29 August 2018

FY2018 Preliminary Financial Accounts

Unaudited accounts show:

- **Revenue of $547m** (FY2017: $871m)
- **Underlying* EBITDA of $16m** (FY2017: $116m)
- **Average realised price of $59/wmt CFR** excluding financial instruments (FY2017: $61/wmt)
- **Full cash cost of $59/wmt CFR** (FY2017: $53/wmt)
- **Cash on hand of $57m** at 30 June 2018 down from $81m plus $20m in reserve at 30 June 2017
- **Secured debt facility reduced to $85m** at 30 June 2018 down from $103m at 30 June 2017
- **Non-cash impairment of $92m**

*See glossary

Atlas Iron Limited (**Atlas**) (ASX: AGO) today releases its unaudited FY2018 Preliminary Financial Accounts. An independent audit of the results has commenced. Atlas expects to release audited FY2018 Financial Accounts before the end of September 2018 in accordance with regulatory requirements.

Operating Results

During the period, Atlas exported 9.2m wmt of iron ore (4.8m wmt of lump and 4.4m wmt of fines) down from 14.4m wmt (4.9m wmt of lump and 7.9m wmt of fines) in FY2018. The reduction was caused by the end of life mine at Wodgina (May 2017) and Abydos (October 2017).

Underlying EBITDA decreased substantially as a result of:

a. Lower revenue driven by lower sales volumes, lower USD headline price and higher discounts for low-grade product more than offsetting a higher proportion of lump product and increased lump premiums; and
b. Higher costs due to greater average haul distance from mine to port, higher sea freight charges and lower fixed cost dilution owing to fewer tonnes sold.

Whilst Atlas' revenue is predominantly derived from iron ore, for the first time, logistics services for lithium DSO and manganese lump have contributed $2.3m in net income to Underlying EBITDA.

Impairment

Consistent with the Company's advice in its Financial Update released to ASX on 17 May 2018, the Company has recorded a non-cash impairment charge of $92m in respect of the asset group which contains the Mt Webber mine and the Corunna Downs Project. This impairment charge does not affect the Company's cash flow or Term Loan B compliance.

Term Loan B

During the period, an off-market takeover bid for all the shared shares of Atlas was announced by Hancock Prospecting Pty Ltd ACN 008 676 417 through its wholly-owned subsidiary Redstone Corporate Pty Ltd ACN 625 680 159 (Redstone) (**Hancock Offer**).

Redstone advised that its voting power in Atlas increase above 50% on 3 August 2018. As foreshadowed in the Target's Statement, this change in the control of Atlas gives lenders under the Term Loan B Facility the option to accelerate repayment of the debt. If the lenders choose to accelerate repayment, the debt will immediately become due and payable.

The lenders have not chosen to accelerate Atlas' repayment obligations at this stage. Discussions between Atlas, Redstone and the Term Loan B lenders in regards to these matters are ongoing. In the event lenders under the Term Loan B Facility demand repayment and sufficient funding is not available promptly (either from Redstone or otherwise) and Atlas is unable to immediately repay the Term Loan B Facility, Atlas may no longer be a going concern.

While formal funding agreements are not yet agreed, the Board expects, based on the significant investment Redstone has made in the Company and a letter of comfort issued to the Directors by Redstone, that the funding will be obtained if it is required.

FY2019 Guidance

The Hancock Offer will close on 31 August 2018, subject to any further extension. Redstone advises that its voting power in Atlas has increased to 70.23%.

Redstone advises in the Bidder's Statement that following closure of the Hancock Offer, Redstone intends to conduct a strategic review of Atlas' business and mining assets. The conclusions and outcomes reached in the strategic review will inform Redstone's preferred approach to developing, operating and retaining or divesting the assets within the Atlas portfolio. Atlas will not know the extent of Redstone's ultimate shareholding in Atlas until the close of the Hancock Offer.

The Atlas Board will formulate FY2019 guidance once it has considered the outcomes of the strategic review and Redstone's ability to pursue those outcomes. In the interim, Atlas will continue operating its Mt Webber mine at ~7mtpa alongside existing lithium DSO processing activities. The Company expects that its costs for the September 2018 Quarter will be in line with those reported for the June 2018 Quarter.

Glossary

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

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

Full cash costs include C1 Cash Costs, royalties, freight, corporate and administration, exploration and evaluation, interest expense 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.

dmt means Dry Metric Tonnes.

dmtu means Dry Metric Tonne Units.

mtpa means million tonnes per annum.

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

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Atlas Iron Limited

ABN 63 110 396 168

Preliminary Final Report

Appendix 4E

for the financial year ended 30 June 2018

CONTENTS

Atlas Iron Limited

ABN 63 110 396 168

Preliminary Final Report

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		% Change		Amount
Total iron ore shipments	Down	36	To	9.2 wmt
Sales revenue	Down	37	To	$547 million
Statutory gross loss		From a profit last year	To	($39) million
Underlying EBITDA (Non-IFRS)*	Down	84	To	$19 million
Underlying loss before tax (Non-IFRS)*		From a profit last year	To	($62) million
Underlying loss after tax attributable to shareholders (Non-IFRS)*		From a profit last year	To	($63) million
Statutory net loss after tax		From a profit last year	To	($163) million
Statutory net loss after tax attributable to members		From a profit last year	To	($163) million
Proposed dividend in relation to this period		Nil		Nil

	2018 $'000	2017 $'000
Revenue from ordinary activities	546,819	871,051
Gross (loss)/profit	(39,439)	83,508
Underlying (loss)/profit after tax attributable to shareholders (Non-IFRS)*	(62,577)	30,841
(Loss)/profit after tax attributable to shareholders (Statutory)	(162,906)	47,981

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

NTA Backing	2018	2017
Net tangible assets per security	$0.02	$0.03

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

Associates and Joint Arrangements
Atlas holds interests in the joint arrangement:

Name of Entity	Interest % at 30 June 2018
North West Infrastructure Pty Limited	63.0%
Cisco Joint Venture	49.0%

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

Commentary on Results for the Period

Commentary on the results for the period is contained in the preliminary final report that accompany this announcement.

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

- Impairment losses; and
- Impact of one-off transactions.

Underlying (loss)/profit is not audited.

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

	2018 $'000	2017 $'000
Underlying (loss)/profit after tax (Non-IFRS)	**(62,577)**	**30,841**
Impairment of assets	(92,000)	(1,041)
Inventory write-down	(11,720)	-
Corporate transaction costs	(650)	-
Onerous lease unwind/(cost) and provision adjustments	3,161	6,784
Gain on sale of Plant, Property and Equipment	-	7,097
Provision reversal	-	2,000
Farm-in consideration	-	2,300
Contractual Break Fee	(3,120)	-
Profit on disposal of shares in subsidiary	4,000	-
Statutory net (loss)/profit after tax	**(162,906)**	**47,981**

Previous Corresponding Period
The previous corresponding period is the year ended 30 June 2017.

Audit of Accounts
This report is based on accounts that are in the process of being audited and is in compliance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The Audited Accounts are likely to contain an emphasis of matter paragraph in the independent audit report, which is consistent with the Independent Auditors Review Report included in the half-year Financial Report for the period ended 31 December 2017 and the Consolidated Financial Statements for FY2016 and FY2017.

The conditions disclosed in Note 3(i) "Going Concern" indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, particularly the potential for the Term Loan B debt holders to request accelerated repayment of the debt in full, 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 Preliminary Final Report. Between the lodgement of this report and the final audited financial statements, the disclosure in relation to going concern will likely be updated to reflect the conditions at that time.

Depending on the circumstances, the independent auditor's report would likely be modified to contain an emphasis of matter paragraph referring to the material uncertainty surrounding going concern set out in Note 3(i). However, the facts and circumstances present at that time may result in either an unmodified, qualified or disclaimed auditor's report to reflect the position in relation to going concern.

OPERATING AND FINANCIAL REVIEW

Strategy and Purpose

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 diversification and growth, as market conditions allow.

Optimising and Growing the Existing Iron Ore Business

In response to the high discount on ore of Atlas grade, especially on Atlas' Fines product, Atlas implemented measures to generate an improved product characterised by lower impurities. After successful trial shipments, this product is regularly priced at a premium to conventional Atlas fines. The pricing premium achieved more than offset any increased costs associated with supplying the product.

During the year, the premium on lump product improved compared to historical rates and the Company responded by changing its product strategy to increase the proportion of lump product in the sales mix. The Company's output for the year was 52% lump and 48% fines compared to FY18 guidance of 40% lump and 60% fines.

In its June Quarterly report, the Company announced that in the light of market conditions, it will suspend iron ore crushing at Mt Dove and reduce the mining rate at Mt Webber to circa 7mtpa with effect from late July 2018. Atlas is constantly monitoring market conditions and will seek to ramp up iron ore production with a short lead-time if economics permit.

Atlas continues to progress the Corunna Downs Project, with the approvals process substantially completed. The Company has secured all approvals required from the Commonwealth departments and continues to liaise with Western Australia State departments in relation to the final approvals for mining.

Diversification Beyond Iron Ore

During the year Pilbara Minerals Limited (PLS) commenced an expedited lithium DSO mining program at its Pligangoora Project. Atlas agreed to purchase up to 1.5 million tonnes of lithium direct shipping ore over a 15-month period from PLS. Atlas will process and transport the ore using its existing infrastructure, including its Mt Dove crusher and Utah Port facilities. Atlas entered into a back-to-back fixed price off-take agreement with Sinosteel Australia Pty Ltd for the export of this product and expects to generate an operating margin of AU$15-20 per tonne. As part of the arrangement, Sinosteel advanced funds for pre-payments made by Atlas to PLS for lithium DSO mine development costs. The prepayments are repaid in US$500 thousand instalments over the first six lithium shipments. The first lithium shipment of 85,000 tonnes was successfully completed in June 2018.

During the third quarter of 2018 financial year, Atlas signed a deal with Horseshoe Manganese Pty Ltd to purchase up to 100,000 tonnes of crushed manganese over a four-month period. The Company has prepared its logistics chain to handle manganese lump at very low capital cost and without affecting iron ore or scheduled lithium production. Atlas agreed to purchase the manganese as it reaches the north Pilbara and load it into a dedicated hold of vessels chartered for iron ore. The first manganese shipment was successfully completed in April 2018 with some 47,000 tonnes shipped by year end.

In addition to the external activities above, the Company continues to progress geological interpretation and modelling for the Copper Range Project east of Newman. This work will form the basis for the design of a more comprehensive drilling program to improve definition of the copper mineralisation at Copper Knob and test additional priority targets.

The Company continued early-stage exploration activities at its 100%-owned Pancho Lithium Prospect, located in the vicinity of known lithium deposits and in close proximity to the Company's existing infrastructure corridor. Detailed soil geochemistry and outcrop mineralogy work have identified a potential under cover target in a favourable geological setting. Planning and approvals are underway for a small drilling program to test the nature of this target and quantify its prospectivity.

The Company also progress activities at its Mt Francisco lithium joint venture (Cisco), where operator Pilbara Minerals Ltd focused on obtaining the necessary native title and land access arrangement to permit on ground exploration activities including drilling to occur in the 2018/19 year.

Subsequent to the internal review of conglomerate-hosted gold prospectivity across the Company's tenure, Atlas engaged an external consultant to conduct a broader, high level review of gold prospectivity irrespective of mineralisation style. This review identified several areas of tenure that display regional features and geological characteristics that are seen as conducive to hosting gold occurrences. These findings have now been incorporated in strategic exploration planning and tenure status assessments.

Debt Reduction

During the March 2018 quarter, a further amendment to the Term Loan B was implemented subsequent to Atlas repaying a further AU$20 million of its debt. The key features of the amendment eased certain loan covenants, including reducing the minimum cash balance requirement at the end of each month from AU$35 million to AU$15 million (refer Note 13).

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".

OPERATING AND FINANCIAL REVIEW

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:

	30-Jun-18	30-Jun-17	30-Jun-16
1. Revenue			
Tonnes sold ('000 wmt)	9,217	14,351	14,485
Revenue (AU$'000)	546,819	871,051	785,755
Average price per tonne received (including Lump & Value fines) (AU$/wmt CFR)	59.32	60.69	55.47
2. Operating Results			
Underlying cash gross margin (AU$'000)*	41,050	152,660	97,721
Underlying EBITDA (AU$'000)*	19,224	116,261	74,466
Underlying (loss)/profit after tax (AU$'000)*	(62,577)	30,841	(57,694)
C1 cash costs (AU$/wmt FOB)	39.30	34.76	34.39
All-in cash costs (AU$/wmt)**	57.62	51.02	49.35
Full cash costs (AU$/wmt)***	58.98	53.08	52.59
3. Liquidity			
Cash flow from operations (AU$'000)	(2,722)	153,897	31,105
Cash (AU$'000)	56,664	80,769	80,853
Working capital (AU$'000)	34,900	75,325	69,744
Borrowings (AU$'000)	(86,367)	(104,753)	(189,347)

* 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, take-over transaction costs and other non-cash expenses. Full cash costs are unaudited.

Revenue

Tonnes sold (wmt) were 36.1% lower from the prior year at 9.2 million wmt. predominantly due to the planned cessation of production at Wodgina (May 2017) and Abydos (October 2017) operations.

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

	30-Jun-18 wmt millions	30-Jun-17 wmt millions	30-Jun-16 wmt millions
Atlas fines	4.4	7.9	10.8
Atlas lump	4.8	4.9	3.4
Value fines	0	1.6	0.3
Total	**9.2**	**14.4**	**14.5**

Revenue for the year ended 30 June 2018 was AU$546.8 million at an average realised selling price of AU$59.32 per tonne. The decrease in revenue of 37.2% was primarily due to lower tonnes shipped and higher discounts applicable to iron ore of Atlas grade. This is partially offset by increased lump premiums and additional lump sales in the product sales mix which attract a premium.

OPERATING AND FINANCIAL REVIEW

Operating Results

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

	30-Jun-18 $ 000's	30-Jun-17 $ 000's	30-Jun-16 $ 000's
Underlying cash gross margin*	**41,050**	**152,660**	**97,721**
Exploration and evaluation expense	(5,223)	(3,482)	(3,526)
Other income	2,965	1,780	12,426
Net Income Lithium/Manganese (attributable to owners)	2,256	-	-
Loss on sale of assets	-	(98)	(349)
Other costs	(18,584)	(11,888)	(25,837)
Share of loss of associates, joint ventures and loss on financial instruments	(3,240)	(22,711)	(5,969)
Underlying EBITDA*	**19,224**	**116,261**	**74,466**
Depreciation and amortisation	(69,870)	(74,519)	(85,033)
Underlying EBIT*	**(50,646)**	**41,742**	**(10,567)**
Net finance expense	(9,802)	(12,628)	(34,027)
Net foreign exchange (loss)/gain	(1,452)	1,727	(13,100)
Underlying (loss)/profit before tax*	**(61,900)**	**30,841**	**(57,694)**
Underlying tax expense*	(677)	-	-
Underlying (loss)/profit after tax*	**(62,577)**	**30,841**	**(57,694)**
Inventory write-down	(11,720)	-	(3,652)
Impairment of assets	(92,000)	(1,041)	(97,098)
Profit on sale of share disposal	4,000	-	-
Break fee on termination of Scheme Implementation Deed	(3,120)	-	-
Gain on debt restructure	-	-	5,452
Corporate transactions (incl. onerous lease provision movement)	2,511	6,784	(3,783)
Other	-	11,397	(2,239)
Statutory profit/(loss) after tax	**(162,906)**	**47,981**	**(159,014)**

* 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

Underlying EBITDA has decreased by AU$97.0 million to AU$19.2 million as a result of the decrease in tonnes shipped, impact of decrease in the average price per tonne received due to lower headline price, elevated discount on Atlas fines product and higher haulage and sea freight charges, partly offset by increased lump premium and lump in the product mix.

Lithium DSO sales and Manganese service income contributed AU$2.3 million net income to underlying EBITDA which represents the share attributable to the owners of the group (90%).

Underlying Loss After Tax

The Company achieved an underlying loss after tax of AU$62.6 million compared to a profit AU$30.8 million in the prior year due to the negative movement in underlying EBITDA outlined above and negative foreign exchange movement since last year, partly offset by lower depreciation and amortisation as a result of the cessation of the Company's Wodgina and Abydos operations and AU$2.8 million reduction in net finance expenses due to the lower interest expense on Term Loan B as a result of the significant cash sweep repayments in the second half of 2017 financial year and the AU$20 million principal down payment made in January 2018.

Statutory Loss After Tax

The AU$162.9 million statutory loss after tax compares unfavourably with the prior year profit of AU$48.0 million due to the reduction in revenue and increased costs detailed above. The following one-off transactions also contributed to the statutory loss:

- impairment charges on assets of AU$92.0 million (30 June 2017: AU$1.0 million);
- inventory valuation write-down of AU$11.7 million (30 June 2017: Nil);
- transaction costs related to corporate take-over activities of AU$3.1 million (30 June 2017: Nil); and
- the impact of other one-off benefits and business combinations of AU$6.5 million gain (30 June 2017: AU$11.4 million)

C1 Cash Cost Per Tonne

OPERATING AND FINANCIAL REVIEW

C1 cash cost per tonne increased by 13.1% (AU$4.54 per tonne) from the prior year to AU$39.30 per tonne. Driven primarily by a decrease in tonnes across the value chain from the cessation of Wodgina and Abydos operations affecting fixed cost dilution. Overall unit costs rose due to increased haulage costs as a result of higher fuel costs and longer average haulage distance to the Port.

All-In Cash Cost Per Tonne

The All-in cash costs per tonne increased by 12.9% (AU$6.60 per tonne) from the prior year to AU$57.62 per tonne due to an increase in C1 cash cost per tonne detailed above, decrease in tonnes shipped unfavourably impacting fixed cost dilution of corporate costs and exploration and evaluation expense and an increase in freight rates during the period, partly offset by lower royalties and cessation of the contractor collaboration program as it reached the end of the negotiated term.

Full Cash Cost Per Tonne

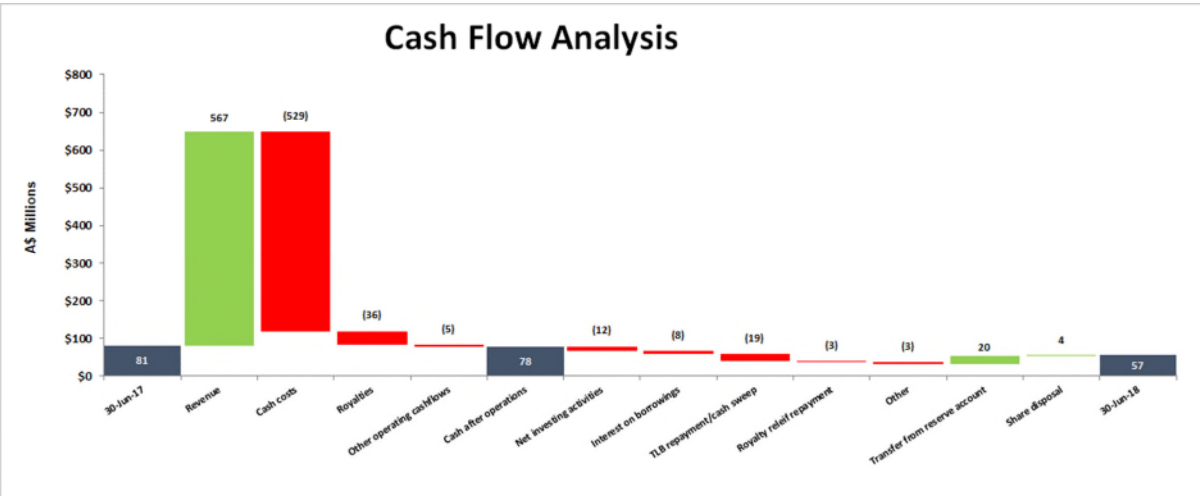
Full cash cost per tonne increased 11.1% (AU$5.90 per tonne) from the prior year to AU$58.98 due to an increase in All-in cash costs noted above offset by lower contractor margin share due to the cessation of the collaboration agreements following the closure of Wodgina and Abydos operations and a decrease in interest expense per tonne on the back off the additional Term Loan B repayments made during the year.

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, Atlas had AU$56.7 million in cash and cash equivalents. 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 16 to the financial statements.

Net operating cash flows

There has been a reduction in cash flows from operations of AU$156.6 million to a net cash outflow of AU$2.7 million during the year ended 30 June 2018 compared to the previous financial year.

OPERATING AND FINANCIAL REVIEW

The following table reconciles underlying EBITDA to cash flow from operations for the 12 months ended:

	30 June 18 $'000	30 June 17 $'000	30 June 16 $'000
Underlying EBITDA*	**19,224**	**116,261**	**74,466**
Working capital movements			
Inventory	(1,998)	(94)	(6,323)
Debtors and other assets	(5,394)	22,646	(10,678)
Creditors and other liabilities	(721)	(4,367)	(27,104)
Interest received	688	772	854
Share based payments	709	468	5,249
Change in fair value of listed investments	(241)	24	-
Change in fair value of financial instruments	3,240	22,711	5,863
Restructuring costs	-	-	(3,783)
Corporate transaction costs	(3,770)	-	-
Other items	(14,459)	(4,524)	(7,439)
Cash flow from operations	**(2,722)**	**153,897**	**31,105**

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

Atlas had net cash outflow from operations of $2.7 million for the year ended 30 June 2018. This compared unfavourably to the previous corresponding period predominantly due to a decrease in underlying EBITDA of AU$97.0 million and partially offset by a lower cost of iron ore hedges (Refer to *Underlying EBITDA*).

Net investing flows

Cash outflows from investing activities have decreased from the prior year by AU$17.6 million to AU$11.7 million due to the lower payments on iron ore hedging instruments AU$2.6m (2017 AU$24.7 million). The majority of capital spent related to Utah intersection works, Mt Dove camp upgrade and crusher works to accommodate lithium DSO at Mt Dove.

Net financing flows

Cash outflows from financing activities have decreased by AU$115.6 million in the year ended 30 June 2018 to AU$8.1 million due to lower additional principal repayments on Term Loan B compared to the reductions made during the previous financial year and draw down of the reserve account compared to the increase in the reserve account during 2017.

Working capital

The following table summarises significant statement of financial position amounts:

	2018 $'000	2017 $'000	2016 $'000
Cash	56,664	80,769	80,853
Trade and other receivables	22,239	41,421	36,509
Inventories	22,283	19,094	16,728
Trade and other payables	(66,286)	(66,049)	(64,346)
Working Capital	**34,900**	**75,235**	**69,744**

The impact of the reduction in tonnes shipped, the lower FOB iron ore price and repayment of AU$20 million on Term Loan B contributed in the AU$40.3 million lower working capital position as at 30 June 2018 compared to the prior year. For further information, refer to Note 3 (i) *Going Concern* in this report.

Borrowings

Borrowings have decreased by AU$18.4 million primarily as a result of contractual TLB and finance lease repayments. In addition, a further AU$20.0 million was repaid during the year as part of an amendment to Term Loan B, reducing the debt to AU$86.4 million.

Borrowings have been unfavourably impacted by the change in the AU$:US$ foreign exchange rate from 0.7692 at 30 June 2017 0.7391 at 30 June 2018.

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:

OPERATING AND FINANCIAL REVIEW

Commodity prices

Atlas' revenues and cash flows are mainly derived from the sale of iron ore. The majority of Atlas' iron ore 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 is exposed to fluctuations in the iron ore price, which has been volatile in the past.

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 average discount increased significantly compared to the year ending 30 June 2017.

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 average lump premium for 2018 was US$0.21/dmtu compared to the average for 2017 of US$0.11/dmtu. Product of Atlas grade typically attract a discount to the indexed lump premium.

Atlas also earns revenue and cash flow from the sale of Lithium DSO under a fixed price contract.

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

	30-Jun-18 $	30-Jun-17 $	30-Jun-16 $
62% CFR (US$/dmt)	69.12	69.53	51.37
Average price per tonne received CFR (including Atlas Value Fines) (AU$/wmt)	59.32	60.69	55.47

The price received by Atlas is adjusted for Fe grade, quality 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-18 $	30-Jun-17 $	30-Jun-16 $
USD/AUD	0.7753	0.7545	0.7283

Operating and Development Risks

Atlas' operations and development activities could be affected by various unforeseen 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.

OPERATING AND FINANCIAL REVIEW

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 on 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. A change of control event can give rise to an acceleration of the debt. 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 Agreement there is a minimum cash balance covenant requiring Atlas to have a minimum of AU$15 million at the end of each month. A 100% cash sweep pay down is in force 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.

Following an amendment to the Term Loan B facility in 2017, the Company was allowed to accumulate up to AU$45 million into a reserve account subject to certain rules. During the life of the reserve account AU$34.4 million was transferred to the account. The Reserve Account was depleted by 30 June 2018 as the Company required the funds to sustain liquidity. (Refer Note 13)

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.

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 our environment. 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 unforeseen compliance and rehabilitation costs, despite its best efforts.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 3 August 2018, Redstone Corporation Pty Ltd (Redstone), a wholly-owned subsidiary of Hancock Prospecting Pty Ltd advised that its voting power in Atlas increased to 56.07%. In accordance with section 624(2) of the Corporations Act, the Hancock Offer was extended to 17 August 2018.

Redstone advised that its voting power in Atlas increased to 68.48% on 17 August 2018 and advised the offer has been extended to 31 August 2018. As per Redstone's most recent notice its voting power in Atlas is 70.23%.

As foreshadowed in the Target's Statement, the change in the control of Atlas caused by shareholders accepting the Hancock Offer gives lenders under the Term Loan B Facility the option to accelerate repayment of the debt. If the lenders choose to accelerate repayment of the debt, the debt will immediately become due and payable.

Redstone has confirmed in its Bidder's Statement that it will offer to make available to Atlas (by way of a loan facility) such amount as may be necessary to enable Atlas to meet its repayment obligations in relation to the Term Loan B Facility, or will offer to step-in to the Term Loan B Facility (by way of acquiring that debt from the lenders under the Term Loan B Facility). However, Atlas and Redstone have not agreed to the terms for the provision of such funding to Atlas and there is a risk such agreement may not eventuate.

OPERATING AND FINANCIAL REVIEW

The lenders have not chosen to accelerate Atlas' repayment obligations at this stage. Discussions between Atlas, Redstone and the Term Loan B lenders in regards to these matters are ongoing. In the event that lenders under the Term Loan B Facility demand repayment and funding is not available sufficiently promptly (either from Redstone or otherwise) and Atlas is unable to immediately repay the Term Loan B Facility, Atlas may not be able to continue as a going concern.

While formal funding agreements with Redstone are not yet agreed, the Board expects, based on the significant investment Redstone has made in the Company and a letter of comfort issued to the Directors by Redstone, that funding will be obtained if it is required.

Further to the change of control, the Atlas Employee Share Option Plan (ESOP) has vested and unvested options as per the rules of the ESOP.

No other matters have arisen since 30 June 2018, 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

Redstone has indicated in the Bidder's Statement (see Section 5 of the Bidder's Statement) that as it conducted limited due diligence in relation to Atlas, it intends to conduct a strategic review of Atlas once the Hancock Offer has closed. Such a review will be an important step in informing and determining Redstone's approach to its investment in Atlas, including the potential integration of Atlas' business and mining assets into the Hancock Group.

Redstone has indicated that it intends to seek representation on the Atlas Board so that the proportion of Redstone nominees is broadly in line with its voting power in Atlas.

Since the balance sheet date, the Group has decreased the annual production rate at its Mt Webber project from 9mtpa to 7mtpa (wmt) with the suspension of iron ore crushing at the Mt Dove site due to the challenging market conditions. Atlas is constantly monitoring market conditions and will seek to ramp up iron ore production with a short lead time if economics permit.

The start of the Corunna Downs project development was deferred in June 2017 primarily due to prevailing market conditions and government approval processes taking longer than expected. 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 in consultation with Redstone, will assess its status once environmental approvals are received.

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.

HISTORICAL FINANCIAL DATA

Atlas' information technology systems were disrupted by a security breach late in the fourth quarter, causing some data encryption (see ASX Announcement 29 June 2018). Work on data recovery is ongoing. Although these systems issues have had no impact on production activities, significant tranches of financial data were encrypted. The Company commenced a systematic process of recovering financial information from source documents, hard copy reports and other sources. The independent audit of the 2018 financial results has commenced.

OPERATING AND FINANCIAL 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**	**4,513,986,260**	**156,913,683**
Options granted	0.00	-	206,081,063
Options exercised	0.00	-	(18,434,437)
Options forfeited	0.00	-	(5,196,018)
Options expired	0.07	(4,513,986,260)	-
Total number of options outstanding as at 30 June 2018	**0.00**	**-**	**339,364,291**
Options all vested subsequent to reporting date		-	(339,364,291)
Total number of options outstanding at the date of this report	**0.00**	**-**	**-**

As at the date of this report following the change of control, the Atlas Employee Share Option Plan (ESOP) has vested and unvested options as per the rules of the ESOP. Subsequent to the reporting date 22,901,655 options were exercised and the remainder exercised post change on control.

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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE

	Notes	2018 $'000	2017 $'000
Revenue		546,819	871,051
Operating costs	4	(586,258)	(787,543)
Gross (loss)/profit		**(39,439)**	**83,508**
Other income	7	6,127	16,844
Net income Lithium/Manganese operations		2,507	-
Exploration and evaluation expense		(5,223)	(3,482)
Impairment loss	5	(92,000)	(1,041)
Gain on listed investments		241	(24)
Loss on financial instruments	6	(3,240)	(22,711)
Depreciation and amortisation		(1,101)	(1,472)
Gain on sale of property, plant and equipment		-	6,999
Administrative expenses		(18,191)	(18,395)
Other expenses		(635)	(1,345)
Results from operating activities		**(150,954)**	**58,881**
Finance income	8	855	1,021
Finance expense	8	(10,657)	(13,648)
(Loss)/gain on foreign exchange	8	(1,452)	1,727
Net finance expense		**(11,254)**	**(10,900)**
Gain on sale of shares in subsidiary		4,000	-
Contractual break fee expense		(3,120)	-
Corporate transaction fees		(650)	-
(Loss)/profit before income tax		**(161,978)**	**47,981**
Tax expense	9	(752)	-
(LOSS)/PROFIT FOR THE YEAR		**(162,730)**	**47,981**
Other comprehensive income/(loss) for the year		**-**	**-**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(162,730)**	**47,981**
ATTRIBUTABLE TO :			
Owners of the group		**(162,906)**	**47,981**
Non-Controlling interests	10	**176**	**-**
		(162,730)	**47,981**
Profit/(Loss) per share			
Basic (loss)/profit per share (cents per share)		(1.76)	0.52
Diluted (loss)/profit per share (cents per share)		(1.76)	0.51

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

	Notes	2018 $'000	2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	16(b)	56,664	80,769
Trade and other receivables		22,239	41,421
Prepayments		4,285	1,356
Financial assets		640	1,070
Inventories		22,283	19,094
TOTAL CURRENT ASSETS		**106,111**	**143,710**
NON-CURRENT ASSETS			
Other receivables		6,130	6,015
Property, plant and equipment	11	44,005	84,351
Intangibles		-	281
Mine development costs	12	156,450	268,788
Evaluation expenditure - reserve development		4,749	4,592
Mining tenements		62,499	62,499
TOTAL NON-CURRENT ASSETS		**273,833**	**426,526**
TOTAL ASSETS		**379,944**	**570,236**
CURRENT LIABILITIES			
Trade and other payables		66,286	66,049
Interest bearing loans and borrowings	13	2,939	2,775
Income tax payable	9	752	-
Employee benefits		1,064	1,097
Provisions	14	13,230	10,019
TOTAL CURRENT LIABILITIES		**84,271**	**79,940**
NON-CURRENT LIABILITIES			
Trade and other payables		-	822
Interest bearing loans and borrowings	13	83,428	101,978
Employee benefits		1,303	1,093
Provisions	14	50,712	64,155
TOTAL NON-CURRENT LIABILITIES		**135,443**	**168,048**
TOTAL LIABILITIES		**219,714**	**247,988**
NET ASSETS		**160,230**	**322,248**
EQUITY			
Share capital	15	2,203,510	2,203,203
Reserves		41,221	40,816
Accumulated losses		(2,084,677)	(1,921,771)
Equity attributable to owners of the Group		**160,054**	**322,248**
Non-controlling interests	10	176	-
TOTAL EQUITY		**160,230**	**322,248**

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 2018

	Share capital $'000	Share-based payments reserve $'000	Accumulated (losses) $'000	Non-Controlling Interests $'000	Total equity $'000
BALANCE AT 1 JULY 2017	**2,203,203**	**40,816**	**(1,921,771)**	**-**	**322,248**
Total comprehensive income for the year					
Loss for the year	-	-	(162,906)	176	**(162,730)**
Total comprehensive income for the year, net of tax	-	-	**(162,906)**	**176**	**(162,730)**
Contributions by and distributions to owners of the Group					
Issue of ordinary shares	3	-	-	-	**3**
Share based payment transactions	-	709	-	-	**709**
Transfers from share based payments	304	(304)	-	-	**-**
Total transactions with owners of the Company	307	405	-	-	**712**
BALANCE AT 30 JUNE 2018	**2,203,510**	**41,221**	**(2,084,677)**	**176**	**160,230**

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**

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

	Notes	2018 $'000	2017 $'000
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES			
Cash receipts from customers		567,049	890,262
Payments to suppliers and employees		(565,236)	(733,655)
Interest received		688	772
Payments for expenditure on exploration and evaluation activities		(5,223)	(3,482)
NET CASH FLOWS FROM OPERATING ACTIVITIES	16(a)	**(2,722)**	**153,897**
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(4,057)	(1,743)
Payments for mine development		(6,565)	(4,493)
Payment for reserve development costs		(158)	(3,412)
Loan to joint venture		-	(259)
Net proceeds received from sale of tenements		-	2,530
Proceeds from release of bank guarantees		1,652	2,777
Net payments for financial instruments		(2,569)	(24,678)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(11,697)**	**(29,278)**
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Debt restructure costs		-	(1,241)
Repayment of Term Loan B		(19,020)	(79,385)
Transfer from/(to) reserve account		20,000	(20,000)
Interest payments on borrowing facilities		(8,498)	(9,233)
Repayment of royalty assistance program		(3,073)	(12,292)
Proceeds from issue of shares (net of costs)		3	-
Proceeds from disposal of shares in subsidiary		4,000	-
Repayment of finance lease		(1,525)	(1,525)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(8,113)**	**(123,676)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(23,532)**	**943**
Cash and cash equivalents at 1 July		80,769	80,853
Effect of exchange rate changes on cash and cash equivalents		(1,573)	(1,027)
CLOSING CASH AND CASH EQUIVALENTS		**56,664**	**80,769**

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

Notes to the Consolidated Financial Statements (Continued)

1. REPORTING ENTITY

Atlas Iron Limited (the Company) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The preliminary final report of the Company for the year ended 30 June 2018 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 preliminary final report was authorised for issue by the Board of Directors on 28 August 2018.

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.

2. STATEMENT OF COMPLIANCE

The preliminary final report is 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).

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

3. BASIS OF PREPARATION

The preliminary final report has been prepared on a historical cost basis, except for derivative and other financial instruments that are measured at fair value. The preliminary final report is presented in Australian Dollars, which is the functional currency of its operations in Australia.

(i) Going Concern

Going Concern

The preliminary final report has been prepared on a going concern basis which contemplates the realisation of assets and the discharge of liabilities in the ordinary course of business.

As at 30 June 2018, the Company has net assets of AU$160.2 million which have decreased by AU$162.0 million since 30 June 2017 mainly from:
- Impairment of AU$92.0 million on Non-Current Assets;
- Write down of inventory to lower of cost and net realisable value of AU$11.7 million;
- Repayment of AU$20,0 million on its Term Loan B; and
- A gross margin loss due to an increase in full cash cost from the year ended 30 June 2017.

The Company has positive net current assets as at 30 June 2018 of AU$21.8 million.

During the financial year Atlas completed its obligation under the Financial Assistance Agreement with the Government of Western Australia (Royalty Deferral) when the final payment was made in the second quarter of the 2018 financial year. No further payments are due under the scheme.

On 31 March 2017, the Group announced that it had implemented an amendment to its Term Loan B facility. The key features of the loan amendments were:

- After each of the March, June and September 2017 Quarters, Atlas was 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 would continue to be paid to lenders to reduce the loan balance.

The reserve account was available to Atlas throughout FY 2018 under the following terms:
- Funds in the reserve account were not subject to the quarterly cash sweep;
- Atlas was entitled to draw on the reserve account in order to keep its cash balance above AU$60 million; and
- Reserve account funds not drawn at 30 June 2018 were required to be swept to the lenders to repay any remaining Term Loan B loan amounts.

In January 2018 the Company successfully completed an amendment to its Term Loan B (TLB). Refer Note 13 for further details.

The TLB was amended whereby:

- the minimum cash balance at the end of every month was reduced from AU$35 million to AU$15 million; and
- certain loan covenants were eased.

As consideration for the TLB amendment:

Atlas repaid AU$20 million of the debt.

Notes to the Consolidated Financial Statements (Continued)

3. BASIS OF PREPARATION (Continued)

During the life of the reserve account AU$34.4 million was transferred into the account. The Reserve Account was fully utilised by 30 June 2018 to fund working capital requirements.

As at 30 June 2018 TLB remained in good standing and Atlas is in compliance with all obligations. (Refer to note 19 of this report in relation to standing and compliance on the date of this report). The Company's net debt position (cash and cash equivalents less drawn debt facilities) was AU$35 million as at 30 June 2018 which is summarised as follows:

	2018 $'000	2017 $'000
Cash	56,664	80,769
Debt	(85,968)	(102,809)
Finance Lease	(5,221)	(6,241)
Net Debt	**(34,525)**	(28,281)
Cash Reserve	-	20,044
Net Debt plus Cash Reserve	**(34,525)**	(8,237)

The Company prepares rolling 12-month cash flow forecasts. The cash flow forecast to September 2019 (the forecast period) has a positive working capital balance throughout that period.

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

- Forecast iron ore prices (grade adjusted, net of discount) for the forecast period of between AU$61 and AU$69 per dmt). The USD 62% Fe CFR China price and the AU$:US$ foreign exchange rate has been independently sourced.
- Estimated iron ore sale of 9.1 million tonnes for the 15-month period ended 30 September 2019.
- Estimated lithium DSO sales of 1.1 million tonnes for the 15-month period ended 30 September 2019

The cash flow forecast to August 2019 is highly dependent upon the achievement of USD iron ore price, AUD:USD exchange rate forecasts and the achievement of forecast operating cost and production outcomes.

The start of the Corunna Downs project development was deferred in June 2017 primarily due to prevailing market conditions and government approval processes taking longer than expected. Term Loan B was amended to allow for a reserve account to be created to fund Corunna Downs through operating cash flow. As the reserve account was utilised to fund working capital requirements, it was assumed based on the economic assumptions used in the cash flow, that Corunna Downs might require specific project funding of circa AU$50 million.

Corunna Downs remains an important project for the Group to sustain its production base and Atlas in consultation with Redstone post their strategic review of the Company's assets, will assess its status and funding options.

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 realised Australian dollar iron ore price. A material uncertainty relates to the risk of a sustained decline from forecast iron ore prices during the forecast period or the production and cost assumptions contained in the forecast do not eventuate.

On 18 June 2018, Redstone Pty Ltd (Redstone), a wholly-owned subsidiary of Hancock Prospecting Pty Ltd, lodged its original bidder's statement with ASIC that commenced an off-market takeover bid for the Company (Hancock Offer). The offer opened on 2 July 2018 with an initial closing date of 3 August 2018 unless extended or withdrawn.

Atlas lodged its Target's Statement in relation to the Hancock Offer with ASX on 16 July 2018. The Target's Statement includes a report from an independent expert, which concludes that the Hancock Offer is fair and reasonable to Atlas shareholders.

On 3 August 2018, Redstone advised that its voting power in Atlas increased to 56.07%. In accordance with section 624(2) of the Corporations Act, the Hancock Offer was extended to 17 August 2018.

Redstone advised that its voting power in Atlas increased to 68.48% on 17 August 2018 and advised the offer has been extended to 31 August 2018. As per Redstone's most recent notice its voting power in Atlas is 70.23%.

As foreshadowed in the Target's Statement, the change in the control of Atlas caused by shareholders accepting the Hancock Offer gives lenders under the Term Loan B Facility the right to accelerate repayment of the debt. If the lenders choose to accelerate repayment of the debt, the debt will immediately become due and payable (see section 2.1 of the Target's Statement for further information).

Notes to the Consolidated Financial Statements (Continued)

3. BASIS OF PREPARATION (Continued)

Redstone has confirmed in its Bidder's Statement it will offer to make available to Atlas (by way of a loan facility) such amount as may be necessary to enable Atlas to meet its repayment obligation in relation to the Term Loan B Facility, or will offer to step-in to the Term Loan B Facility (by way of acquiring that debt from the lenders under the Term Loan B Facility). However, Atlas and Redstone have not agreed terms for the provision of such funding to Atlas and there remains a risk such agreement may not eventuate.

Redstone has also stated that should Atlas require any funding support, in addition to that required to meet its repayment obligation under Term Loan B, Redstone would consider any request for funding by Atlas on a case-by-case basis (whether Atlas is partly or wholly-owned by Redstone). Any such funding that may be provided would likely be offered by Redstone on arm's length terms, and the provision of such funding would remain subject to Redstone and Atlas agreeing those terms (see section 4.2 of the Bidder's Statement).

The lenders have not chosen to accelerate Atlas' repayment obligations at this stage. Discussions between Atlas, Redstone and the Term Loan B lenders in regards to these matters are ongoing. In the event lenders under the Term Loan B Facility demand repayment and funding is not available sufficiently promptly (either from Redstone or otherwise) and Atlas is unable to immediately repay the Term Loan B Facility, Atlas may not be able to continue as a going concern.

To the date of this report, Redstone's acquisition of a controlling 70.23% of the issued capital of Atlas for cash of approximately $283.7 million, and Redstone's statements of intent to provide future funding to Atlas, as discussed earlier, coupled with a letter of comfort issued to the Directors by Redstone, consistent with the undertakings in the Bidder's Statement, provide the Directors with sufficient confidence that Atlas will be in a position to continue as a going concern, however, discussions between Redstone, Atlas and the Lenders have not yet concluded and this represents a material uncertainty.

These material uncertainties related to realised iron ore prices, production costs and the ability to repay Term Loan B debt, particularly in the event of its acceleration by the lenders, give rise to significant doubt about the ability of the Company to continue as a going concern and realise its assets and extinguish its liabilities in an orderly manner at the amounts stated in the financial report.

(ii) Significant Accounting Policies

The preliminary final report does not contain all the notes of the type normally included in an annual financial report.

The accounting policies and methods of computation adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed by the Company in its 2017 Annual Financial Report as at and for the financial year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Accordingly, the report should be read in conjunction with the full year financial report for the period ended 30 June 2017.

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

(iii) Operating Segments

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

(iv) 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.

Notes to the Consolidated Financial Statements (Continued)

3. BASIS OF PREPARATION (Continued)

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.

(v) Estimates

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

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

(vi) Comparatives

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

4. OPERATING COSTS

	2018 $'000	2017 $'000
Mining and processing	(127,048)	(191,817)
Haulage	(164,172)	(197,649)
Port	(71,343)	(109,630)
Shipping	(108,684)	(122,008)
Royalties	(36,084)	(66,271)
Depreciation and amortisation	(68,769)	(73,046)
Inventory write-down	(11,720)	-
Other operating costs (including contractor profit share)	1,562	(27,122)
	(586,258)	**(787,543)**

AU$11,720,286 write-down of predominantly iron ore fines inventories to net realisable value was recognised as an expense during the year ended 30 June 2018 (2017: Nil write-down).

Other operating costs have significantly decreased due to the cessation of collaboration agreements and profit share arrangements. An AU$1.2 million refund for overcharges on port operating costs relating to the prior year and rental income for accommodation units utilised at Abydos were received.

5. 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;
- the continued market capital deficiency prior to the Hancock Offer and Mineral Resources Ltd Scheme of Arrangement, the first of which was announced on 5 April 2018 (but no deficiency has existed since that time); and
- the deferral of the Corunna Downs Project.

Notes to the Consolidated Financial Statements (Continued)

5. IMPAIRMENT LOSS (Continued)

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 2018.

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

	2018 $'000	2017 $'000
Other receivables	-	(528)
Mine and reserve development assets	(58,254)	(460)
Property, plant and equipment	(33,721)	-
Intangible assets	(25)	-
Mining tenements capitalised	-	(53)
Impairment loss	(92,000)	(1,041)

Following is a break-down of the impairment loss by asset grouping:

	2018 $'000	2017 $'000
Horizon 1 mining properties	(92,000)	-
Other	-	(1,041)
Impairment loss	**(92,000)**	**(1,041)**

Horizon 1 Mining Properties

Atlas' Horizon 1 mining properties relate to the assets and liabilities contained within its current operating mines (including the Corunna Downs project). At 30 June 2018, Atlas assessed the Horizon 1 assets for impairment and recognised a loss of AU$92 million on mine reserve and development assets. In the year ended 30 June 2017, Atlas did not recognise an impairment loss. 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 based on current reserves.

Key assumptions contained in cash flow projections are based on external sources of information where available, or 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 2.0% per annum; and
- a nominal post-tax discount rate applied to cash flow projections of 11% (June 2017: 10%).

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 2018*		
Assumption	**CFR 62% Fe $USD/DMT**	**AUD/USD**	**Low Grade Discount**
Not later than one year	64 - 63	0.740 – 0.765	32% - 29%
Later than one year and not later than five years	62 - 63	0.765 – 0.750	28% - 12%
More than five years	63 - 66	0.750 – 0.750	12%

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

Notes to the Consolidated Financial Statements (Continued)

5. IMPAIRMENT LOSS (Continued)

Sensitivity

Horizon 1 mining properties

The effect of a reasonably possible change as at 30 June 2018, 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	(116)	116
10% long term discount on CFR price	144	-
20% long term discount on CFR price	32	-
10% increase in production operating costs costs **	(130)	130
100 basis points increase in discount rate	(6)	6

** 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 or compounded by a change in another key assumption.

Horizon 2 Exploration Projects

Atlas' Horizon 2 exploration projects relate predominantly to the McPhee Creek and South East Pilbara exploration projects. Atlas did not recognize an impairment in year ended 30 June 2018 (30 June 2017: No impairment loss recognised).

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 cash flows. 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 2018 (30 June 2017: No impairment loss recognised).

Non-core tenements

No impairments were recognised for the year ending 30 June 2018 (30 June 2017: No impairment loss was recognised in relation to non-core tenements).

Sensitivity

Horizon 2 – McPhee Creek

As at 30 June 2018, 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 Value $'000	Impairment $'000
10% change in implied valuations per reserve/resource tonne	(7,079)	0

Horizon 2 – South East Pilbara

As at 30 June 2018, 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	(20,641)	-

Notes to the Consolidated Financial Statements (Continued)

6. LOSS ON FINANCIAL INSTRUMENTS

	2018 $'000	2017 $'000
Unrealised financial instrument loss/ (gain)	671	(2,072)
Realised financial instrument loss	2,569	24,783
LOSS ON FINANCIAL INSTRUMENTS	**3,240**	22,711

The Group continued to hedge a portion of its production against the iron ore price and recognised a net AU$2.6 million option premium for the year (2017: AU$1.9 million premium expense and $21.0 million loss on iron ore hedged tonnes).

As the unrealised hedges crystallise in the relevant future period they will be offset by a movement in the floating headline price payable by the physical customer. The financial instruments represent iron ore derivatives measured at fair value. The fair value is determined using forecast iron ore prices from at the balance sheet date. This is a level 2 valuation technique in accordance with AASB 13 *Fair Value Measurement*.

7. OTHER INCOME

	2018 $'000	2017 $'000
Rehabilitation provision adjustment	3,047	7,414
Onerous lease provision adjustment	115	3,348
Provision reversal	-	2,000
Farm-in consideration	-	2,300
Rental income	2,035	1,782
Cancelled shipment settlement	782	-
Other income	148	-
	6,127	**16,844**

8. NET FINANCE (EXPENSE)/INCOME

	2018 $'000	2017 $'000
Interest income	629	900
Interest accretion	226	121
Finance income	**855**	**1,021**
Interest expense – Term Loan B	(8,498)	(9,195)
Amortisation of debt establishment costs	(1,653)	(76)
Other finance expenses	(506)	(4,377)
Finance expense	**(10,657)**	**(13,648)**
Net (loss)/gain on foreign exchange	(1,452)	1,727
Net finance expense	**(11,254)**	**(10,900)**

9. INCOME TAX

The income tax expense and liability AU$0.8 million relates to Atlas Pty Ltd, a subsidiary which Atlas Iron Ltd has 90% controlling interest and therefore does not form part of the Atlas Iron Ltd tax consolidated group. AU$0.7 million is the income tax expense attributable to owners of the Group.

There is no recognition of deferred tax assets in the financial statements.

10. NON-CONTROLLING INTERESTS

In April 2018 Atlas Iron Ltd disposed of 10% of the shares owned in its subsidiary Atlas Pty Ltd to Mineral Resources Limited. Profit attributable to non-controlling interest of AU$0.2 million relates to Mineral Resources Ltd 10% shareholding.

Notes to the Consolidated Financial Statements (Continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Notes	2018 $'000	2017 $'000
At cost		169,344	165,287
Accumulated depreciation and impairment		(125,339)	(80,936)
	11(a)	**44,005**	**84,351**

(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.

	2018 $'000	2017 $'000
Property		
Carrying amount at beginning	19,070	22,611
Additions		
- Buildings	156	67
Impairment (Note 5)	(7,756)	-
Disposal	-	(2,334)
Depreciation expense	(962)	(1,274)
Carrying amount at end	**10,508**	**19,070**
Plant and equipment		
Carrying amount at beginning	65,254	73,951
Transfers	27	-
Additions	3,902	1,997
Disposals	-	(105)
Depreciation expense	(9,721)	(10,589)
Impairment (Note 5)	(25,965)	-
Carrying amount at end	**33,497**	**65,254**
Assets under construction		
Carrying amount at beginning	27	17
Transfers	(27)	-
Additions	-	10
Carrying amount at end	**-**	**27**
Total	**44,005**	**84,351**

12. MINE DEVELOPMENT COSTS

	2018 $'000	2017 $'000
At cost	805,676	800,097
Accumulated amortisation and impairment	(649,226)	(531,309)
	156,450	**268,788**
Mine development cost breakdown:		
Carrying amount at beginning	268,788	297,660
Additions	6,565	5,484
Reassessment of rehabilitation asset	(527)	300
Transfers from evaluation expenditure and property, plant and equipment	-	20,060
Impairment (Note 5)	(58,254)	(460)
Amortisation expense	(60,122)	(54,256)
Carrying amount at end	**156,450**	**268,788**

Notes to the Consolidated Financial Statements (Continued)

13. INTEREST BEARING LOANS AND BORROWINGS

	2018 $'000	2017 $'000
Current		
Secured debt facility	1,827	1,755
Finance Lease	1,112	1,020
	2,939	**2,775**
Non-current		
Secured debt facility	84,141	101,055
Finance Lease	4,109	5,221
Borrowing costs	(4,822)	(4,298)
	83,428	**101,978**

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$10m and on completion issued to the Lenders 6,229,503,087 fully paid ordinary shares and 4,513,986,260 Options exercisable at $0.075. 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 31 March 2017, the Group announced that it had implemented another amendment to its Term Loan B facility. The key features of the loan amendments were:

- After each of the March, June and September 2017 Quarters, Atlas was 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 would continue to be paid to lenders to reduce the loan balance.
- The reserve account was 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.

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 (31 March 2017: $0.03). This was considered to be a level one on the valuation technique within the fair value hierarchy.
- Term Loan B principal outstanding would be increased by a maximum of US$2,300,000, unless the facility was refinanced or repaid within 120 days of satisfying the conditions precedent. The refinancing timeline expired on 28 July 2017 and resulted in an increase to the loan payable of US$1,700,000.

Establishment fees paid in relation to the amendment in year ended 30 June 2017 were capitalised and will be amortised over the remaining term of the Term Loan B.

During the life of the Reserve Account AU$34.4 million was transferred to the account. The Reserve Account was fully utilised by 30 June 2018 to fund working capital requirements.

On 29 January 2018, the Company announced a further amendment to the Term Loan B facility, resulting in an additional repayment of AU$20 million and a reduction in the minimum cash covenant at no cost from AU$35 million to AU$15 million.

Atlas was in compliance with all covenant requirements as at 30 June 2018 (Refer to note 19 of this report in relation to standing and compliance on the date of this report). The facility continues to be repaid at 1% 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.

Notes to the Consolidated Financial Statements (Continued)

13. INTEREST BEARING LOANS AND BORROWINGS (Continued)

Finance Lease

During 2014, 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 has 3 years remaining at 30th June 2018. The Company has recognised finance lease interest charges of AU$506,000 (2017: AU$590,000).

14. PROVISIONS

	2018 $'000	2017 $'000
Current		
Rehabilitation and demobilisation	9,126	5,341
Onerous lease	3,087	3,661
Other	1,017	1,017
	13,230	**10,019**
Non-current		
Rehabilitation and demobilisation	33,820	44,792
Onerous lease	16,892	19,363
	50,712	**64,155**

Rehabilitation provision

When developing its mines, the Group makes provision for the future cost of rehabilitating mine sites. 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.

Onerous lease

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

15. SHARE CAPITAL

	2018 $'000	2017 $'000
9,279,608 (30 June 2017: 9,260,788) Ordinary fully paid shares	**2,203,510**	2,203,203

	Number of shares '000	2018 $'000
Movements in ordinary share capital		
Beginning of the financial period	9,260,788	2,203,203
Issue of ordinary shares	18,820	307
End of the financial period	**9,279,608**	**2,203,510**

Notes to the Consolidated Financial Statements (Continued)

16. STATEMENT OF CASHFLOWS

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

	2018 $'000	2017 $'000
Net (loss)/profit	(162,730)	47,981
Non-cash items		
Depreciation and amortisation of non-current assets	69,870	74,519
Impairment	92,000	1,041
(Gain) on disposal of fixed assets	-	(6,999)
(Gain) on disposal of shares in subsidiary	(4,000)	-
Net foreign exchange loss/(gain)	1,452	(1,727)
Net interest expense - other	506	1,024
Amortisation of debt establishment costs	1,653	76
Interest expense on borrowing facilities	8,498	12,460
Loss on financial instruments	3,240	22,711
Restructuring costs – onerous lease	(3,046)	(6,784)
Rehabilitation provision adjustment	(3,273)	(7,414)
Other	1,220	(1,252)
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,465)	17,510
(Increase)/decrease in prepayments	(2,929)	5,136
(Increase)/decrease in inventories	(1,998)	(94)
(Decrease)/increase in trade and other payables	2,490	(2,521)
Increase/(decrease) in employee entitlements	177	176
(Decrease)/increase in provisions	(3,387)	(1,946)
Net cash inflow from operating activities	**(2,722)**	**153,897**

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents comprises:

	2018 $'000	2017 $'000
Cash at bank and in hand	46,645	34,568
Short term deposits	10,019	46,201
Closing cash and cash equivalents balance	56,664	80,769

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

There were no non-cash financing and investing activities for the year ended 30 June 2018.

17. SEGMENT INFORMATION

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. he financial results from this segment are equivalent to the financial statements of the Group as a whole.

Notes to the Consolidated Financial Statements (Continued)

18. CONTINGENCIES

The Company has bank guarantees totalling $6.1 million (30 June 2017: $6.0 million) predominantly related to office and mining bonds.

Atlas and Mineral Resources Ltd entered into an Alliance Agreement on 8 April 2018. Under the terms of the Alliance Agreement, the parties are to endeavour to enter into binding legal documents to govern their relationship in respect of Atlas Pty Ltd. If such agreements are not executed by 9 October 2018, either Atlas or Mineral Resources Ltd may terminate the arrangements relating to lithium and manganese and Mineral Resources Ltd must transfer all of its shares in Atlas Pty Ltd to Atlas in return for the reimbursement of the $4 million equity it originally contributed. The rights to the dividends will transfer back to Atlas with these shares.

19. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 3 August 2018, Redstone Corporation Pty Ltd (Redstone), a wholly-owned subsidiary of Hancock Prospecting Pty Ltd advised that its voting power in Atlas increased to 56.07%. In accordance with section 624(2) of the Corporations Act, the Hancock Offer was extended to 17 August 2018.

Redstone advised that its voting power in Atlas increased to 68.48% on 17 August 2018 and advised the offer has been extended to 31 August 2018. As per Redstone's most recent notice its voting power in Atlas is 70.23%.

As foreshadowed in the Target's Statement, the change in the control of Atlas caused by shareholders accepting the Hancock Offer gives lenders under the Term Loan B Facility the option to accelerate repayment of the debt. If the lenders choose to accelerate repayment of the debt, the debt will immediately become due and payable.

Redstone has confirmed in its Bidder's Statement that it will offer to make available to Atlas (by way of a loan facility) such amount as may be necessary to enable Atlas to meet its repayment obligations in relation to the Term Loan B Facility, or will offer to step-in to the Term Loan B Facility (by way of acquiring that debt from the lenders under the Term Loan B Facility). However, Atlas and Redstone have not agreed to the terms for the provision of such funding to Atlas and there is a risk such agreement may not eventuate.

The lenders have not chosen to accelerate Atlas' repayment obligations at this stage. Discussions between Atlas, Redstone and the Term Loan B lenders in regards to these matters are ongoing. In the event that lenders under the Term Loan B Facility demand repayment and funding is not available sufficiently promptly (either from Redstone or otherwise) and Atlas is unable to immediately repay the Term Loan B Facility, Atlas may not be able to continue as a going concern.

While formal funding agreements with Redstone are not yet agreed, the Board expects, based on the significant investment Redstone has made in the Company and a letter of comfort issued to the Directors by Redstone, that funding will be obtained if it is required.

Further to the change of control, the Atlas Employee Share Option Plan (ESOP) has vested and unvested options as per the rules of the ESOP.

No other matters have arisen since 30 June 2018, 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.