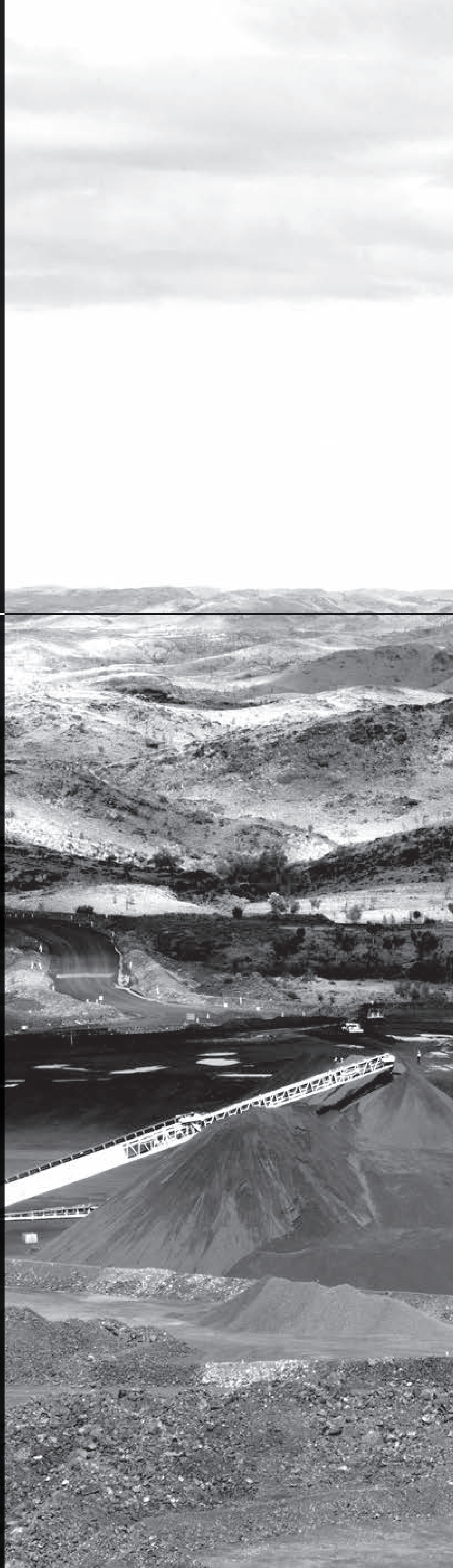
ATLAS

ANNUAL **REPORT** 2017



ABOUT ATLAS

Atlas Iron Limited is an independent Australian iron ore company, mining and exporting Direct Shipping Ore from its operations in the Northern Pilbara region of Western Australia. Atlas' large Pilbara landholding is also prospective for other minerals including lithium, copper and gold and its existing operating and infrastructure platform provides a major competitive advantage.

ATLAS' VALUES

Work Safely
We consider the safety aspect of everything we do. Employees own their own safety and wellbeing, in and out of work.

Do the Right Thing
We are honest and fair in all our dealings and courageous in making hard decisions that support our business goals. Our decisions and actions will make our families proud.

Strive for Business Excellence
We challenge ourselves to be efficient and effective with available resources. We seek improvement and embrace change.

Work as a Team
Working together to meet challenges and develop solutions, we actively engage with and support our people and understand and value the contribution of others.

Think win-win
The people and organisations we engage with will benefit fairly. We give every opportunity a go and think long-term with respect to the relationships we cultivate and nurture.

Indomitable Spirit
Our people are resilient. We approach challenges with courage and passion.

A **FOCUS** ON CAPACITY

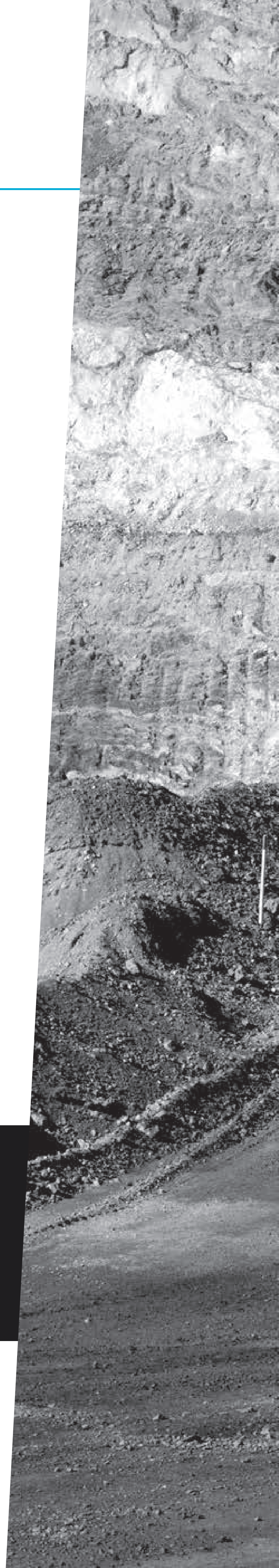
FY2017 HIGHLIGHTS

- Revenue up by 11% to $871m (FY2016: $786m)
- Net operating cash flow of $154m (FY2016: $31m)
- Net profit after tax of $48m (FY2016: loss of $159m)
- Production of 14.4mt in FY2017 (FY2016: 14.5mt)
- Average FY2017 realised price increased to $61/wmt CFR excluding financial instruments (FY2016: $55/wmt CFR)
- C1 cash costs of $35/wmt (FY2016: $34/wmt)
- Full cash costs of $53/wmt (FY2016: $53/wmt)
- Cash on hand $81m plus $20m in reserve account; secured debt facility reduced to $103m from $182m at 30 June 2016

FY2017 PERFORMANCE AGAINST GUIDANCE

	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)	9.2	9 - 11	✓

Atlas' strategy is to bolster a sustainable production platform that delivers a reliable return to its shareholders.



A **FOCUS** ON DELIVERY

A **FOCUS** ON RELIABILITY

CHAIRMAN'S REPORT

Dear Shareholders

When I penned my maiden address to you as Chairman of your Company a year ago, I noted that, after just a few months, I had already experienced some of the challenges and opportunities facing Atlas.

A year later, these highs and lows are even more apparent. But so too is Atlas' ability to deal with the challenges as they emerge and to capitalise on the opportunities as they arise.

The volatile nature of our industry was on full show over the past year. We witnessed the benchmark iron ore price climb to a high of US$93 a tonne and then swing to a low of $US54 a tonne. At the time of writing, it is around US$77/t, underpinning respectable margins for Atlas.

During the course of the year, Atlas navigated its way through these somewhat choppy waters to continue its remarkable financial turnaround. Your Company posted a net profit after tax of $48 million compared with the $159 million loss of a year earlier.

The extent of the Company's vastly improved performance was highlighted by the increase in net operating cashflow, which rose to $154 million from $31 million the previous year.

This strong result enabled Atlas to cut its loan by $79 million to $103 million. It also finished the year with $81 million cash on hand and a further $20 million in the reserve account.

Atlas' stronger balance sheet and increased cashflow saw both Standard and Poor's and Moody's upgrade their credit ratings on the Company during the year.

I am also very pleased to note that Atlas has managed to further improve on the FY2016 safety result with a decrease in TRIFR of 46% from 6.86 to 3.73 and a LTIFR of 0.00 for the second consecutive year. This is particularly pleasing in a year where production was 14.4mt, one of our stronger production periods.

Atlas' ability to achieve these results in a volatile environment is testimony to its flexible business model and ongoing tight cost control. The Company is committed to managing to a strategy designed to maximise our ability to deal with the challenging periods while also capitalising on opportunities as they present themselves.

Your Board believes this strategy has been central to the financial turnaround seen at Atlas over the past 18 months and it will underpin our approach as we seek to reduce our debt further and position the company for growth.

During the course of the year, we recruited a new Chief Executive Officer and Managing Director, Cliff Lawrenson, who has invigorated the management team and is providing the strategic leadership to take the Company forward.

On behalf the Board, I would like thank our management team, staff and contractors for the skill and commitment they have shown in implementing the Company's strategy.

I would also like to thank our shareholders for their support as we have sought to manage the challenges and take advantage of the opportunities. The Board and management team look forward to reporting to you on our ongoing progress throughout this new financial year.

Yours Faithfully

Eugene I Davis,
Non-Executive Chairman

OUR PEOPLE AND CULTURE

Atlas has grown from small beginnings in 2004 to become one of Australia's leading junior iron ore exporters traversing the enormous challenges of start-up, rapid growth, commodity price collapse with its devastating consequences, and then steady corporate turnaround. This achievement has required a team of exceptional, high performing people, passionate to succeed. These qualities have been important to grow and stabilise the Company year on year, develop the resource base and ensure that Atlas remains a good corporate citizen in the communities in which it is based.

Atlas' values are embedded throughout the Company, and are the guiding principles behind the way all employees work. They are the critical drivers to develop and nurture the culture within Atlas that aligns everyone in the Company to work collectively towards achieving Atlas' vision.

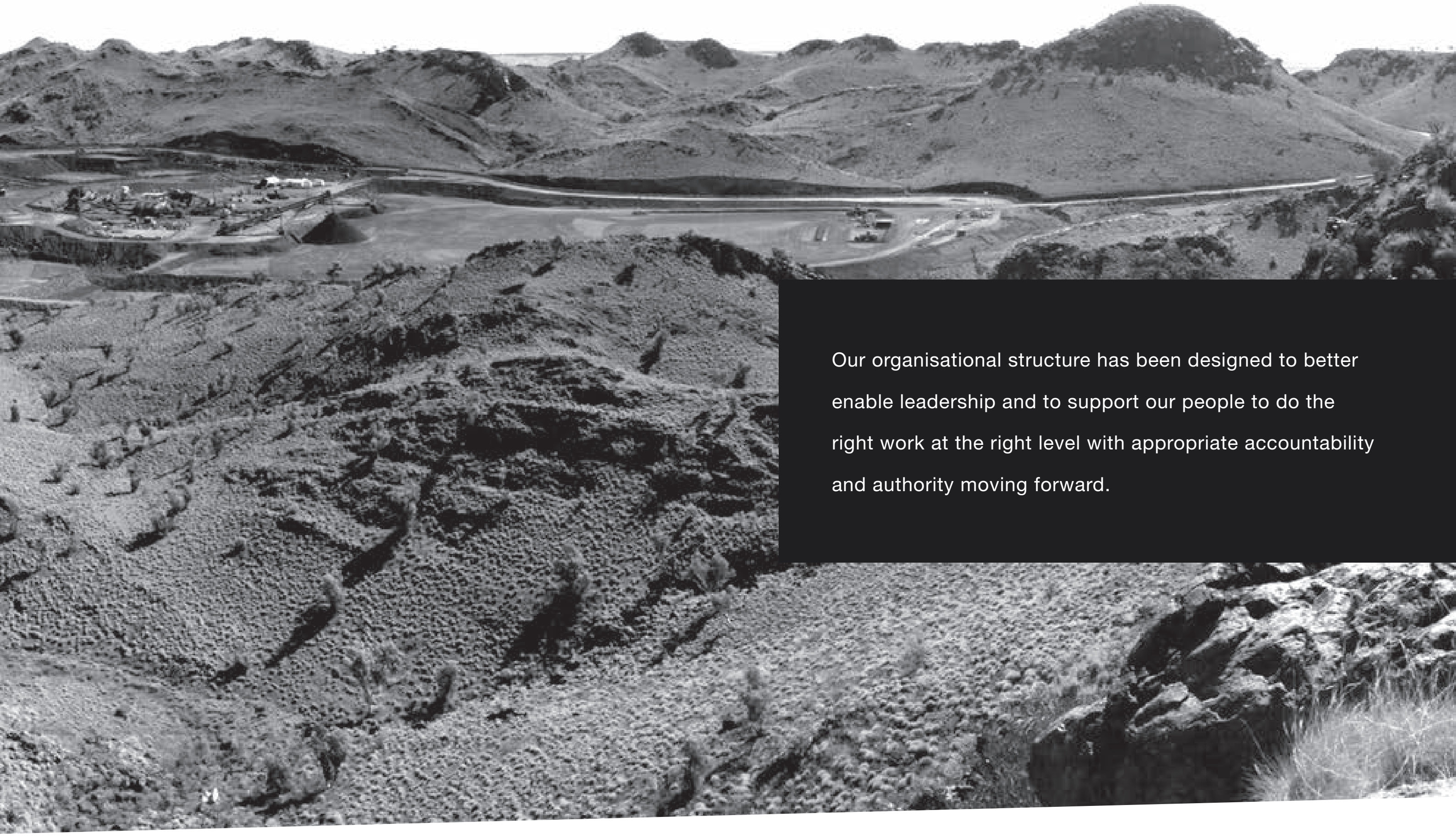
While the Company has experienced rapid growth and has always been committed to an ambitious growth strategy, the market volatility over the past 24 months has contributed to Atlas repositioning its workforce to 94 employees (at the date of this report), working in Perth and the Pilbara. These employees remain positively engaged with a stable and strong focus on the Company's vision and strategic direction.

Atlas' direct workforce is complemented by approximately 420 contractors (as at 30 June 2017) working across Atlas' various mine sites, haulage and port operations.

Atlas' structure has been designed to be flexible and "fit for purpose", with a lean, efficient and capable workforce throughout all areas of business activities.

Our organisational structure has been designed to better enable leadership and to support our people in doing the right work at the right level with appropriate accountability and authority moving forward.

We are committed to driving a high performance culture where our leaders and their teams are clearly aligned to the strategic objectives of the organisation.



Our organisational structure has been designed to better enable leadership and to support our people to do the right work at the right level with appropriate accountability and authority moving forward.

HEALTH AND SAFETY

Atlas continues to be committed to the health and safety of our people. To achieve this there is a strategic business plan and a health and safety framework built around the four pillars of exceptional leadership, engaged employees, risk management and enabling systems.

Site specific Safety Management Plans are in place at all operational Atlas sites and serve as our basis to ensure risks are appropriately managed.

In FY2017 the focus has been on reviewing and strengthening those elements of our health and safety system that support Atlas' injury and fatality risk prevention program.

As a large portion of the workforce at Atlas' operations are contractors, Atlas works very closely with its contracting partners and their workforce to enshrine a shared culture of working safely. Any incidents involving contractors are investigated with Atlas involvement, with the incidents included in Atlas' safety statistics.

Integral to providing a safe working environment is ensuring the Company tracks and reports safety performance and reviews incidents so as to continuously improve and reduce the risk of future injury to our workforce.

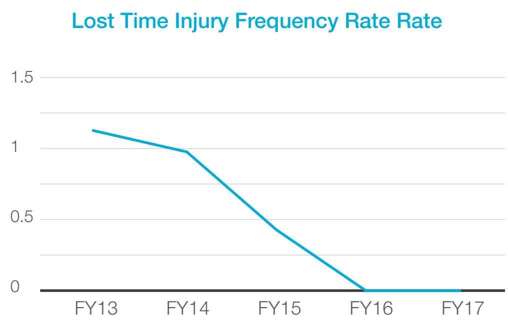
LOST TIME INJURY FREQUENCY RATE

Atlas measures its safety performance by reporting on the Lost Time Injury Frequency Rate (LTIFR).

Pleasingly, Atlas' LTIFR remains at 0.00 for FY2017.

Atlas has seen a significant decrease in the Total Recordable Injury Frequency Rate (TRIFR) of 46% and also a 19% decrease in the total of All Injuries in FY2017

Implementation of the current Strategic Health and Safety Business Plan has focussed on safety leadership, safety culture, a review of standards to control catastrophic risks and a checking and auditing process for FY2018.



REPORT ON OPERATIONS

Atlas' report on operations should be read in conjunction with the Directors' Report and the Financial Statements.

OUR STRATEGY

Atlas' purpose is to deliver mineral products that create value for its shareholders, employees, customers and the communities in which the Company operates.

Atlas' strategy is to bolster a sustainable production platform that delivers a reliable return to its shareholders. Consistent with this strategy, Atlas seeks to:

- Strengthen its balance sheet through continued debt reduction;
- Develop its Pilbara mines to maintain production levels consistent with Atlas' position in the market; and
- Maximise the margin generated by the business through continued focus on cost reduction and revenue enhancing opportunities.

SUMMARY

The following table summarises key production physicals for FY2017 in comparison to past years:

Million Tonnes (WMT)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Ore mined	7.9	11.1	11.6	14.7	14.1
Ore processed	7.3	11.0	12.2	14.5	14.4
Ore hauled	7.4	11.1	12.2	14.5	14.5
Ore shipped	7.4	10.9	12.2	14.5	14.4

Atlas' purpose is to deliver mineral products that create value for its shareholders, employees, customers and the communities in which the Company operates.

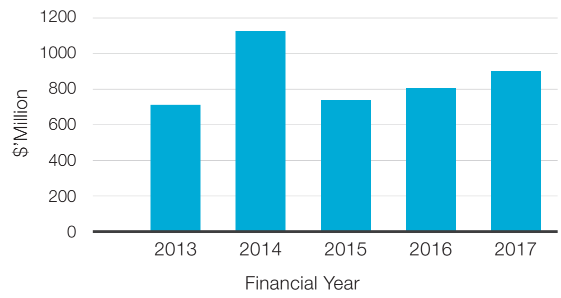
REVENUE

FY2017 saw a volatile iron ore price, with the benchmark Platts 62% Fe IODEX price ranging from a high of US$93/dmt CFR on 20 March 2017 to a low of US$54/dmt CFR on 13 June 2017. Additionally, producers experienced an unusual widening of the price differential for iron ore product grades, which negatively impacted realised prices for Atlas' lower-grade iron ore in FY2017.

Revenue from iron ore sales increased by 11% to $871 million in FY2017 (FY2016: $786 million), driven by an increase in the overall Platts 62% index and increased lump sales which attract a premium over the Company's standard fines product.

The following graph shows revenue at Atlas for FY2013 to FY2017.

Annual Revenue FY2013 - FY2017

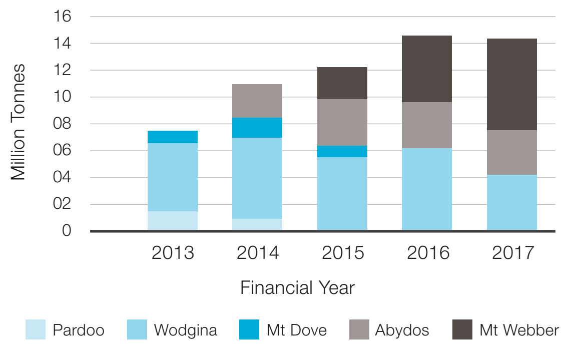


OUR PERFORMANCE

During FY2017 Atlas delivered 139 shipments representing 14.4Mt of product to its customers, predominately located in China. Ore tonnes mined decreased by 4% compared to FY2016, driven by the cessation of the Company's Wodgina Operation which was partially offset by increased tonnes from Mt Webber.

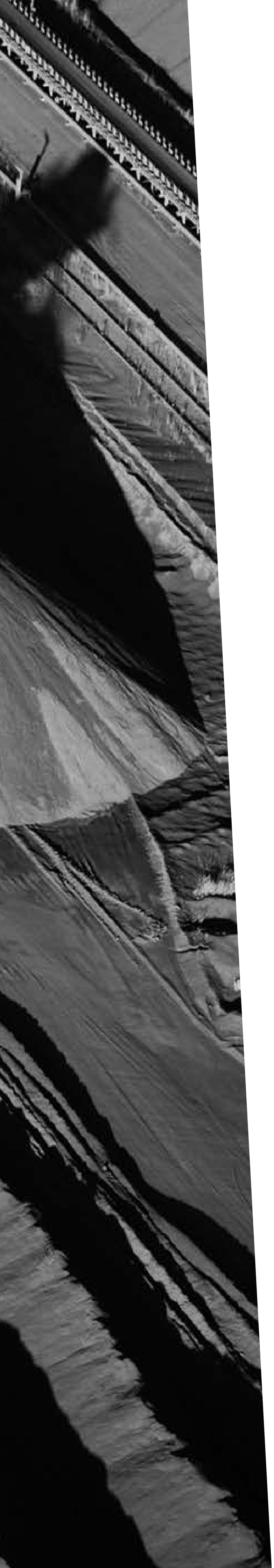
The following graph illustrates tonnes sold by mine for FY2013 to FY2017.

Annual Shipments FY2013 - FY2017



A **FOCUS** ON RELATIONSHIPS

The proximity of Atlas' projects to Aboriginal communities has presented a unique opportunity for the Company to make a significant contribution through economic participation.



LAND ACCESS, HERITAGE AND ENVIRONMENT

Atlas is committed to maintaining strong and respectful relationships with landholders and Traditional Owners (including members of the Kariyarra, Njamal and Palyku Native Title Claim groups) impacted by its operations. These relationships have been formalised through agreements which include commitments around minimising impacts to the environment and cultural heritage, compensation for access to land, employment opportunities and contracting.

The proximity of Atlas' projects to Aboriginal communities has presented a unique opportunity for the Company to make a significant contribution through economic participation. In a multifaceted approach, Atlas requires its contractors to demonstrate successful implementation of structured Aboriginal employment programs and a commitment to build or form new sustainable relationships with Aboriginal contracting organisations. In addition, Atlas directly invites Aboriginal contractors to tender for opportunities.

Atlas recognises the importance of all staff and contractors participating in cultural awareness training to ensure our mining operations are free of racism and are inclusive and welcoming workplaces for Aboriginal people. Accordingly, cultural awareness training sessions were delivered by the Palyku and Njamal Native Title Claimants to Atlas' employees and contractors. The workshops were successful in having participants develop cultural competencies and skills to successfully work in a cross cultural environment and reiterated Atlas' commitment to Aboriginal engagement.

Atlas is committed to minimising impacts on Aboriginal sites within our operational areas. The focus of Atlas' Aboriginal heritage survey activities during FY2017 was at the Corunna Downs project, where Atlas received the necessary heritage approvals for the development of the project.

During the year, Atlas continued to acquire new tenure and maintain its existing extensive tenure portfolio in alignment with the needs of existing production projects and future growth projects.

Comprehensive assessments were also carried out in alignment with these requirements which resulted in the surrender and divestment of non-core tenure and assets. A significant milestone was the grant of Atlas' Section 91 Licence at Corunna Downs in anticipation of future infrastructure development.

Atlas promotes a culture of responsible environmental management to ensure we protect the natural environment, indigenous and social surroundings. Atlas adopts a systematic approach to environmental management and is continually striving to improve its environmental performance. Atlas and its contractors complied with all environmental reporting requirements throughout the year. During FY2017, second year rehabilitation monitoring was undertaken at both the Pardoo and Mt Dove mines in accordance with approved Mine Closure Plans. A detailed Mine Closure Plan for the Wodgina mine was approved by the Department of Mines and Petroleum.

Staff from the Department of Mines and Petroleum visited Abydos and Mt Webber during FY2017 as part of scheduled environmental compliance inspections.

During FY2017, Atlas has secured environmental approvals to develop the Contacio deposit at Abydos, increase the mining rate at Mt Webber from 7mtpa to 9mtpa, recommission the crushing and screening plant at Mt Dove and expand the Mt Dove camp infrastructure. Atlas also continued to undertake extensive environmental surveys and studies at Corunna Downs in anticipation of future environmental approvals.

Copper Range

Atlas considers the project area to be relatively underexplored and has commenced planning an initial phase of drilling to further test the mineralisation envelope and validate some of the historical drilling.

EXPLORATION & RESOURCE DEVELOPMENT

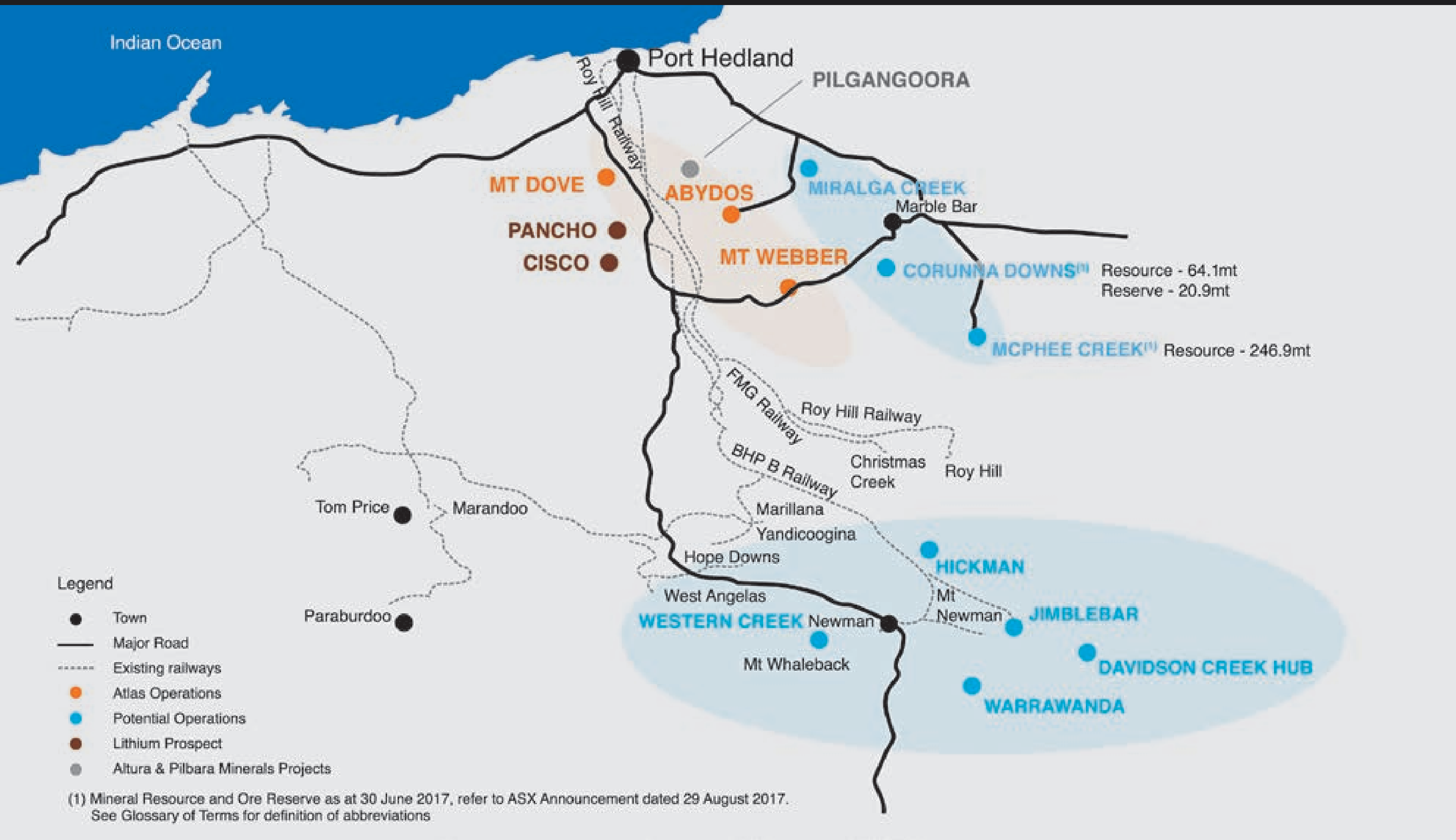
Exploration and Resource Development work during FY2017 was primarily focussed on resource definition and potential growth of the Daltons and Fender deposits at Mt Webber. This resource definition drilling program commenced in May 2017, targeting a RC drill spacing of 20m x 20m across both deposits and is expected to be completed by December 2018.

Within the 2017 financial year, a total of 105 RC drill holes were completed for a total of 7,426 metres, all being resource definition drilling on the Daltons/Gibson deposit at Mt Webber. A further 21,000 metres are planned on Daltons/Gibson and 7,000m on Fender. The results of this drilling program will provide greater confidence in the resource information feeding into the Medium and Short Term Production Plans for Mt Webber mining operations.

In addition to this work on exisiting resources, several Fe targets proximal to exisiting mines and infrastructure have been identified for follow up work. Several work programs for the 2018 financial year will aim to test these identified targets.

Other focussed exploration work conducted during the period included a review of the Copper Range Project east of Newman.

Previous drilling by Warwick Resources supported historical exploration work, encountering numerous broad zones of disseminated Cu mineralisation along with two massive sulphide Cu-Au horizons. Atlas considers this project area to be relatively underexplored and has commenced planning an initial phase of drilling to further test the mineralisation envelope and validate some of the historical drilling.



Exploration and Resource Development work during FY2017 was primarily focussed around resource definition and potential growth of the Daltons and Fender deposits at Mt Webber.

COMMUNITY

Atlas' community investment activities aim to build and maintain constructive and lasting relationships with our host communities and local stakeholders. This unique approach to community investment supports the organisation, creates positive outcomes for the community and generates pride amongst employees and their families.

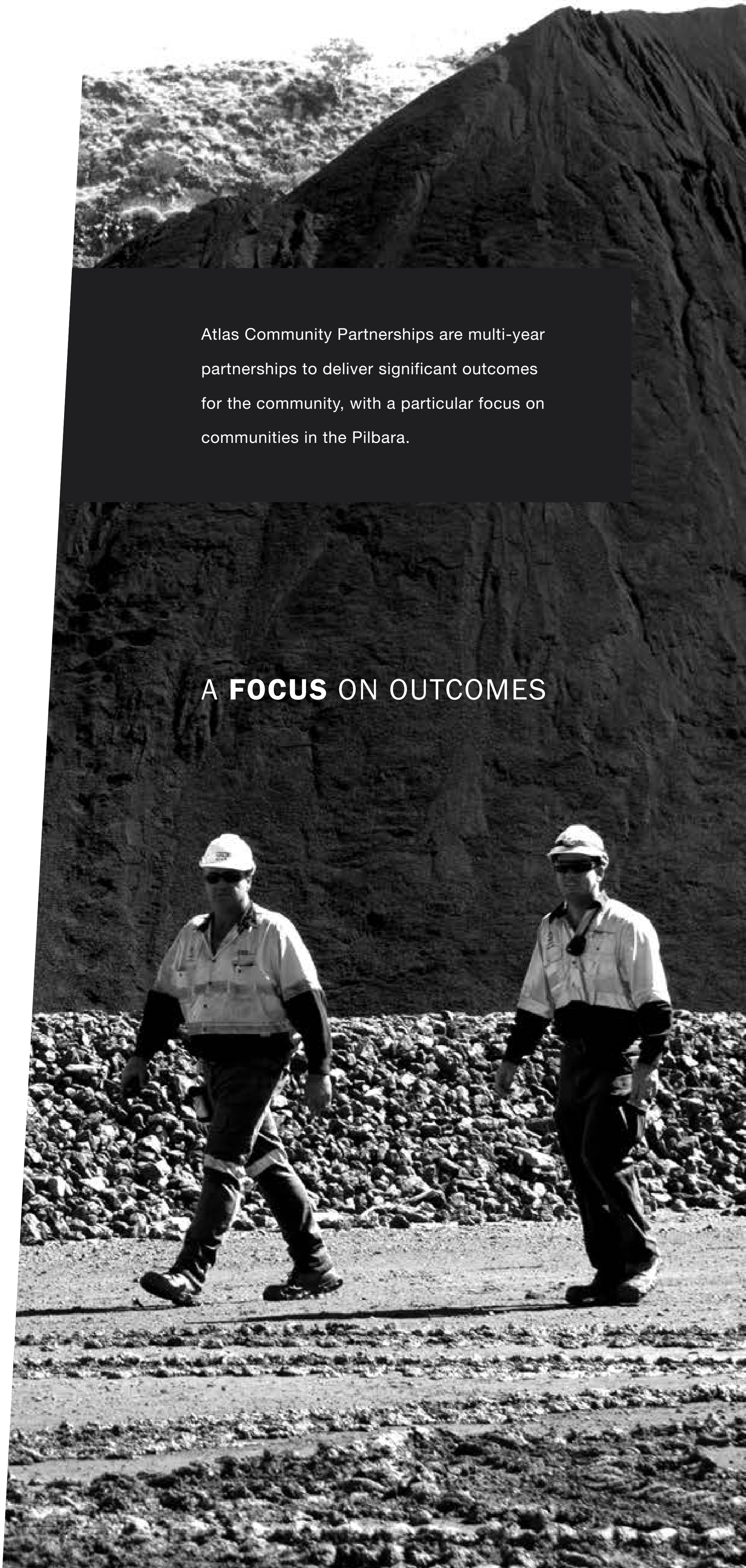
In the 2017 financial year Atlas' community investment strategy saw the company bring an increased focus on its Community Partnership Program, Helping Hands Grants and Philanthropic Grants.

The Community Partnership activities included supporting the Town of Port Hedland in delivering the North West Festival and our support of the EON Foundation, a WA based not-for-profit organisation that delivers a food and nutrition focused healthy lifestyle and disease prevention program in Indigenous communities in Western Australia.

Atlas also provided support to the following organisations through its Helping Hands and Philanthropic Grant Programs:

- The Budadee Foundation
- The Hedland Junior Football Association
- The Sangrok Hedland Judo Club
- The TS Pilbara Cadets
- The Wanparta Aboriginal Corporation
- The Hedland Community Living Association
- The Marble Bar Cup Ball Committee
- The South Hedland Owners and Trainers Association
- The Marble Bar Community and Resource Centre
- The Homeless and Abused Animal Rescue Team Inc.

In recognition of the success of Atlas' community investment activities, Atlas is a Nominee in the 2017 Community Partnership Resources Sector Awards for Excellence hosted by the Department of Mines, Industry Regulation and Safety for its support of the Budadee Foundation.



Atlas Community Partnerships are multi-year partnerships to deliver significant outcomes for the community, with a particular focus on communities in the Pilbara.

A **FOCUS** ON OUTCOMES

MINERAL RESOURCES AND ORE RESERVES

The Mineral Resources and Ore Reserves in the following tables are as of 30 June 2017. Comparative totals from June 2016 are provided for reference.

2017 MINERAL RESOURCES

	Likely Mining Method	Measured Resources at end June 2017		Indicated Resources at end June 2017		Inferred Resources at end June 2017		Total resources 2017 compared with 2016				Atlas Interest	Reporting Cut-Off
								Tonnage		Grade			
	(b)	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	**2017**	2016	**2017**	2016		
Iron Ore (a)		Kt	% Fe	Kt	% Fe	Kt	% Fe	**Kt**	Kt	**% Fe**	% Fe	%	% Fe
Pardoo	O/P	0	0.0	0	0.0	9,000	55.7	**9,000**	9,000	**55.7**	55.7	100	53
Abydos (c)	O/P	0	0.0	5,600	57.1	4,000	56.5	**9,600**	15,500	**56.8**	57.1	100	50
Wodgina (d)	O/P	0	0.0	0	0.0	0	0.0	**0**	24,700	**0.0**	55.4	100	53
Mt Webber (e)	O/P	27,100	58.4	18,400	55.3	2,000	57.3	**47,500**	56,100	**57.1**	56.9	100	50
McPhee Creek	O/P	32,900	57.4	205,000	56.2	9,000	55.0	**246,900**	246,900	**56.3**	56.3	100	48.5
Miralga Creek	O/P	0	0.0	0	0.0	4,000	57.6	**4,000**	4,000	**57.6**	0.0	100	50
Corunna Downs (f)	O/P	0	0.0	51,100	57.2	13,000	57.0	**64,100**	65,100	**57.2**	57.3	100	50
Mid-West (g)	O/P	0	0.0	0	0.0	7,000	57.2	**7,000**	12,000	**57.2**	60.0	100	50
Hickman	O/P	0	0.0	0	0.0	70,000	55.4	**70,000**	70,000	**55.4**	55.4	100	50
Western Creek	O/P	0	0.0	0	0.0	79,000	56.0	**79,000**	79,000	**56.0**	56.0	100	50
Jimblebar	O/P	0	0.0	41,100	58.1	28,000	55.6	**69,100**	69,100	**57.1**	57.1	100	50
Warrawanda	O/P	0	0.0	0	0.0	24,000	56.8	**24,000**	24,000	**56.8**	56.8	100	53
Davidson Creek Hub	O/P	43,200	57.9	339,100	55.9	94,000	55.8	**476,300**	476,300	**56.0**	56.0	100	50
West Pilbara	O/P	0	0.0	0	0.0	38,000	53.6	**38,000**	38,000	**53.6**	53.6	100	50
Total Mineral Resource		103,200	57.9	660,300	56.2	381,000	55.7	**1,144,500**	1,189,700	**56.2**	56.1		

Mineral resources are reported inclusive of reserves

a - Iron Ore Resource tonnes are reported on a dry weight basis

b - Likely mining method: O/P=Open Pit

c - Abydos Mineral Resources have decreased due to production at Trigg, Cove, Mullaloo, Contacios, Leighton and Scarborough

d - Atlas completed mining of the Avro, Constellation, Dragon and Hercules deposits at Wodgina in FY2017. Atlas no longer holds rights to any remaining or undeveloped Mineral Resource at the Wodgina Project

e - Mt Webber Mineral Resources have decreased due to production at Ibanez and Fender

f - Corunna Downs Mineral Resources have decreased due to a resource model update for Glen Herring (refer ASX release "Atlas delivers positive results from Corunna Downs DFS" dated 21 December 2016)

g - Mid West Mineral Resources have decreased due to the sale of tenement M20/118 containing the Wilgie Mia Mineral Resource

h - Other Mineral Resources remain unchanged from 30 June 2017

2017 ORE RESERVES

	Product Type (a)	Proved Ore Reserves at end June 2017		Probable Ore Reserves at end June 2017		**Total Ore Reserves at end of June 2017 (b)**		Total Ore Reserves at end of June 2016		Atlas Interest	Reporting Cut-Off
		Kt	% Fe	Kt	% Fe	**Kt**	**% Fe**	Kt	% Fe	%	% Fe
Abydos	Standard Fines	300	56.1	700	57.4	**1,000**	**57.1**	3,900	56.9	100	52.0
Wodgina	Standard Fines	-	-	-	-	**-**	**-**	2,100	56.5	100	54.0 - 54.5
Wodgina	Value Fines	150	53.0	-	-	**150**	**53.0**	2,600	53.3	100	50.0
Mt Webber	Standard Fines	24,100	58.2	15,700	55.6	**39,800**	**57.2**	47,500	57.1	100	50.0 - 53.5
Corunna Downs	Standard Fines	-	-	20,900	57.0	**20,900**	**57.0**	21,000	57.0	100	51.0 - 53.0
Mt Dove Stocks	Standard Fines	50	56.1	-	-	**50**	**56.1**				
Port Stocks	Standard Fines	300	56.7	-	-	**300**	**56.7**	100	57.1	100	
Total Ore Reserves (b)		24,900	58.2	37,200	56.4	**62,100**	**57.1**	77,200	56.9		

a) All Ore Reserves are Iron Ore, reported on an in-situ dry weight basis, to be mined by open pit method or in site based stockpiles

b) Standard Fines product targets a grade above or at 56.4% Fe. Value Fines are a lower grade product

c) The presented tonnages and grades are rounded. Total tonnages and grade are summed on the raw data then rounded.

d) Ore reserves at Abydos and Mt Webber decreased following production depletion

e) Mt Webber Ibanez pit - 227kt of ore reclassified from Proved to Probable & 10% ore loss applied to reserves due to reconciliation results

f) Mining production ceased at Wodgina on the 5 April 2017

MINERAL RESOURCES AND ORE RESERVES CORPORATE GOVERNANCE

Atlas has an established Ore Reserve Steering Committee (ORSC) that oversees the Mineral Resources and Ore Reserves processes and reporting. The committee includes management from geology, operations and mine planning. It meets regularly and is responsible for reconciliation, estimation and reporting of Mineral Resources and Ore Reserves. Ore Reserves undergo rigorous governance and signoff processes extending to all disciplines responsible to satisfy JORC compliance with this process audited by external consultants. Atlas continues to develop its internal systems and controls in order to maintain JORC (2012) compliance in all external reporting, including the preparation of all reported data by Competent Persons as members of the Australasian Institute of Mining and Metallurgy.

COMPETENT PERSONS STATEMENTS

Mining Ore Reserve Estimates - Compliance with the JORC code assessment criteria

This mining Ore Reserve statement has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition).

Ore Reserve Estimation – Wodgina, Abydos, Mt Webber, Corunna Downs and Ore Stocks at Utah Port

The information in this report that relates to Ore Reserve estimations for the Wodgina, Abydos, Mt Webber, Corunna Downs Areas and ore stocks at Utah Port, is based on information compiled under the guidance of and audited by Mr Adam Liebenberg who is a member of the Australasian Institute of Mining and Metallurgy. Adam Liebenberg is a full time employee and security holder of Atlas. Adam Liebenberg has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Adam Liebenberg consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Davidson Creek Hub Project (excluding Miji Miji deposit)

The information in this report that relates to mineral resource results on Atlas' Davidson Creek Hub Project is based on information compiled by Mr John Graindorge who is a Chartered Professional member of the Australasian Institute of Mining and Metallurgy. John Graindorge is a full time employee of Snowden Mining Industry Consultants Pty Ltd. John Graindorge has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. John Graindorge consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Atlas DSO Projects (including Miji Miji deposit but excluding all other deposits at Davidson Creek Hub)

The information in this report that relates to mineral resource results on Atlas' DSO Projects, other than Davidson Creek Hub, is based on information compiled by Mr Leigh Slomp who is a member of the Australasian Institute of Mining and Metallurgy. Leigh Slomp is a full time employee and shareholder of Atlas. Leigh Slomp has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Leigh Slomp consents to the inclusion in this report of the matters based on his information in the form and context in which it appears

FINANCIAL REPORT **2017**

FOR THE YEAR ENDED 30 JUNE 2017

DIRECTORS

The Directors of Atlas Iron Limited (the Company) present their report together with the financial statements of the Group comprising the Company and its subsidiaries (together referred to as the Group or Atlas), and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2017 and the auditor's report thereon.

The names and details of the Group's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated. Where applicable, all directorships held in listed public companies over the last three years have been detailed below.

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Eugene Davis (Non-Executive Chairman)
Mr Davis was appointed Non-Executive Director on 6 May 2016 and subsequently Non-Executive Chairman on 6 June 2016 (Period of service: 1 year and 2 months).

Mr Davis is the founder, Chairman and Chief Executive Officer of PIRINATE Consulting Group, LLC, a privately held consulting firm specialising in turnaround management, merger and acquisition consulting, hostile and friendly takeovers, proxy contests and strategic planning advisory services for domestic, international public and private business entities.

Since forming PIRINATE in 1999, Mr Davis has advised, managed and served as a Chief Executive Officer, Chief Restructuring Officer, Director, Committee Chairman and Chairman of the board of a number of businesses operating in diverse sectors including metals, energy, oil & gas, import-export, mining and transportation and logistics. Previously, Mr Davis served as Chief Executive Officer of Total-Tel Communications, President, Vice Chairman and Director of Emerson Radio Corporation and Chief Executive Officer and Vice Chairman of Sport Supply Group, Inc. Mr Davis is also a director of U.S. Concrete, Inc., Verso Corporation, Titan Energy LLC and Genco Shipping & Trading Ltd.

Mr Davis began his career as an attorney and international negotiator with Exxon Corporation and Standard Oil Company (Indiana), and has also been a partner at two Texas-based law firms, specialising in corporate and securities law.

Mr Davis holds a bachelor's degree from Columbia College, a Master of International Affairs degree in International Law and Organisation from the School of International Affairs of Columbia University, and a Juris Doctor from the Columbia University School of Law, USA.

Mr Davis is a member of the Remuneration Committee and Chairman of the Nomination and Governance Committee.

Mark Clifford Lawrenson (Managing Director)
Mr Lawrenson joined Atlas in January 2017 (period of service: 7 months). Prior to this Mr Lawrenson was Managing Director of early-stage phosphate producer Avenira Limited (formerly Minemakers Limited) from 2012 until January 2017. Mr Lawrenson led Avenira Limited from exploration to early stage production.

Mr Lawrenson joined Avenira Limited after holding the position of Chief Executive Officer of Pilbara iron ore development company FerrAus Limited, which he led to a recommended takeover by Atlas Iron Limited in December 2011. Mr Lawrenson held the position of Group Chief Executive Officer of GRD Limited from 2006 to 2009. GRD incorporated GRD Minproc Limited, OceanaGold Limited and Global Renewables. Prior to joining GRD Limited, Mr Lawrenson was a senior executive and vice president of CMS Energy Corporation in the USA and Singapore for seven years.

Mr Lawrenson has worked extensively in investment banking around the world and holds postgraduate qualifications in Finance and Strategy. He has served on several boards in international locations, leading the development and financing of numerous major infrastructure projects. He has been Non-Executive Chairman of ASX-listed Pacific Energy Limited since August 2010.

Alan Carr (Non-Executive Director)
Mr Carr was appointed Non-Executive Director on 6 May 2016 (Period of service: 1 year and 2 months).

Mr Carr is an investment professional with 20 years' experience with investing in and leading complex financial restructurings globally, as well as serving on boards of directors. He is currently the Chief Executive Officer of Drivetrain LLC, which he founded in 2013. Mr Carr also served as Managing Director at Strategic Value Partners UK LLP from 2003 to 2013. Prior to these positions, Mr Carr worked as an attorney at Skadden, Arps and at Ravin, Sarasohn, specialising in corporate restructuring.

Mr Carr currently serves as an independent director of various companies, including Tanker Investments Ltd, Midstates Petroleum Company, Inc., Brookfield DTLA Fund Office Trust Investor Inc, and Tidewater Inc. Mr Carr has served on various boards of other private companies in North America, Europe and Asia.

Mr Carr holds a Juris Doctor, cum laude, from Tulane Law School, New Orleans, USA and a Bachelor of Arts in Economics and Sociology from Brandeis University, Waltham, MA, USA.

Mr Carr is Chairman of the Remuneration Committee, a member of Audit and Risk Committee, and a member of the Nomination and Governance Committee effective 30 May 2017.

David Flanagan BSc, WASM, MAusIMM, FAICD (Managing Director – resigned 5 August 2016)
Mr Flanagan is a Geologist with more than 25 years' experience in the mining industry, having worked in a variety of roles from mining operations, exploration, development and corporate.

Mr Flanagan was the founding Managing Director of Atlas; he was appointed as Executive Chairman on 22 February 2012 and, from 1 September 2012, assumed the role of Non-Executive Chairman. Mr Flanagan resumed the role of Managing Director on 11 June 2015 until his resignation effective 5 August 2016 (period of service: 12 years and 1 month).

Mr Flanagan is the Chancellor of Murdoch University. In 2014, Mr Flanagan was named the Western Australian of the Year and West Australian Business Leader of the Year.

Mr Flanagan resigned as Managing Director effective 5 August 2016.

Hon. Cheryl Edwardes AM, LLM B.Juris B.A. GAICD (Non-Executive Director)
Mrs Edwardes AM was appointed Non-Executive Director on 6 May 2015 and subsequently acted in the role of Non-Executive Chairman from 11 June 2015 until she reverted to Non-Executive Director on 6 June 2016 (period of service: 2 years and 2 months).

A solicitor by profession, Mrs Edwardes is a former Minister in the Western Australian Legislative Assembly with extensive experience and knowledge of WA's legal and regulatory framework relating to mining projects, environmental, native title, heritage and land access. Mrs Edwardes assists the clients of FTI Consulting with a range of complex statutory approvals required for resources and infrastructure projects.

During her political career, Mrs Edwardes held positions including WA Attorney General, Minister for the Environment and Minister for Labour Relations. Mrs. Edwardes is a Commissioner of the West Australian Football Commission, Non-Executive Chairman of Vimy Resources Limited (ASX: VMY) and a part-time member of the Foreign Investment Review Board.

Mrs Edwardes is a member of the Remuneration Committee, a member of the Audit and Risk Committee, and acted as Chair of the Audit and Risk Committee from 28 June 2016 to 16 January 2017. Mrs Edwardes is also a member of the Nomination and Governance Committee.

Daniel Harris (CEO and Managing Director & Non-Executive Director)
Mr Harris was appointed Non-Executive Director on 6 May 2016 (Period of service: 1 year and 2 months).

Following the resignation of Mr Flanagan as Managing Director on 28 June 2016, Mr Harris was appointed as Managing Director and Chief Executive Officer and continued in this role until Mr Lawrenson was appointed as Managing Director on 16 January 2017. Thereafter, Mr Harris resumed his role as Non-Executive Director and Chairman of the Audit and Risk Committee.

Mr Harris brings a wealth of mining and resources industry experience to Atlas from a career spanning more than 35 years, having worked previously as Chief Executive Officer and Chief Operating Officer of Atlantic Ltd and Strategic Minerals Corporation's (formerly Union Carbide) vanadium business. Mr Harris has also worked for Evraz in Moscow as Vice President, Vanadium Assets. Mr Harris is currently an independent technical and executive consultant to GSA Environmental Limited in the United Kingdom. Since January 2017, Mr Harris has been a Non-Executive Director of Australian Vanadium Ltd.

Mr Harris is Chairman of the Audit and Risk Committee and a member of the Nomination and Governance Committee.

Tony Walsh BCom, MBA, FCA, FCIS, FFin (Executive Director – resigned effective 23 January 2017)
Mr Walsh rejoined the Atlas senior management team in October 2015 as Company Secretary. Mr Walsh was appointed as Executive Director on 6 August 2016 and remained in the role until his resignation on 23 January 2017, following the appointment of Mr Lawrenson as Managing Director (period of service: 6 months). Mr Walsh was Company Secretary and General Manager Corporate of ASX listed diversified mining producer, Independence Group NL, from July 2013 to October 2015. Prior to this, he was Company Secretary of Atlas Iron Limited for seven years.

Mr Walsh has over 30 years' experience in dealing with listed companies, ASX, ASIC and corporate transactions, including 14 years with the ASX in Perth where he acted as ASX liaison with the JORC Committee and 4 years as chairman of an ASX listed mining explorer and director of a London AIM listed mining explorer.

Mr Walsh was until recently a member of the West Australian State Council of Governance Institute of Australia (formerly Chartered Secretaries Australia) and is a member of Newman College school council. Prior to his role at ASX, Tony worked with Ernst & Young for over 5 years in an audit and compliance capacity.

Mr Walsh is a member of the Australian Institute of Company Directors, is Fellow of both the Governance Institute of Australia, the Institute of Chartered Secretaries and the Institute of Chartered Accountants in Australia. Since July 2017, Mr Walsh has been a Non-Executive Director of Entek Resources Ltd.

GROUP COMPANY SECRETARIES

Bronwyn Kerr LLB (Hons), BA, FCIS, GAICD
Ms Kerr was appointed as General Counsel and Company Secretary on 20 December 2016. Prior to this appointment, Ms Kerr was General Counsel and held other legal roles since joining Atlas in July 2010 (period of service: 7 years).

Ms Kerr is an experienced legal and governance professional. Prior to joining Atlas, Ms Kerr worked for a leading international law firm where she advised companies in relation to mining and infrastructure projects as well as a broad range of corporate matters.

Tony Walsh BCom, MBA, FCA, FCIS, FFin
Refer to Mr Walsh's biography under 'Directors' above.

Mark Hancock BBus, CA, FFin
Mr Hancock joined Atlas in 2006 and has filled a variety of senior finance and commercial roles since that time, including Executive Director from 25 May 2012 until 2 December 2014 (period of service: 10 years and 11 months).

Throughout the reporting period, Mr Hancock was Atlas' Chief Financial Officer. After the reporting period and prior to the issue of this report, Mr Hancock transitioned to the role of Chief Commercial Officer.

Mr Hancock is a Chartered Accountant with over 30 years' experience who commenced his career in public practice and subsequently has held senior commercial and financial management roles across a variety of industries in Australia and South East Asia, with companies including Woodside Petroleum, Premier Oil and Lend Lease.

Mr Hancock is currently a Non-Executive Director of Centaurus Metals Limited (ASX: CTM) in which Atlas holds a minority equity interest.

DIRECTORS' AND OTHER OFFICERS' INTERESTS IN THE SHARES, OPTIONS AND RIGHTS OF THE GROUP AND RELATED BODIES CORPORATE

The interests of each Director and other Officers in the shares and options of the Group as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001 as at the date of this report are as follows:

	Ordinary Shares	Options over Ordinary Shares	Share appreciation rights and performance rights
Eugene Davis	-	-	-
Mark Clifford Lawrenson	193,124	-	-
Alan Carr	-	-	-
Hon. Cheryl Edwardes (AM)	208,100	-	-
Daniel Harris	-	-	-
Mark Hancock	1,154,734	31,944,711	-
Tony Walsh	-	-	-
Bronwyn Kerr	30,794	6,637,932	-

DIVIDENDS

Directors resolved not to pay a dividend for the year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the exploration, development, mining and sale of iron ore.

OPERATING AND FINANCIAL REVIEW

Atlas' purpose is to deliver mineral products that create value for all stakeholders including shareholders, customers, suppliers, and the communities in which the Group operates. In order to achieve this goal, Atlas' strategy is to consolidate its current production base with a competitive cost base, and to pursue opportunities through optimising near term production to maximise profitability and cash flow, developing customer and market focused solutions, and maintaining options for growth, as market conditions allow.

A discussion on factors that will impact the achievement of the Group's Strategy can be found later in this Operating and Financial Review in "Factors and Business Risks that affect Future Performance".

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:

	2017	2016	2015
1. Revenue			
Tonnes sold ('000 WMT)	14,351	14,485	12,175
Revenue (AU$'000)	871,051	785,755	718,474
Average price per tonne received (including Lump & Value fines) (AU$/WMT CFR)	60.69	55.47	59.96
2. Operating Results			
Underlying cash gross margin (AU$'000)*	152,660	97,721	(23,360)
Underlying EBITDA (AU$'000)*	116,261	74,466	(51,494)
Underlying profit/(loss) after tax (AU$'000)*	30,841	(57,694)	(240,168)
C1 cash costs (AU$/WMT)	34.76	34.39	45.74
All-in cash costs (AU$/WMT)**	51.02	49.35	64.23
Full cash costs (AU$/WMT)***	53.08	52.59	68.95
3. Liquidity			
Cash flow from operations (AU$'000)	153,897	31,105	(67,087)
Cash (AU$'000)	80,769	80,853	73,305
Working capital (AU$'000)	75,325	69,744	2,563
Borrowings (AU$'000)	(107,885)	(189,347)	(339,520)

* 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.

** All-in cash costs includes C1 cash costs, royalties, freight, corporate and administration, expensed exploration and evaluation but excludes interest expense, capital expenditure, one-off restructuring costs, suspension and ramp up costs of operating mine sites, contractor collaboration margin and other non-cash expenses. C1 cash costs are inclusive of contractors and Atlas' costs including contractor rate uplift. All-in cash costs are unaudited.

*** Full cash costs includes All-in cash costs, contractor collaboration margin, capitalised exploration and evaluation, interest expense and sustaining capital expenditure, but excludes depreciation and amortisation, one-off restructuring and suspension costs of operating mine sites and other non-cash expenses. Full cash costs are unaudited.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 16 February 2017, Atlas announced Board approval of the Corunna Downs development project in the Pilbara region of Western Australia. The study estimated capital expenditure of AU$47-53 million (including contingency) and C1 cash cost in the AU$37-43/wmt range.

On 21 June 2017, the Group announced that Corunna Downs had been deferred primarily due to prevailing iron ore market conditions and the government approval processes taking longer than expected. The deferral will allow the Company to further de-risk Corunna Downs in anticipation of improved market conditions. The Group will partly offset any lost production by ramping up production at the Mt Webber site from 7mtpa to 9mtpa (wmt) with the incremental production being processed at the Company's recommissioned Mt Dove site.

During the period, an amendment to the Term Loan B was implemented. The key features of the amendment allow Atlas to accumulate up to AU$45 million in cash generated in a dedicated reserve account (refer Note 17) to provide greater flexibility and security to the Company and to fund the Corunna Downs Project.

As a result of the agreement:

- Atlas issued 107,991,355 ordinary shares to its Term Loan B lenders;
- Atlas will now pay all of its Term Loan B interest in cash;

- Term Loan B principal was due to be increased by a maximum of US$2.3 million unless the facility was refinanced or repaid within 120 days of the amendment effective date of 30 March 2017. The refinancing timeline expired subsequent to year end on 28 July 2017 and resulted in an increase to the loan payable of US$1.7 million. A full review of the amendment and key changes in terms appear in Note 17 to the financial statements.

1. Revenue

Tonnes sold (wmt) were marginally lower from the prior year at 14.4 million wmt. This occurred despite the closure of the Company's Wodgina operations during the year, with additional production from Mt Webber offsetting the reduced tonnes from Wodgina.

The table below outlines the breakdown of product that was shipped over the current and previous two years:

	30-Jun-17 WMT millions	30-Jun-16 WMT millions	30-Jun-15 WMT millions
Atlas fines	7.9	10.8	11.6
Atlas lump	4.9	3.4	0.5
Value fines	1.6	0.3	0.1
Total	**14.4**	**14.5**	**12.2**

Revenue for the year ended 30 June 2017 was AU$871.1 million at an average realised selling price of AU$60.69 per tonne. The increase in revenue of 10.9% was driven primarily by an increase in the overall Platts 62% index price coupled with additional lump sales which attract a higher premium. This was partially offset by the higher discounts applicable to iron ore of Atlas grade over the year.

2. Operating Results

Underlying cash gross margin

The following table reconciles underlying cash gross margin to statutory profit/(loss) after tax:

	30-Jun-17 $ 000's	30-Jun-16 $ 000's	30-Jun-15 $ 000's
Underlying cash gross margin*	**152,660**	**97,721**	**(23,360)**
Unwind of port prepayment included in operating costs	-	-	(5,289)
Exploration and evaluation expense	(3,482)	(3,526)	(5,189)
Other income and gain on dilution of associate	1,780	12,426	2,737
Loss on sale of assets	(98)	(349)	(1,071)
Other costs	(11,888)	(25,837)	(27,310)
Share of loss of associates, joint ventures and gain/(loss) on financial instruments	(22,711)	(5,969)	7,988
Underlying EBITDA*	**116,261**	**74,466**	**(51,494)**
Depreciation and amortisation	(74,519)	(85,033)	(117,793)
Underlying EBIT*	**41,742**	**(10,567)**	**(169,287)**
Net finance expense	(12,628)	(34,027)	(31,542)
Net foreign exchange gain/(loss)	1,727	(13,100)	(39,339)
Underlying profit/(loss) before tax*	**30,841**	**(57,694)**	**(240,168)**
Tax expense	-	-	-
Underlying profit/(loss) after tax*	**30,841**	**(57,694)**	**(240,168)**
Inventory write-down	-	(3,652)	(29,769)
Impairment of assets	(1,041)	(97,098)	(980,371)
Derecognition of deferred tax asset	-	-	(67,003)
Gain on debt restructure	-	5,452	-
Restructuring (incl. onerous lease provision movement)	6,784	(3,783)	(28,092)
Suspension costs	-	-	(24,711)
Other	11,397	(2,239)	(7,712)
Statutory profit/(loss) after tax	**47,981**	**(159,014)**	**(1,377,826)**

* 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 Group. These non-IFRS measures are unaudited.

Underlying EBITDA has increased by AU$41.8 million to AU$116.3 million as a result of favourable impact of increase in the average price per tonne received due to higher headline price including increased lump sales volumes, partly offset by a loss on iron ore financial instruments.

Underlying profit/(loss) after tax
The underlying profit after tax of AU$30.8 million improved from a loss of AU$57.7 million in the prior year due to favourable EBITDA movement outlined above and AU$21.4 million reduction in net finance expenses due to lower interest expenses on the Term Loan B as a result of the significant cash sweep repayments made during the year.

Statutory profit/(loss) after tax
The statutory profit/(loss) after tax has improved by AU$207.0 million from the prior year to a profit of AU$48.0 million due to the favourable impact of revenue, with higher headline pricing detailed above and impact of other one off transactions, including:

- impairment charges on assets of AU$1.0 million (30 June 2016: AU$97.1 million);
- restructuring, the majority of which relates to change in onerous lease provisions assumptions, of AU$6.8 million gain;
- the impact of other one off gains and business combinations of AU$11.4 million.

C1 cash cost per tonne
C1 cash cost per tonne increased marginally by 1.13% (AU$0.37 per tonne) from the prior year to AU$34.76 per tonne driven primarily by increased haulage costs resulting from more tonnes hauled from Mt Webber offset by lower mining and processing costs.

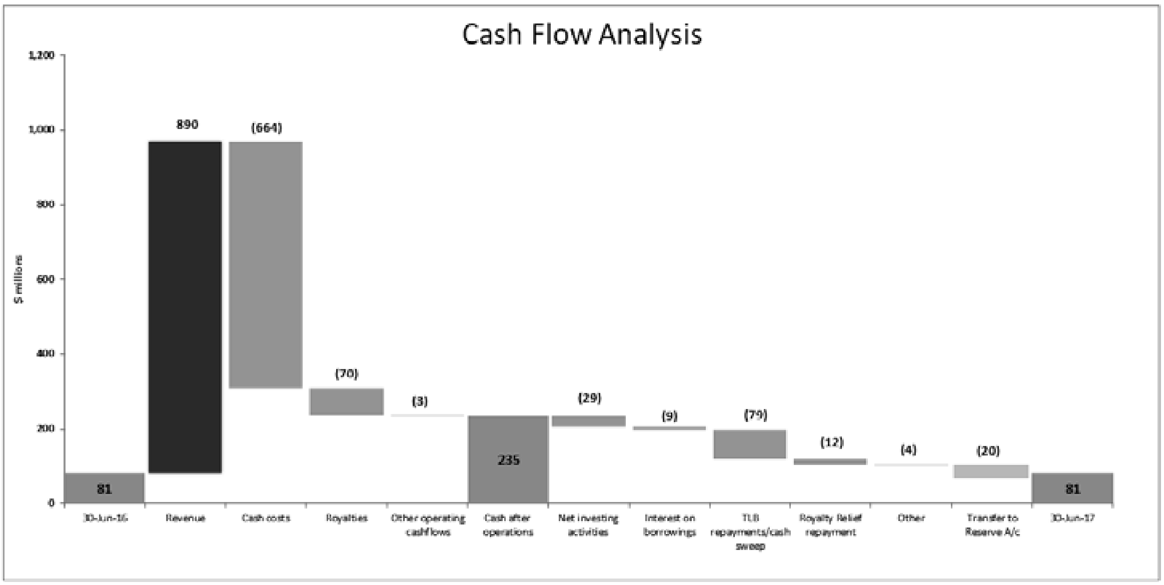
All-in cash cost per tonne
The All-in cash costs per tonne increased by 3.3% (AU$1.67 per tonne) from the prior year to AU$51.02 per tonne due to an increase in royalties and contractor collaboration with the higher realised price received by Atlas and higher freight costs in the period.

Full cash cost per tonne
Full cash cost per tonne increased by 1% (AU$0.49 per tonne) from the prior year to AU$53.08 due to an increase in All-in cash costs noted above offset by decrease in interest expense per tonne on the back off the significant Term Loan B repayments made during the year.

3. Liquidity

Net operating cash flows are the Group's main sources of cash. These cash flows have been fundamental to the Group's ability to fund ongoing operations of its existing mine sites and future developments.

Cash
At the end of the financial year, the Group had AU$80.9 million in cash and cash equivalents. In addition AU$20 million is held in a reserve account and can be utilised by the Company if cash falls below AU$60.0 million before 30 June 2018 after which any remaining balance is swept against the Term Loan B. The following graph outlines the cash inflows and outflows during the year:



Following is a summary of key sources and uses of cash. A full statement of cash flow is contained in the financial statements and explanatory notes appear in Note 20 to the financial statements.

Net operating cash flows
There has been a significant improvement in the cash flows from operations of AU$122.8 million to AU$153.9 million during the year ended 30 June 2017 as a result of the higher headline pricing and additional Atlas Lump sales volumes improving the realised price received by the Group. The Group remains focused on reducing costs further and mitigating the iron ore volatility risk.

Net investing flows
Cash outflows from investing activities have increased from the prior year by AU$5.8 million to AU$29.3 million due to the increase in payments on finalisation of iron ore hedging instruments during the period totalling AU$24.7 million which continue to form part of the Groups iron ore risk voliatily management policy. This increase was offset by a reduction in mine development and reserve development spend. The majority of capital spent related to the completion of the Definitive Feasibility Study for Corunna Downs and early works.

Net financing flows
Cash outflows from financing activities have increased by AU$121.8 million in the year ended 30 June 2017 to AU$123.7 million as a result of the operating cashflows in the period which led to significant cash sweeps on the Term Loan B.

- As a result of the Term Loan B debt to equity amendment completed in year ended 30 June 2016, any excess cash over AU$80 million at quarter end was to be swept against the closing principal amount. During the period, the Group repaid AU$79.4 million of the Term Loan B principal balance.
- On 30 March 2017, the Group completed a subsequent amendment to allow Atlas to accumulate cash generated in a dedicated reserve account to provide greater flexibility and security to the Company and to fund the Corunna Downs Project. After each of the March, June and September 2017 quarter ends, the Group is entitled to transfer cash on hand in excess of AU$80 million into a dedicated reserve account subject to a cap of AU$20 million per quarter and AU$45 million in aggregate. Refer to Note 17 for full details. During the period the Group transferred AU$20 million into the reserve account.

Working capital
The following table summarises Atlas' working capital position:

	30-Jun-17 $ 000's	30-Jun-16 $ 000's	30-Jun-15 $ 000's
Cash	80,769	80,853	73,305
Trade and other receivables	41,421	36,509	23,973
Inventories	19,094	16,728	15,604
Trade and other payables	(66,049)	(64,346)	(110,319)
Working capital	**75,235**	**69,744**	**2,563**

Working capital has remained in line with the prior period with an increase of AU$5.5 million to AU$75.2 million.

Borrowings
Borrowings have decreased by AU$81.5 million primarily as a result of the significant cash sweep and repayments made during the period detailed above. Refer to Note 17 for full details on the Term Loan B amendments made during the period.

Borrowings have also been favourably impacted by the change in the AU$:US$ foreign exchange rate from 0.7426 at 30 June 2016 to 0.7692 at 30 June 2017.

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. The following factors and business risks could have a material effect on Atlas' future results from operations and financial position:

Commodity prices
Atlas' revenues and cash flows are derived from the sale of iron ore. The majority of Atlas' sales contracts use a pricing formula linked to the spot market for iron ore and market discounts. Contract pricing is often based on the spot market price in a future period. This has meant that Atlas' final received price is known one to two months after iron ore is shipped. Atlas' financial performance has historically therefore been exposed to fluctuations in the iron ore price, which has been particularly volatile in recent times.

Low grade product is subject to a discount factor. Over the year a number of factors have contributed to higher discounts for low grade product. During the year the discount increased significantly compared to the year ending 30 June 2016.

Atlas looks to reduce volatility using hedging products, fixed price sales and shorter dated pricing periods. This will reduce exposure to iron ore price risk, but may also limit Atlas' ability to leverage any potential iron ore price appreciation.

Iron ore prices, including product discounts, may be influenced by numerous factors and events that are beyond the control of Atlas, including increased global supply, actions of other producers, decreased demand, currency exchange rates, general economic conditions, regulatory changes and other global, regional, political and economic factors. Atlas cannot provide any assurance as to the prices Atlas will achieve for its iron ore. Changes in iron ore prices may have a positive or negative effect on various aspects of Atlas' business including debt covenants, profit margins, project development and production plans and activities, together with its ability to fund those plans and activities.

Atlas sells iron ore products of differing nature and grade. The market for such products varies depending on factors outlined above. As the lump product market is smaller than the fines product market, the impact of competitor activity or changes in demand have the potential to be amplified and therefore impact the price received.

The following table shows the average prices based on Platts 62% Fe and freight (CFR) to China over the last three years:

	30-Jun-17 $	30-Jun-16 $	30-Jun-15 $
62% CFR (US$/DMT)	69.53	51.37	71.39
Average price per tonne received CFR (including Atlas Value Fines) (AU$/WMT)	60.69	55.47	59.96

The price received by Atlas is adjusted for Fe grade, quality, moisture and product discount.

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

Accordingly, Atlas' income from, and the value of its business, will be affected by fluctuations in the rates by which the US dollar is exchanged with Australian dollars.

Although steps may be undertaken to manage currency risk (e.g. via hedging strategies), adverse movements in the Australian dollar against the US dollar may have an adverse impact on Atlas.

The following table shows the average USD/AUD exchange rate for the financial year over the last three years:

	30-Jun-17 $	30-Jun-16 $	30-Jun-15 $
USD/AUD	0.7545	0.7283	0.8382

Refer to Note 27 to the financial statements for details of the Company's foreign currency exposure and sensitivity analysis.

Operating and development risks
Atlas' operations and development activities could be affected by various unforseen events and circumstances, which may result in increased costs, lower production levels and, following on from that, lower revenue levels. Any negative outcomes flowing from these operational risks could have an adverse effect on Atlas' business, financial condition, profitability and performance.

Mining requires significant interaction with the natural environment and is impacted by inherent vulnerability including (but not limited to) weather, ground conditions, mineral enrichment, mineral endowment and ore physical characteristics, each of which might have an impact of the overall deliverability or cost of the ore delivered to customers. Atlas seeks to minimise the potential damage flowing from these risks by obtaining business interruption insurance for certain events and appropriate indemnities from suppliers and contractors.

Debt covenants
Atlas has financing arrangements in place which are at risk of acceleration and enforcement if a default arises under them. The Term Loan B is secured, so enforcement may involve enforcement of security over the assets of Atlas and its material subsidiaries, including appointing a receiver.

Under the Term Loan B Agreement there is a minimum cash balance covenant requiring Atlas to have a minimum of AU$35 million at the end of each month. A 100% cash sweep pay down was introduced for any cash in excess of AU$80 million at the end of each quarter to be paid to the lenders in the following month. As noted above, on 30 March 2017 a subsequent amendment was completed that after each of the March, June and September 2017 quarters, the Group will be entitled to transfer cash on hand in excess of AU$80 million into a dedicated reserve account, subject to a cap of AU$20 million per quarter and AU$45 million 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. Any unused funds in the reserve account as at 30 June 2018 will be swept against the Term Loan B balance.

Atlas is, as at the date of this Financial Report, in compliance with its obligations under the Term Loan B.

Regulatory and title risk
Changes in legislative and administrative regimes, taxation laws, interest rates and other legal and government policies in Australia may have an adverse effect on the assets, operations and ultimately the financial performance of Atlas and the market price of Atlas shares.

Exploration and production are dependent on the granting and maintenance of appropriate licences, permits and regulatory consents and authorisations (including those related to interests in tenements), which may not be granted or may be withdrawn or be made subject to limitations at the discretion of government or regulatory authorities. Atlas also relies on authorisations pursuant to contractual regimes with various counterparties in relation to its ongoing operations and development activities. Although such authorisations may be renewed following expiry or granted (as the case may be), there can be no assurance that such authorisations will be continued, renewed or granted, or as to the terms of renewals or grants. If there is a failure to obtain or retain the appropriate authorisations or there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions, then Atlas' ability to conduct its exploration, development or operations may be adversely affected.

Interest rates
Atlas is exposed to interest rate risk on its borrowings, which are predominately held in US dollars and have a floating interest rate above a LIBOR floor. Fluctuation in interest rates above that LIBOR floor will have an impact on the Company's earnings. Refer to Note 27 of the financial statements for details of our interest rate exposure and sensitivity analysis.

Health, safety and environment
Atlas is subject to regulation in respect of the health and safety of our people and the protection and rehabilitation of the environment in which we operate. This is an area that is continually evolving and the expectations of communities can be different to the regulations in place. Health, safety and the environment, is a key focus area of Atlas and the Company does all that it can do to comply with regulations and meet the expectations of the community. Given the sensitive nature of this area, Atlas may be exposed to litigation, foreseen and unforseen compliance and rehabilitation costs, despite its best efforts.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No other matters have arisen since 30 June 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During the coming year, the Group will increase the annual production rate at its Mt Webber project from 7mtpa to 9mtpa (wmt) with the incremental production being processed at the Group's recommissioned Mt Dove site. Recommissioning the Mt Dove crushing plant and modifying the Mt Webber stockyards to facilitate transport of “run of mine” ore has been completed at a capital cost of AU$1 million. Haulage from the Abydos site is scheduled to end in December 2017 quarter and the additional production at Mt Webber set to ramp up by August 2017.

The start of the Corunna Downs project development was deferred in June 2017 primarily due to government approval processes taking longer than expected and prevailing market conditions. The deferral of the commencement date will allow the Company to further de-risk Corunna Downs in anticipation of improved market conditions. Corunna Downs remains an important project for the Group to sustain its production base and Atlas will assess its status once environmental approvals are received.

The Group will continue work on iron ore exploration and evaluation activities, particularly at its existing project, McPhee Creek, to progress these projects towards production and also investigate any non-iron ore opportunities to diversify the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration and mining activities. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, is aware of and is in compliance with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the period under review.

SHARE OPTIONS

Unissued shares under options
At the date of this report the following unissued ordinary shares under option are outstanding:

	Weighted average exercise price $	Number of Listed Options	Number of Unlisted Options
Balance at the beginning of the period	**0.07**	**6,258,748,303**	**89,827,205**
Options granted	0.00	-	138,341,188
Options exercised	0.00	(40,000)	(62,326,835)
Options forfeited	0.00	-	(8,927,875)
Options expired on 30 June 2017	0.07	(1,744,722,043)	-
Total number of options outstanding as at 30 June 2017	**0.07**	**4,513,986,260**	**156,913,683**
Granted subsequent to reporting date	-	-	-
Lapsed subsequent to reporting date on 31 July 2017	**0.07**	(4,513,986,260)	-
Total number of options outstanding at the date of this report	**0.07**	**-**	**156,913,683**

Listed options lapsed unexercised following the passing of their respective expiry dates.

The balance is comprised of the following:

	Options (Number)	Class (Expiry date, exercise price and vesting status)
Unlisted	27,500,370	30/11/2020 $0.00 options all vested
Unlisted	129,413,313	30/11/2021 $0.00 options all unvested
Total Options	**156,913,683**	

No person entitled to exercise any option referred to above have or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Group, the Group secretaries and all Executive officers of the Group and of any related body corporate against a liability incurred as a Director, Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract. The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred by an officer or auditor.

REMUNERATION REPORT (AUDITED)

CONTENTS

1. INTRODUCTION

The Remuneration Report forms part of the Directors' Report and outlines the Group's remuneration arrangements in accordance with the requirements of the *Corporations Act 2001 (Cth*) (the Act) and associated regulations. The information in the Remuneration Report has been audited pursuant to section 308(3C) of the Act.

For the purposes of this report "Executives" include Executive Directors, Non-Executive Directors and Key Management Personnel (KMP). KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities for the Group.

The following table sets out the Group's Executives during the financial year:

(i) Non-Executive Directors (NEDs)		
E. Davis	Chairman	Full Year
	Director	Full Year
A. Carr	Director	Full Year
C. Edwardes AM (Hon)	Director	Full Year
D. Harris*	Director	Part Year
(ii) Executive Director		
D. Flanagan*	CEO and Managing Director – resigned effective 5 August 2016	Part Year
D. Harris*	CEO and Managing Director – resigned effective 16 January 2017	Part Year
M.C. Lawrenson	CEO and Managing Director – from 16 January 2017	Part Year
T. Walsh	Director – from 5 August 2016 to 23 January 2017	Part Year
(iii) Other Executive KMPs		
M. Hancock	Chief Financial Officer	Full Year
J. Sinclair	Chief Operating Officer	Full Year
T. Walsh	Company Secretary	Full Year

* The Board put in place a transition plan when Mr Flanagan departed from the business on 5 August 2016 with Mr Harris acting as interim CEO and Managing Director until Mr Lawrenson was appointed on 16 January 2017. After Mr Lawrenson's appointment, Mr Harris resumed his role as a Non-Executive Director.

After the reporting date and before the date the financial report was authorised for issue, Mr Chris Els was appointed Chief Financial Officer and Mr Mark Hancock transitioned to the role of Chief Commercial Officer. There were no other changes to KMP during this period.

Role of Remuneration Committee

The role of the Remuneration Committee is to advise the Board on Executive remuneration. The Committee makes recommendations to the Board on Executive remuneration arrangements, including where appropriate, all awards under the Long Term Incentive (LTI) plan, and approves the level of the Short Term Incentive (STI) award. The aim is to ensure that remuneration policies align to the long-term objectives of the Company and are fair and competitive.

The Remuneration Committee comprise the following Directors:

Remuneration Committee Members	
A. Carr	Committee Chair
C. Edwardes AM (Hon)	Committee Member
E. Davis	Committee Member

The Remuneration Committee meets throughout the year as required and, where Management input is required, Management attends by invitation. Refer to page 39 for the number of Committee meetings held during the year. Further information on the role of the Remuneration Committee can be found in the Company's Corporate Governance Statement.

2. EXECUTIVE REMUNERATION PRINCIPLES AND FRAMEWORK

The Atlas Board is responsible for ensuring that the remuneration arrangements for the Group are aligned with the overall business strategy and shareholders' interests. Compensation packages include a mix of fixed and variable compensation, as well as short-term and long-term incentives.

The Board is committed to driving alignment between the remuneration arrangements of its Executives and KMP within the expectations of our shareholders, its employees and the Company's sustainability.

The Company aims to reward Executives fairly and responsibly in accordance with the Australian market and ensure that the Group:

- provides competitive rewards that attract, retain and motivate Executives of the highest calibre;
- sets demanding levels of performance which are clearly linked to an Executive's remuneration;
- structures remuneration at a level that reflects the Executive's duties and accountabilities and is competitive within Australia and, where applicable, internationally;
- benchmarks remuneration against appropriate comparator groups;
- aligns Executive incentives with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

The following table illustrates how the remuneration strategy aligns with the strategic direction, and how the various elements of the remuneration arrangements for Executives are linked to performance.

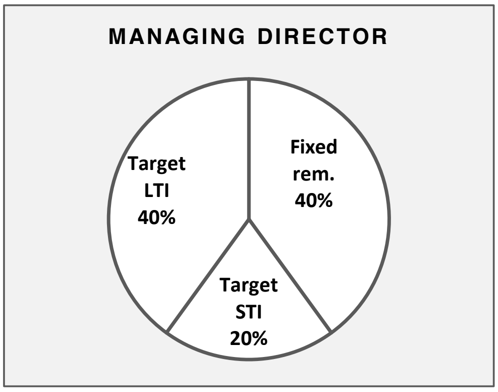
STRATEGIC PURPOSE			
To deliver mineral products that create value for our shareholders, our people, customers and the communities we operate within.			
REMUNERATION STRATEGY LINKAGE TO BUSINESS OBJECTIVES			
To align the interests of Executives with shareholders and to attract, motivate and retain high performing individuals.			
	FIXED REMUNERATION	**AT RISK SHORT TERM INCENTIVE (STI)**	**AT RISK LONG TERM INCENTIVE (LTI)**
Purpose:	To provide a competitive fixed remuneration element based on criticality of role, market and individual skills and experience.	To reward Executives for business success in achieving short term objectives and for their contribution to the achievements of the organisation as a whole.	To reward Executives for business success in achieving long term objectives and for their contribution to the achievements of the organisation as a whole.
Instrument:	Comprises of a base salary and statutory superannuation contributions.	Paid in cash.	Paid in equity.
Performance link:	Strategically aligned individual performance objectives are assessed annually during remuneration reviews.	The short term incentive plan is structured so an individual KPI achievement is required to be met to qualify for the overall corporate objectives. Corporate measures are to drive a focus on safety outcomes and cash earnings.	The long term incentive plan is linked to long term performance outcomes determined by the Board.

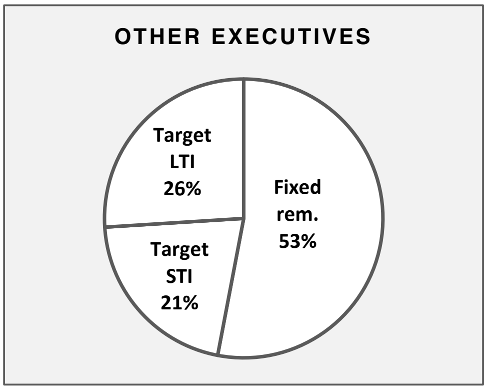
2.1 Elements of Executive remuneration

The remuneration arrangements for Executives consist of fixed remuneration, statutory superannuation, short term incentives and long term incentives. Market trends, strategic business objectives and shareholder interests are considered when determining the mix of remuneration and how each component will drive desired outcomes. Based on these considerations, the following summarises the target remuneration components for Atlas Executives for the 2017 financial year.

REMUNERATION REPORT (AUDITED)

Targeted remuneration mix:





2.1.1 Fixed remuneration

KMP's are provided a competitive fixed remuneration element based on criticality of role, market comparator data and individual skills and experience. Fixed remuneration consists of base pay and superannuation.

2.1.2 Short term incentive (STI) plan

In FY 2017 the STI plan is linked to an individual performance rating (**Personal Component**) and an overall corporate cash earnings objective with a safety requirement (**Corporate Component**). At the beginning of the financial year, targets were approved for the 2017 financial year, all of which aimed at driving business growth, generating efficiencies in cost and importantly driving shareholder value. The STI plan aims to drive the organisation to achieve its shorter term milestones that, in turn, provide the foundations for long term growth and thus, greater shareholder wealth.

Personal Component	Corporate Target
KMP's should be set personal KPIs and performance rating targets which must be achieved before an STI is awarded (Personal Component). If the minimum personal performance rating is not achieved then no STI is awarded to that individual irrespective of corporate target performance. The personal component has been designed to inspire and reward actual achievement of performance objectives by the individual KMP. KPIs are typically aligned to operating and corporate objectives in relation to each financial year, including leadership and safety. To be eligible for an award of STI, KMP must attain an Individual Performance Rating of not less than 2, on a scale from 1 to 3, where 3 reflects the highest level of performance achievable against the performance rating targets.	KMP are only eligible for the FY 2017 STI plan if the business achieves a certain positive cash generation measure (Earnings Performance Gateway). In the event that the Earnings Performance Gateway hurdle is not met, STI will not be awarded. The Earnings Performance Gateway is calculated as the Atlas realised selling price less Full Cash Costs including contractor profit share multiplied by tonnes sold in the period. The STI award will increase as Earning Performance and Total Recordable Injury Frequency Rate (TRIFR) improve. The STI target is set at the levels indicated below, however if all target performance criteria's are achieved and exceeded KMP's can earn up to an additional 45% of their STI entitlement. This can result in a total STI payment of up to 72.5% of TFR for the Managing Director and 58% for Other Executives in STI.

Target framework for FY2017 STI plan:

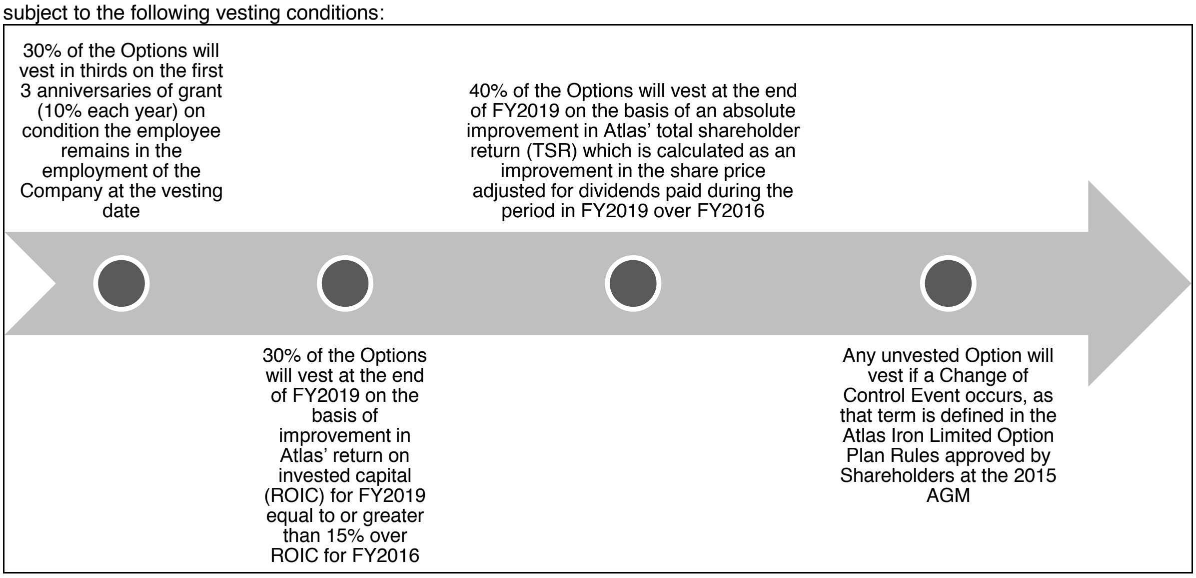
Personal Component
Individual Performance Rating ≥ 2

→

FY17 Corporate Target				
Earnings weighting - 80%			Safety weighting - 20%	
Earnings	**Component outcome**		**TRIFR**	**Component outcome**
$45.5m	50%		< 5.4	125%
			5.8	100%
$60.7m	100%	X	6.6	70%
			8.3	35%
$91.1m	150%		9.9	0%

2.1.3 Long term incentive (LTI) plan

Zero priced options were issued in FY17 pursuant to the employee share option plan approved at the 2015 AGM. The options are subject to the following vesting conditions:



The zero priced options percentage of Total Fixed Remuneration (TFR) issued for Executives is shown in the table below:

	Managing Director*	Other KMPs
LTI target % of TFR	-	50%

* The Company intends to seek shareholder approval to issue a number of zero priced options equal to 100% of Mr Lawrenson's TFR at the 2017 Annual General Meeting.

REMUNERATION REPORT (AUDITED)

2.2 Executive contractual arrangements

Remuneration arrangements and conditions of employment for Executives are formalised in Executive Service Agreements or Contracts of Employment.

The agreements relating to remuneration for the 2017 financial year are set out below:

	M.C. Lawrenson[1]	D. Harris[2]	D. Flanagan[3]	M. Hancock[4]	J. Sinclair[5]	T. Walsh[6]
TFR per annum (inclusive of superannuation)	$669,790	$818,783	$669,790	$492,750	$574,875	$450,000
Resignation notice	6 months	60 days	6 months	3 months	3 months	3 months
Termination notice for cause	None	None	None	None	None	None
Termination notice without cause	12 months	30 days	12 months	6 months	6 months	6 months
Termination in case of illness, injury or incapacity	3 months	None	3 months	3 months	3 months	3 months
STI target % of TFR FY 2017	50%	None	50%	40%	40%	40%
Maximum STI target % of TFR FY 2017	72.5%	None	72.5%	58%	58%	58%
Redundancy	NES*	NES*	NES*	Greater of 4 weeks for every year of service or 6 months	Greater of 4 weeks for every year of service or 6 months	Greater of 4 weeks for every year of service or 6 months

1 CEO and Managing Director from 16 January 2017.
2 CEO and Managing Director to 16 January 2017.
3 CEO and Managing Director – retired effective 5 August 2016.
4 Chief Financial Officer. After the reporting date and before the date the financial report was authorised for issue, Mr Hancock transitioned to the role of Chief Commercial Officer.
5 Chief Operations Officer.
6 Company Secretary. Executive Director from 5 August 2016 to 23 January 2017. From 13 February 2017, Mr Walsh has been engaged on a fixed term contract at a reduced TFR of $90,000 per annum. The contract, which expires on 31 August 2017, abridges Mr Walsh's notice period to four weeks.
* In line with National Employment Standards

Other retirement benefits may be provided directly by the Group if approved by shareholders.

2.3 Independent remuneration consultants

The Board determined to undertake an independent review of Board and executive remuneration for FY17, specifically covering:

- base salary, short-term incentives and long-term incentive for management; and
- cash and equity remuneration levels for the non-employee members of the Board.

This independent review was completed by Lyons, Benenson & Company Inc. (Lyons), an independent remuneration consultant, in August 2016.

Throughout FY17, Lyons was paid US$76,933 in total for services rendered in relation to Board and Executive remuneration.

The engagement of Lyons by the Remuneration Committee was based on the Company's policy for retaining remuneration consultants, contained in the Remuneration Committee Charter (prior to September 2016, in the Remuneration and Nominations Committee Charter). The Charter provides, inter alia, that the Remuneration Committee must:

- ensure that the remuneration consultant is sufficiently independent and that the Committee has set aside sufficient time to ensure such independence;
- review the appointment of the remuneration consultant each year, having regard to their independence, competence to provide unbiased advice, consultancy fees, and any question of resignation or dismissal; and
- ensure that no Executive Director is provided with any recommendation(s) from the remuneration consultant (whether such executive director is a member of the Committee or otherwise).

The Remuneration Committee Charter is available from Atlas' website.

REMUNERATION REPORT (AUDITED)

The Group's policy on remuneration consultants was implemented to ensure that the remuneration consultant would be able to carry out its work, including information capture and the formation of its recommendations, free from undue influence by members of the Remuneration Committee. The terms on which Lyons was engaged by the Group is reflective of the Group's policy.

The Board is satisfied that the remuneration review was conducted by Lyons free from undue influence by members of the key management personnel about whom Lyons' recommendations may relate.

The Board undertook its own inquiries and review of the processes and procedure followed by Lyons during the course of its assignment, and is satisfied that the remuneration review was conducted free from undue influence.

2.4 Non-Executive Director remuneration

The key principle underpinning Non-Executive Director (**NED**) remuneration is the need to attract high calibre and resilient Directors to direct the current business and into the future.

The Board's policy is to periodically review its approach to NED remuneration and seeks independent advice to ensure its NED fees remain competitive with other similarly sized mining production companies listed on the ASX.

No element of NEDs remuneration is linked to the performance of the Company as Directors' fees are the only form of remuneration for the NEDs. However, to create alignment with shareholders, NEDs are encouraged to hold equity securities in the Company. At the date of this report some NEDs hold some form of equity securities in the Company. All Directors are subject to the Company's "Securities Trading Policy".

The Company makes superannuation contributions on behalf of the NEDs in accordance with its statutory superannuation obligations, and each Director may sacrifice part of their fee for a further superannuation contribution by the Company.

NED fees are not paid to the Managing Director or any other Executive Director as the time spent on Board work and the responsibilities of Board membership are considered in determining the remuneration package provided as part of normal employment conditions. The total remuneration paid to, or in respect of, each NED during the year is set out in this report.

No Director receives additional fees for his or her role on a Committee.

REMUNERATION REPORT (AUDITED)

3. DIRECTORS' AND EXECUTIVE REMUNERATION FOR THE FINANCIAL YEAR

Details of the nature and amount of each major element of remuneration of each Director of the Company and KMPs are:

	Short-term employee benefits				Post-employment benefits		Accounting value of long term benefits (Non-Cash)			Total $	% of remuneration performance based
	Salary & fees	STI (1)	Short-term compensated absences	Other	Super-annuation	Termination benefit	Movement in long service leave provision	Rights	Options (2)		STI and Rights
Directors											
Non-executive directors											
Eugene Davis - Chairman											
2017	200,000	-	-	-	-	-	-	-	-	200,000	0%
2016	26,456	-	-	-	-	-	-	-	-	26,456	0%
Cheryl Edwardes (Hon) - Director											
2017	135,014	-	-	-	12,826	-	-	-	-	147,841	0%
2016	165,546	-	-	-	15,727	-	-	-	-	181,273	0%
Alan Carr - Director											
2017	150,000	-	-	-	-	-	-	-	-	150,000	0%
2016	22,984	-	-	-	-	-	-	-	-	22,984	0%
Daniel Harris - Director effective 16 January 2017											
2017	62,500	-	-	-	-	-	-	-	-	62,500	0%
2016	-	-	-	-	-	-	-	-	-	-	0%
Executive directors											
Cliff Lawrenson (CEO and Managing Director - effective 16 January 2017)											
2017	281,176	219,517	19,551	-	26,712	-	-	-	301,406	848,360	61%
2016	-	-	-	-	-	-	-	-	-	-	0%
Daniel Harris - (CEO and Managing Director to 15 January 2017)											
2017	454,858	-	-	57,285	43,212	-	-	-	-	555,355	0%
2016	30,206	-	-	-	-	-	-	-	-	30,206	0%
David Flanagan (CEO and Managing Director 11 June 2015, retired effective 5 August 2016)											
2017	64,369	-	-	-	31,688	268,992	-	-	-	365,049	0%
2016	627,576	94,254	-	-	59,620	-	-	-	564,606	1,346,056	49%
Tony Walsh (Company Secretary)											
2017	215,961	-	10,592	-	24,143	-	-	-	-	250,696	0%
2016	294,688	36,364	(993)	-	28,246	-	-	-	303,466	661,770	51%
Key Management Personnel (KMP)											
Mark Hancock (Chief Financial Officer)											
2017	462,750	285,795	1,310	-	30,000	-	13,000	-	96,086	888,941	43%
2016	462,750	55,473	6,833	-	30,000	-	45,538	75,562	332,295	1,008,450	46%
Jeremy Sinclair (Chief Operations Officer)											
2017	544,459	333,428	5,419	-	36,336	-	34,000	-	112,101	1,065,743	42%
2016	461,671	55,373	5,590	-	30,000	-	48,878	74,142	331,695	1,007,348	46%
Total											
2017	**2,571,088**	**838,739**	**36,872**	**57,285**	**204,917**	**268,992**	**47,000**	**-**	**509,592**	**4,534,485**	**30%**
2016	**2,518,809**	**241,464**	**120,485**	**14,605**	**215,205**	**790,232**	**164,137**	**149,704**	**1,532,061**	**5,746,702**	**33%**

Superannuation is paid on salaries, fees and STI.

(1) Comprises STI awarded based on current year performance.

(2) Accounting fair value of employee share options at grant date. Actual value to the individuals will depend on the Atlas share price at date of exercise or sale.

3.1 Directors' fees

Directors' fees for the financial year (including superannuation payments) are as follows:

Director Fees (including superannuation)	$
Chairman	200,000
Non-Executive Directors	150,000

3.2 Analysis of incentives included in remuneration

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee has regard to the following measures in respect of the current financial year and the previous four financial years:

	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13
Profit/(loss) attributable to owners of the company ($'000)	47,981	(159,014)	(1,377,689)	17,437	(241,886)
Underlying profit/(loss) after tax * (unaudited) ($'000)	30,841	(57,694)	(240,168)	18,590	(73,193)
Cash earnings ($'000)**	99,306	40,230	(109,449)	115,542	12,083
Change in share price ($)	-	(0.11)	(0.51)	(0.10)	(1.27)
Ore shipped (wmt) – mtpa	14.4	14.5	12.2	10.9	7.4
Basic earnings per share (cents per share)	0.52	(4.5)	(150.1)	1.6	(27.0)
Dividend (cents per share)	-	-	-	2.0	3.0
TRIFR	3.73	8.69	7.36	6.69	9.37

* Note that the underlying profit (non-IFRS measure) was a measure introduced for the year ended 30 June 2012 to better reflect the performance of the Group.

** Cash earnings is a measure introduced for the year ended 30 June 2017. (Average price per tonne received including impact of iron ore hedges less Full Cash Costs times by tonnes shipped).

3.2.1 Short Term Incentives – performance and outcomes for FY2017

Details of the Group's policy and FY17 target framework in relation to the proportion of remuneration that is performance related is discussed in paragraph 2.1.

At 30 June 2017, the minimum Earnings Performance Gateway was met with Cash Earnings for the period of AU$99.3 million. The TRIFR for the period was 3.73 resulting in a maximum payout of 145% of the target STI.

Details of the portion of the maximum STI that were earned and forfeited in relation to the 2017 financial year is detailed below:

	Included in remuneration (inclusive of superannuation) $	Earned during 2017 as % of Target STI	Forfeited during 2017
Mark Clifford Lawrenson	219,517	145%	0%
Mark Hancock	285,795	145%	0%
Jeremy Sinclair	333,428	145%	0%
Tony Walsh	-	145%	100%

Mr Walsh is on a fixed term contract expiring on 31 August 2017 and is not eligible to receive his STI entitlement.

4. EQUITY INSTRUMENT DISCLOSURES

All rights and options refer to rights and options over ordinary shares of Atlas Iron Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan.

4.1 Modification of terms of equity settled share-based transactions

No terms of options or rights have been altered or modified by the issuing entity during the year or the prior year.

4.2 Securities trading policy

Atlas' Securities Trading Policy prohibit employees, who are participants in any equity-based incentive plan established by Atlas, from entering into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of the securities or rights allocated under the plans during the period prior to vesting or the end of any restrictions imposed on the securities or rights or otherwise prior to the date of exercise of any securities. The Policy also impose so-called 'blackout periods' during which KMP and certain other employees of Atlas are prohibited from trading in the Company's securities.

Atlas' Securities Trading Policy is available on Atlas' website.

REMUNERATION REPORT (AUDITED)

4.3 Board policy in relation to hedging unvested equity

The Board limits employees from entering into transactions that limit the economic risk of participating in unvested employee entitlements. Each Employee Share Option Plan (ESOP) option and right is personal to the holder and is not transferable, transmissible, assignable or chargeable without permission of the Board. Without prior approval and subject to compliance with the Corporations Act 2001, Directors and Key Management Personnel should not enter into agreements that provide lenders with rights over their interests in the Company's shares and options, such as the disposal of the Company's shares or options, that is the result of a secured lender exercising its right. Before entering into such arrangements, Directors and senior management must receive clearance from the Board. The LTIP rules state that an employee must not transfer, assign, dispose of or grant any security interests over or otherwise deal with any rights.

4.4 Analysis of options granted as compensation

Details of options over ordinary shares in Atlas Iron Limited that were granted during FY 2017 as compensation to Directors, Executives and Key Management Personnel and other Officers are as follows:

	Grant Date	No. of Options Granted During FY 2017	**Vesting Date	Fair Value at Grant Date*	Exercise Price per Option	Expiry Date	Number of Options Vested During FY 2017
Executives							
Mark Hancock	1/11/2016	24,637,500	-	288,259	0.00	23/11/2021	-
Jeremy Sinclair	1/11/2016	28,743,750	-	336,302	0.00	23/11/2021	-

* The fair value of options granted during the year is calculated at grant date using the closing share price.

** The options are subject to the following vesting conditions:

(i) 30% of the Options will vest in thirds on the first 3 anniversaries of grant (10% each year) on condition the employee remains in the employment of the Company at the vesting date;

(ii) 30% of the Options will vest at the end of FY2019 on the basis of improvement in Atlas' return on invested capital (ROIC) for FY2019 equal to or greater than 15% over ROIC for FY2016;

(iii) 40% of the Options will vest at the end of FY2019 on the basis of an absolute improvement in Atlas' total shareholder return (TSR) in FY2019 over FY2016;

(iv) Any unvested Option will vest if a Change of Control Event occurs, as that term is defined in the Atlas Iron Limited Option Plan Rules approved by Shareholders at the 2015 AGM.

The options were provided at no cost to the recipients. Valuation assumptions are disclosed in Note 4 of the financial statements.

The Company intends to grant options to Mr Lawrenson under the FY17 Long Term Incentive Plan, subject to shareholder approval at the Company's 2017 AGM. The Company will make cash payments to Mr Lawrenson approximating the value and timing of FY17 Long Term Incentive Plan instalments should shareholder approval not be forthcoming at the 2017 AGM. As the options are still subject to shareholder approval and cash settled if unapproved, the options have been valued at the closing share price as at 30 June 2017 and expensed on that basis. If shareholder approval is received the fair value of the options granted to Mr Lawrenson will be calculated as at the effective grant date in February 2017 which equalled a total fair value of $2,170,120.

All options expire on their expiry date or can be forfeited on termination of the individual's employment.

4.5 Exercise of options granted as compensation

During the reporting period, the following shares were issued to KMPs on the exercise of zero priced incentive options previously granted as compensation:

	Number of shares	Amount paid per share $
Executives		
David Flanagan*	20,911,333	0.00
Jeremy Sinclair	6,000,000	0.00

* Resignation effective 5 August 2016.

There were no amounts unpaid on the shares issued as a result of the exercise of the options in FY 2017.

REMUNERATION REPORT (AUDITED)

4.6 Analysis of movement in options

The movement during FY 2017, by value of options over ordinary shares granted in Atlas Iron Limited as remuneration held by each of the Directors and Executives is detailed below:

	No of Options Granted (A)	Value of Options Granted (B) $	Value of Options Exercised (C) $	Value of Options Disposed (C) $	Value of Options Lapsed $
Directors					
Eugene Davis	-	-	-	-	-
Mark Clifford Lawrenson**	-	-	-	-	-
Alan Carr	-	-	-	-	-
Hon. Cheryl Edwardes (AM)	-	-	-	-	-
Daniel Harris	-	-	-	-	-
David Flanagan*	-	-	221,660	-	-
Executives					
Mark Hancock	24,637,500	288,259	-	-	-
Jeremy Sinclair	28,743,750	336,302	67,200	-	-
Tony Walsh	-	-	-	-	-
Total	**53,381,250**	**624,561**	**288,860**	**-**	**-**

(A) Includes options granted as remuneration.
(B) The value of options granted as remuneration during the year is the fair value of the options calculated at grant date using closing share price.
(C) The value of options exercised, or disposed of, during the year is calculated as the market price of the shares of the Group calculated as the 5 day VWAP as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
* Resignation effective 5 August 2016.
** The Company intends to grant 66,979,000 options to Mr Lawrenson under the FY17 LTIP, subject to shareholder approval at the Company's 2017 AGM.

4.7 Option holdings of Directors and Key Management Personnel

	Balance at beginning of year 1 July 2016	Options Granted (A)	Options Exercised	Other (B)	Held at 30 June 2017 (vested & exercisable)	Held at 30 June 2017 (Unvested)
Directors						
Eugene Davis	-	-	-	-	-	-
Mark Clifford Lawrenson**	-	-	-	-	-	-
Alan Carr	-	-	-	-	-	-
Hon. Cheryl Edwardes (AM)	200,000	-	-	(200,000)	-	-
Daniel Harris	-	-	-	-	-	-
David Flanagan*	24,911,333	-	(20,911,333)	(4,000,000)	-	-
Executives						
Mark Hancock	7,907,211	24,637,500	-	(600,000)	7,307,211	24,637,500
Jeremy Sinclair	6,000,000	28,743,750	(6,000,000)	-	-	28,743,750
Tony Walsh	-	-	-	-	-	-
Total	**39,018,544**	**53,381,250**	**(26,911,333)**	**(4,800,000)**	**7,307,211**	**53,381,250**

(A) Includes options granted as remuneration.
(B) Options acquired pursuant to the Company's 2015 Prospectus lapsed on 30 June 2017.
* Resignation effective 5 August 2016.
** The Company intends to grant 66,979,000 options to Mr Lawrenson under the FY17 LTIP, subject to shareholder approval at the Company's 2017 AGM.

REMUNERATION REPORT (AUDITED)

4.8 Shareholdings of Directors and Key Management Personnel

	Balance at beginning of year 1 July 2016	Shares Purchased	Shares acquired on vesting of LTIP or exercise of option	Shares sold	Shares held at appointment/ departure	Held at 30 June 2017
Directors						
Eugene Davis	-	-	-	-	-	-
Mark Clifford Lawrenson	-	-	-	-	193,124	193,124
Hon. Cheryl Edwardes (AM)	208,100	-	-	-	-	208,100
Alan Carr	-	-	-	-	-	-
Daniel Harris	-	-	-	-	-	-
David Flanagan*	6,840,000	-	20,911,333	-	(27,751,333)	-
Executives						
Mark Hancock	1,154,734	-	-	-	-	1,154,734
Jeremy Sinclair	25,214	-	6,000,000	-	-	6,025,214
Tony Walsh	-	-	-	-	-	-
Total	**8,228,048**	**-**	**26,911,333**	**-**	**(27,558,209)**	**7,581,172**

* Resignation effective 5 August 2016.

4.9 Historical Performance Rights and Share Appreciation Rights

No Performance Rights (PRs) or Share Appreciation Rights (SARs) over ordinary shares in Atlas Iron Limited that were issued prior to FY 2017 are still held by KMP at 30 June 2017:

Number of PRs	PRs held at the beginning of year 1 July 2016	PRs Granted during 2017	Forfeited	Vested	Other	PRs at the end of year 30 June 2017
Executives						
Mark Hancock	227,712	-	(227,712)	-	-	-
Jeremy Sinclair	223,433	-	(223,433)	-	-	-
Total	**451,145**	**-**	**(451,145)**	**-**	**-**	**-**

Number of SARs	SARs held at the beginning of year 1 July 2016	SARs Granted during 2017	Forfeited	Vested	Other	SARs at the end of year 30 June 2017
Executives						
Mark Hancock	539,726	-	(539,726)	-	-	-
Jeremy Sinclair	529,584	-	(529,584)	-	-	-
Total	**1,069,310**	**-**	**(1,069,310)**	**-**	**-**	**-**

All SARs and PRs were forfeited due to the performance criteria not being met over the vesting period.

REMUNERATION REPORT ENDS HERE.

DIRECTORS' MEETINGS

Attendance of Directors' meetings held during the year are set out below:

	Directors' Meetings		Audit and Risk Committee		Remuneration Committee		Nomination and Governance Committee	
	A	B	A	B	A	B	A	B
Eugene Davis	15	15	-	-	1	1	1	1
Mark Clifford Lawrenson	6	6	-	-	-	-	-	-
Alan Carr	15	15	3	1	1	1	1	1
Hon. Cheryl Edwardes (AM)	15	15	3	3	1	1	1	1
Daniel Harris	15	15	3	3	-	-	1	1
David Flanagan	1	1	-	-	-	-	-	-
Tony Walsh	8	8	-	-	-	-	-	-

A - Number of meetings held during the time the Director held office during the year.
B - Number of meetings attended.

CORPORATE STRUCTURE
The Group is an Australian listed public group limited by shares domiciled in Australia. The Group has prepared a consolidated financial report to include entities that it controlled during the financial years as shown in Note 28 of the financial statements.

ROUNDING
The Group is of the kind specified in ASIC Corporations (Rounding in Financial/Directors' Report) Instruments 2016/191. In accordance with the class order, amounts in this report and in the financial report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

AUDITOR INDEPENDENCE
The auditor's independence declaration is set out on Page 40 and forms part of the Directors' Report for the financial year ended 30 June 2017.

NON-AUDIT SERVICES
Non-audit services provided by the Group's auditor, KPMG, and associated entities, during the year ended 30 June 2017 are disclosed in Note 24 to the financial statements. The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatibility with and did not compromise, the auditor independence requirements of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to S298(2) of the *Corporations Act 2001.*

Mark Clifford Lawrenson
Managing Director
Perth, 28 August 2017

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 audit of Atlas Iron Limited for the financial year ended 30 June 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

T Hart
Partner
Perth
28 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
Revenue		871,051	785,755
Operating costs	2	(787,543)	(773,986)
Gross profit		**83,508**	11,769
Other income	6	16,844	12,426
Exploration and evaluation expense		(3,482)	(3,526)
Impairment loss	3	(1,041)	(97,098)
Share of loss of equity accounted investees		-	(106)
Loss on listed investments		(24)	-
Loss on financial instruments		(22,711)	(5,863)
Depreciation and amortisation		(1,472)	(2,763)
Gain/(loss) on disposal of plant and equipment and liabilities		6,999	(349)
Administrative expenses	5	(18,395)	(24,152)
Other expenses	7	(1,345)	(7,707)
Results from operating activities		**58,881**	(117,369)
Finance income	8	1,021	1,116
Finance expense	8	(13,648)	(35,143)
Gain/(loss) on foreign exchange	8	1,727	(13,100)
Gain on debt restructure	8,17	-	5,482
Net finance expense		**(10,900)**	(41,645)
Profit/(loss) before income tax		**47,981**	(159,014)
Tax expense	9	-	-
PROFIT/(LOSS) FOR THE YEAR		**47,981**	(159,014)
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Share of associates' movements in foreign currency translation reserve		-	(39)
Other comprehensive income/(loss) for the year		**-**	(39)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE GROUP		**47,981**	(159,053)
Profit/(Loss) per share			
Basic profit/(loss) per share (cents per share)	23	0.52	(4.53)
Diluted profit/(loss) per share (cents per share)	23	0.51	(4.53)

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

AS AT 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	20(b)	80,769	80,853
Trade and other receivables	10	41,421	36,509
Prepayments		1,356	13,368
Financial assets		1,070	1,865
Inventories	11	19,094	16,728
TOTAL CURRENT ASSETS		**143,710**	149,323
NON-CURRENT ASSETS			
Other receivables	10	6,015	5,029
Property, plant and equipment	12	84,351	96,579
Intangibles		281	696
Mine development costs	13	268,788	297,660
Evaluation expenditure - reserve development	14	4,592	21,340
Mining tenements	15	62,499	62,594
TOTAL NON-CURRENT ASSETS		**426,526**	483,898
TOTAL ASSETS		**570,236**	633,221
CURRENT LIABILITIES			
Trade and other payables	16	66,049	64,346
Interest bearing loans and borrowings	17	2,775	3,632
Employee benefits		1,097	1,235
Provisions	18	10,019	9,602
Financial liabilities		-	2,600
TOTAL CURRENT LIABILITIES		**79,940**	81,415
NON-CURRENT LIABILITIES			
Trade and other payables	16	822	6,822
Interest bearing loans and borrowings	17	101,978	185,716
Employee benefits		1,093	782
Provisions	18	64,155	88,820
TOTAL NON-CURRENT LIABILITIES		**168,048**	282,140
TOTAL LIABILITIES		**247,988**	363,555
NET ASSETS		**322,248**	269,666
EQUITY			
Share capital	19(a)	2,203,203	2,197,388
Reserves		40,816	42,030
Accumulated losses		(1,921,771)	(1,969,752)
TOTAL EQUITY		**322,248**	269,666

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2017

	Share capital $'000	Share-based payments reserve $'000	Accumulated (losses) $'000	Total equity $'000
BALANCE AT 1 JULY 2016	**2,197,388**	**42,030**	**(1,969,752)**	**269,666**
Total comprehensive income for the year				
Profit for the year	-	-	47,981	**47,981**
Total comprehensive income for the year, net of tax	-	-	**47,981**	**47,981**
Contributions by and distributions to owners of the Group				
Issue of ordinary shares through debt restructure	3,132	-	-	**3,132**
Issue of ordinary shares through tenement acquisition	1,000	-	-	**1,000**
Share based payment transactions	-	469	-	**469**
Transfers from share based payments	1,683	(1,683)	-	**-**
Total transactions with owners of the Company	5,815	(1,214)	-	**4,601**
BALANCE AT 30 JUNE 2017	**2,203,203**	**40,816**	**(1,921,771)**	**322,248**

YEAR ENDED 30 JUNE 2016

	Share capital $'000	Share-based payments reserve $'000	Associate's reserve $'000	Accumulated (losses) $'000	Other Equity $'000	Total equity $'000
BALANCE AT 1 JULY 2015	**1,991,630**	**30,045**	**(363)**	**(1,810,738)**	**10,086**	**220,660**
Total comprehensive loss for the year						
Loss for the year	-	-	-	(159,014)	-	(159,014)
Total other comprehensive loss	-	-	(39)	-	-	(39)
Total comprehensive loss for the year, net of tax	-	-	**(39)**	**(159,014)**	-	**(159,053)**
Contributions by and distributions to owners of the Group						
Issue of ordinary shares and options through debt restructure	124,354	9,273	-	-	-	133,627
Issue of ordinary shares through capital raising (net of costs)	78,593	-	-	-	(10,086)	68,507
Issue of ordinary shares through tenement acquisition	250	-	-	-	-	250
Treasury shares	65	-	-	-	-	65
Share based payment transactions	-	5,208	-	-	-	5,208
Transfers from share based payments	2,496	(2,496)	-	-	-	-
Derecognition of associate on loss of significant influence	-	-	402	-	-	402
Total transactions with owners of the Company	205,758	11,985	402	-	(10,086)	**208,059**
BALANCE AT 30 JUNE 2016	**2,197,388**	**42,030**	**-**	**(1,969,752)**	**-**	**269,666**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Cash receipts from customers		890,262	754,155
Payments to suppliers and employees		(733,655)	(720,379)
Interest received		772	854
Payments for expenditure on exploration and evaluation activities		(3,482)	(3,525)
NET CASH FLOWS FROM OPERATING ACTIVITIES	20(a)	**153,897**	31,105
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,743)	(605)
Payments for mine development		(4,493)	(9,777)
Payments for intangible assets		-	(81)
Payment for reserve development costs		(3,412)	(4,750)
Loan to joint venture		(259)	(264)
Net proceeds received from sale of tenements		2,530	-
Proceeds from release of bank guarantees		2,777	91
Proceeds from other entities including associated entities		-	27
Stamp duty paid in relation to acquisition of tenements		-	(2,581)
Net payments for financial instruments		(24,678)	(5,467)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(29,278)**	(23,407)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Debt restructure costs		(1,241)	(16,104)
Repayment of Term Loan B		(79,385)	(16,938)
Transfer to reserve account		(20,000)	-
Interest payments on borrowing facilities		(9,233)	(29,537)
Proceeds from royalty assistance program		-	21,511
Repayment of royalty assistance program		(12,292)	(6,147)
Proceeds from issue of shares (net of costs)		-	46,584
Repayment of finance lease		(1,525)	(1,292)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(123,676)**	(1,923)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**943**	5,775
Cash and cash equivalents at 1 July		80,853	73,305
Effect of exchange rate changes on cash and cash equivalents		(1,027)	1,773
CLOSING CASH AND CASH EQUIVALENTS	20(b)	**80,769**	80,853

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Atlas Iron Limited for the year ended 30 June 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 28 August 2017.

(a) Basis of preparation

Statement of compliance
This general purpose financial report has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Group complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for the following items measured at fair value:

- share-based payment transactions;
- financial instruments at fair value through profit or loss; and
- derivative and other financial instruments.

Functional and presentation currency
The consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instruments 2016/191, and, in accordance with that Corporations Instrument, amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Going Concern
The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the discharge of liabilities in the ordinary course of business.

As at 30 June 2017, the Company has net assets of AU$322.2 million and positive net current assets of AU$63.8 million.

In May 2016, the Company successfully completed the restructure of its Term Loan B (TLB). Refer Note 17 for further details.

In March 2017, the TLB was amended whereby:

- after the March, June and September 2017 quarters, the Company is entitled to transfer cash in excess of AU$80 million to a dedicated reserve account, subject to a cap of AU$20 million per quarter and AU$45 million in aggregate;
- the reserve account funds may be drawn upon until 30 June 2018 to keep its cash balance above AU$60 million; and
- at 30 June 2018, any undrawn funds will be swept to the lenders to repay any remaining TLB liability.

As consideration for the TLB amendment:

- Atlas issued 107,991,355 ordinary shares to its TLB lenders;
- Atlas will now pay all of its TLB interest in cash; and
- TLB principal was due to be increased by a maximum of US$2.3M unless the facility was refinanced or repaid within 120 days of the amendment effective date of 30 March 2017. The refinancing timeline expired subsequent to year-end on 28 July 2017 and resulted in an increase to the loan payable of US$1.7 million. A full review of the amendment and key changes in terms appear in Note 17 to the financial statements.

As at 30 June 2017 Atlas has swept AU$20 million to the reserve account and the restructured debt remains in good standing and Atlas is in compliance with all obligations. The Company's net debt position (cash, cash equivalents and cash reserve less drawn debt facilities) was AU$8.2 million (30 June 2016: AU$108.5 million).

The Company prepares rolling 12-month cash flow forecasts. The cash flow forecast to August 2018 (the forecast period) has a positive working capital balance throughout that period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Forecast iron ore prices received (grade adjusted, net of discount) for the forecast period of between AU$53 and AU$74 per dmt). The USD 62% Fe CFR China price and the AU$:US$ foreign exchange rate has been independently sourced.
- Estimated sale of 11.3 million tonnes for the 14 month period ended 31 August 2018.
- Final repayment of royalty relief in September 2017 (AU$3.1 million) during the period.

The cash flow forecast to August 2018 is highly dependent upon the realised AUD iron ore price and the achievement of forecast operating cost and production outcomes.

To illustrate the sensitivity to the iron ore price, a downward movement in the independent forecasters forward prices of 5% would result in a net reduction in forecast working capital (inclusive of cash) of approximately AU$12.5 million by the end of August 2018 resulting in a forecast working capital balance of AU$26.8 million and cash balance of AU$44.4 million (assuming no change in the assumed US$:AU$ exchange rate) as at 31 August 2018.

The Directors believe that the cash flow forecasts are reasonable with respect to all material factors. On this basis, the going concern basis of preparation has been adopted. The cash flow forecasts are highly sensitive to movements in the Australian dollar iron ore price which continue to be volatile in a challenging global iron ore market. A material uncertainty relates to the risk of a sustained decline from forecast prices during the forecast period or the production and cost assumptions contained in the forecast do not eventuate.

Should the key assumptions of the cash flow forecast not be achieved, the Company may breach the requirements of its Term Loan B. The Company may then be required to renegotiate terms with its lenders or source additional funds through debt or equity markets. In this regard, the Directors would review other funding options, such as unsecured debt, convertible notes and offtake agreements with financing elements. The ability to renegotiate terms or access sufficient funds in this way represents a material uncertainty.

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.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Atlas Iron Limited and its subsidiaries together with the Group's share of joint arrangements and associates accounted for as described below.

(i) Subsidiaries

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements all intergroup balances and transactions, income, expenses, unrealised gains/losses and profit or loss, resulting from intergroup transactions, have been eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Groups' interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Investment in joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is defined as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Interests in joint ventures are accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. An impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(iii) Investment in joint operation

A joint operation is an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognise all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

(c) Changes in accounting policy

Atlas has adopted all of the new and revised Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of Atlas and effective for reporting periods beginning on or after 1 July 2016 however none of the new standards had a significant impact the annual consolidated financial statements of the Group.

(d) Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, production costs and foreign exchange rates along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The Group estimates and reports ore reserves under the principles contained within the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (Revised 2012), known as the JORC Code, which is prepared by the Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, provision for rehabilitation, and depreciation and amortisation charges.

Units of production depreciation

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Refer to Note 1(i) for the accounting policy on production stripping.

Provision for rehabilitation costs

The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases/decreases and changes in discount rates (2017: 2.49% (2016: 2.55%)). Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at balance date represents management's best estimate of the present value of the future rehabilitation costs required.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Production start date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include:

- completion of a reasonable period of testing of the mine plant and equipment;
- ability to process iron ore in saleable form; and
- ability to sustain ongoing mining and processing of iron ore.

When a mine development project moves into the production stage, the capitalisation of certain mine development costs ceases and costs are either regarded as inventory or expensed, except for costs related to mining asset additions or improvements and mineable reserve development, which are capitalised. It is also at this point that depreciation/amortisation commences.

Impairment of assets
The Group assesses each asset or cash generating unit (CGU) at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. Recoverable amount is determined as the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 3.

Deferred taxation
Deferred income tax assets are only recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

(e) Determination of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value of an asset or liability, the Group uses market observable data as far as possible.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Refer to Note 27.

(f) Property, plant and equipment
Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. The cost of plant and equipment constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads that are directly attributable to the construction of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and comprehensive income during the financial period in which they are incurred.

Depreciation
Land is not depreciated but is subject to impairment.

Depreciation of buildings is calculated on a straight-line basis so as to write off the net costs over the expected useful life. The depreciation rate for buildings is between 5% and 10% per annum.

Depreciation of plant and equipment is calculated on a straight-line basis so as to write off the net costs of each asset over the expected useful life or the estimated life of the associated mine, if shorter. The rates vary between 5% and 40% per annum.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income

(g) Impairment of assets

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that occurred after the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset and that effect can be estimated reliably.

The Group considers evidence for impairment at the specific asset and collective level of assets with similar risk characteristics. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original interest rate. All impairment losses are recognised in the profit or loss.

Non-financial assets
The carrying amount of the Group’s non-financial assets, other than inventories and deferred taxes, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Intangible assets that have indefinite lives are tested annually for impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of assets or groups of assets (cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss given the Group has no goodwill. Any impairment losses recognised in respect of CGUs reduces the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed that carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Exploration and evaluation costs / mining tenements capitalised

Exploration and evaluation costs on an area of interest are written off in the year they are incurred if there is no expectation of commercial viability, apart from acquisition costs, which are carried forward where right of tenure of the area of interest is current, and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Evaluation expenditure on an area of interest, where commercial viability has been established, is capitalised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where an area of interest is abandoned, or the Directors decide that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Exploration and evaluation assets are transferred to development costs once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively sale of the respective area of interest.

Impairment testing of exploration and evaluation assets
Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:
- The term of exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest. The Group performs impairment testing in accordance with accounting policy Note 1(g).

(i) Mine development costs
Development expenditure relates to costs incurred to access a mineral resource. It represents those costs incurred after the technical feasibility and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production).

Significant factors considered in determining the technical feasibility and commercial viability of the project are the completion of a feasibility study, the existence of sufficient proven and probable reserves to proceed with development and approval by the Board of directors to proceed with development of the project.

Development costs include direct and indirect costs associated with mine infrastructure, pre-production development costs, development excavation, project execution costs and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment. The definition of an area of interest is the area serviced by a given mining operations centre.

Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development stripping (i.e. overburden and other waste removal). The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are capitalised as development costs. Capitalisation of development stripping costs ceases when commercial production commences.

Development costs are carried forward in respect of areas of interest in the development phase until commercial production commences. When commercial production commences, carried forward development costs are amortised on a units of production basis over the life of economically recoverable reserves of the area of interest. The Group assesses future capital costs required to bring existing reserves into production and includes an estimate of these costs in the base when calculating amortisation expense.

Development assets are assessed for impairment if an impairment trigger is identified. For the purposes of impairment testing, development assets are allocated to CGUs to which the development activity relates.
Production stripping
Removal of waste material normally continues after commercial production commences and throughout the life of a mine. This activity is referred to as production stripping. The costs of production stripping are capitalised.

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, production stripping costs are accounted for separately by reference to the ore from each separate pit. If however, the pits are highly integrated for the purpose of mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. The amount of stripping costs deferred is based on the ratio of waste

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

tonnes mined and ore tonnes mined. Amortisation of the production stripping asset takes place on a unit of production based on the identified component of the ore body which is mined. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g. tonnes) of waste to be stripped and ore to be mined in each of these components. The Group assesses future production stripping costs required to bring existing reserves into production and includes an estimate of these costs in the base when calculating amortisation expense.

(j) Care and maintenance

When a mine moves into the care and maintenance stage, the costs of maintaining the mine are expensed in the period as incurred unless there are future economic benefits for other operating mines.

(k) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, transfer to the Group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in the profit or loss on a straight line basis over the lease term.

(l) Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Atlas Iron Limited.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Employee benefits

Employee benefits are expensed in the profit or loss and provisions are made for benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, long service leave and related on-costs such as superannuation, workers compensation and payroll tax. The Group's

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

superannuation is a defined contribution plan under which fixed contributions are made to a superannuation fund with no further legal or constructive obligation to pay.

A liability is recognised for the amount expected to be paid under short-term bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on corporate bonds, which have terms to maturity approximating the terms of the related liability, are used.

Share-based payments
The Group provides benefits to employees (including Executive Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’). Share-based compensation benefits are provided to employees via the Long-Term Incentive Plan (subject to shareholder approval for Executive Directors). Information relating to these plans is set out in Note 4.

The cost of the equity-settled option transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using a Black-Scholes option pricing model.

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:
- (i) the extent to which the vesting period has expired; and
- (ii) the number of options and rights that, in the opinion of the Directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, no further expense is recognised. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

The Employee Share Plan is administered by the Atlas Iron Employee Share Trust, which is consolidated in accordance with the principals in Note 1(b). Under the Employee Share Plan, shares issued by the Atlas Iron Employee Share Trust vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee expense with a corresponding increase in equity.

The Salary Sacrifice and Matched Share Plan allow participants to salary sacrifice certain amounts per annum from their pre-tax salary. Atlas will match the salary sacrifice shares on a one for one basis, with shares purchased by the Atlas Iron Employee Share Trust.

The matched shares do not vest until the participants have completed a specified service condition, management deem that services are to be rendered over a three year period. The participants become unconditionally entitled to the shares at the end of the three year period. The employees have no beneficial entitlement to the matched shares until they are awarded.

Service vesting conditions (which are non-market conditions) and non-market performance conditions are not incorporated into the grant date fair value calculation of the Matched Share Plan, instead they are taken into consideration when estimating the number of awards that will vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or not exercised. The cumulative expense recognised for the matched share transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest.

Matched shares are subject to good and bad leaver provisions. Matched shares will be forfeited in regards to bad leavers. Bad leavers include participants that cease to be employed by the Group via voluntary resignation, dismissal for cause, fraud, criminal offence or purported dealing. Good leavers include participants that cease to be employed by the Group by reason of redundancy, death, incapacitation or any other reason determined by the Board. The expense recognised for good leavers is accelerated as the shares vest immediately and are no longer subject to the 3 year service condition or trading restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all material contingencies relating to the sale have been resolved.

Sale of goods
Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable and collectability is reasonably assured. This is generally when title passes. The majority of the Group's sales agreements specify that title passes when the product is delivered to the destination specified by the customer, which is typically the vessel on which the product will be shipped. In practical terms, revenue is generally recognised on the bill of lading date, which is the date the commodity is delivered to the shipping agent. These sales agreements also allow for an adjustment to the sales price based on a survey of the goods by the customer (an assay for mineral content), therefore recognition of the sales revenue is based on the most recently determined estimate of product specifications. Revenue is not reduced for royalties and other taxes payable from the Group's production.

Provisional values are recognised on cargos which are provisionally priced at the date of sale. Adjustments to the sale price then occur subsequent to the date of sale based on movements in quoted market prices on which the final price is based, with adjustments reflected in sales and trade receivables. The period between provisional invoicing and final pricing is typically between 30 and 120 days. The revenue adjustment which is embedded within the provisionally priced sale arrangements is measured at fair value and is re-estimated continuously until final pricing is determined. Fair value adjustments, estimated by reference to forward market prices, are recognised as an adjustment to revenue.

(p) Issued capital
Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Repurchase and re-issue of ordinary shares (treasury shares)
Own equity instruments that are re-acquired (treasury shares) are recognised at cost including directly attributable incremental costs (net of income taxes) and deducted from equity. No gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of Atlas' own equity instruments. Any difference between the consideration received and the carrying amount, if reissued, is recognised in the share-based payments reserve. Shares held by the Atlas Iron Employee Share Trust are disclosed as treasury shares and are deducted from contributed equity.

(q) Earnings per share (EPS)
Basic earnings per share
Basic EPS is calculated as the profit/(loss) attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares (share options granted to employees).

(r) Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less.

(s) Rehabilitation provision
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

(t) Inventories
Iron ore stockpiles are physically surveyed or estimated and valued at the lower of cost or net realisable value. Net

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product.

Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods. Materials and supplies are valued at the lower of cost or net realisable value. Any provision of obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

(u) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets.

(v) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(w) Financial instruments

Non-derivative financial assets
The Group initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial assets
The Group has the following financial assets: financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale and embedded derivatives.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are initially measured at fair value on the date the derivative contract is entered into and are subsequently re-measured with changes in fair value recognised in profit or loss. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

(x) Australian Accounting Standards and Interpretations issued but not adopted
The standards and interpretations relevant to Atlas that have not been early adopted are:

(i) AASB 9 *Financial Instruments*: applicable to annual reporting periods beginning on or after 1 July 2018.

AASB 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The standard includes a single approach for the classification and measurement of financial assets, based on cash flow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model under AASB 139 *Financial Instruments: Recognition and Measurement*. Lastly, the standard amends the rules on hedge accounting to align the accounting treatment with the risk management practices of the business.

The Group's assessment of the impacts of AASB 9 are set out below:

- Classification and measurement: The Group does not expect a material impact to its financial statements on applying the classification and measurement requirements of AASB 9 based on the Group's current financial assets and liabilities.
- Impairment: AASB 9 requires the Group to use an expected credit loss model for its trade and other receivables measured at amortised cost, either on a 12-month or lifetime basis. Given the short-term nature of the Group's receivables, the Group does not expect these changes to have a material impact.
- Hedge accounting: The changes in AASB 9 relating to hedge accounting will have no impact as the Group does not currently apply hedge accounting.
- The adoption of AASB 9 will require extensive new disclosure, in particular about credit risk and the Group's plans to implement controls necessary to capture required data.

The Group will continue to perform its assessment and monitor further developments.

(ii) AASB 15 *Revenue from Contracts with Customers*: applicable to annual reporting periods beginning on or after 1 July 2018.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It will replace existing revenue recognition guidance including AASB 118 *Revenue* and AASB 111 *Construction Contracts*.

The Group's preliminary assessment of the impacts of AASB 15 are set out below and to date no material differences have been identified between AASB 118, the current revenue recognition standard and AASB 15. The Group will continue to perform its assessment and monitor further developments.

(i) Sale of goods
Currently the Group recognises revenue when title passes to the customer. This is when the product is delivered to the destination specified by the customer, which is typically the vessel on which the product will be shipped. Under AASB 15 Revenue the point of revenue recognition is when customer obtains control of the goods. Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. Based on the above assessment it appears that control will continue to transfer to the customer on delivery of product to the vessel as the customer then obtains control the final destination of the product. The Group does not expect the adoption of this standard to impact the transfer of control.

(ii) Variable consideration
Some of the Group's sales contain provisional pricing features which are considered embedded derivatives. AASB 15 will not change the assessment of the existence of embedded derivatives, however these embedded derivative will be outside the scope of AASB 15 and will be accounted for in accordance with AASB 9. Consequently, changes in pricing once control has passed to the customer will not be classified as "Revenue from customers" under AASB 15 but be presented as "Other revenue". This does not result in a measurement difference and is therefore not expected to materially impact the Group's revenue.
Some of the Group's sales contain provisional pricing features which are linked to final assay results. These provisional pricing features are considered variable consideration under AASB 15. The new standard contains a restraint on estimates of variable consideration to only include amounts in the calculation of revenue where it is highly probable that a significant reversal of revenue will not occur. The Group recognises revenue for these types of transactions based on

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the initial assay results which typically do not result in a significant reversal of revenue. As such, no change is expected to the Group's current approach and it is not expected to materially impact the Group's revenue.

(iii) Other framework principles

AASB 15 *Revenue* does provide further considerations in determining accurate revenue recognition including rendering of service, commissions and construction contracts however Atlas does not consider these to be applicable to the revenue recognition of the Group. The Group plans to adopt AASB 15 in the financial statements for the year ending 30 June 2019, using a retrospective approach. As a result the Group will apply all of the requirements of AASB 15 to each comparative period presented and adjust its consolidated financial statements.

The Group is currently performing a detailed assessment of the impact on adoption and expected to disclose additional quantitative information before it adopts AASB 15.

(iii) AASB 16 Leases: applicable to annual reporting periods beginning on or after 1 July 2019.

AASB 16 *Leases* introduces a single, on-balance sheet accounting model for all leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e lessors continue to classify leases as finance or operating leases.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact is that the Group will potentially recognise new assets and liabilities for certain port facilities and mining equipment. However the Group has not yet quantified the impact of its reported assets and liabilities of adoption of AASB16. The quantitative effect will depend on, the transition method and extent to which the Group uses practical and recognition exemptions. The Group expects to disclose its transition approach and quantitative information before adoption.

2. OPERATING COSTS

	2017 $'000	2016 $'000
Mining and processing	(191,817)	(205,826)
Haulage	(197,649)	(184,985)
Port	(109,630)	(110,076)
Shipping	(122,008)	(100,909)
Royalties	(66,271)	(63,143)
Depreciation and amortisation	(73,046)	(82,270)
Inventory write-down	-	(3,652)
Other operating costs (including contractor profit share)	(27,122)	(23,125)
	(787,543)	(773,986)

3. IMPAIRMENT LOSS

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 year:

- 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, a formal estimate of the recoverable amount is made. Atlas has made an assessment of the recoverable amount of its assets as at 30 June 2017.

Total impairment losses recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year were as follows:

	2017 $'000	2016 $'000
Other receivables	(528)	(4,425)
Mine and reserve development assets	(460)	(9,803)
Property, plant and equipment	-	(4,170)
Mining tenements capitalised	(53)	(78,700)
Impairment loss	**(1,041)**	(97,098)

Following is a breakdown of the impairment loss by asset grouping:

	2017 $'000	2016 $'000
Horizon 1 mining properties	-	(13,273)
Horizon 2 projects	-	(79,400)
Other	(1,041)	(4,425)
Impairment loss	**(1,041)**	(97,098)

Horizon 1 mining properties

Atlas' Horizon 1 mining properties relate to the assets and liabilities contained within its current operating mines (including Corunna Downs) disclosed as Property, Plant and Equipment and Mine Development costs. At 30 June 2017 Atlas assessed the Horizon 1 assets for impairment and did not recognise a loss. In the year ended 30 June 2016, Atlas recognised an impairment loss of $13,273,000 (property, plant and equipment of $4,170,000 and mine and reserve development assets of $9,103,000).

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

Key assumptions contained in cash flow projections are based on external sources of information where available, reflect past experience, and include:

- forecast USD iron ore price and foreign exchange rates (based on the most recent external economic forecasters);
- published reserve statements;
- operating and capital cost estimates utilising mine plans;
- inflation applied at 2.5% per annum beyond the period covered by Atlas' most recent forecasts; and
- a nominal post-tax discount rate applied to cash flow projections of 10% (June 2016: 11%-13.5%).

3. IMPAIRMENT LOSS (CONTINUED)

A key component of the cash flow projections are the revenue assumptions utilised. A summary of the externally sourced forecast USD iron ore price and 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:

	30 June 2017*		
Assumption	CFR 62% Fe $USD/DMT	AUD/USD	Discount on CFR Price
Not later than one year	54 - 65	0.73 – 0.79	26% - 8%
Later than one year and not later than five years	52 - 65	0.73 – 0.79	8%
More than five years	65 - 65	0.79 – 0.80	8%

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

Sensitivity

Horizon 1 mining properties
The effect of a reasonably possible change as at 30 June 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:

Assumption	Impact on Value $'000	Impairment $'000
5% reduction in USD iron ore pricing	(128)	72
10% reduction in USD iron ore pricing	(294)	238
10% long term discount on CFR price	(42)	-
20% long term discount on CFR price	(316)	270
10% increase in production operating costs costs *	(131)	75
100 basis points increase in discount rate	(10)	-

* 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.

Horizon 2 exploration projects
Atlas' Horizon 2 exploration projects are included in Mining Tenements capitalised and Reserve Development and relate predominantly to the McPhee Creek and South East Pilbara exploration projects. Atlas did not recognise an impairment in year ended 30 June 2017 (30 June 2016: an impairment loss of $79,400,000 was recognised for mining tenements capitalised ($78,700,000) and reserve development assets ($700,000).

When considering the fair value less cost to sell basis in determining the recoverable amount of the McPhee Creek project the Company has regard to implied valuations per reserve and resource tonnes of comparable projects and project cashflows. The group of comparable projects is included in the comparative group where they hold hematite iron ore projects at a similar stage and size within the Pilbara to the Group's. The implied valuations per reserve and resource tonne valuations have been calculated using publicly available information and the share price of the relevant company at the point of testing. This is considered to be a level three valuation technique within the fair value hierarchy.

The recoverable amount of the undeveloped South East Pilbara exploration project has been determined based on the implied valuations per reserve and resource tonnes of comparable projects, consistent with the methodology described above. No impairment was recognised for the year ending 30 June 2017 (30 June 2016: an impairment loss of $70,500,000 was recognised on the project).

Non-core tenements
No impairments were recognised for the year ending 30 June 2017 (30 June 2016: an impairment loss of $8,900,000 was recognised in relation to non-core tenements).

3. IMPAIRMENT LOSS (CONTINUED)

Sensitivity

Horizon 2 – McPhee Creek
As at 30 June 2017, the effect of a reasonably possible change in the following key assumption, in isolation, to the fair value less cost to sell calculations of the Horizon 2 – McPhee Creek, is detailed below:

Assumption	Impact on Fair Value $'000	Impairment $'000
10% change in implied valuations per reserve/resource tonne	(4,594)	121

Horizon 2 – South East Pilbara
As at 30 June 2017, the effect of a reasonably possible change in the following key assumption, in isolation, to the fair value less cost to sell calculations for the Horizon 2 – South East Pilbara is detailed below:

Assumption	Impact on Fair Value $'000	Impairment $'000
10% change in implied valuations per reserve/resource tonne	(13,396)	-

Other Receivables
In 2017 the Company fully impaired the increase in the loan provided to North West Infrastructure (Other Receivables) and studies completed on the proposed port at South West Creek.

4. SHARE-BASED PAYMENTS

	2017 $'000	2016 $'000
Expenses arising from share-based payment transactions		
Employee share option plan	-	(4,785)
Salary sacrifice and matched shares plan	-	(56)
Long Term Incentive plan	(469)	(277)
Total	**(469)**	(5,208)

Set out below are summaries of the options movement during the year:

	2017		2016	
	Number of options	Weighted average Exercise price	Number of options	Weighted average Exercise price
Outstanding at the beginning of the year	89,827,205	0.00	100,000	4.20
Granted	138,341,188	0.00	189,803,513	0.00
Exercised	(62,326,835)	0.00	(92,443,627)	0.00
Forfeited	(8,927,875)	0.00	(7,632,681)	0.06
Outstanding at year end	156,913,683	**0.00**	**89,827,205**	**0.00**
Exercisable at year end	27,500,370	**0.00**	**89,827,205**	**0.00**

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.40 years (2016: 4.40 years), with an exercise price of nil. The weighted average price of shares at the date of exercising options was $0.01 (2016: $0.02).

Employee and contractors option plan

Long Term Incentive plan
The Group has historically provided benefits to its key employees in the form of share-based payment transactions, whereby options to convert to ordinary shares were issued as an incentive to improve employee and shareholder goal congruence.
During the year the Group has issued 138,341,188 options to key employees, these options vest over a 3 year period and have a nil exercise price. As at 30 June 2017, 8,927,875 of these options were cancelled due to an employee failing the retention component of the vesting conditions.

4. SHARE BASED PAYMENT (CONTINUED)

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Group with full dividend and voting rights.

The fair value of the services received in return for the zero priced employee options granted was fair valued using the closing share price on the date of issue of the employee share options. See below for a summary of the key terms of the employee share option plan and fair value assumptions. To remain entitled to the employee share options all Atlas employees had to remain in employment until date of vest.

Employee Option Plan (Zero Priced)			
Performance measure	ROIC	TSR	Retention
Vesting conditions	See below	See below	See below
Test date	30 June 2019	30 June 2019	Annually (see below)
Performance period	1 July 2016 to 30 June 2019	1 July 2016 to 30 June 2019	1 July 2016 to 30 June 2019
Grant Date	1 November 2016	1 November 2016	1 November 2016
Share price at grant date	$0.01	$0.01	$0.01
Fair value at grant date	$0.01	$0.01*	$0.01
Remaining life as at 30 June 2017	2 years	2 years	2 years
Volatility	N/A	N/A	N/A
Weighting of incentive plan	30%	40%	30%

* As the TSR condition is a market based condition a probability weighting of achievement has been included in the value at grate date.

Vesting Conditions

Total Shareholder Return (TSR)
The TSR is calculated as an absolute improvement in the share price adjusted for dividends paid during the period in FY2019 over FY2016

Return on Invested Capital (ROIC)
The ROIC requires an improvement in the Atlas' return on invested capital for FY 2019 equal to or greater than 15% above the ROIC for FY 2016.

Retention Component
The Retention component will vest in thirds on the first three anniversaries of grant (10% each year) on condition the employee remains in the employment of the Company at the vesting date being 30 June 2017 to 2019 for each third.

Employee share option plan
The options granted to employees in year ended 30 June 2016 have an expiry date of 13 November 2020, and vested on 6 May 2016 on achieving the successful restructure of the Term Loan B.

The fair value of the services received in return for the zero priced employee options granted was $0.03 being the closing share price on the date of employee acceptance of the employee share options. During the year, 62,326,835 options have been exercised and 27,500,370 remain vested and exercisable as at 30 June 2017.

Unvested unlisted performance and share appreciation rights under the Long-Term Incentive Plan (LTIP)
No performance rights or share appreciation rights were granted during the year ended 30 June 2017. All performance rights or share appreciation rights automatically lapsed during the year ended 30 June 2017 and were forfeited in accordance with the LTIP rules.

4. SHARE-BASED PAYMENTS (CONTINUED)

	Share Appreciation Rights		Performance Rights	
	2017 Number of rights	2016 Number of rights	2017 Number of rights	2016 Number of rights
Balance at 1 July	**2,905,343**	4,833,734	1,225,771	2,070,984
Granted during the year	**-**	-	-	-
Vested during the year	**-**	-	-	-
Forfeited during the year	**(2,905,343)**	(1,928,391)	(1,225,771)	(845,213)
Balance at 30 June	**-**	2,905,343	**-**	1,225,771

5. ADMINISTRATIVE EXPENSES

	2017 $'000	2016 $'000
Salaries and benefits*	(7,547)	(8,895)
Corporate expenses	(1,749)	(2,055)
Consultancy expenses	(3,860)	(3,482)
Building and properties	(4,359)	(8,828)
Other expenses	(880)	(892)
	(18,395)	(24,152)

* Contributions of $1,885,000 were made during the year (2016: $1,565,000) to defined contribution plans.

6. OTHER INCOME

	2017 $'000	2016 $'000
Rehabilitation provision adjustment (Note 18)	7,414	3,888
Fuel tax rebate	-	1,983
Royalty provision reversal	-	4,000
Onerous lease provision adjustment	3,348	-
Provision reversal (Note 18)	2,000	-
Farm-in consideration	2,300	-
Rental income	1,782	2,555
	16,844	12,426

7. OTHER EXPENSES

	2017 $'000	2016 $'000
Restructuring costs - onerous lease	-	(2,716)
Restructuring costs - other	(399)	(1,067)
Total restructuring costs	**(399)**	(3,783)
Care and maintenance	(522)	(1,079)
Business combination expense	-	(239)
Other	(424)	(2,606)
	(1,345)	(7,707)

Atlas has an onerous lease in which the lease payments are expected to exceed the rental income. Refer to Note 21 for further details.

8. NET FINANCE INCOME/(EXPENSE)

	2017 $'000	2016 $'000
Interest income	900	941
Interest accretion	121	175
Finance income	**1,021**	1,116
Interest expense – Term Loan B	(9,195)	(29,681)
Amortisation of debt establishment costs	(76)	(3,493)
Other finance expenses	(4,377)	(1,969)
Finance expense	**(13,648)**	(35,143)
Net gain/(loss) on foreign exchange	1,727	(13,100)
Gain on debt restructure	-	5,482
Net finance expense	**(10,900)**	(41,645)

9. INCOME TAX

A reconciliation between tax expense and the product of accounting profit or loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	2017 $'000	2016 $'000
Accounting profit/(loss) before income tax	47,981	(159,014)
At the Group's statutory income tax rate of 30% (2016: 30%)	14,394	(47,704)
Other non-deductible	291	1,531
Equity accounting for share of loss of associates and joint ventures	-	32
Gain on debt restructure	-	(8,281)
Temporary differences utilised/(not brought to account)	(14,685)	54,422
Income tax expense/(benefit) reported in the consolidated statement of profit or loss and other comprehensive income	-	-

Deferred income tax

	2017 $'000	2016 $'000
Deferred income tax at 30 June relates to the following:		
CONSOLIDATED		
Deferred income tax liabilities (DTL)/Deferred income tax assets (DTA)		
Mining tenements capitalised	50,236	50,174
Mine development costs	(27,800)	(23,082)
Plant and equipment	(428)	(1,705)
Reserve improvement	(1,378)	(6,402)
Other assets	8,956	7,497
Cash and interest bearing loans	7,708	533
Provisions	28,396	36,264
Employee benefits	658	604
Carried forward tax losses	442,472	445,487
	508,820	509,370
Less deferred tax assets not recognised	(508,820)	(509,370)
	-	-

The above disclosures have been prepared based on the tax consolidated group.

9. INCOME TAX (CONTINUED)

Deferred tax assets not recognised

	2017 $'000	2016 $'000
Temporary differences	66,347	63,883
Tax losses	439,930	442,944
Capital losses	2,543	2,543
	508,820	509,370

10. TRADE AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Current		
Trade receivables*	10,560	5,804
Provisional pricing**	9,117	24,793
Security deposits***	1,700	5,912
Reserve Account ****	20,044	-
	41,421	36,509
Non–current		
Security deposits***	6,015	4,656
Loan receivable from joint arrangements (Note 25(b))	-	373
	6,015	5,029

* There are no trade receivables past due but not impaired (2016: nil).
** Provisional pricing receivable relates to amounts receivable on provisionally priced commodity sales contracts that are yet to be settled. These contracts may be settled with provisionally priced payables.
*** Security deposits represent cash backing for office bonds, bank guarantee and a credit card facility.
**** Reserve Account represents funds held by Term Loan B (TLB) agent, refer Note 17 for further detail.

The Company has bank guarantees predominantly related to security deposits representing cash backing for office bonds, bank guarantees and a credit card facility. The total bank guarantees on issue at period end are $7,715,000 (2016: $10,336,000).

11. INVENTORIES

	2017 $'000	2016 $'000
Consumables – at cost	194	179
Work in progress – at cost	13,017	6,904
Finished goods – at cost	5,883	9,645
Total	**19,094**	16,728

No write-downs of inventories to net realisable value were recognised as an expense during the year ended 30 June 2017 (2016: $3,652,000).

12. PROPERTY, PLANT AND EQUIPMENT

	Notes	2017 $'000	2016 $'000
At cost		165,287	165,652
Accumulated depreciation		(80,936)	(69,073)
	12(a)	**84,351**	96,57

12. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year.

	2017 $'000	2016 $'000
Property		
Carrying amount at beginning	22,611	62,908
Transfers	-	(37,627)
Additions		
- Buildings	67	2,395
Impairment (Note 3)	-	(1,020)
Disposal	(2,334)	(145)
Depreciation expense	(1,274)	(3,900)
Carrying amount at end	**19,070**	22,611
Plant and equipment		
Carrying amount at beginning	73,951	65,580
Transfers	-	16,985
Additions	1,997	6,193
Disposals	(105)	(34)
Depreciation expense	(10,589)	(11,624)
Impairment (Note 3)	-	(3,149)
Carrying amount at end	**65,254**	73,951
Assets under construction		
Carrying amount at beginning	17	588
Transfers	-	(571)
Additions	10	-
Carrying amount at end	**27**	17
Total	**84,351**	96,579

13. MINE DEVELOPMENT COSTS

	2017 $'000	2016 $'000
At cost	800,097	774,253
Accumulated amortisation and impairment	(531,309)	(476,593)
	268,788	297,660
Mine development cost breakdown:		
Carrying amount at beginning	297,660	338,222
Additions	5,484	7,948
Reassessment of rehabilitation asset	300	(1,965)
Transfers from evaluation expenditure and property, plant and equipment	20,060	21,213
Impairment (Note 3)	(460)	(9,103)
Amortisation expense	(54,256)	(58,655)
Carrying amount at end	**268,788**	297,660

14. EVALUATION EXPENDITURE – RESERVE DEVELOPMENT

	2017 $'000	2016 $'000
Evaluation expenditure – reserve development	**4,592**	21,340
Evaluation expenditure – reserve development breakdown:		
Carrying amount at beginning	21,340	17,140
Additions	3,312	4,900
Transfers to mine development	(20,060)	-
Impairment (Note 3)	-	(700)
Carrying amount at end	**4,592**	21,340

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

15. MINING TENEMENTS

	2017 $'000	2016 $'000
Tenement acquisition costs	**62,499**	62,594
Tenement acquisition cost breakdown:		
Carrying amount at beginning	62,594	141,414
Other acquisition	-	250
Disposals	(42)	(370)
Impairment (Note 3)	(53)	(78,700)
Carrying amount at end	**62,499**	62,594

16. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Current		
Trade payables*	13,394	13,314
Accrued expenses	24,377	22,124
Royalty payable	12,420	13,804
Royalty assistance program	3,073	12,292
Provisional pricing and rebates payable**	12,409	2,566
Other payables	376	246
	66,049	64,346
Non-current		
Royalty assistance program	-	3,073
Other payables and accruals	822	3,749
	822	6,822

* Trade payables are normally settled on a 30-day basis except for key contractors, who are settled in the month of service.

** Provisional pricing payable relates to amounts payable on provisionally priced commodity sales contracts that are yet to be settled. These contracts may be settled with provisionally priced receivable.

Trade and other payables are non-interest bearing.

17. INTEREST BEARING LOANS AND BORROWINGS

	2017 $'000	2016 $'000
Current		
Secured debt facility	1,755	2,697
Finance Lease	1,020	935
	2,775	3,632
Non-current		
Secured debt facility	101,055	179,475
Finance Lease	5,221	6,241
Borrowing costs	(4,298)	-
	101,978	185,716

Secured Debt Facility

On 6 May 2016, Atlas completed a creditors' scheme of arrangement, which implemented a restructure of the Term Loan B facility. The principal amount owing on the Loan was reduced to US$135,000,000 from US$267,000,000. For this reduction in the Loan, Atlas paid down US$10 million and on completion issued to the Lenders 6,229,503,087 fully paid ordinary shares and 4,513,986,260 Options exercisable at AU$0.075 per share. The term of the facility is 5 years (maturing April 2021) with an interest rate of LIBOR plus 4.33% (LIBOR floor of 1.25%) paid monthly plus Paid in Kind interest (capitalised monthly) of 3.00% per annum.

On 30 March 2017, the Group announced that it had implemented another amendment to its Term Loan B facility to allow construction of its Corunna Downs project to be funded from operating cash flow. The key features of the loan amendment are:

- After each of the March, June and September 2017 Quarters, Atlas will be entitled to transfer cash on hand in excess of AU$80 million into a dedicated reserve account, subject to a cap of AU$20 million per quarter and AU$45 million 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. During the year ended 30 June 2017, the Group swept $77,595,000 of excess cash against the principal balance (2016: nil).

- The reserve account will be available to Atlas throughout FY 2018 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 AU$60 million;
  - 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 period, the Group transferred AU$20 million into the reserve account with another AU$0.8 million transferred subsequent to year end.

As consideration for the Term Loan B amendments completed in March 2017:

- Atlas committed to paying all of its Term Loan B interest in cash transferring the previously capitalising Paid in Kind interest of 3.00% to a cash interest paid monthly. The total interest rate is unchanged.
- Atlas issued 107,991,355 ordinary shares to the supporting Term Loan B lenders. The Company established a fair value of the shares issued of AU$3,348,000. The fair value of the shares was measured using the Atlas share price at the date of issue (30 March 2017: $0.03 per share). This was considered to be a level one on the valuation technique within the fair value hierarchy.
- Term Loan B principal outstanding was due to be increased by a maximum of US$2,298,900, unless the facility is refinanced or repaid within 120 days of the amendment effective date of 30 March 2017. The refinancing timeline expired subsequent to year end on 28 July 2017 and resulted in an increase to the loan payable of US$1,735,677.

Atlas is still required to maintain a minimum AU$35 million in cash at the end of each month. Atlas is in compliance with all covenant requirements as at 30 June 2017. The facility continues to be repaid at 1% of the gross borrowing per annum and then the remainder paid out on maturity. The facility remains secured over all assets of Atlas and each material subsidiary subject to agreed exceptions and in some certain circumstances, to obtaining third party consent.

Establishment fees paid in relation to the amendment in year ended 30 June 2017 have been capitalised and will be amortised over the remaining term of the Term Loan B. The facility is fully drawn at 30 June 2017.

Finance Lease

During the prior year, the Group entered into an arrangement whereby a supplier built a laboratory (buildings and equipment) which will be operated by the supplier under a finance lease agreement. On commencement, the term of the lease was 7 years and the Company has recognised finance lease interest charges of AU$590,000 (2016: $610,000).

18. PROVISIONS

	2017 $'000	2016 $'000
Current		
Rehabilitation and demobilisation	5,341	3,141
Onerous lease	3,661	3,444
Other	1,017	3,017
	10,019	9,602
Non-current		
Rehabilitation and demobilisation	44,792	63,010
Onerous lease	19,363	25,810
	64,155	88,820
Provisions breakdown:		
Carrying amount at beginning	98,422	98,623
Provisions made during the year	841	2,487
Provisions reduced during the year	(19,409)	-
Provisions used during the year	(6,349)	(3,535)
Unwind of discount	669	847
Carrying amount at end	**74,174**	**98,422**

Rehabilitation provision
When developing its mines, the Group makes provision for the future cost of rehabilitating mine sites on a discounted basis. This provision represents the present value of rehabilitation costs relating to the mine sites, which are expected to be incurred through the life of mine. These provisions have been determined in conjunction with the work undertaken by external consultants. Assumptions based on the current economic environment have been made in determining current rehabilitation provisions, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed at each reporting date to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This in turn will depend upon future iron ore prices, which are inherently uncertain.

During the year, the Group reached terms for the cessation of its Wodgina operations with Mineral Resources Limited, which is developing lithium operations at the site. Mineral Resources Limited has relieved the Group of certain contractual obligations including rehabilitation of common areas and crusher demobilisation but Atlas remains responsible for the balance of its rehabilitation and monitoring obligations at Wodgina.

Onerous lease
In 2012, the Group entered into a non-cancellable lease for office space which will expire in 2024. Due to changes in requirements, a portion of the office space is sublet to a third party 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. In addition, a portion of the remaining office space is surplus to current requirements and the Group is actively looking to sublet this space. The obligation for the discounted future payments, net of expected rental income, has been provided for by the Group.

19. ISSUED CAPITAL, RESERVES AND ACCUMULATED PROFIT/(LOSS)

(a) Issued and paid up capital

	Notes	2017 Number of shares '000	2017 $'000	2016 Number of shares '000	2016 $'000
(i) Share capital					
Ordinary shares fully paid	19(b)	9,260,788	2,203,203	8,995,754	2,197,388
		9,260,788	**2,203,203**	8,995,754	2,197,388

19. ISSUED CAPITAL, RESERVES AND ACCUMULATED PROFIT/(LOSS) (CONTINUED)

(b) Movements in share capital and other equity securities

	2017		2016	
	Number of shares '000	$'000	Number of shares '000	$'000
Beginning of the financial year	8,995,754	2,197,388	919,045	1,991,630
Issued during the year:				
- Ordinary shares issued through employee share scheme	62,327	1,683	92,444	2,496
- Ordinary shares issued for cash (net of transaction costs)	-	-	1,078,440	44,630
- Ordinary shares issued through contractor collaboration agreement	-	-	666,322	33,963
- Ordinary shares issued through debt restructure	107,991	3,132	6,229,503	124,354
- Ordinary shares issued through tenement acquisition	94,670	1,000	9,960	250
- Treasury shares	46	-	40	65
End of the financial year	**9,260,788**	**2,203,203**	8,995,754	2,197,388

On 30 March 2017, the Company announced that it had implemented an amendment to its Term Loan B Facility to allow Atlas to accumulate up to AU$45 million of cash generation in a dedicated reserve account to provide greater flexibility and security to the Company and to fund the Corunna Downs Project. As a result of the agreement, Atlas issued 107,991,355 ordinary shares to its Term Loan B lenders. Refer to Note 17 for further details on debt restructure.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of, and amounts paid on the shares held. There are no restrictions attached to this class of share.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll, each share is entitled to one vote.

All issued shares are fully paid. The Group does not have any par value in respect of its issued shares.

Refer to statement of changes in equity for details of movements.

	Weighted average exercise price per share $	Number of Listed Options	Number of Unlisted Options
Balance at the beginning of the period	**0.075**	**6,266,141,786**	**89,827,205**
Options granted	0.000	-	138,341,188
Options exercised	0.000	(40,000)	(62,326,835)
Options forfeited	0.000	-	(8,927,875)
Options expired	0.075	(1,752,115,526)	-
Total number of options outstanding as at 30 June 2017	**0.073**	**4,513,986,260**	**156,913,683**

All of the outstanding listed options as at 30 June 2017 have expired subsequent to year end.

(d) Nature and purpose of reserves

The share-based payments reserve is used to recognise:

(i) the grant date fair value of options issued but not exercised

(ii) the difference between the grant date fair value of shares issued to employees less the issue of shares held by the Atlas Iron Employee Share Trust.

20. STATEMENT OF CASHFLOWS

(a) Reconciliation of the profit/(loss) after income tax to the net cash flows from operations

	2017 $'000	2016 $'000
Net profit/(loss)	47,981	(159,014)
Non-cash items		
Depreciation and amortisation of non-current assets	74,519	85,033
Impairment	1,041	97,098
(Gain)/loss on disposal of fixed assets	(6,999)	349
Net foreign exchange (gain)/loss	(1,727)	13,100
Net interest expense - other	1,024	4,953
Interest expense on borrowing facilities	12,460	30,180
Loss on financial instruments	22,711	5,863
Gain on debt restructure	-	(5,482)
Restructuring costs – onerous lease	(6,784)	2,579
Rehabilitation provision adjustment	(7,414)	(3,251)
Other	(1,176)	3,802
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	17,510	(10,350)
Decrease/(increase) in prepayments	5,136	(328)
Increase in inventories	(94)	(6,323)
Decrease in trade and other payables	(2,521)	(30,133)
Increase/(decrease) in employee entitlements	176	(321)
(Decrease)/increase in provisions	(1,946)	3,350
Net cash inflow from operating activities	**153,897**	**31,105**

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents comprises:

	2017 $'000	2016 $'000
Cash at bank and in hand	34,568	80,853
Short term deposits	46,201	-
Closing cash and cash equivalents balance	**80,769**	**80,853**

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates.

(c) Non-cash financing and investing activities

The Company through a non-cash financing activity completed a debt amendment to allow the Group to accumulate up to a further AU$45 million in cash generated to provide greater flexibility and security to the Company and to fund the Corunna Downs Project.

As a result of the agreement:

- Atlas issued 107,991,355 ordinary shares to its Term Loan B lenders;
- Atlas will now pay all of its Term Loan B interest in cash;
- Term Loan B principal was due to be increased by a maximum of US$2.3M unless the facility was refinanced or repaid within 120 days of the amendment effective date of 30 March 2017. The refinancing timeline expired subsequent to year end on 28 July 2017 and resulted in an increase to the loan payable of US$1.7 million. A full review of the amendment and key changes in terms appear in Note 17 to the financial statements.

During the prior year, Atlas through a non-cash financing activity completed a debt to equity conversion which saw the Term Loan B reduce in exchange for ordinary shares and options.
There were no other non-cash financing and investing activities for the year ended 30 June 2017 (2016: nil).

21. EXPENDITURE COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

(a) Exploration lease commitments

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in.

Outstanding exploration commitments are as follows:

	2017 $'000	2016 $'000
Not later than one year	5,870	5,822
Later than one year and not later than five years	18,846	19,272
More than five years	47,129	51,358
	71,845	**76,452**

(b) Contractual commitments

	2017 $'000	2016 $'000
Other		
Not later than one year	20,149	28,370
	20,149	28,370

The Group has entered into operational contracts that are cancellable, in which case a minimum commitment applies. These mainly relate to mining, crushing and hauling contracts.

(c) Lease expenditure commitments

Operating lease commitments – Group as lessee
Operating leases (non-cancellable): Minimum lease payments

	2017 $'000	2016 $'000
Not later than one year	8,105	8,336
Later than one year and not later than five years	33,563	31,306
More than five years	16,946	23,469
Aggregate expenditure contracted for at reporting date	**58,614**	**63,111**

The Group has entered into leases for office and accommodation buildings, motor vehicles, office equipment and port handling facilities. During the year, an expense of $8,716,000 was recognised in the income statement in respect of operating leases (2016: $9,962,000).

Operating lease commitments – Group as lessor
Operating leases (non-cancellable): Minimum lease payments

	2017 $'000	2016 $'000
Not later than one year	1,402	1,494
Later than one year and not later than five years	1,946	3,029
Aggregate expenditure contracted for at reporting date	**3,348**	4,523

A number of leases include a clause to enable upward revision of the rental charge on an annual basis. Refer to Note 18 for onerous lease discussion.

(d) Guarantees

No guarantees were provided in the financial year.

22. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2017 other than the US$1.7 million Term Loan B principal increase detailed in Note 17, 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.

23. PROFIT/(LOSS) PER SHARE

(a) Reconciliation of earnings to profit or (loss)

	2017 $'000	2016 $'000
Profit/(loss) used in calculating basic loss per share	**47,981**	(159,014)

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic profit/(loss) per share

	2017 Number of shares	2016 Number of shares
Weighted average number of ordinary shares used in calculating basic profit/(loss) per share	**9,167,592,396**	3,508,760,155

Effect of dilutive securities:
The calculation of diluted earnings per share at 30 June 2017 was based on profit attributable to ordinary shareholders of $47,981,000 and a weighted average number of shares outstanding after adjustments for the effects of all dilutive potential ordinary shares of 9,324,506,079 calculated below:

(c) Weighted average number of ordinary shares (diluted)

	2017 Number of shares	2016 Number of shares
Weighted average number of ordinary shares (basic)	9,167,592,396	3,508,760,155
Effect of share options	156,913,683	-
Weighted average number of ordinary shares (diluted)	9,324,506,079	3,508,760,155
Diluted profit/(loss) per share (cents)	**0.51**	(4.53)

At 30 June 2017, 156,913,683 options have been considered in the diluted earnings per share. Atlas' potential ordinary shares as at 30 June 2016, being its options and rights granted, are not considered dilutive as the conversion to these options and rights would result in a decrease in the net loss per share therefore no adjustment was made.

The average quoted market value of the Group's shares, for the purposes of calculating the dilutive effect of share options, was based on the quoted market prices for the period that the options were outstanding.

24. AUDITOR'S REMUNERATION

	2017 $	2016 $
Payments to KPMG as auditor of the Group:		
Audit or review of the financial report of the Group	220,000	245,000
Audit and review services	**220,000**	245,00
Investigating accountant's report - Prospectus	-	4,300
Advisory services	61,500	-
Contractor Collaboration Model – Agreed upon procedures	24,726	24,500
Royalty Assistance Program – Agreed upon procedures	-	21,500
Other services	**86,226**	50,300
	306,226	295,300

25. RELATED PARTY DISCLOSURES

The financial statements include the financial statements for the Group and the subsidiaries listed in Note 28.

(a) Key management personnel and Director related transactions

(i) *Compensation of key management personnel by category*

The information regarding individual Directors and Executives compensation required by Corporations Regulation 2M.3.03 is provided in the remuneration section of the Directors' Report.

25. RELATED PARTY DISCLOSURES (CONTINUED)

	2017 $'000	2016 $'000
Short term	3,504	2,896
Long term	47	164
Post-employment	473	1,005
Share-based payment	510	1,682
	4,534	5,747

(ii) *Loans to key management personnel*

There were no loans provided to key management personnel during the year.
There were no related party transactions between key management personnel and the Group, other than those related to compensation, which has been disclosed above.

(b) Investments in other entities

Name of related party		Ownership interest %	Loans to related parties $'000	Other related party transactions[1] $'000
NWI Pty Limited	**2017**	63.00	-	-
	2016	63.00	373	-

[1] Negative is an expense or outflow and positive is income or inflow.

NWI Pty Limited

Outstanding balances at year end are unsecured and interest free and settlement occurs in cash except for loans described below. There have been no guarantees provided or received for any related party receivables or payables. As at 30 June 2017, the Group has a loan receivable from NWI Pty Limited of $24,333,000 (2016: $24,074,000). An impairment of $528,000 was recorded in year ended 30 June 2017 reducing the carrying value to nil (2016: $373,000) due to an assessment undertaken on the recoverability on the loan balance and the market in which it operates.

26. SEGMENT INFORMATION

Segment products and locations

The Group 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 of Directors (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.

27. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES

Financial risk management

The Group is exposed to risks that arise from its use of financial instruments. These risks arise in the normal course of business and are managed in accordance with the Group's Financial Risk Management Policy. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and has delegated the authority for monitoring risk management policies to the Audit and Risk Committee.

The Group's Treasury function reports to the Board and Audit and Risk Committee and provides assurance that the Group's financial activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken, however derivative positions may be utilised to manage the Group's financial risks. The Group's Financial Risk Management Policy does not allow the Group to enter into any net sold option positions.

Fair value hierarchy

The following table shows the fair value of financial assets including their levels in the fair value hierarchy. The Group has not disclosed the fair values for financial instruments such as short-term trade receivables, payables and interest bearing loans, because their carrying amounts are a reasonable approximation of fair values.

27. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

	2017 $'000	2016 $'000
Financial Assets & Liabilities		
Level 1*		
Financial assets classified as held for trading	362	422
Level 2**		
Net Financial instruments – iron ore derivatives	708	(1,157)
	1,070	(735)

* Level 1 denotes: quoted prices (unadjusted) in active markets for identical assets.
** Level 2 denotes: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices).

Financial risks
The Group is exposed to credit risk, liquidity risk, market risk (including foreign exchange risk, interest rate risk and commodity price risk) and operational risk.

Credit risk
Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and receivables from customers.

To manage credit risk, the Group maintains policies governing credit approvals and investment counterparties.

The Group's exposure to credit risk is influenced by the characteristics of its customers. The majority of the Group's sales revenue arises from customers based in China and the Group has mitigated the risk of financial loss by undertaking trade finance through letters of credit.

The Group's policies limit its exposure to credit risk arising from cash and cash equivalents by investing and transacting with banks that hold minimum investment credit ratings of A-1, where exposure to an individual counterparty with this rating is limited to 20% of the total portfolio. Where an investment credit rating is above A-1, exposure is limited to 33% of the total portfolio. The Company is currently in compliance with these limits. Certain different limits apply with respect to potential counterparties for commodity hedging transactions. Refer to commodity price risk below.

Exposure to credit risk
The maximum exposure to credit risk at the reporting date is the carrying amount of the Group's financial assets**:**

	Notes	2017 $'000	2016 $'000
Cash and cash equivalents	20(b)	80,769	80,853
Trade and other receivables*	10	47,436	41,538
		128,205	122,391

* Includes trade receivables past due but not impaired of nil (2016: nil). Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables past due.

No impairment losses have been recognised during the year as a result of credit risk.

Liquidity risk
The Group's liquidity risk arises from the possibility that it will not be able to meet financial obligations as they fall due. The Group manages its exposure to liquidity risk by monitoring forecast and actual cash flows to ensure that it maintains sufficient liquidity to meet liabilities when due, under both normal and stressed conditions. The Group prepares detailed financial models as part of its budget planning and forecasting processes, which are used to predict liquidity needs to support the Group's funding requirements.

The expected maturity profile of the Group's financial liabilities at the reporting date, based on contractual amounts including estimated interest payments, is as follows:

27. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

30 June 2017 $'000	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Interest bearing loan	102,809	(139,057)	(5,459)	(5,363)	(10,685)	(117,550)	-
Finance Lease	6,241	(7,753)	(763)	(763)	(1,525)	(4,576)	(126)
Trade and other payables	66,871	(60,365)	(51,272)	(8,272)	(821)	-	-
	175,921	**(207,175)**	**(57,494)**	**(14,398)**	**(13,031)**	**(122,126)**	**(126)**

30 June 2016 $'000	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Interest bearing loan	182,172	(290,231)	(9,683)	(8,864)	(18,134)	(253,550)	-
Finance Lease	7,176	(9,279)	(763)	(764)	(1,525)	(4,576)	(1,652)
Trade and other payables	71,168	(71,168)	(49,928)	(14,418)	(6,822)	-	-
	260,516	(370,678)	(60,374)	(24,045)	(26,481)	(258,126)	(1,652)

Market risk
Market risk is the risk that changes in market prices, including foreign exchange rates, commodity price and interest rates will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to fluctuations in commodity prices, foreign currency and interest rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising return.

To date, the Group has not adopted hedge accounting.

Commodity price risk
Commodity price risk arises from fluctuations in market prices of iron ore. Atlas has sought to establish strategies that mitigate its exposure to iron ore price volatility in the short-term. The strategy of utilising fixed priced sales contracts, cap/collar positions and option positions is aimed at providing some protection against decreases in the US dollar iron ore price while maintaining some exposure to pricing upside.

The Group has entered into provisionally priced commodity sales contracts. These are provisionally priced sales volumes for which price finalisation is referenced to the relevant index at a future date. Provisional pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value.

The Group's exposure at 30 June 2017 to the impact of movements in commodity prices upon provisionally invoiced sales volumes is set out in the following table.

Impact on profit or loss before tax of a 10% increase in market price

	2017 $'000	2016 $'000
Iron Ore	**3,651**	(1,179)

The sensitivities in the above tables have been determined as the absolute impact on fair value of a 10% increase in commodity prices at each reporting date, while holding all other variables, including foreign currency and exchange rates, constant.

The relationship between commodity prices and exchange rates is complex and movements in exchange rates can impact commodity prices. The sensitivities should therefore be used with care.

The Group's policies allow iron ore commodity risk trades (e.g. swaps) with counterparties of credit ratings A – (A minus) which is lower than for foreign exchange trades and short term investments, recognising the nature of the counterparties which regularly participate in the iron ore swap markets.

27. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases which are denominated in currencies other than the Group's functional currency. The Group's sales are denominated in US dollars and approximately 15% (2016: 13%) of its operating costs are also denominated in US dollars. To hedge exposure to foreign exchange movements, the Group may enter into spot and forward foreign exchange contracts or foreign exchange options as required. There are no contracts outstanding at 30 June 2017 or at 30 June 2016.

Additionally the Group holds US dollar denominated debt and the Group holds a portion of cash in USD to satisfy its risk management objectives.

The Group's exposure to foreign currency risk at the reporting date was as follows, based on notional amounts and the AUD equivalent:

30 June 2017	Notes	AUD $'000	USD $'000	Total $'000
Cash and cash equivalents	20(b)	28,114	52,655	80,769
Trade and other receivables	10	12,276	35,160	47,436
Trade and other payables	16	(44,515)	(22,356)	(66,871)
Interest bearing loan	17	(6,241)	(102,810)	(109,051)
		(10,366)	**(37,351)**	**(47,717)**

30 June 2016	Notes	AUD $'000	USD $'000	Total $'000
Cash and cash equivalents	20(b)	8,705	72,148	80,853
Trade and other receivables	10	16,741	24,797	41,538
Trade and other payables	16	(63,809)	(7,359)	(71,168)
Interest bearing loan	17	(7,176)	(182,172)	(189,348)
		(45,539)	(92,586)	(138,125)

The following exchange rates applied during the financial year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
US$	**0.7545**	0.7283	**0.7692**	0.7426

Sensitivity analysis

A 5% fluctuation of the Australian dollar against the US dollar at 30 June 2017 would have increased/(decreased) equity and profit or (loss) by the amounts shown below. The analysis assumes that all other variables, including interest rates remain constant.

	Strengthening		Weakening	
	Equity $'000	Profit or (loss) $'000	Equity $'000	Profit or (loss) $'000
30 June 2017				
+/-5%	-	1,779	-	(1,966)
	-		-	
30 June 2016				
+/-5%	-	4,409	-	(4,873)
	-	**4,409**	-	**(4,873)**

Interest rate risk

The Group is exposed to interest rate risk on borrowing and investments from the possibility that changes in interest rates will affect future cash flows. The Group does not manage its exposure to movements in market interest rates. The Group adopts a policy of ensuring that as far as possible, it maintains excess cash and cash equivalents in short-term deposits at interest rates with maturities not exceeding 90 days.

27. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

The interest rate profile of the Group's interest bearing financial instruments at the reporting date was:

	2017 $'000	2016 $'000
Fixed rate instruments		
Financial assets	53,916	10,568
Financial liabilities	(6,241)	(7,176)
	47,675	3,392
Variable rate instruments		
Financial assets	34,568	80,853
Financial liabilities	(102,809)	(182,172)
	(68,241)	**(101,319)**

Refer to Note 17 for further information regarding interest bearing loans and borrowings.

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or (loss) by the amounts shown below. This analysis does not reflect any change in profit or (loss) in relation to the variable Term Loan B, as even if the reasonably possible increase in interest rates occurs the interest rate floor on the Term Loan B will not be exceeded. This analysis assumes that all other variables, including foreign exchange rates, remain constant.

	Profit or (loss)	
	100bp increase $'000	100bp decrease $'000
30 June 2017		
Variable rate instruments	346	(346)
	346	**(346)**
30 June 2016		
Variable rate instruments	809	(809)
	809	(809)

The carrying values of financial assets and financial liabilities approximately reflect their fair values.

Capital management
The Board's policy is to maintain a suitable capital base so as to maintain investor, creditor and market confidence whilst sustaining future development of the business. Capital consists of share capital plus retained loss. The Board monitors both retained earnings/(loss) in addition to the Group's underlying earnings. Underlying earnings adjust retained earnings/(loss) for acquisition related costs and material non-cash, non-recurring adjustments such as asset impairment.

The Group's Term Loan B facility has a minimum monthly cash requirement of AU$35,000,000 among other requirements. At 30 June 2017 the Group is in compliance with all requirements. A breach of the covenant would result in the Term Loan B facility becoming immediately payable.

The Group does not purchase its own shares, except where purchased under an employee share. The Group's Term Loan B facility includes some restrictions on capital management that are standard for the Term Loan B market.

There were no changes to the Group's approach to capital management during the year.

28. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership 2017 (%)	Ownership 2016 (%)
Parent entity			
Atlas Iron Limited (i)	Australia		
Subsidiaries			
Atlas Operations Pty Ltd (ii)	Australia	100	100
St George Magnetite Pty Ltd (ii)	Australia	100	100
Mt Gould Minerals Pty Ltd (ii)	Australia	100	100
Weld Range Iron Ore Pty Ltd (ii)	Australia	100	100
Tiziflower Investments Inc (ii)	Panama	100	100
Jakkitower Enterprises SA (ii)	Panama	100	100
Warwick Resources Pty Ltd (ii)	Australia	100	100
Aurox Resources Pty Ltd (ii)	Australia	100	100
Ferro Metals Australia Pty Ltd (ii)	Australia	100	100
Giralia Resources Pty Ltd (ii)	Australia	100	100
Tallering Resources Pty Ltd (ii)	Australia	100	100
Carlinga Mining Pty Ltd (ii)	Australia	100	100
Wheelbarrow Prospecting Pty Ltd (ii)	Australia	100	100
FerrAus Pty Ltd (ii)	Australia	100	100
Australian Manganese Pty Ltd (ii)	Australia	100	100
FerrAus Manganese Pty Ltd (ii)	Australia	100	100
South East Pilbara Assets Pty Ltd (ii)	Australia	100	100
Minera Atacamena Limitada	Chile	100	100
Atlas Pty Ltd (ii)	Australia	100	100
Atlas America Finance Inc	United States of America	100	100
Atlas Iron Employee Share Trust	Australia	100	100

(i) Atlas Iron Limited is the ultimate parent entity within the consolidated Group.
(ii) These companies are members of the Atlas tax consolidated Group.

Interests in unconsolidated structured entities
The Group has no interests in unconsolidated structured entities.

29. PARENT COMPANY

As at and throughout the financial year ended 30 June 2017, the Parent entity of the Group was Atlas Iron Limited.

(a) Financial position of parent company at year end

	2017 $'000	2016 $'000
Total current assets	216,787	223,839
Total non-current assets	564,127	666,776
TOTAL ASSETS	**780,914**	**890,615**
Total current liabilities	290,617	344,479
Total non-current liabilities	168,049	276,470
TOTAL LIABILITIES	**458,666**	**620,949**
NET ASSETS	**322,248**	**269,666**
TOTAL EQUITY OF THE PARENT ENTITY COMPRISING OF:		
Issued capital	2,203,203	2,197,388
Reserves	42,180	43,395
Accumulated loss	(1,923,135)	(1,971,117)
TOTAL EQUITY	**322,248**	**269,666**
RESULTS OF PARENT ENTITY		
Profit/(loss) for the year	47,983	(169,590)
Other comprehensive income/(loss) for the year	-	(39)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**47,983**	**(169,629)**

(b) Guarantees entered into by the Parent

Atlas Iron Limited has not entered into a deed of cross guarantee with its 100% owned subsidiaries.
The Parent has a guarantee in respect of a lease agreement as disclosed in Note 21(d).

(c) Contingent liabilities of the Parent

The Parent does not have any contingent liabilities.

(d) Commitments of the Parent

The commitments of the Parent are the commitments of the Group, see Note 21.

DIRECTORS' DECLARATION

The Directors of Atlas Iron Limited declare that:

(1) (a) In the Directors opinion, the consolidated financial statements and notes that are contained in pages 41 to 78 and the remuneration disclosures that are contained in the remuneration report in the Directors' Report are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(c) The Directors have been given the declarations required by s295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2016.

(2) The Directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors.

Dated this 28th day of August 2017

Mark Clifford Lawrenson
Managing Director

Perth, Western Australia

Independent Auditor's Report

To the shareholders of Atlas Iron Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Atlas Iron Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 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 year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty related to Going Concern

We draw attention to Note 1(a), "Going Concern" in the financial report. The conditions disclosed in Note 1(a), indicate a material uncertainty exists that may cast 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 financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Analysing the cash flow projections by:
  - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past results and practices, particularly with reference to the ongoing volatility in the realised Australian dollar iron ore price;
  - Assessing the planned levels of revenue from product sales, operating and capital expenditures for consistency of relationships and trends to the Group's historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;
  - Analysing the impact of reasonably possible changes in projected cash flows on the projected month end cash positions and covenant metrics, with particular focus on the realised Australian dollar iron ore price;
- Evaluating Directors assumptions regarding the Group's ability to renegotiate terms with its lenders or source additional funds through debt or equity markets for consistency with our understanding of the Group's past results and practices.
- Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principle matters giving rise to the material uncertainty.

Key Audit Matters

In addition to the matter described in the *Material uncertainty related to going concern section*, we have determined the matters described below to be the ***Key Audit Matters***:

- Carrying value of non-current assets; and
- Restoration and demobilisation provision.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of non-current assets	
Refer to Note 3 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The carrying value of non-current assets is considered to be a key audit matter. Non-current assets include: • Horizon 1 mining properties, comprising mine development and property, plant and equipment totalling $353.1 million, based on a life of mine value-in-use cash flow model; and • Horizon 2 exploration projects, comprising capitalised evaluation expenditure - reserve development and mining tenements of $67.1 million, this was principally determined using implied valuations of reserves and resource tonnes. These were sourced for comparable projects from available market data. The Group identified the volatility of the iron ore market and excess of net assets to market capitalisation as an impairment indicator for these assets. Due to the significant judgement involved by the Group in determining the carrying value of these non-current assets, which were sensitive to changes in inputs, this was considered to be a key audit matter. We particularly focus on those significant, forward-looking assumptions and judgements which impact the future cash flows used in the Group's valuations, including: • Composition of the Horizon 1 cash generating unit including delays in the timing of developing Corunna Downs; • Australian dollar realised iron ore prices and discounts to be received by the Group for the sale of low grade iron ore. The sector in which the Group operates has experienced significant volatility in the realised Australian dollar iron ore price, increasing the risk of future fluctuations and forecast reliability; • Reserve estimates, ore mining and processing volumes and grade. These forecasts are based on estimated reserves which are complex to calculate based on interpretation of geological data; and	We involved KPMG valuation specialists and our procedures included: • Assessing the composition of the Group's cash generating units, utilising our knowledge of the Group's operations. This included consideration of how independent cash inflows are generated, against the requirements of the accounting standards. • We tested controls for the Group's valuation of the non-current assets, including management and board review and approval of key inputs to the assessment such as US dollar iron ore price, exchange rates and operational assumptions. • We compared the valuation methodology to industry standards and criteria in the relevant accounting standards. *Horizon 1 mining properties* We critically evaluated the cash flow assumptions by: • comparing realised Australian dollar iron ore prices modelled by the Group to published analyst and broker data about future iron ore prices and foreign exchange rates; • using our knowledge of historical production levels and the current business model to assess the Group's capacity to achieve future production levels; • we assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the model; • comparing the ore to be mined and processed, including the grade, in the cash flow model to the Mineral Resources and Ore Reserve Statements prepared by the Group in accordance with Joint Ore Reserve Committee (JORC) requirements.; • working with our valuation specialists we independently developed a discount rate range considered comparable using publicly available market data for

• The discount rate applied to forecast cash flows.
 	
To assess the significant judgements of this key audit matter, we involved senior audit team members, including valuation specialists.
	comparable entities, adjusted by risk factors specific to the Group and the industry it operates in.
	• We considered the sensitivity of the model by varying key assumptions, focused on the realised Australian dollar iron ore price, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.
	
	Horizon 2 exploration projects
	• We assessed the value ascribed to the Horizon 2 exploration projects by comparing it to market data for comparable projects. This involved:
	  • recalculation of calculated enterprise value per resource for comparable companies;
	  • challenging management's assessment of which companies were considered comparable, using our knowledge of the industry and market participants; and
	  • comparing key inputs to market data, including share price and published reserves and resources.
	• We assessed the Group's disclosures against the requirements of Australian Accounting Standards.

Restoration and demobilisation provision

Refer to Note 18 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The determination of restoration and demobilisation provisions relating to Mt Webber, Wodgina and Abydos mining and processing operations, totalling $50.1 million, is considered to be a key audit matter. This is due to the inherent complexity for the Group in estimating future environmental restoration and demobilisation costs and for us in gathering persuasive audit evidence, particularly those that are to be incurred several years in the future. This is influenced by: • The complexity in current environmental and regulatory requirements, and the impact to completeness of environmental	Our audit procedures included: • Comparing the basis for recognition and measurement of the provisions for consistency with environmental and regulatory requirements and criteria in the accounting standards; • Obtaining the Group's historical third party expert reports as well as internal underlying documentation for their determination of future required activities, their timing, and associated cost estimations. We compare these to the Group's environmental management strategy, including the nature and quantum of costs contained in the provision estimate;

restoration and demobilisation activities incorporated into the provisions estimate; • The expected environmental management strategy of the Group, and the nature of costs incorporated into the provisions estimate; • Historical experience and whether this is a reasonable predictor when evaluating forecast costs; and • The expected timing of the expenditure which is sometimes long into the future and the associated inflation and discounting of costs in the present value calculation of the provision. The Group uses third party expert advice when assessing their obligations for restoration and demobilisation activities and associated estimates of future costs.	• Testing the accuracy of historical restoration and rehabilitation provisions by comparing to actual expenditure. We used this to challenge the Group's current forecast cost estimations; • Assessing the planned timing of environmental restoration and demobilisation provisions through comparison to mine plans and reserve and resource statements for completion of mining activities and commencement of subsequent restoration and demobilisation activities; • Assessing the competence, scope and objectivity of the Group's external experts used in determination of the provisions estimate; • Analysed inflation rate and discount assumptions in the provision calculation to current market data and economic forecasts; • Evaluating the completeness of the provisions estimate to the Group's analysis of each operating location to identify where disturbance requires rehabilitation or demobilisation and our understanding of the Group's operations.

Other Information

Other Information is financial and non-financial information in Atlas Iron Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The Chairman's Report, Managing Director's Report, Other operational reports and ASX additional information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Atlas Iron Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Trevor Hart
Partner

Perth
28 August 2017

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2017

(a) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Holder	Number of ordinary shares held	% Holding
Western Asset Management Co./Legg Mason Inc.	946,169,709	10.21%
Bain Capital Credit	569,677,974	6.22%

(b) Ordinary Shares

The total number of shares on issue was 9,264,173,336 held by 31,560 registered shareholders. All ordinary shares currently on issue are freely tradeable.

Distribution of shareholders

Range	Total holders	Units	% of Issued Capital
1-1,000	4,901	2,564,154	0.03
1,001- 5,000	8,022	21,659,276	0.23
5,001- 10,000	3,093	23,652,576	0.26
10,001- 100,000	8,613	370,069,706	3.99
101,000- and over	6,931	8,846,227,624	95,49
Total	31,560	9,264,173,336	100.00

Unmarketable Parcels

The minimum parcel size at $0.021 per unit is 23,810 shares. 18,914 shareholders hold unmarketable parcels.

Twenty Largest Shareholders

	Shareholder Name	Quantity	% of Total Holding
1	HSBC Custody Nominees <Australia>	1,222,198,637	13.19
2	Citicorp Nominees Pty Limited	621,954,649	6.71
3	BGC Contracting Pty Ltd	231,792,518	2.50
4	Maru Sky Limited	121,323,362	1.31
5	Sankaty High Income Partnership LP	100,776,930	1.09
6	TLG Trading Pty Ltd	95,000,000	1.03
7	Benefit Street Partners CLO I Ltd	92,184,620	1.00
8	Mr Manishkumar Rasiklal Patel	90,000,000	0.97
9	J P Morgan Nominees Australia Limited	88,155,262	0.95
10	Jojo Enterprises Pty Ltd <SFI Family A/C>	78,334,846	0.85
11	Ms Linlin Li	77,670,000	0.84
12	Future Fund Board Of Guardians -2	65,380,852	0.71
13	Mr Benjamin Paul Landon	60,760,455	0.66
14	Helen Ma Pty Ltd <Stevema Super Fund A/C>	50,734,482	0.55
15	Milford Park Superannuation Pty Ltd <Milford Grove Superfund A/C>	46,789,380	0.51
16	Sankaty Senior Loan Fund LP	46,559,300	0.50
17	Staniford Street CLO LTD	45,305,476	0.49
18	Brispot Nominees Pty Ltd <House Head Nominee A/C>	44,197,560	0.48
19	BCC Atlas Iron Holdings (L) LLC	43,035,650	0.46
20	Mrs Christina Xu Wynne	43,000,000	0.46

ASX ADDITIONAL INFORMATION (continued)

(c) Performance Rights and Share Appreciation Rights

All Performance Rights and Share Appreciation Rights issued under the Atlas Long Term Incentive Plan lapsed during FY2017.

(d) Unlisted Options

There are 19,304,352 zero exercise price unlisted ESOP options expiring 13/11/2020 that vested on 6 May 2016 on issue.

There are 136,671,313 zero exercise price unlisted ESOP options expiring 23/11/2021 that are subject to vesting conditions.

(e) Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. There are no voting rights attaching to any other class of security.

(f) Corporate Governance Statement

Atlas Iron Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Atlas Iron Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2017 Corporate Governance Statement was approved by the Board on 28 August 2017 and is current as at 28 August 2017. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.atlasiron.com.au

CORPORATE INFORMATION

ABN

63 110 396 168

Directors

Eugene Davis
(Non-Executive Chairman)

Cliff Lawrenson
(CEO and Managing Director)

Alan Carr
(Non-Executive Director)

Hon. Cheryl Edwardes (AM)
(Non-Executive Director)

Daniel Harris
(Non-Executive Director)

Group Company Secretaries

Mark Hancock
Bronwyn Kerr

Registered Office

Level 18, Raine Square
300 Murray Street
Perth WA 6000
+61 (0) 8 6228 8000

Solicitors

Ashurst
Level 10 & 11, Brookfield Place
Tower 2
123 St Georges Terrace
Perth WA 6000

Bankers

National Australia Bank Limited
100 St Georges Terrace
Perth WA 6000

Share Registry

Computershare Limited
172 St Georges Terrace
Perth WA 6000

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

Internet Address

www.atlasiron.com.au

ASX Codes

Shares: AGO

A **FOCUS** ON PERFORMANCE

ATLAS

www.atlasiron.com.au