



December 2017 Quarterly Report

29 January 2018

Atlas retains cash surplus over Term Loan

Diversification strategy gaining momentum

Summary

- Cash on hand of \$71m at 31 December, plus \$34m in reserve account
- Term Loan B at A\$103m at 31 December exchange rate, unchanged from 30 September
- Atlas to reduce Term Loan by A\$20m in coming days
- Net cash used in operations of \$1.2m in the December Quarter after interest and financial instruments
- 2.2m wmt shipped in the December Quarter, down on the previous quarter, with mining and crushing ending at Abydos as scheduled
- Average realised price of A\$58/wmt CFR inclusive of realised hedge impacts and option premiums
- C1 cash cost of \$38/wmt FOB; Full cash cost of \$59/wmt CFR
- Atlas enters into agreement with Pilbara Minerals to purchase up to 1.5mt of lithium DSO for export; lithium DSO mining underway
- Atlas continues with diversification strategy; targeting 100 per cent-owned copper and lithium prospects

Atlas Iron Limited (ASX: AGO) is pleased to report on the December 2017 Quarter.

Atlas Managing Director Cliff Lawrenson said the operating results reflected the impact of the significant ongoing discounts being applied to lower grade iron ore. Despite this, Atlas has restricted its operating cash deficit to \$1.2 million for the Quarter, retaining a cash surplus over its Term Loan balance.

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Mr Lawrenson said “Atlas has implemented initiatives designed to improve the quality of its product in order to increase Atlas’ received price. Trial shipments are underway and we look forward to updating shareholders after feedback from our customers.”

“Our exploration program targeting lithium and copper, as well as progress on our DSO lithium deal demonstrates our ongoing efforts to diversify.”

Quarterly - Key Metrics

	December 2017 Quarter	September 2017 Quarter	Variance Quarter
Ore tonnes shipped (m wmt)	2.2	3.0	(0.8)
C1 cash cost (A\$/wmt FOB)	\$38	\$37	(\$1)
Full cash cost (A\$/wmt CFR China)	\$59	\$55	(\$4)
Depreciation & Amortisation (A\$/wmt)	\$7	\$6	(\$1)
Net Atlas CFR Sale Price (A\$/wmt)	\$58	\$60	(\$2)
Development Capital (A\$m)	\$1.4	\$2.7	\$1.3

Operations

Table 1 - Production	December 2017 Quarter (wmt)	September 2017 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Ore Mined*	2,265,388	2,978,155	(712,767)	(24%)
Ore Processed	2,250,445	2,962,412	(711,967)	(24%)
Haulage to Port	2,377,116	2,819,325	(442,209)	(16%)

*Includes intra-mine tonnes

Table 2 – Inventory and Shipping	December 2017 Quarter (wmt)	September 2017 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Final Product Stock at site	339,515	455,290	(115,775)	(25%)
Final Product Stocks – Port	302,779	122,236	180,543	148%
Shipping				
Ore Shipped (Wet)	2,197,486	2,968,835	(771,349)	(26%)
Ore Shipped (Dry)	2,085,320	2,829,935	(744,615)	(26%)

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

Atlas shipped 2.2m wmt for the December 2017 Quarter, comprising 1.1m wmt of Standard Fines and 1.1m wmt of Atlas Lump.

Mining, crushing and haulage from existing Abydos pits completed as scheduled during the Quarter.

Sales volumes were reduced by limited berth availability in late December. The increased inventory at port will be drawn down in coming months.

C1 Cash Costs increased due to higher haulage costs from Mt Webber, which is further from port than Abydos, where mining wound down during the Quarter. Lower volumes impacted fixed cost dilution.

Full Cash Costs increased due to higher sea freight (December 2017 Quarter A\$12.66/wmt compared with September 2017 Quarter of A\$10.39/wmt), in addition to the growth in C1 Cash Costs.

Marketing and Hedging

The benchmark Platts 62% Fe IODEX averaged US\$66/dmt in the December 2017 Quarter compared with US\$71/dmt in the September 2017 Quarter.

Atlas achieved an average price after hedge impacts of A\$58/wmt CFR in the December 2017 Quarter (September 2017 Quarter: A\$60/wmt).

Atlas' received price was driven down by a lower headline price and discounts for lower grade product continuing at elevated levels. This was partially offset by the softening in the Australian dollar (December 2017 Quarter average of 0.768 compared with September 2017 Quarter average of 0.789) and the positive impact of financial instrument settlements (net of the purchase of options).

Atlas continues to hedge a portion of its forward production to assist in managing risk related to iron ore price volatility. At the date of this report Atlas has hedged a portion of its remaining FY2018 production as follows:

- Bought put options for approximately 0.9m wmt at an average 62% Fe equivalent level of US\$65/dmt and sold call options for approximately 0.4m wmt at an average 62%Fe equivalent level of US\$75/dmt.
- Fixed price sales for approximately 0.3m wmt at an average price net to Atlas of US\$56/dmt.

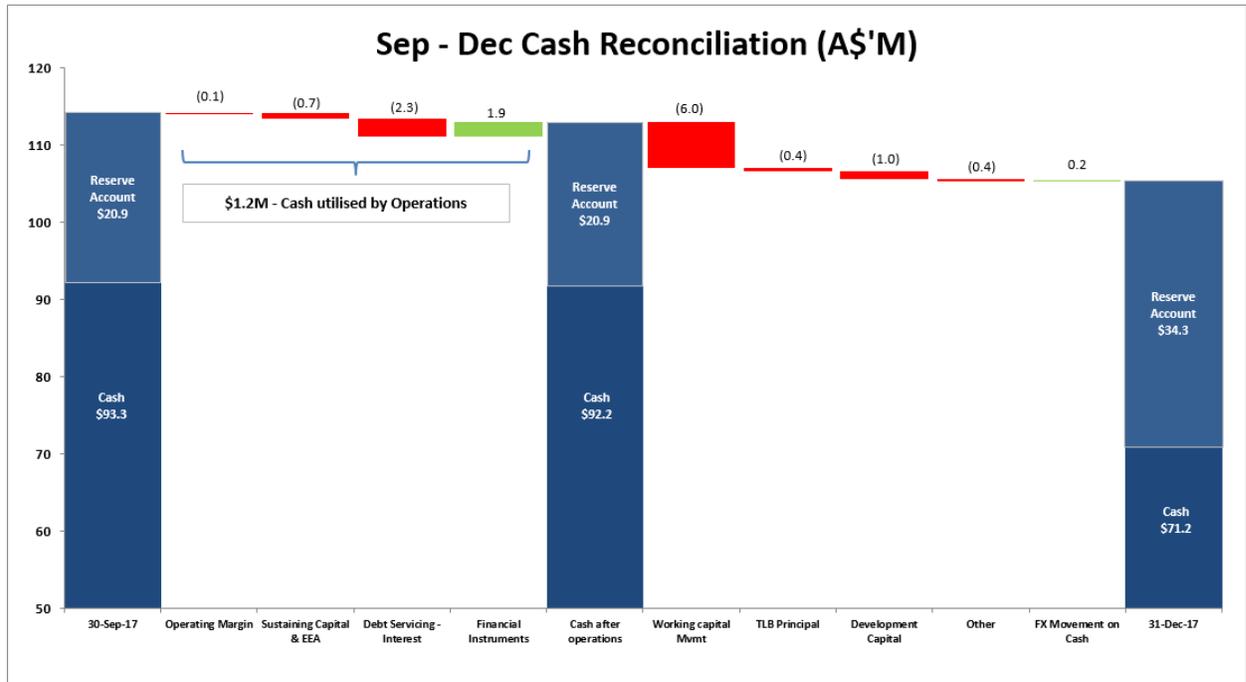
Financial Position Summary

Cash as at 31 December 2017 was \$71m plus \$34m in the Reserve Account (30 September 2017: \$93m cash on hand plus \$21m in the Reserve Account).

During the Quarter, Atlas paid \$2.7m in interest and principal loan repayments. Atlas also paid \$13.4m into the Reserve Account in October 2017. Atlas is not permitted to make any further payments into the Reserve Account, but is entitled to draw on the Reserve Account in order to keep its cash balance above \$60m.

The Australian dollar equivalent of the outstanding US dollar term loan was A\$103m as at the 31 December 2017 exchange rate of US\$0.78/A\$.

The Company's cash position is adversely affected by the high level of port inventory built up at Quarter end. Cash movements for the Quarter are summarised in the graph below.



Post Quarter end, the Company reached agreement with its Term Loan lenders to reduce the outstanding loan balance by A\$20m and relax certain loan covenants, including reducing the minimum cash balance requirement from A\$35m to A\$15m (see ASX release dated 29 January 2018 for further details).

Lithium

Post Quarter end, Pilbara Minerals Limited has commenced an expedited lithium DSO mining program at its Pilgangoora Project. During the Quarter, Atlas struck a deal with Pilbara to purchase up to 1.5 million tonnes of lithium direct shipping ore over a 15-month period (see ASX release dated 20 December 2017). Atlas will process and transport the ore using its existing infrastructure, including its Mt Dove crusher and Utah Point facilities. Atlas is working to finalise port approvals and export sales agreements to allow shipping to commence in the June 2018 Quarter.

As part of the Pilgangoora agreement, Atlas agreed to extend the deadline by which Pilbara is required to spend \$1 million on the Cisco Lithium Prospect to October 2018. Atlas sold a 51% interest in the Cisco Joint Venture to Pilbara earlier this year (see ASX release dated 29 March 2017). Joint Venture drilling, funded by Pilbara, is now scheduled to start in the June 2018 Quarter.

During the Quarter, the Company carried out further work to refine targeting for lithium enrichment at its 100% owned Pancho lithium prospect (see ASX release dated 29 January 2018).

Altura Mining Limited continues to advise the market that first lithium concentrate sales from the Altura Pilgangoora Project remain on track for the June 2018 Quarter (see Altura's release dated 8 January 2018). Atlas holds a 5% gross sales royalty over M45/1231, which covers the majority of Altura's Pilgangoora Project.

Exploration

During the Quarter, Atlas has made considerable progress with its exploration program (see ASX release dated 29 January 2018 for further details).

A first pass drilling program over an undercover geophysical target near Miralga Creek has intersected disseminated and semi-massive sulphides that may indicate the presence of VHMS-style copper mineralisation.

Atlas also completed a drilling program at Copper Range (50km east of Newman). The results extend the historically identified copper enrichment and confirm continuity between near surface mineralisation and previously drilled deeper zones. The strike remains open in both directions and mineralisation is still not closed out down dip.

Development

Atlas continued to progress the Corunna Downs Project during the Quarter. Atlas is pleased to report that it has completed all geotechnical and hydrogeological investigations on the proposed road for the Project, substantially de-risking road construction. Atlas continues to liaise with State and Commonwealth departments in relation to final approvals for mining.

Glossary

All costs are unaudited and quoted in Australian dollars unless otherwise stated.

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. 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

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Corporate Directory

Directors

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

Executive Management

Chris Els	Chief Financial Officer
Bronwyn Kerr	General Counsel and Company Secretary
Mark Hancock	Chief Commercial 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 Abydos

	December 17 Quarter (wmt)	September 17 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	24,900	787,473	(762,573)	(97%)
Ore Processed	233,215	784,353	(551,138)	(70%)
Haulage to Port	297,626	747,211	(449,585)	(60%)

Table B – Mine Production Mt Webber

	December 17 Quarter (wmt)	September 17 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	2,240,488	2,190,682	49,806	2%
Ore Processed	2,017,230	2,178,059	(160,829)	(7%)
Haulage to Port	2,079,490	2,072,114	7,376	1%

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

Table C – Inventory

	December 17 Quarter (wmt)	September 17 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	473,280	434,008	39,272	9%
Final Product Stock at site	339,515	455,290	(115,775)	(25%)
Final Product Stocks - Port	302,779	122,236	180,543	148%

Note: All percentages in Appendix 1 are rounded