



September 2017 Quarterly Report

20 October 2017

Another strong quarter sees Atlas become net cash-positive

Highlights

- Net cash generated from operations of \$15m in the September Quarter after interest and financial instruments
- Cash on hand of \$93m at 30 September plus \$21m in reserve account
- Term Loan B at A\$103m at 30 September, unchanged from 30 June
- 3.0m wmt shipped in the September Quarter, down slightly on the previous quarter
- Average realised price of \$60/wmt CFR inclusive of realised hedge impacts and option premiums
- C1 cash cost of \$37/wmt FOB for September Quarter
- Full cash cost of \$55/wmt CFR for September Quarter
- State Government royalty relief package fully repaid
- Significant portion of Atlas' North Pilbara landholding hosts Mt Roe Basalt; several targets prospective for conglomerate-hosted gold
- Initial exploration identifies prospective lithium targets at the Pancho Prospect

Atlas Iron Limited (ASX: AGO) is pleased to report on a strong September Quarter which saw the Company pass another key milestone by becoming net cash-positive.

Atlas finished the Quarter with cash on hand of \$93m and a further \$21m in its reserve account. The total of \$114m compares with \$101m at 30 June. Atlas' Term Loan B stood at A\$103m at 30 September, unchanged from 30 June. The Term Loan B stood at A\$182m at the end of FY2016.

Atlas Managing Director Cliff Lawrenson said the transition to net-cash status provided more strong evidence that the re-shaping of the Company was advancing rapidly.

"This turnaround in our balance sheet encapsulates the progress we have made in restoring Atlas' financial and operational position since the restructure," Mr Lawrenson said.

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“During the Quarter, we repaid the final instalment of the \$22m in royalty relief provided by the WA Government in 2015.

“The operations performed strongly for the Quarter, generating net cash flow of \$15m. However, stubbornly high discounts for low grade product are likely to impact December Quarter results so we are maintaining a sharp focus on cost control.

“The changing shape of Atlas is also demonstrated by the resumption of exploration activities on a number of fronts. We aim to unlock all the value in our land holding, which includes lithium, copper and gold potential in addition to our iron ore assets.

“As part of this strategy, we also started exploring for lithium targets at our Pancho Prospect and investigating opportunities in the emerging conglomerate Pilbara gold story.

“With each quarter, we are making solid progress in our over-arching plan to strengthen Atlas’ financial position, maximise its opportunities and pursue new growth prospects.”

Key Metrics

	September 2017 Quarter	June 2017 Quarter	Variance Quarter
Ore tonnes shipped (m wmt)	3.0	3.1	(0.1)
C1 cash cost (A\$/wmt FOB)	\$37	\$36	(\$1)
Full cash cost (A\$/wmt CFR China)	\$55	\$52	(\$3)
Depreciation & Amortisation (A\$/wmt)	\$6	\$5	(\$1)
Net Atlas CFR Sale Price (A\$/wmt)	\$60	\$55	\$5
Development Capital (A\$m)	\$2.7	\$4.5	\$1.8

Operations

Table 1 - Production	September 2017 Quarter (wmt)	June 2017 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Ore Mined*	2,978,155	2,810,005	168,150	6%
Ore Processed	2,962,412	2,756,531	205,881	7%
Haulage to Port	2,819,325	3,096,384	(277,059)	(9%)

*Includes intra-mine tonnes

Table 2 – Inventory and Shipping	September 2017 Quarter (wmt)	June 2017 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Final Product Stock at site	455,290	224,522	230,768	103%
Final Product Stocks – Port	122,236	271,867	(149,631)	(55%)
Shipping				
Ore Shipped (Wet)	2,968,835	3,059,733	(90,898)	(3%)
Ore Shipped (Dry)	2,829,935	2,877,956	(48,021)	(2%)

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

Atlas shipped 3.0m wmt for the September 2017 Quarter, comprising 1.5m wmt of Standard Fines and 1.5m wmt of Atlas Lump.

Late in the Quarter, Atlas converted its crushing plant at Mt Dove to a lump and fines circuit to increase its proportion of lump product, which is currently generating higher margin.

Post Quarter end, Atlas completed mining at the current Abydos pits as scheduled. Crushing and haulage from those pits will complete late in October 2017.

C1 Cash Cost increased due to higher haulage costs as a result of the higher proportion of volume from Mt Webber with its increased distance from the Port. Royalty payments increased as a result of the higher iron price, which combined with the increase in freight and C1 costs, resulted in an increase in Full Cash Costs.

Marketing and Hedging

The benchmark Platts 62% Fe IODEX averaged US\$71/dmt in the September 2017 Quarter compared with US\$63/dmt in the June 2017 Quarter.

Atlas achieved an average realised price after hedge impacts of A\$60/wmt in the September 2017 Quarter (June 2017 Quarter: A\$55/wmt).

The Atlas received price for the quarter benefited from the higher headline price and improved lump premium. These gains were partially offset by the ongoing growth in product discounts experienced for lower grade ores such as Atlas', the higher Australian dollar (September 2017 Quarter 0.789 compared with June 2017 Quarter of 0.750) and the impact of financial instruments (including hedge settlements and the purchase of options).

Atlas continues to hedge a portion of its forward production to assist in managing risk related to iron ore price volatility. At the date of this report Atlas has hedged a portion of its December 2017 Quarter production as follows:

- Swaps for approximately 0.4m wmt of Atlas equivalent grade product at an average 62% Fe equivalent price of US\$68/dmt.
- Bought Put options of approximately 1.7m wmt of Atlas equivalent grade product at an average 62% Fe equivalent price of US\$63/dmt and has sold Call options for approximately 1.0m wmt of Atlas equivalent grade product at an average 62%Fe equivalent price of US\$77/dmt.
- Swaps for 3.1m dmtu of lump premium at US\$0.325.

Financial Position Summary

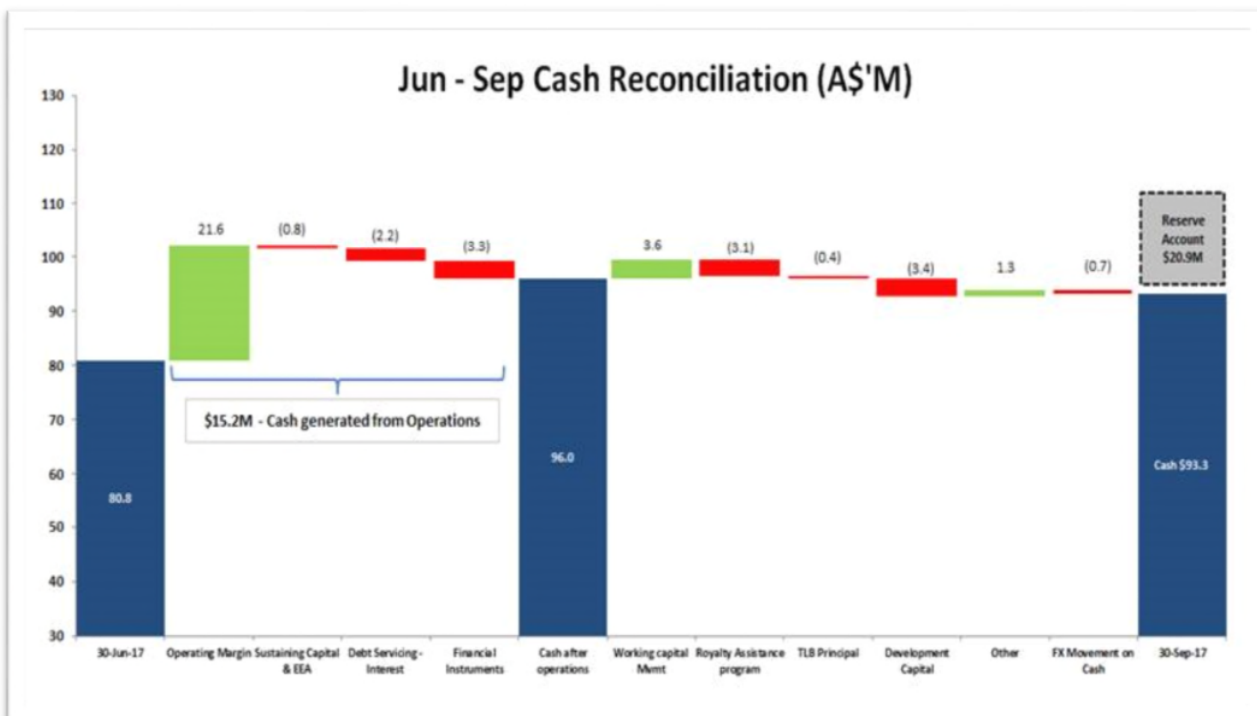
Cash as at 30 September 2017 was \$93m plus \$21m in the Reserve Account (30 June 2017: \$81m cash on hand plus \$20m in the Reserve Account).

During the Quarter, Atlas paid \$2.6m in interest and principal loan repayments and a further \$3m in State Government royalty relief payments offset by positive cash flow generated from operations. Atlas also paid \$0.8m into the Reserve Account in July 2017. Atlas will pay an additional \$13.4m into the Reserve Account at the end of October 2017 – the final payment permitted to be made into that account.

Atlas is pleased to report that it has now repaid in full the \$22m royalty relief package granted to the Company by the State Government in May 2015 (see ASX release dated 22 May 2015).

The AUD equivalent of the outstanding USD term loan was A\$103m as the 30 September 2017 exchange rate of 0.7839. The principal was increased by US\$1.7m in July 2017 as part of the consideration payable for a loan amendment earlier in 2017 (see ASX release of 16 February 2017 for further details).

Cash movements for the Quarter are summarised in the graph below



Exploration

Post Quarter end, Atlas completed an internal review to determine the prospectivity of its tenements for conglomerate-hosted gold mineralisation. The review was conducted in light of recent gold exploration success in the Pilbara, where several companies have found conglomerate-hosted gold mineralisation which lies adjacent to Mt Roe Basalt.

Atlas has reviewed areas of its tenements which contain the most prospective stratigraphy, including the basal conglomerate horizon that sits beneath the Mt Roe Basalt, and the conglomeratic sequences of the Hardey Formation that overlie it. Combined with historical data, including information generated when the Company (then named Atlas Gold Limited) was actively exploring for gold in the Pilbara, Atlas has generated priority targets for further work within the Corunna Downs, Miralga Creek and McPhee Creek areas adjacent to existing Atlas infrastructure.

On-ground geological reconnaissance will commence in coming weeks and will initially include geological mapping, rock chip sampling and soil geochemistry.

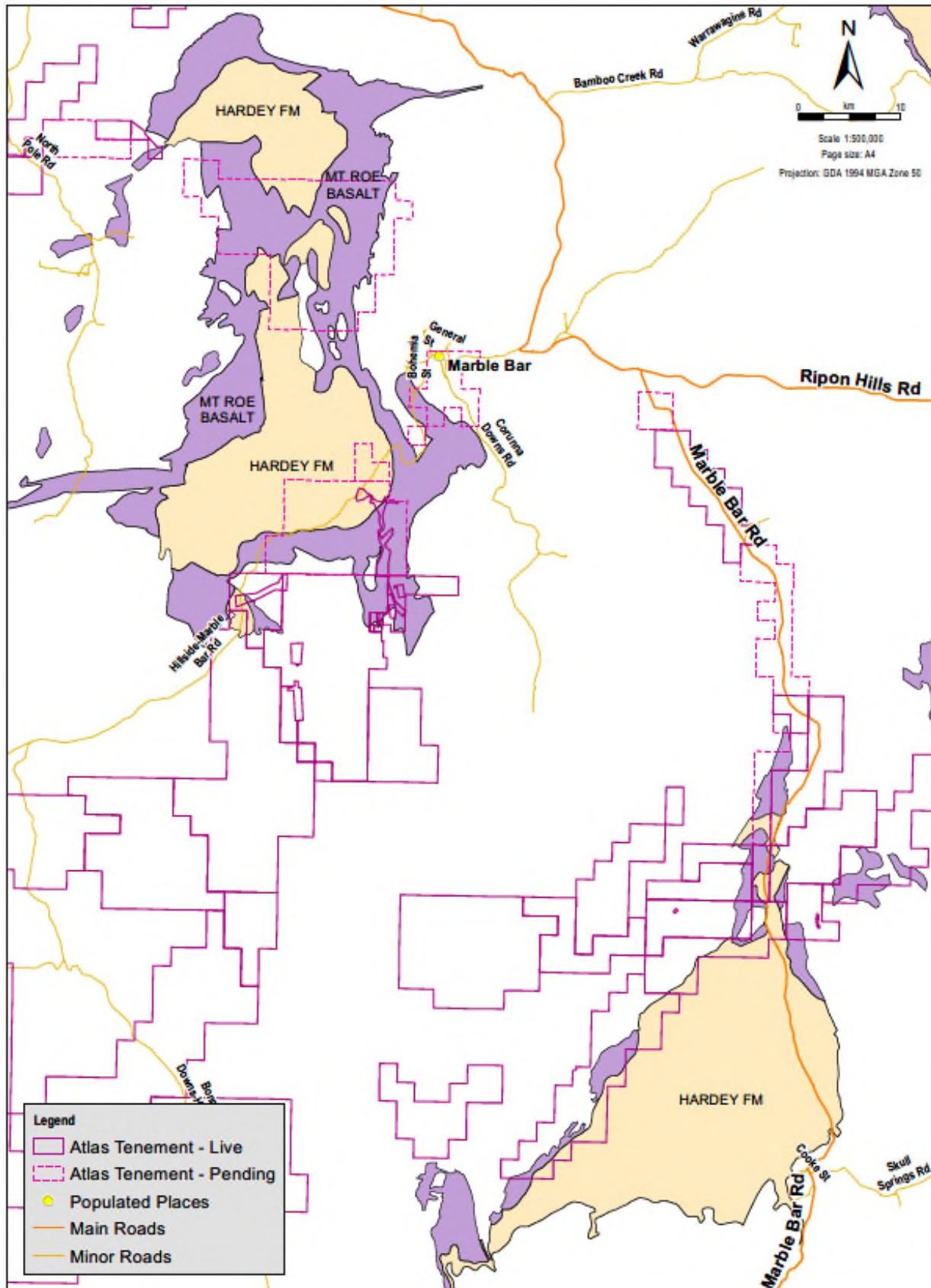


Figure 1 – Atlas tenure over key Pilbara stratigraphy

During the Quarter, the Company commenced a preliminary drilling program at its Copper Range Project east of Newman in the Pilbara region. Atlas is seeking to validate historical drilling which identified numerous broad zones of disseminated copper mineralisation, along with two massive sulphide Cu-Au horizons. Drilling has identified multiple anomalous zones of mineralisation, with assay results still pending.

During the Quarter, Atlas also carried out initial geological reconnaissance on lithium targets at its Pancho Prospect. The Company's 100% owned Pancho Prospect is located in the vicinity of known lithium deposits and is in close proximity to the Company's existing infrastructure corridor. Further work will be carried out in the coming months.



Figure 2 - Atlas' Pancho Prospect

Development

Atlas continued to progress the Corunna Downs Project during the Quarter. Atlas has secured approvals required to complete geotechnical and hydrogeological investigations on the proposed road for the Project. Atlas expects to complete these investigations during November 2017, substantially de-risking road construction. The Company continues to liaise with State and Commonwealth departments in relation to final approvals for mining.

With operations now winding up at the current Abydos pits, the Company is reviewing its ability to develop satellite pods of enriched Cleaverville Banded Iron Formation adjacent to existing Abydos infrastructure, including the Miralga Creek Mineral Resource of 3.83Mt at 57.65% Fe and the Sandtrax Mineral Resource of 0.83 Mt at 56.21% Fe¹.

During the Quarter, Atlas has continued discussions with Pilbara Minerals Limited in relation to the export of direct-shipped spodumene from Pilbara's Pilgangoora Project (see ASX Announcement dated 29 March 2017 for further details).

¹ *Mineral Resource as at 30 June 2017, refer to ASX Announcement dated 29 August 2017. The Sandtrax Mineral Resource is reported as part of the Abydos Mineral Resource.

Corporate

Mr Chris Els commenced his role as Atlas' Chief Financial Officer on 25 July 2017 (see March 2017 Quarterly Report). The Company's previous CFO, Mr Mark Hancock, was appointed Chief Commercial Officer focussing on marketing, business development and strategy.

Mr Tony Walsh resigned as Company Secretary effective 31 August 2017 (see ASX release dated 29 August 2017). Ms Bronwyn Kerr remains with the Company as General Counsel and Company Secretary.

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Glossary

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

Full cash costs includes C1 Cash Costs, royalties, freight, corporate and administration, exploration and evaluation, interest expense, contractor profit share and sustaining capital expenditure, but excludes depreciation and amortisation, one-off restructuring costs, suspension and ramp up costs of operating mine sites, and other non-cash expenses. C1 Cash Costs are inclusive of contractors and Atlas' costs including Contractor Rate Uplift. Full cash costs are derived from unaudited management accounts.

wmt means Wet Metric Tonnes. All tonnes referred to in this document are Wet Metric Tonnes unless otherwise stated.

dmt means Dry Metric Tonnes.

dmtu means Dry Metric Tonne Units.

mtpa means million tonnes per annum.

Corporate Profile

Directors

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

Company Secretary

Bronwyn Kerr	Company Secretary and General Counsel
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Executive Management

Chris Els	Chief Financial Officer
Jeremy Sinclair	Chief Operating Officer
Mark Hancock	Chief Commercial Officer

Registered Office and Head Office

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Appendix 1: Mine Production by Location and Inventory

Table A – Mine Production Abydos

	September 17 Quarter (WMT)	June 17 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	787,473	850,729	(63,256)	(7)%
Ore Processed	784,353	823,802	(39,449)	(5)%
Haulage to Port	747,211	941,313	(194,102)	(21)%

Table B – Mine Production Mt Webber

	September 17 Quarter (WMT)	June 17 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	2,190,682	1,778,286	412,396	23%
Ore Processed	2,178,059	1,656,205	521,854	32%
Haulage to Port	2,072,114	1,793,179	278,935	16%

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

Table C – Inventory

	September 17 Quarter (WMT)	June 17 Quarter (WMT)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	434,008	414,899	19,109	5%
Final Product Stock at site	455,290	224,522	230,768	103%
Final Product Stocks - Port	122,236	271,867	(149,631)	(55)%

Note: All percentages in Appendix 1 are rounded