



## Half Year Results, FY18 Guidance Confirmed

27 February 2018

### Summary

- On track to meet FY18 guidance
- Term Loan B debt reduced to A\$103m at 31 December 2017 (H1 FY17: A\$172m), with an additional repayment of A\$20m in early 2018.
- Statutory net loss after tax of \$21m, post \$33m of D&A (from a profit in H1 FY17)
- Exports of 5.2m wmt (H1 FY17: 8.1m wmt)
- Sales revenue of \$308m (H1 FY17: \$498m)
- Average realised price of \$62/dmt (H1 FY17: \$66/dmt)
- Full cash costs of \$57/wmt (H1 FY17: \$52/wmt)
- C1 cash costs of \$38/wmt (H1 FY17: \$34)
- Net cash flow from operations for half year of \$19m (H1 FY17: \$94m)

Atlas Iron Limited (ASX: AGO) has today released its FY18 half-year results, which show that the Company remained cashflow-positive, despite high discounts for lower grade iron ore during the period.

Net cash flow from operations for six months was \$19 million. The result was weighed down by the reduction in tonnes shipped following the end of scheduled mining at the Company's Wodgina and Abydos mines (in May 2017 and October 2017, respectively) combined with significant discounts for lower grade iron ore.

Towards the end of the period, Atlas implemented measures to generate an improved product characterised by lower impurities. Trial shipments have performed well, with early evidence supporting Atlas' view that this product will be priced at a premium to conventional Atlas fines. Atlas expects that the pricing premium will more than offset any increased costs associated with supplying the product and Atlas remains on track to meet its volume and cost guidance for FY18.

C1 Costs rose due to the higher proportion of tonnes from Mt Webber with its increased distance from port and the impact of lower volumes on fixed cost dilution. Full Cash Costs increased due to higher sea freight, in addition to the growth in C1 Cash Costs.

Atlas had cash on hand of \$71m as at 31 December 2017, with an additional \$34m in the reserve account. In early 2018, the Company withdrew \$20m from the reserve account to fund debt reduction.

#### Atlas Iron Limited

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Atlas Managing Director Cliff Lawrenson said the underlying performance was encouraging for several reasons.

“Our ability to remain cashflow-positive in the face of ongoing steep discounts shows the resilience which is now built into our business,” Mr Lawrenson said.

“We are also very encouraged by the initial results of our premium product strategy, with the market appetite for this product appearing to be strong.

“We are increasingly confident that this strategy will enable us to reduce the price discounts applied to our fines products while at the same time continuing to enjoy robust margins on our lump product.”

## Half Year Results

Comparative outcomes between the current half and the equivalent half in the previous financial year are shown in the table below:

	HY1 FY18	H1 FY17	Variance
Ore tonnes shipped (m wmt)	5.2	8.1	(2.9)
C1 cash costs (A\$/wmt FOB)	37.8	33.9	3.9
Full cash cost (A\$/wmt CFR)	56.7	52.3	4.4
Average price received (US\$/dmt CFR)	48.6	49.8	(1.2)
Average price received (A\$/dmt CFR)	62.2	66.3	(4.1)
Revenue (A\$m)	308.0	498.2	(190.2)
Financing costs (A\$m)	5.9	8.2	(2.3)
Development Capital (A\$m)	4.1	1.2	2.9

## FY18 Full Year Guidance

Atlas is on track to meet its FY18 guidance:

	FY18 Guidance at August 2017	H1 FY18 Actuals
Tonnes shipped (m wmt)	9 – 10	5.2
C1 cash cost (A\$/wmt FOB)	37 – 39	37.8
Full cash cost (A\$/wmt CFR China)	54 – 58	56.7
Rehabilitation (A\$m)	3 – 4	2.9
Depreciation & Amortisation (A\$/wmt)	6 – 8	6.4
Development Capital excluding Corunna Downs (A\$m)	8 - 9	4.1

The Company’s product strategy has led to an increased proportion of lump product, which attracts a premium, with a corresponding reduction in the volume of fines produced. The Company’s output was 50% lump, up from its FY18 guidance of around 40%. The Company expects to lift lump production rates to over 50% of all iron ore shipped before the end of FY18.

Atlas is also working to including lithium DSO in its product mix before the end of FY18.

## Glossary

The **underlying basis** is a non-IFRS measure that in the opinion of Atlas' directors provides useful information to assess the underlying financial performance of the Company. These are non-IFRS measures and are unaudited.

**Full cash costs** include 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. Full cash costs are derived from unaudited management accounts. This is a non-IFRS measure.

**dmt** means Dry Metric Tonnes.

**wmt** means Wet Metric Tonnes.

**mtpa** means million tonnes per annum.

**\$** all dollar amounts are in Australian dollars (A\$) unless otherwise noted.

### Investor Enquiries:

#### Atlas Iron Limited

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26 February 2018



Appendix 4D

**Atlas Iron Limited**

ABN 63 110 396 168

**Half-Year Report**

**Results for announcement to the market  
for the half-year ended 31 December 2017**

		% Change		Amount
Total iron ore shipments	Down	36	To	5.2 wmt
Sales revenue	Down	38	To	\$308 million
Statutory gross loss		From a profit last year	To	(\$1) million
Underlying loss before tax (Non-IFRS)*		From a profit last year	To	(\$19) million
Underlying loss after tax attributable to shareholders (Non-IFRS)*		From a profit last year	To	(\$19) million
Statutory net loss after tax		From a profit last year	To	(\$21) million
Statutory net loss after tax attributable to members		From a profit last year	To	(\$21) million
Proposed dividend in relation to this period		Nil		Nil

The audited financial statements for the half year ended 31 December 2017 are attached to this preliminary Financial Report (Appendix 4D).

\*The underlying basis is a non-IFRS measure that in the opinion of Atlas' Directors provides useful information to assess the financial performance of the Company. These non-IFRS measures are unaudited.

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue from ordinary activities	308,034	498,222
Gross (loss)/profit	(1,158)	62,578
Underlying (loss)/profit after tax attributable to shareholders (Non-IFRS)*	(18,985)	15,901
(Loss)/profit after tax attributable to shareholders (Statutory)	(21,290)	18,918

\*The underlying basis is a non-IFRS measure that in the opinion of Atlas' Directors provides useful information to assess the financial performance of the Company. These non-IFRS measures are unaudited.

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#### NTA Backing

	31 Dec 2017	31 Dec 2016
Net tangible assets per security	\$0.03	\$0.03

#### Change in Control

There were no entities over which the Group has gained or lost control during the period.

#### Associates and Joint Arrangements

Atlas holds interests in the joint arrangement:

Name of Entity	Interest % at 31 Dec 2017
North West Infrastructure Pty Limited	63.00%

The Group has a minority interest in several other joint ventures in which it is free-carried.

#### Commentary on Results for the Period

Commentary on the results for the period is contained within the financial statements that accompany this announcement.

Underlying (loss)/profit is a non-IFRS measure that Atlas uses internally to measure the operational performance and allocate resources and is derived from the (loss)/profit attributable to owners of Atlas adjusted for:

- Impact of restructuring (including onerous lease);
- Impairment losses; and
- Impact of one-off transactions.

Underlying (loss)/profit is not audited.

A numerical reconciliation between the underlying (loss)/profit and the statutory net (loss)/profit attributable to owners of Atlas is as follows:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<b>Underlying (loss)/profit after tax (Non-IFRS)</b>	<b>(18,985)</b>	<b>15,901</b>
Inventory write-down	(3,726)	-
Restructuring costs	(35)	(161)
Onerous lease unwind/(cost)	1,456	1,706
Provision reversal	-	2,000
Impairment losses	-	(528)
<b>Statutory net (loss)/profit after tax</b>	<b>(21,290)</b>	<b>18,918</b>

It is recommended that the half-year financial statements are read in conjunction with the Annual Financial Report of Atlas Iron Limited as at 30 June 2017, together with any announcements made by Atlas in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

#### Previous Corresponding Period

The previous corresponding period is the half-year ended 31 December 2016.

#### Further enquiries, please contact:

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# Atlas Iron Limited

ABN 63 110 396 168

## Half-Year Financial Report for the half-year ended 31 December 2017

This condensed consolidated half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by Atlas Iron Limited during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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## DIRECTORS' REPORT

The Directors of Atlas Iron Limited (the Company or Atlas) present their report together with the consolidated financial report of Atlas Iron Limited and its subsidiaries (the Group) for the half-year ended 31 December 2017.

### DIRECTORS

The following persons were directors of the Company during the half-year and up to the date of this report (unless otherwise stated):

<b>Non-Executive</b>	<b>Role and period of Directorship</b>
Mr Eugene Davis	Non-Executive Chairman
Mr Alan Carr	Non-Executive Director
Hon. Cheryl Edwardes (AM)	Non-Executive Director
Mr Daniel Harris	Non-Executive Director
<b>Executive</b>	
Mr Cliff Lawrenson	CEO and Managing Director

### OPERATING AND FINANCIAL REVIEW

The Operating and Financial Review should be read in conjunction with the half-year financial statements, the consolidated annual financial report of the Company as at 30 June 2017 and for the year then ended and considered together with any public announcements made by the Company during the half-year ended 31 December 2017 in accordance with continuous disclosure requirements of the Corporations Act 2001.

#### Our Strategy

Paramount to Atlas maintaining its strategy is a safe workplace and a culture of safety first. Atlas has strived to continually improve its underlying safety performance. The Company had no lost time injuries over the period. We believe we can always improve as we strive for zero injuries. Every employee at Atlas and every contractor working at Atlas' workplaces is empowered to challenge any colleague, irrespective of their position, if they think safety is being compromised.

Atlas' purpose is to deliver mineral products that create value for our shareholders, people, customers and the communities we operate within.

Our strategy is to develop an expanding Pilbara production base, consistent with globally competitive mining operations, and to pursue profitable growth opportunities consistent with this through:

- Optimising our near term production to maximise profitability and cash flow;
- Developing customer and market focused solutions; and
- Maintaining our options for growth.

The Atlas Values of *Work Safely, Do the Right Thing, Strive for Business Excellence, Work as a Team, Think Win-Win* and *Indomitable Spirit* are the backbone of everything that we do and underpin our strategy.

## DIRECTORS' REPORT

### Performance Indicators

Management and the Board use a number of financial and operating performance indicators to measure performance over time against our overall strategy. Selected performance indicators are summarised below for the 6 months ended:

	31 Dec 2017	31 Dec 2016	31 Dec 2015
Revenue (\$'000)	308,034	498,222	372,401
Tonnes sold (wmt '000)	5.17mt	8.10mt	6.88mt
Average price per tonne received (including lump/value fines) (\$US/dmt)	48.57	49.75	42.60
Average price per tonne received (including lump/value fines) (\$AU/dmt)	62.25	66.28	59.07
Underlying cash gross margin (\$'000)*	33,553	102,631	30,055
Underlying EBITDA (\$'000)*	18,915	66,218	20,513
Underlying (loss)/profit after tax (\$'000)*	(18,985)	15,901	(63,081)
Reserves ('000 tonnes) **	62,100	77,200	498,300
Resources ('000 tonnes) **	1,144,500	1,189,700	1,207,000

\* The underlying basis is a non-IFRS measure that in the opinion of Atlas' Directors provides useful information to assess the financial performance of the Company. A reconciliation between statutory results and underlying results is provided in "Underlying cash gross margin" section below. These non-IFRS measures are unaudited.

\*\* See ASX announcement 'Annual Report' on 29 August 2017 for further details.

### Operating Results

The key financial indicators used by Atlas are revenue, underlying cash gross margin, underlying EBITDA and underlying (loss)/profit after tax. Refer above for a summary of key financial indicators.

Revenue for the half-year ended 31 December 2017 was \$308.0 million. This was 38% lower compared to the previous corresponding period predominately as a result of a 36% decrease in tonnes shipped due to the planned cessation of production at Wodgina (May 2017) and Abydos (October 2017) operations, and a decrease in the average price per tonne received (\$AU/dmt) mainly due to elevated discounts on Atlas Fines product and a stronger AU\$: US\$ exchange rate.

### Underlying cash gross margin

The following table reconciles underlying cash gross margin to statutory (loss)/profit after tax for the 6 months ended:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000
<b>Underlying cash gross margin*</b>	<b>33,553</b>	<b>102,631</b>	<b>30,055</b>
Exploration and evaluation expense	(2,840)	(1,679)	(2,143)
Other income	1,781	1,002	7,671
Other costs	(10,610)	(12,852)	(14,308)
Loss on financial instruments and gain on listed investments	(2,969)	(22,884)	(762)
<b>Underlying EBITDA*</b>	<b>18,915</b>	<b>66,218</b>	<b>20,513</b>
Depreciation and amortisation	(33,076)	(40,834)	(47,342)
<b>Underlying EBIT*</b>	<b>(14,161)</b>	<b>25,384</b>	<b>(26,829)</b>
Net finance expense	(5,129)	(7,906)	(19,144)
Net foreign exchange gain/(loss)	305	(1,577)	(17,108)
<b>Underlying (loss)/profit before tax*</b>	<b>(18,985)</b>	<b>15,901</b>	<b>(63,081)</b>
Underlying tax expense*	-	-	-
<b>Underlying (loss)/profit after tax*</b>	<b>(18,985)</b>	<b>15,901</b>	<b>(63,081)</b>
Inventory write-down	(3,726)	-	(3,683)
Impairment of assets	-	(528)	(40,198)
Restructuring costs	(35)	(161)	(3,546)
Onerous lease unwind/(expense)	1,456	1,706	(3,570)
Provision reversal/(for settlement)	-	2,000	-
Net impact of business combinations	-	-	(197)
<b>Statutory (loss)/profit after tax</b>	<b>(21,290)</b>	<b>18,918</b>	<b>(114,275)</b>

\* The underlying basis is a non-IFRS measure that in the opinion of Atlas' Directors provides useful information to assess the financial performance of the Company. These non-IFRS measures are unaudited.

## DIRECTORS' REPORT

The underlying cash gross margin decreased by \$69.1 million to \$33.6 million due to a 2.9mt decrease in tonnes shipped, lower prices received, increased haulage costs and freight charges.

### Underlying EBITDA

The underlying EBITDA was impacted by the \$69.1 million lower underlying cash gross margin compared to the same period last year. This was partly offset by a favourable hedging variance of \$19.9 million compared to the period ended December 2016. During the period under review the Company continued to manage the volatile iron ore price; the Company hedged a portion of its production which led to a \$3.0 million adverse impact on the underlying EBITDA driven primarily by option premiums. Overall the underlying EBITDA decreased by \$47.3 million or 71% to \$18.9 million.

Depreciation and amortisation costs decreased by \$7.7 million to \$33.1 million as a result of the cessation of the Company's Wodgina and Abydos operations.

### Underlying (loss)/profit after tax

Underlying loss after tax for the period is \$19.0 million due to the factors noted above. The reduction in net finance expense of \$2.8 million is due to the Group benefiting from the interest savings as a result of additional repayments on the Term Loan B in the prior year of \$53.7 million in January 2017 and \$8.0 million in April 2017.

### Cash flow from operations

The following table reconciles underlying EBITDA to cash flow from operations for the 6 months ended:

	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 15 \$'000
<b>Underlying EBITDA*</b>	<b>18,915</b>	<b>66,218</b>	<b>20,513</b>
Working capital movements			
Inventory	(1,976)	4,280	(3,176)
Debtors and other assets	9,892	(22,451)	(12,864)
Creditors and other liabilities	(11,825)	22,798	12,144
Interest received	612	283	447
Share of joint arrangements and associates losses	-	-	106
Share based payments	349	159	1,497
Change in fair value of listed investments	(60)	(36)	121
Change in fair value of financial instruments	3,029	22,920	642
Restructuring costs	(35)	(161)	(3,568)
Other items	122	399	(1,755)
<b>Cash flow from operations</b>	<b>19,023</b>	<b>94,409</b>	<b>14,107</b>

\* The underlying basis is a non-IFRS measure that in the opinion of Atlas' Directors provides useful information to assess the financial performance of the Company. A reconciliation between statutory results to underlying results is provided in "Underlying cash gross margin" section above. These non-IFRS measures are unaudited.

Atlas generated cash flow from operations of \$19.0 million for the half year ended December 2017. This compared unfavourably to the previous corresponding period predominantly due to a decrease in underlying EBITDA of \$47.3 million and a further \$19.9 million on exclusion of the loss on iron ore hedges in the prior period (Refer to *Underlying EBITDA*).

### C1 cash cost per tonne<sup>1</sup>

C1 cash cost per tonne has increased by \$3.86/wmt to \$37.79/wmt from the previous corresponding period. The increase in C1 cash costs are driven by a decrease in tonnes across the value chain resulting from the cessation of Wodgina and Abydos operations affecting fixed cost dilution coupled with higher overall unit costs at Mt Webber driven by increased haulage costs due to longer hauling distance to the Port.

### All in cash cost per tonne<sup>2</sup>

All in cash cost per tonne increased by \$5.35/wmt from \$50.10/wmt to \$55.45/wmt due to the increase in C1 cash cost per tonne detailed above, decrease in tonnes shipped unfavourably impacting fixed cost dilution of corporate costs and exploration and evaluation expense and an increase in freight rates.

### Full cash cost per tonne<sup>3</sup>

Full cash cost per tonne increased by \$4.35/wmt from \$52.30/wmt to \$56.65/wmt due to the increase in All in cash costs per tonne noted above, off-set by lower contractor margin share due to the cessation of the collaboration agreements following the closure of the Wodgina and Abydos mine sites and interest savings due to the additional repayments made to Term Loan B as discussed earlier.

<sup>1</sup> C1 cash costs are direct production costs and include mining, processing, haulage, port handling, administration and support and cash inventory movement.

<sup>2</sup> All in cash costs include C1 production costs, royalties, freight, corporate and administration and exploration and evaluation.

<sup>3</sup> Full cash costs include All in cash costs, sustaining capital, interest expense and contractor margin share.

## DIRECTORS' REPORT

### Shipping

The following table summarises tonnes sold (wmt) by Atlas:

	31-Dec-17 wmt millions	31-Dec-16 wmt millions	31-Dec-15 wmt millions
Atlas Fines	2.58	4.60	5.74
Value Fines	-	0.89	-
Lump	2.59	2.60	1.14
<b>Total tonnes shipped</b>	<b>5.17</b>	<b>8.09</b>	<b>6.88</b>

Tonnes shipped have decreased by 2.92mt driven mainly by operations winding up at Wodgina and Abydos.

### Mining, Processing and Haulage

The following table summarises key operational indicators used by Atlas to measure performance:

	31-Dec-17 wmt millions	31-Dec-16 wmt millions	31-Dec-15 wmt millions
Ore mined – delivered to ROM	5.24	7.85	7.23
Ore processed	5.21	7.97	6.90
Ore hauled	5.20	8.05	6.91

### Financial Position

The following table summarises significant statement of financial position amounts:

	31-Dec-17 \$'000	31-Dec-16 \$'000	30-Jun-15 \$'000
Cash	71,133	133,738	107,926
Trade and other receivables	47,151	61,336	35,915
Inventories	20,371	15,293	17,977
Mine and reserve development costs	248,642	292,587	342,968
Mining tenements capitalised	62,499	62,594	119,415
Trade and other payables	(59,260)	(89,930)	(113,002)
Debt facilities used	(102,815)	(178,356)	(354,845)

### Debt facilities used

Atlas continues to reduce its Term Loan B through quarterly amortisation payments and under the cash sweep requirements of the term loan debt facility which states that any cash on hand at the end of each quarter in excess of \$80.0 million is paid to the lenders. This led to additional repayments of \$53.7 million in January 2017 and \$8.0 million in April 2017. There were no additional repayments during the half year ended 31 December 2017. As announced on 29 January 2018, Atlas has repaid a further \$20.0 million, reducing its Term Loan B debt to \$82.7 million, refer to *Subsequent Events* (Note 12).

### Liquidity

The impact of the reduction in tonnes shipped and the lower FOB iron ore price has decreased the operating cash flow by \$75.4 million to \$19.0 million when compared to the corresponding period. For further information, refer to Note 3 (i) *Going Concern* to the consolidated financial statements.

Subsequent to a \$14.1m transfer from available cash to the cash reserve account during the period Atlas had \$34.4 million in the reserve account at period end. No further transfers are permitted to be made into the reserve account as per the agreement with the Lenders. Although the reserve account was established to fund the Corunna Downs project, Atlas may draw on the reserve account in order to keep its cash balance above \$60.0 million.

The outcome of the previously mentioned debt repayments in the second half of the prior year has reduced the interest paid by 10% or \$0.5 million to \$4.5 million. The Group also made the final repayment for the State Government royalty assistance in the period totalling \$3.1 million.

### Factors and Business Risks that affect Future Performance

Atlas operates in a changing environment and is therefore subject to factors and business risks that will affect future performance. Factors and business risks that affect future performance have remained consistent with those discussed in the Operating and Financial Review included in the consolidated annual financial report of the Company as at 30 June 2017.

**HALF-YEAR FINANCIAL REPORT**

31 December 2017

**DIRECTORS' REPORT**Commodity prices / changes in demand and supply

Atlas is exposed to fluctuations in iron ore price.

The following table shows the average prices based on Platts 62% Fe (CFR) to China for the respective half years:

	31-Dec-17 US\$ / dmt	31-Dec-16 US\$ / dmt	31-Dec-15 US\$ / dmt
62% Fe CFR Index Price	68.23	64.73	50.68
Average price per tonne received CFR (including Value Fines)*	48.57	49.75	42.60

\* Average price per tonne received by the Group is exclusive of impact of hedging and prior period adjustments.

The price received by Atlas is adjusted for Fe grade and quality. However to manage this risk the Company continues to hedge a portion of its forward production and enter into fixed price sales contracts.

Exchange Rates

Atlas is exposed to fluctuations in the US dollar as sales and freight costs are denominated in US dollars. The Company borrows money and holds a portion of cash in US dollars, which provides a partial natural hedge.

The following table shows the average USD/AUD exchange rate for the half year:

	31-Dec-17 \$	31-Dec-16 \$	31-Dec-15 \$
USD / AUD	0.7791	0.7546	0.7232

**SUBSEQUENT EVENTS**

On 29 January 2018, the Company announced an additional repayment on the Term Loan B facility of \$20.0 million and a reduction in the floor covenant at no cost from \$35.0 million to \$15.0 million. (*Refer ASX Announcement of 29 January 2018*)

No other matters have arisen since 31 December 2017, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration to the Directors of the Company is set out on page 8 and forms part of the Directors' Report for the half-year ended 31 December 2017.

**ROUNDING OFF OF AMOUNTS**

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with the legislation instrument amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a resolution of the directors of the Company.



Mark Clifford Lawrenson

*Managing Director/Chief Executive Officer*

Perth, 26 February 2018



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Atlas Iron Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Atlas Iron Limited for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Trevor Hart  
*Partner*

Perth  
26 February 2018

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## **DIRECTORS' DECLARATION**

**The Directors of Atlas Iron Limited declare that:**

- (i) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (ii) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the Group as at and for the half year ended 31 December 2017.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.



Mark Clifford Lawrenson  
*Managing Director/Chief Executive Officer*  
Perth, 26 February 2018

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# Independent Auditor's Review Report

To the members of Atlas Iron Limited

## Report on the Half-year Financial Report

### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Atlas Iron Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Atlas Iron Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Atlas Iron Limited the Company and the entities it controlled at the Half-year's end or from time to time during the Half-year.

### Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 3(i), "Going Concern" in the Half-year Financial Report. The conditions disclosed in Note 3(i), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

## Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- For such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Atlas Iron Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



Trevor Hart  
Partner

Perth  
26 February 2018

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue		308,034	498,222
Operating costs	4	(309,192)	(435,644)
<b>Gross (loss)/profit</b>		<b>(1,158)</b>	<b>62,578</b>
Other income		1,781	2,987
Exploration and evaluation expense		(2,840)	(1,679)
Impairment loss		-	(528)
Loss on financial instruments	5	(3,029)	(22,920)
Depreciation and amortisation		(576)	(781)
Administrative expenses		(10,487)	(10,200)
Other expenses		(157)	(1,056)
<b>Results from operating activities</b>		<b>(16,466)</b>	<b>28,401</b>
Finance income	6	810	308
Finance expense	6	(5,939)	(8,214)
Net foreign exchange loss	6	305	(1,577)
<b>Net finance expense</b>		<b>(4,824)</b>	<b>(9,483)</b>
<b>(Loss)/profit before income tax</b>		<b>(21,290)</b>	<b>18,918</b>
Tax expense		-	-
<b>(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE GROUP</b>		<b>(21,290)</b>	<b>18,918</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE HALF-YEAR ATTRIBUTABLE TO OWNERS OF THE GROUP</b>		<b>(21,290)</b>	<b>18,918</b>
<b>(Loss)/earnings per share</b>			
Basic (loss)/earnings per share (cents per share)		(0.23)	0.21
Diluted (loss)/earnings per share (cents per share)		(0.23)	0.20

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

AT 31 DECEMBER 2017

	Notes	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		71,133	80,769
Trade and other receivables	7(ii)	47,151	41,421
Prepayments		432	1,356
Inventories		20,371	19,094
Financial assets classified as held for trading		609	1,070
<b>TOTAL CURRENT ASSETS</b>		<b>139,696</b>	<b>143,710</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables		6,015	6,015
Property, plant and equipment	10	79,098	84,351
Intangibles		153	281
Mine development costs	10	243,919	268,788
Evaluation expenditure - reserve development		4,723	4,592
Mining tenements		62,499	62,499
<b>TOTAL NON-CURRENT ASSETS</b>		<b>396,407</b>	<b>426,526</b>
<b>TOTAL ASSETS</b>		<b>536,103</b>	<b>570,236</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		59,260	66,049
Interest bearing loans and borrowings	7	2,796	2,775
Employee benefits		1,100	1,097
Provisions	8	6,540	10,019
Financial liabilities		754	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>70,450</b>	<b>79,940</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		-	822
Interest bearing loans and borrowings	7	100,019	101,978
Employee benefits		1,280	1,093
Provisions	8	63,044	64,155
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>164,343</b>	<b>168,048</b>
<b>TOTAL LIABILITIES</b>		<b>234,793</b>	<b>247,988</b>
<b>NET ASSETS</b>		<b>301,310</b>	<b>322,248</b>
<b>EQUITY</b>			
Share capital	9	2,203,510	2,203,203
Reserves		40,861	40,816
Accumulated losses		(1,943,061)	(1,921,771)
<b>TOTAL EQUITY</b>		<b>301,310</b>	<b>322,248</b>

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

### HALF-YEAR ENDED 31 DECEMBER 2017

	Share capital \$'000	Share-based payments reserve \$'000	Other Equity \$'000	Asset held for sale reserve \$'000	Associates reserve \$'000	Accumulated losses \$'000	Total Equity \$'000
<b>BALANCE AT 1 JULY 2017</b>	<b>2,203,203</b>	<b>40,816</b>	-	-	-	<b>(1,921,771)</b>	<b>322,248</b>
<b>Total comprehensive income for the half-year</b>							
Loss for the half-year	-	-	-	-	-	(21,290)	(21,290)
<b>Total comprehensive loss for the half- year,</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,290)</b>	<b>(21,290)</b>
<b>Contributions by and distributions to owners of the Group</b>							
Issue of ordinary shares	3	-	-	-	-	-	3
Transfer of share based payments	304	(304)	-	-	-	-	-
Share-based payment transactions	-	349	-	-	-	-	349
<b>Total transactions with owners of the Company</b>	<b>307</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>352</b>
<b>BALANCE AT 31 DECEMBER 2017</b>	<b>2,203,510</b>	<b>40,861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,943,061)</b>	<b>301,310</b>

### HALF-YEAR ENDED 31 DECEMBER 2016

	Share capital \$'000	Share-based payments reserve \$'000	Other Equity \$'000	Asset held for sale reserve \$'000	Associates reserve \$'000	Accumulated losses \$'000	Total Equity \$'000
<b>BALANCE AT 1 JULY 2016</b>	<b>2,197,388</b>	<b>42,030</b>	-	-	-	<b>(1,969,752)</b>	<b>269,666</b>
<b>Total comprehensive income for the half-year</b>							
Profit for the half-year	-	-	-	-	-	18,918	18,918
<b>Total comprehensive profit for the half- year,</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,918</b>	<b>18,918</b>
<b>Contributions by and distributions to owners of the Group</b>							
Issue of ordinary shares through tenement acquisition	1,000	-	-	-	-	-	1,000
Transfer of share based payments	1,597	(1,597)	-	-	-	-	-
Share-based payment transactions	-	160	-	-	-	-	160
<b>Total transactions with owners of the Company</b>	<b>2,597</b>	<b>(1,437)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,160</b>
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>2,199,985</b>	<b>40,593</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,950,834)</b>	<b>289,744</b>

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows

### HALF-YEAR ENDED 31 DECEMBER 2017

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>		
Cash receipts from customers	305,457	481,280
Payments to suppliers and employees	(284,197)	(385,476)
Interest received	612	283
Payments for expenditure on exploration and evaluation activities	(2,849)	(1,678)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>19,023</b>	<b>94,409</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(1,375)	(617)
Payments for mine development	(3,588)	(1,257)
Payments for reserve development costs	(131)	(2,072)
Loan to joint venture	-	(151)
(Payments for)/proceeds from financial instruments	(1,439)	(11,185)
(Payments for)/proceeds from security deposits	1,653	1,810
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(4,880)</b>	<b>(13,472)</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	3	-
Transfer to reserve account	7(ii) (14,093)	-
Payments for finance lease	(763)	(762)
Repayment of Term Loan B (including cash sweep)	(865)	(17,258)
Interest payments on borrowing facilities	(4,465)	(4,968)
Payments for royalty assistance program	(3,072)	(6,146)
<b>NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES</b>	<b>(23,255)</b>	<b>(29,134)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at 1 July	80,769	80,853
Effect of exchange rate changes on cash and cash equivalents *	(524)	1,082
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>71,133</b>	<b>133,738</b>

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

\*Foreign exchange (loss)/gain on cash at bank held in USD during the period.

## Notes to the Consolidated Financial Statements

### 1. REPORTING ENTITY

Atlas Iron Limited (the Company) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The consolidated financial statements of the Company for the half-year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the Group or Atlas) and the Group's interest in associates and jointly controlled entities. The Group is a for-profit entity and its principal activity is the exploration, development and operation of mines in the Pilbara region in Western Australia.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements were approved by the Board on 26 February 2018.

### 2. STATEMENT OF COMPLIANCE

The condensed consolidated half-year financial report is prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*.

This condensed consolidated half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Company as at 30 June 2017 and for the year then ended and considered together with any public announcements made by the Company during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the Corporations Act 2001.

This condensed consolidated half-year financial report was approved by the Board of Directors on 26 February 2018. The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with the legislation instrument amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### 3. BASIS OF PREPARATION

The condensed consolidated half-year financial statements have been prepared on a historical cost basis, except for derivative and other financial instruments that are measured at fair value. The condensed consolidated half-year financial statements are presented in Australian Dollars, which is the functional currency of its operations in Australia.

#### (i) Going Concern

This half-year financial report has been prepared on a going concern basis which contemplates the realisation of assets and the discharge of liabilities in the ordinary course of business.

During the period the Group incurred a loss of \$21.3 million and as at 31 December 2017, the Group has net assets of AU\$301.3 million, or a decrease of \$20.9 million from 30 June 2017. Cash on hand has decreased \$9.6 million from 30 June 2017 to AU\$71.1 million at period end. This has been driven predominately by the decrease in iron ore tonnes shipped during the half year. Cash generated from operations for the half year totalled \$19.0 million (full year ending 30 June 2017 \$153.9 million).

During the period the Company repaid the final repayment of \$3.1 million provided under the Royalty Assistance Agreement and repaid US\$0.9 million on the USD denominated Term Loan B. In addition, a further \$14.1m was transferred to the reserve account.

As at 31 December 2017, the Company's USD denominated loan facility totalled US\$80.1 million (US\$79.1 million at 30 June 2017). This is equivalent to AU\$102.7 million based on the AUD/USD exchange rate of 0.7800. The Company was in compliance with the covenants at 31 December 2017. The debt matures on 6 May 2021. Subsequent to period end, the Company made an additional repayment of \$20.0 million in January 2018 on the Term Loan B (refer Note 12).

As at 31 December, the Group had \$34.4 million of cash in the reserve account. Although the reserve account was established to fund the Corunna Downs project, Atlas may draw on the reserve account in order to keep its cash balance above \$60.0 million.

The Group prepares rolling 12-month cash flow forecasts which are subject to a number of assumptions set out below. The 12 month cash flow forecast to February 2019 (the forecast period), has a positive working capital balance throughout that period.

## Notes to the Consolidated Financial Statements (Continued)

### 3. BASIS OF PREPARATION (CONTINUED)

The material assumptions adopted by the Directors in the cash flow forecasts include:

- Forecast P62 CFR China price of iron ore per tonne ranging from a minimum AU\$84 per dmt (US\$63 per dmt at exchange rate of AU\$US\$0.7513) to AU\$93 per dmt (US\$73 per dmt at exchange rate of AU\$US\$0.7800) over the forecast period. The USD 62%Fe CFR China price and the US\$:AU\$ foreign exchange rate has been independently sourced;
- Forecast P62 CFR China price discounts reducing from 40% in December 2017 to 23% in February 2019;
- A product mix at an average of 54% lump : 46% fines over the period;
- Estimated sales of approximately 7 million tonnes of iron ore for the period;
- Finalisation of conditions precedent to the Pilgangoora Mine Gate Sale Agreement; and
- Estimated sales of approximately 1 million tonnes of lithium DSO at a fixed price pursuant to that agreement for the period.

The cash flow forecast to February 2019 is highly dependent upon the achievement of the assumed US\$ iron ore price, US\$:AU\$ exchange rate forecasts and iron ore and lithium sales volumes.

The Directors believe that the cash flow forecasts are reasonable with respect to all material factors as they are known at the date of this report. On this basis, the going concern basis of preparation has been adopted. The cash flow forecasts include assumptions on global iron ore prices and AUD:USD exchange rates that have historically shown significant volatility. A material uncertainty relates to the risk of a sustained decline from realised prices during the forecast period or the production and sales assumptions contained in the forecast do not eventuate which in turn may lead to a breach in the Company's Term Loan B covenants. The Company may therefore be required to renegotiate terms with its lenders or source funding through alternative means. The ability to achieve these outcomes represents material uncertainties.

These material uncertainties related to future events give rise to significant doubt about the ability of the Company to continue as a going concern and realise its assets and extinguish its liabilities in an orderly manner at the amounts stated in the financial report.

#### (ii) Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

There have been no new and revised Standards and Interpretations applicable for the current half-year which have resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

#### (iii) Operating segments

The Group predominantly operates in the mineral exploration and extraction industry in Australia. For management purposes, the Group is organised into one main operating segment which involves the exploration and extraction of minerals in Australia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

#### (iv) Estimates

The preparation of the condensed consolidated half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated half-year financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2017.

#### (v) Comparatives

Certain comparative disclosures have been reclassified to conform to current period presentation.

## Notes to the Consolidated Financial Statements (Continued)

### 4. OPERATING COSTS

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Mining and processing <sup>(1)</sup>	66,807	105,212
Haulage	89,978	108,037
Port	38,194	61,346
Shipping	58,684	63,143
Royalties	20,499	38,918
Depreciation and amortisation <sup>(2)</sup>	32,501	40,053
Inventory write-down	3,726	-
Other operating costs <sup>(3)</sup>	(1,197)	18,935
	<b>309,192</b>	<b>435,644</b>

(1)Includes mine site administration costs.

(2)Includes unwind of prepayments made under Wodgina long-term infrastructure agreement.

(3)Includes Contractor Collaboration premium share.

### 5. LOSS ON FINANCIAL INSTRUMENTS

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Unrealised financial instrument loss	1,082	5,860
Realised financial instrument loss	1,947	17,060
<b>LOSS ON FINANCIAL INSTRUMENTS</b>	<b>3,029</b>	<b>22,920</b>

The Group continued to hedge a portion of its production against the volatile iron ore price. As a result of the rise in the headline iron ore price over the period, the Group recognised a net \$2.5 million option premium expense and a \$0.5 million gain on iron ore hedged tonnes (2017: \$1.9 million premium expense and \$21.0 million loss on iron ore hedged tonnes). As the unrealised hedges crystallise in the relevant future period they will be offset by a movement in the floating headline price payable by the physical customer. The financial instruments represent iron ore derivatives measured at fair value. The fair value is determined using forecast iron ore prices from at the balance sheet date. This is a level 2 valuation technique in accordance with AASB 13 Fair Value Measurement.

### 6. NET FINANCE (EXPENSE)/INCOME

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Interest income	810	299
Interest accretion	-	9
<b>Finance Income</b>	<b>810</b>	<b>308</b>
Interest expense – Term Loan B	(4,465)	(4,968)
Other finance expenses	(671)	(3,246)
Amortisation of debt establishment costs	(803)	-
<b>Finance Expense</b>	<b>(5,939)</b>	<b>(8,214)</b>
Net gain/(loss) on foreign exchange	305	(1,577)
<b>Net Finance Expense</b>	<b>(4,824)</b>	<b>(9,483)</b>

## Notes to the Consolidated Financial Statements (Continued)

### 7. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b>Current</b>		
Secured debt facility (i)	1,731	1,755
Finance lease (iii)	1,065	1,020
	<b>2,796</b>	<b>2,775</b>
<b>Non-current</b>		
Secured debt facility (i)	101,015	101,055
Finance lease (iii)	4,677	5,221
Borrowing costs	(5,673)	(4,298)
	<b>100,019</b>	<b>101,978</b>

Refer to the Company's 30 June 2017 consolidated financial statements for full Term Loan B terms.

- (i) On 28 July 2017 the Term Loan B was increased by US\$1,735,677 as the facility granted in March 2017 was not refinanced or repaid within 120 days following establishment of the reserve account. During the period the company repaid \$864,655 of principal and \$4,464,871 of interest was incurred on the Term Loan B. The secured debt facility is denominated in US dollars and has decreased in line with the stronger Australian dollar. Refer to Note 12 for changes subsequent to balance sheet date.
- (ii) The Company maintains a cash reserve account held by the Term Loan B agent. At 31 December 2017 the balance of the reserve account was \$34.4 million (30 June 2017: \$20.0 million). The amounts are included in Trade and other receivables.
- (iii) The Group has a finance lease for the building and operating of a laboratory at the Mt Webber mine. The term of the lease is 7 years with an interest rate of 8.75%.

### 8. PROVISIONS

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b>Current</b>		
Rehabilitation and demobilisation	2,298	5,341
Onerous lease	3,225	3,661
Other	1,017	1,017
	<b>6,540</b>	<b>10,019</b>
<b>Non-current</b>		
Rehabilitation and demobilisation	44,792	44,792
Onerous lease	18,252	19,363
	<b>63,044</b>	<b>64,155</b>

#### *Onerous lease*

In 2012, the Group entered into a non-cancellable lease for office space which will expire in 2024. A portion of the office space is sublet to third parties for part of the remaining lease term but changes in market conditions have meant that the rental income will be lower than the rental expense. The obligation for the discounted future payments, net of expected rental income, has been provided for by the Group.

## Notes to the Consolidated Financial Statements (Continued)

### 9. SHARE CAPITAL

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
9,279,263,119 (30 June 2017: 9,260,788) Ordinary fully paid shares	<b>2,203,510</b>	2,203,203

	Number of shares '000	31 Dec 2017 \$'000
<b>Movements in ordinary share capital</b>		
Beginning of the financial period	9,260,788	2,203,203
Issue of ordinary shares	18,474	307
<b>End of the financial period</b>	<b>9,279,262</b>	<b>2,203,510</b>

### 10. IMPAIRMENT REVIEW

The Group assesses whether there are indicators that assets, or groups of assets, may be impaired at each reporting date. The following impairment indicators were identified during the period under review:

- volatile US dollar iron ore price, compounded by an increasing product discount which impacts the feasibility and returns on mines and projects; and
- the gap between the Group's net asset book value and its market capitalisation.

Where an indicator of impairment exists, an estimate of the recoverable amount is made. Atlas has made an assessment of the recoverable amount of its assets as at 31 December 2017 and did not recognise an impairment loss.

The focus was on the carrying value of Horizon 1 mining properties which relate to the assets and liabilities contained within its current operating mines (including Corunna Downs) disclosed as Property, Plant and Equipment and Mine Development.

The recoverable amount of Horizon 1 mining properties is determined using life-of-mine value in use calculations based on life-of-mine post tax nominal cash flow projections from Board-approved financial budgets/forecasts and mine plans covering the life of the mine based on current reserves.

A key component of the cash flow projections is the revenue assumptions utilised. A summary of the externally sourced forecast CFR 62% Fe USD iron ore price/dmt and AUD/USD foreign exchange rate assumption ranges (real, based on external economic forecasters) utilised in determining the recoverable amount of its Horizon 1 mining properties are detailed below:

Assumption	31 December 2017*		
	CFR 62% Fe \$USD/dmt	AUD/USD	Discount on CFR Price
Not later than one year	64 - 76	0.76 – 0.80	42% - 10%
Later than one year and not later than five years	60 - 66	0.75 – 0.79	10%
More than five years	66 - 67	0.80 – 0.81	10%

\* The forecast pricing assumptions do not include the premium that Atlas forecasts to receive on its lump product.

#### Sensitivity

##### Horizon 1 mining properties

The recoverable amount of Horizon 1 is particularly sensitive to the assumed realized iron ore price.

The effect of a reasonably possible change as at 31 December 2017, in the following key assumptions, in isolation to each other, to the life-of-mine value in use calculations (net present value) of the Horizon 1 mining properties, are detailed below:

## Notes to the Consolidated Financial Statements (Continued)

Assumption	Impact on Value \$'000	Impairment \$'000
5% reduction in USD Fe62% iron ore pricing	(98,848)	83,178
10% reduction in USD Fe62% iron ore pricing	(211,803)	196,133
10% reduction in USD Fe62% lump premium	(8,959)	-
20% long term discount on CFR price	(138,032)	122,362
10% increase in production operating costs *	(108,118)	92,448
100 basis points increase in discount rate	(7,451)	-

\* Excludes administration and support overheads

Whilst the impact of each reasonable possible change is shown in isolation, it is possible that a change in one key assumption may be offset by a change in another key assumption.

### 11. CONTINGENCIES

The Company has bank guarantees totalling \$6.0 million (30 June 2017: \$6.0 million) predominantly related to office and mining bonds.

### 12. SUBSEQUENT EVENTS

On 29 January 2018, the Company announced an amendment to the Term Loan B facility resulting in an additional repayment of \$20.0 million and a reduction in the minimum cash covenant at no cost from \$35.0 million to \$15.9 million. (*Refer ASX Announcement of 29 January 2018*). As a result of the additional repayment in January the loan has been reduced to \$82.7 million (using a 31 December 2017 FX rate of A\$1 = US\$0.7800).

No other matters have arisen since 31 December 2017, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

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