$50/DMT CFR* (62% CFR basis) once a production run rate of 14-15Mtpa is achieved (see Glossary for further details).

Following the receipt of shareholder approval on 25 June 2015, Atlas completed an A\$87M capital raising on 24 July 2015.

Atlas continued to work with the State Government with respect to the previously announced royalty relief package, which provides a 50% cash rebate (repayable by late 2017) on State Government royalties paid to eligible producers. The Company has now signed formal documentation and has submitted its application for the December 2014 and March 2015 Quarters. This draw-down is expected to occur in early August and is estimated to be approximately A\$13M.

Financial Position Summary

Cash as at 30 June 2015 was A\$73M (31 March 2015: A\$125M). This does not include the A\$53M cash component of the \$87M capital raising (gross), which flowed through subsequent to the end of the Quarter. The reduction during the Quarter is attributable to the accelerated timing of payments made to key contractors as part of the Contractor Collaboration model, as well as lower quarterly production levels which contributed to a A\$15M fall in working capital. In addition, A\$8M in restructuring costs were incurred, including those associated with suspending mining operations. Quarterly cash flow was further impacted by A\$9M of debt principal and interest payments, the investment of A\$3M in capital and stamp duty costs and the payment of A\$2M of capital raising costs.



Glossary

* The key assumptions underlying the estimated Break Even Prices above, as set out in the Company's prospectus, are summarised below:

- AUD/USD \$0.7850.
- "Break Even Price Estimate" based on nominal production run-rate and Full Cash Costs at 15Mtpa (i.e. 320kt/mth, 480kt/mth and 450kt/mth from Abydos, Wodgina and Mt Webber respectively)
- Sea freight of US\$6.25/WMT.
- No Contractor Collaboration Deed cost assumed for Mt Webber, however estimated 10-12% mining cost savings (via the BGC Agreement).
- Private and State Royalties of 10.5% at Wodgina and 8.0% at Mt Webber and Abydos.
- Interest of 8.75% p.a. applied to secured debt of US\$269M (i.e. A\$343M at AUD/USD \$0.785).
- Payment of Contractor Collaboration Margin included for Wodgina and Abydos.
- Moisture of 5.7%, 3.8% and 4.5% at Wodgina, Abydos and Mt Webber respectively (i.e. average expected moisture over next 24 months).
- Average assumed lump premium of A\$10/DMT with Lump contributing 66% and 50% of Abydos and Mt Webber product respectively. No Lump product assumed to be produced at Wodgina.
- Initial Lump production at Mt Webber from November 2015, growing during December 2015 to stated 50% of product tonnes.
- Average 'Other' contractual penalties of US\$0.50/DMT assumed to provide for impurities not specified in contracts.
- Quality / Value in Use discount of 12.5%, relating to discounts for ore impurities.
- Average assumed grade of Atlas ore of 57.0% Fe, compared with benchmark grade of 62.0% Fe.
- WA State Government Royalty Relief not included in Break Even Price analysis.

** All-in cash costs' includes C1 Cash Costs, royalties, freight, corporate and administration, expensed exploration and evaluation but excludes interest expense, capital expenditure, one-off restructuring costs, suspension and ramp up costs of operating mine sites, Contractor Collaboration Margin and other non-cash expenses. C1 Cash Costs are inclusive of contractors and Atlas' costs including Contractor Rate Uplift. All-in cash costs are derived from unaudited management accounts.

*** Full cash costs includes All-in cash costs', capitalised exploration and evaluation, interest expense and sustaining capital expenditure, but excludes depreciation and amortisation, one-off restructuring costs, suspension and ramp up costs of operating mine sites, Contractor Collaboration Margin and other non-cash expenses. Full cash costs are derived from unaudited management accounts.



Corporate Profile

Directors

The Hon. Cheryl Edwardes	Non-Executive Chairman
David Flanagan	Managing Director
Ken Brinsden	Executive Director
Sook Yee Tai	Non-Executive Director
Jeff Dowling	Non-Executive Director

General Counsel & Company Secretary

Yasmin Broughton

Executive Management

Mark Hancock	Chief Commercial Officer
Brian Lynn	Chief Financial Officer
Jeremy Sinclair	Chief Operating Officer

Registered Office and Head Office

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Appendix 1: Mine Production by Location and Inventory

Table A – Mine Production Wodgina

	June 15 Quarter (t)	Mar15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	905,353	1,541,583	(636,230)	(41%)
Ore Processed	1,023,884	1,461,938	(438,054)	(30%)
Haulage to Port	894,981	1,497,460	(602,479)	(40%)

Table B – Mine Production Abydos

	June 15 Quarter (t)	Mar15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	730,727	1,053,240	(322,513)	(31%)
Ore Processed	872,180	965,098	(92,918)	(10%)
Haulage to Port	792,459	942,212	(149,753)	(16%)

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

Table C – Mine Production Mt Webber

	June 15 Quarter (t)	Mar15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined	145,792	423,108	(277,316)	(66%)
Ore Processed	183,829	996,981	(813,152)	(82%)
Haulage to Port	273,869	934,002	(660,133)	(71%)

Table D – Inventory

	June 15 Quarter (t)	Mar15 Quarter (t)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	393,294	641,191	(247,897)	(39%)
Final Product Stock at site	313,369	161,621	151,748	94%
Final Product Stocks - Port	104,498	57,027	47,471	83%

Note: Percentages are rounded