



ASX Announcement

16 February 2017

ATLAS APPROVES DEVELOPMENT OF CORUNNA DOWNS

Lenders agree to support loan terms amendment, enabling project to be funded from operating cashflow

Key Points

- Atlas has approved the development of the Corunna Downs Iron Ore Project
- First ore on ship from Corunna Downs targeted for March 2018 Quarter
- Lenders demonstrate strong support for development of Corunna Downs through Term Loan B amendments permitting use of operating cashflow to fund the project

Atlas Iron Limited (ASX: AGO) is pleased to announce that it will develop the Corunna Downs Iron Ore Project ("Corunna Downs") in the Pilbara region of Western Australia.

The construction of Corunna Downs, which has a forecast capital cost of A\$47-53m, will be funded from operating cashflow following the expected amendments to the Term Loan B facility.

Atlas Managing Director Cliff Lawrenson said, "This is a strong vote of confidence in Atlas by our lenders, several of whom are significant Atlas shareholders. Corunna Downs, together with Mt Webber, will rebuild our production rate to approximately 12mtpa after Wodgina and Abydos cease production in the first and second half of 2017 respectively. The amendments to the facility will enable Atlas to capitalise on current and future opportunities provided by the stronger iron ore price."

Corunna Downs Project Summary

Atlas released the results of its Corunna Downs Definitive Feasibility Study in late 2016 (see ASX release dated 21 December 2016 for full details). The study estimated capital expenditure of A\$47-53m (including contingency) and C1 Cash Cost in the A\$37-43/wmt range. Atlas is currently investigating opportunities to reduce the C1 Cash Cost to the lower end of the C1 Cash Cost range.

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 12mtpa by the June 2018 Quarter.

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Amendments to Term Loan B facility

The requisite majority of lenders, including several significant Atlas shareholders, have agreed to sign the amendments to the Term Loan B facility which will allow Atlas to fund the Corunna Downs project from operating cash flow. The amendments will allow Atlas to accumulate up to a further A\$45m in cash generated. These funds will not be subject to the cash sweep through to 30 June 2018. Please see ASX release dated 4 April 2016 for full details on Term Loan B.

Key features of the loan amendments are:

- After each of the March, June and September 2017 Quarters, Atlas will be entitled to transfer cash on hand in excess of A\$80m into a dedicated reserve account, subject to a cap of A\$20m per quarter and A\$45m in aggregate. Cash on hand in excess of these limits at the end of each quarter will continue to be paid to lenders to reduce the loan balance.
- The reserve account will be available to Atlas throughout FY2018 under the following terms:
 - 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
- The amendment agreement is expected to be signed on or about 23 February 2017 and the amendments will be subject to standard conditions precedent including compliance with requirements of the Foreign Acquisitions and Takeovers Act 1975. Atlas is targeting satisfaction of all conditions precedent by the end of March 2017.

As consideration for the Term Loan B amendments:

- Atlas will commit to paying all of its Term Loan B interest in cash. The interest rate is unchanged.
- Atlas will issue ordinary shares to the supporting Term Loan B lenders, equal to A\$5m in value.
- Term Loan B principal outstanding will be increased by A\$3m, unless the facility is refinanced or repaid within 120 days of satisfying the conditions precedent.

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Competent Person's Statement

All references to future production and production & shipping targets and port access made in relation to Atlas are subject to the completion of all necessary feasibility studies, permit applications, construction, financing arrangements, port access and execution of infrastructure-related agreements. Where such a reference is made, it should be read subject to this paragraph and in conjunction with further information about the Mineral Resources and Ore Reserves, as well as the relevant competent persons' statements.

Any references to Ore Reserve and Mineral Resource estimations should be read in conjunction with the competent person statements included in the ASX announcements referenced in this release as well as Atlas' other periodic and continuous disclosure announcements lodged with the ASX, which are available on the Atlas website.

The information in this release that relates to Atlas' Mineral Resources or Ore Reserves is a compilation of previously published data for which Competent Persons consents were obtained. Their consents remain in place for subsequent releases by Atlas of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent. The information in this release that relates to Mineral Resources and Ore Reserves is extracted from pages 21 to 23 of the ASX Announcement titled 'Mineral Resources and Ore Reserves at 30 June 2016' dated 22 September 2016 and the Corunna Downs DFS announcement dated 21 December 2016 which are available at <http://www.atlasiron.com.au/irm/content/asx-announcements.aspx>. Atlas confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the market announcements continue to apply and have not materially changed. Atlas confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.