



March 2017 Quarterly Report

18 April 2017

Strong cashflow takes Atlas cash on hand to A\$108m and Term Loan debt to A\$112m

Highlights

- **Net operating cashflow of \$22m after inventory build, interest, contractor profit share and realised hedge impact**
- **3.2m wmt shipped in the March 2017 Quarter due to weather impacts and expected decline at Wodgina, in line with guidance**
- **Average realised price (inclusive of low-grade Value Fines product and realised hedge impacts) of \$62/wmt CFR**
- **C1 Operating Cost of \$36/wmt FOB**
- **Full Cash Cost of \$56/wmt CFR**
- **Cash on hand at 31 March 2017 of A\$108m**
- **Term Loan B debt reduced to A\$112m at 31 March 2017 exchange rate**
- **Atlas approved development of Corunna Downs Project with lender support**
- **Sale of 51% stake in Cisco lithium prospect to Pilbara Minerals for \$2.3m; Atlas and Pilbara agreed MoU for Atlas to provide logistics services to Pilbara Minerals**
- **Wodgina mine exit plan agreed post Quarter end to reduce Atlas costs**

Atlas Iron Limited (ASX: AGO) is pleased to report on what has been a solid March Quarter, marked by strong cashflow, a substantial reduction in debt and a commitment to building a new mine.

Atlas Managing Director Cliff Lawrenson said the Company had made significant progress on all fronts. "Atlas has posted a solid production result despite the challenging weather," Mr Lawrenson said. "Margins were good and free operating cashflow was strong.

"Atlas will pay a further \$8 million off its debt later this month as well as set aside A\$20m to help fund the Company's next mine, Corunna Downs.

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Quarterly - Key Metrics

	March 17 Quarter	December 16 Quarter	Variance Quarter
Ore tonnes shipped (wmt)	3.2m	4.0m	(0.8)
C1 cash costs (A\$/wmt FOB)	\$36	\$34	(\$2)
Full cash cost* (A\$/wmt CFR China)	\$56	\$55	(\$1)
Depreciation & Amortisation (A\$/wmt)	\$5	\$5	-
Net Atlas CFR Sale Price (A\$/wmt)	\$62	\$66	(\$4)
Development Capital (A\$m)	\$1.4	\$1.4	-

* Please refer to Glossary in this announcement

Note: All costs in this table are unaudited and are quoted in Australian dollars unless otherwise stated.

Operations

Table 1 - Production	March 17 Quarter (wmt)	December 16 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Ore Mined*	3,419,959	4,057,611	(637,652)	(16%)
Ore Processed	3,622,523	4,039,573	(417,050)	(10%)
Haulage to Port	3,328,864	4,053,920	(725,056)	(18%)

*- Includes intra-mine tonnes

Table 2 – Inventory and Shipping	March 17 Quarter (wmt)	December 16 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Final Product Stock at site	609,825	304,910	304,915	100%
Final Product Stocks – Port	235,217	108,877	126,340	116%
Shipping				
Ore Shipped (Wet)	3,202,523	4,037,280	(834,757)	(21%)
Ore Shipped (Dry)	2,996,349	3,799,809	(803,460)	(21%)

Note 1: Please refer Appendix 1 for further details of production outputs by mine and inventory.

Atlas shipped 3.2m wmt for the March 2017 Quarter: 1.7m wmt of Standard Fines, 0.5m wmt of Value Fines and 1.0m wmt of Atlas Lump, within the range of the June 17 Half production guidance of 6-7m wmt.

Atlas completed mining at Wodgina as scheduled on 6 April 2017. Production for the Quarter was down due to the expected decline at Wodgina as it approached the end of its life and the impact of a series of weather events. Rainfall in Port Hedland for the Quarter was 513mm, well up on the long term average of 210mm and the March 2016 Quarter actual of 17mm.

These adverse weather events caused disruption across all sites and impacted haulage. Port shuts due to weather, unscheduled repairs and scheduled maintenance reduced shipments and haulage, leading to increased inventory at port and sites.

C1 and Full Cash Costs were up slightly driven by reduced port fee relief, reduced fixed cost dilution and higher seaborne freight.

Elevated seaborne freight rates continued into April 2017 at ~US\$2 above the level assumed in the Company's FY17 Full Cash cost guidance. If current freight rates continue for the remainder of the June Quarter, the Company will exceed its June 17 Half Full Cash Cost guidance of \$50-54/wmt.

After the end of the Quarter, Atlas reached terms for the cessation of its Wodgina operations with Mineral Resources Limited, which is developing lithium operations at the site. Under the terms of the agreements:

- Atlas ceased crushing at Wodgina on 15 April 2017, but will have continued access to site in the following 12 month period to remove crushed product and uncrushed run of mine material;
- Atlas transferred ownership of most Atlas-installed infrastructure to Mineral Resources, including a 180-room camp, offices and laboratory; and
- Mineral Resources has relieved Atlas of certain contractual obligations including rehabilitation of common areas and crusher demobilisation. Mineral Resources has also waived its right to a 2% FOB sales royalty on all Wodgina product sold since 1 January 2017.

Atlas remains responsible for the balance of its rehabilitation and monitoring obligations at Wodgina.

Marketing

The benchmark Platts 62% Fe IODEX averaged US\$85.64/dmt in the March 2017 Quarter compared with US\$70.72/dmt in the December 2016 Quarter.

Atlas achieved an average price after hedge impacts of A\$65/wmt in the Quarter excluding Value Fines and A\$62/wmt inclusive of Value Fines (December 2016 Quarter: A\$70/wmt and A\$66/wmt exclusive and inclusive of Value Fines).

The Atlas received price was significantly lower than the headline benchmark 62% Fe price due to:

- Widening discount for lower grade product as steel mills prioritise higher grade ores;
- Higher Australian Dollar, Quarter average of 0.7583 (December 16 Quarter average: 0.7507);
- Lower headline lump premium, Quarter average of 4.9c/dmtu (December 16 Quarter average: 13.2c/dmtu) – not paid in full for lower grade product;
- Higher proportion of lower margin “value fines” product; and
- Impacts of hedge losses being offset against realised price.

As noted in the December 16 Quarterly Report, Atlas entered into a number of hedge positions during the December Quarter which settled during the March 17 Quarter, including ~1.5mt of swaps at an equivalent level of A\$96 (basis 62% Fe) to assist in managing downside price risk.

The market for the Quarter was ultimately much stronger than forecasters anticipated, averaging A\$113 (basis 62% Fe). This resulted in a negative settlement of \$17m on swaps that were finalised during the period. Where possible, swaps were rolled forward to future period.

At the date of this report, Atlas held swaps for approximately 0.96m wmt of future sales over the period April to July 17 at an average 62% Fe equivalent level of A\$94dmt. Additionally Atlas has collars comprising some 0.62m wmt of put options with an average price of US\$66/dmt (basis 62% Fe) and some 0.31m wmt of call options at an price of US\$82/dmt (basis 62% Fe).

Financial Position Summary

Cash at 31 March 2017 was A\$108m (31 December 2016: A\$134m) with positive cashflow generated from the Company's operations offset by repayment of a further A\$3m in State Government royalty relief and A\$56m of interest and principal repayments.

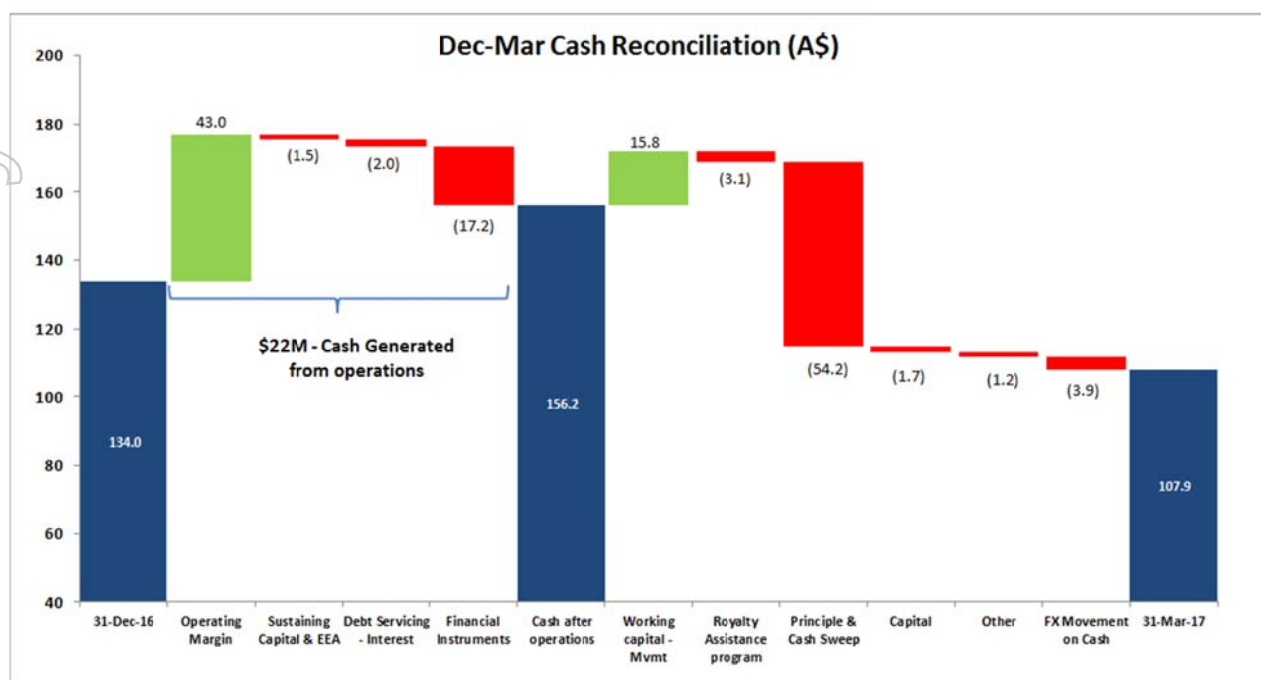
The AUD equivalent of the outstanding USD term loan was A\$112m as at the 31 March 17 exchange rate of 0.7644.

During April, surplus funds above the \$80m cash sweep will be applied to establish a reserve account (\$20m) and debt repayment (\$8m). As outlined in Atlas' ASX release of 16 February 2017,:

- Funds in the reserve account are not subject to the quarterly cash sweep
- Atlas may draw on the reserve account in order to keep its cash balance above A\$60m
- Reserve account funds not drawn at 30 June 2018 will be swept to the lenders to repay any remaining Term Loan B loan amounts

During the Quarter, Atlas announced that each of Moody's Investors Services and Standard & Poors Ratings Services has upgraded its corporate and senior secured credit ratings to B3 and B-, respectively.

Cash movements for the Quarter are summarised in the graph below.



Lithium

During the Quarter, Atlas agreed to sell a 51% interest in the exploration licence covering the Cisco prospect to Pilbara Minerals Limited (refer ASX release dated 29 March 2017). Pilbara paid consideration of \$2.3m cash to Atlas post Quarter-end. Pilbara may increase its interest in the joint venture by expending funds on the project.

Atlas and Pilbara also entered into a non-binding memorandum of understanding setting out the key terms on which Atlas proposes to assist Pilbara to export direct shipping spodumene ore. Atlas plans to leverage its existing logistics chain to provide haulage, crushing and port services to Pilbara.

Atlas retains ownership of other lithium prospects in the Pilbara region.

Corunna Downs

During the Quarter, Atlas announced that it had approved development of the Corunna Downs Project (refer ASX release dated 16 February 2017). The construction of the project will be funded from operating cashflow following amendments to the Term Loan B facility.

As part of the consideration for the amendment, Atlas issued 107,991,355 shares to its Term Loan B lenders on 29 March 2017 (refer ASX release dated 31 March 2017).

Shipment of iron ore from Corunna Downs is planned to commence in the March 2018 Quarter at an initial production rate of 4mtpa over the 5-6 year mine life. Combined with the expansion of Mt Webber, Atlas is targeting a total export rate of 12-13mtpa by the June 2018 Quarter.

Corporate

As previously advised, experienced resources executive Cliff Lawrenson joined the Company as Managing Director and Chief Executive Officer on 16 January 2017 (refer ASX release dated 14 December 2016).

Following Mr Lawrenson's appointment, Interim Managing Director Daniel Harris reverted to being a Non-Executive Director. Tony Walsh resigned as a Director but remains as Company Secretary.

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Notes:

1. All costs in this announcement are quoted in Australian dollars unless otherwise stated.
2. All costs in this announcement are unaudited.

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Glossary

Full Cash Costs includes C1 Cash Costs, royalties, freight, corporate and administration, exploration and evaluation, interest expense, contractor profit share and sustaining capital expenditure, but excludes depreciation and amortisation, one-off restructuring costs, suspension and ramp up costs of operating mine sites, and other non-cash expenses. C1 Cash Costs are inclusive of contractors and Atlas' costs including Contractor Rate Uplift. Full cash costs are derived from unaudited management accounts.

wmt means Wet Metric Tonnes. All tonnes referred to in this document are Wet Metric Tonnes unless otherwise stated.

dmt means Dry Metric Tonnes

dmtu means Dry Metric Tonne Units

mtpa means Million Tonnes Per Annum

Corporate Profile

Directors

Eugene I Davis	Non-Executive Chairman
Cliff Lawrenson	Managing Director, Chief Executive Officer
Hon. Cheryl Edwardes AM	Non-Executive Director
Alan Carr	Non-Executive Director
Daniel Harris	Non-Executive Director

Company Secretary

Tony Walsh	Company Secretary and Head of Corporate
Bronwyn Kerr	Company Secretary and General Counsel

Executive Management

Mark Hancock	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

	March 17 Quarter (wmt)	December 16 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	1,143,846	1,345,337	(201,491)	(15%)
Ore Processed	1,198,617	1,375,140	(176,523)	(13%)
Haulage to Port	1,083,777	1,397,121	(313,344)	(22%)

Table B – Mine Production Abydos

	March 17 Quarter (wmt)	December 16 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	671,825	934,126	(262,301)	(28%)
Ore Processed	725,961	911,003	(185,042)	(20%)
Haulage to Port	633,207	889,259	(256,052)	(29%)

Table C – Mine Production Mt Webber

	March 17 Quarter (wmt)	December 16 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	1,604,288	1,778,148	(173,860)	(10%)
Ore Processed	1,697,945	1,753,430	(55,485)	(3%)
Haulage to Port	1,611,880	1,767,540	(155,660)	(9%)

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

Table D – Inventory

	March 17 Quarter (wmt)	December 16 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	326,461	471,235	(144,774)	(31%)
Final Product Stock at site	609,825	304,910	304,915	100%
Final Product Stocks - Port	235,217	108,877	126,340	116%

Note: All percentages in Appendix 1 are rounded