



## Atlas caps strong year with \$9m net cash generated from operations in June 2017 Quarter

### Highlights

- Net cash generated from operations of \$9m in June 2017 Quarter after interest, contractor profit share and realised hedge impact
- 3.1m wmt shipped in the June 2017 Quarter
- Average realised price (inclusive of low-grade Value Fines product and realised hedge impacts) of \$55/wmt CFR
- C1 cash cost of \$36/wmt FOB for June 2017 Quarter
- Full cash cost of \$52/wmt CFR for June 2017 Quarter
- Cash on hand of \$81m at 30 June 2017 plus \$20m reserve account
- Term Loan B reduced to A\$103m at 30 June 2017 exchange rate, down from A\$182m at 30 June 2016
- Mt Webber 2m wmt pa expansion commissioned at low capital cost
- FY18 production guidance of 9-10m wmt

Atlas Iron Limited (ASX: AGO) is pleased to report on what has been a solid June 2017 Quarter, with the Company meeting its production and cost guidance.

Atlas Managing Director Cliff Lawrenson said that this performance helped enable Atlas to generate \$9m cash from operations for the three months despite the lower headline iron ore price.

This capped a remarkable year in which Atlas slashed its Term Loan B debt from A\$182m to A\$103m.

“Even though iron ore markets were challenging during the period, the Company generated respectable positive cashflow - over \$100 million in net cash from operations in FY2017 after interest, contractor profit share and realised hedge impact,” Mr Lawrenson said.

“We are pleased to be able to deliver on our FY2017 guidance, while reducing debt and building a more flexible production base for the future. We expect to see ongoing volatility in the iron ore market, hence it is most important that we build a defensive balance sheet, continue to add agility to our delivery model and develop capability beyond our current offering.”

## Quarterly - Key Metrics

	June 2017 Quarter	March 2017 Quarter	Variance Quarter
Ore tonnes shipped (m wmt)	3.1	3.2	(0.1)
C1 cash cost (A\$/wmt FOB)	\$36	\$36	-
Full cash cost* (A\$/wmt CFR China)	\$52	\$56	\$4
Depreciation & Amortisation (A\$/wmt)	\$5	\$5	-
Net Atlas CFR Sale Price (A\$/wmt)	\$55	\$62	(\$7)
Development Capital (A\$m)	\$4.5	\$1.4	(\$3.1)

\* Please refer to Glossary in this announcement

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

## FY2017 Performance - Key Metrics

	FY2017 Actual	FY2017 Guidance	
Ore tonnes shipped (m wmt)	14.4	14 - 15	✓
C1 cash costs (A\$/wmt FOB)	34.8	34 - 36	✓
Full cash cost* (A\$/wmt CFR China)	53.0	50 - 54	✓
Capital excluding Corunna Downs (A\$m)	7.9	8 - 10	✓
Capital – Corunna Downs (A\$m)	3.1	6 - 8	✓
Depreciation & Amortisation (A\$/wmt)	5.2	4 - 6	✓
Cash interest paid (A\$m)	10.3	9 - 11	✓

\* 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	June 2017 Quarter (wmt)	March 2017 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Ore Mined*	2,810,005	3,419,959	(609,954)	(18%)
Ore Processed	2,756,531	3,622,523	(865,992)	(24%)
Haulage to Port	3,096,384	3,328,864	(232,480)	(7%)

\*Includes intra-mine tonnes

Table 2 – Inventory and Shipping	June 2017 Quarter (wmt)	March 2017 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Final Product Stock at site	224,522	609,825	(385,303)	(63%)
Final Product Stocks – Port	271,867	235,217	36,650	16%

Shipping				
Ore Shipped (Wet)	3,059,733	3,202,523	(142,790)	(4%)
Ore Shipped (Dry)	2,877,956	2,996,349	(118,393)	(4%)

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

Atlas shipped 3.2m wmt for the June 2017 Quarter, comprising 1.6m wmt of Standard Fines, 0.3m wmt of Value Fines and 1.3m wmt of Atlas Lump.

Full cash costs fell by \$4/t from the March 2017 Quarter to \$52/t as the lower iron ore price reduced Contractor Collaboration and royalty payments.

Atlas ceased crushing at Wodgina during the Quarter, pursuant to agreements with Mineral Resources Limited, which has lithium operations at the site. Under the agreements:

- Atlas ceased crushing but will have continued access to site to remove crushed product;
- Atlas transferred ownership of most Atlas-installed infrastructure to Mineral Resources; 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.

On 21 June 2017, Atlas announced that it would increase its annual production rate at Mt Webber from 7m wmt to 9m wmt. The Company has implemented this strategy, which involves recommissioning the Mt Dove crushing plant, at a low capital cost of \$1m.

## Marketing and Hedging

The benchmark Platts 62% Fe IODEX averaged US\$63/dmt in the June 2017 Quarter compared with US\$86/dmt in the March 2017 Quarter. This fall resulted in significant provisional pricing adjustments in the Quarter, which were partially offset by gains from Atlas' active hedging program.

Atlas achieved an average price after hedge impacts of A\$56/wmt in the June 2017 Quarter excluding Value Fines and A\$55/wmt inclusive of Value Fines (March 2017 Quarter: A\$65/wmt and A\$62/wmt exclusive and inclusive of Value Fines).

As was the case in the March 2017 Quarter, product discounts for lower grade products continued to increase over the June 2017 Quarter, which adversely impacted Atlas' net realised price. Lump premiums also fell significantly over the Quarter but have risen strongly post Quarter end.

To assist in managing iron ore price volatility, Atlas has continued to hedge a portion of its forward production.

At the date of this report Atlas has hedged a portion of its September 2017 Quarter production as follows:

- Swaps for approximately 0.5m wmt at an average 62% Fe equivalent level of US\$65/dmt,
- Bought Put options for approximately 1.0m wmt at an average 62% Fe equivalent level of US\$57/dmt and has sold Call options for approximately 0.7mwmt at an average 62%Fe equivalent level of US\$67/dmt.
- Fixed price sales for approximately 0.5m wmt at an average price net to Atlas of US\$46/dmt.

## Financial Position Summary

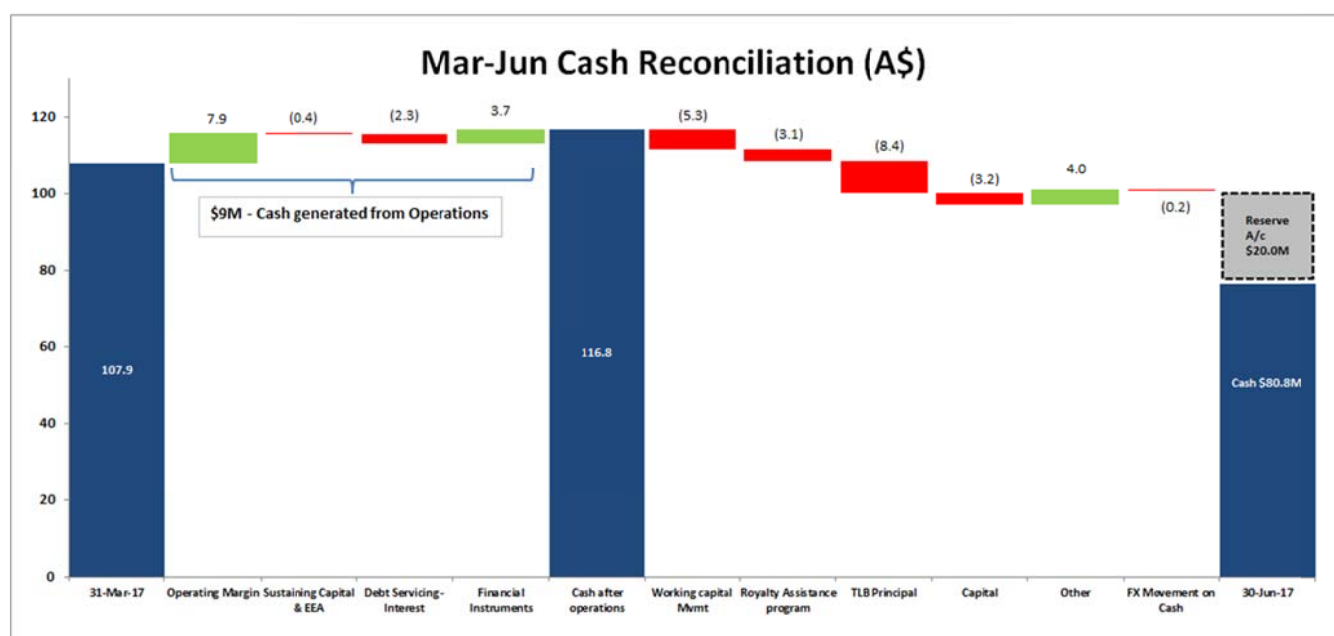
Cash as at 30 June 2017 was \$81m (31 March 2017: \$108m). This reduction was due mainly to \$20m being deposited in the Atlas reserve account. During the Quarter, Atlas also paid \$11m in interest and principal loan repayments and a further \$3m in State Government royalty relief repayments offset by positive cash flow generated from the Company's operations. Atlas will pay a further A\$800,000 into the reserve account at the end of July 2017.

The AUD equivalent of the outstanding USD term loan was A\$103m as at the 30 June 2017 exchange rate of AU\$0.7692.

The outstanding term loan principal will increase by up to A\$3m before the end of July 2017 as part of the consideration payable for a loan amendment earlier this year (see ASX release of 16 February 2017 for further details).

During the Quarter, Atlas received \$2.3m in cash from Pilbara Minerals in consideration for the sale of a 51% interest in the Cisco joint venture (see ASX release dated 29 March 2017 for further details).

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



## Corunna Downs Project

Due to prevailing market conditions and approval delays, Atlas made the decision during the Quarter to defer the Corunna Downs Project (see ASX release dated 21 June 2017). This deferral will allow the Company to further de-risk the project in anticipation of improved market conditions. Despite the deferral of Corunna Downs, Atlas expects to maintain the anticipated production guidance for FY18 of 9-10m wmt, in light of the increased production from Mt Webber.

## Corporate

Atlas is pleased to announce the appointment of Mr Chris Els as Chief Financial Officer effective from 25 July 2017. Mr Els is a Chartered Accountant with considerable experience in the resources sector, most recently at ASX-listed Danakali Limited. The Company's current CFO, Mr Mark Hancock, has been appointed Chief Commercial Officer. In addition to his CFO duties, Mr Hancock has led Atlas' marketing division for several years. As part of this restructure, Mr Hancock will retain his marketing role and become responsible for business development and strategy.

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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
Bronwyn Kerr	Company Secretary and General Counsel

### Executive Management

Mark Hancock	Chief Financial Officer
Jeremy Sinclair	Chief Operating Officer

### Registered Office and Head Office

Level 18, 300 Murray Street, Perth WA 6000

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## Appendix 1: Mine Production by Location and Inventory

**Table A – Mine Production Wodgina**

	June 17 Quarter (wmt)	March 17 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	180,990	1,143,846	(962,856)	(84%)
Ore Processed	276,524	1,198,617	(922,093)	(77%)
Haulage to Port	361,892	1,083,777	(721,885)	(67%)

**Table B – Mine Production Abydos**

	June 17 Quarter (wmt)	March 17 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	850,729	671,825	178,904	27%
Ore Processed	823,802	725,961	97,841	13%
Haulage to Port	941,313	633,207	308,106	49%

**Table C – Mine Production Mt Webber**

	June 17 Quarter (wmt)	March 17 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined <sup>1</sup>	1,778,286	1,604,288	173,998	11%
Ore Processed	1,656,205	1,697,945	(41,740)	(2%)
Haulage to Port	1,793,179	1,611,880	181,299	11%

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

**Table D – Inventory**

	June 17 Quarter (wmt)	March 17 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	414,899	326,461	88,438	27%
Final Product Stock at site	224,522	609,825	(385,303)	(63%)
Final Product Stocks - Port	271,867	235,217	36,650	16%

Note: All percentages in Appendix 1 are rounded