



ASX Announcement

10th April 2015

Atlas suspends production in response to low iron ore price

Atlas Iron (ASX: AGO) advises that due to recent significant falls in the iron ore price, it will progressively suspend its mining operations over the month of April, with exports to cease shortly thereafter.

Despite an extensive cost-cutting program, to which staff and contractors have made significant contributions, the global supply-demand imbalance for iron ore has driven prices down to the point where it is no longer viable for Atlas to continue production.

Atlas has continued to reduce costs significantly and its break-even price on a benchmark 62Fe basis is currently below USD\$60/t* at an EBITDA level. However, despite these substantial reductions, Atlas' break-even price remains well above the current spot price.

In light of this, Atlas will cease mining and crushing at its Mt Webber project next week.

Mining and crushing at the Abydos project is scheduled to cease within 14 days and operations at the Wodgina mine are expected to be completed in late April.

All Atlas' projects will be put on care and maintenance, pending future iron ore market conditions.

Atlas Managing Director Ken Brinsden said the decision to suspend production was taken after extensive consideration of the Company's financial position, discussions with contractors and secured creditors.

"To suspend our operations, with the impact that will have on so many committed and talented people, is an extremely difficult decision," Mr Brinsden said.

"I sincerely thank all those who have worked so hard to build Atlas' production base and those who have worked furiously to maintain Atlas' competitive position over the past 15 months, in the face of increasingly oppressive market conditions."

Approximately 500 people are currently employed across Atlas' production assets, including direct employees and those of the Company's contractors. Atlas employs a further 75 people in its Perth office.

Based on the significant percentage of global iron ore production which is now cash flow negative, Atlas expects prices will ultimately increase. However, the timing of a recovery is unclear, leaving Atlas with little choice but to take decisive action to protect its balance sheet and resource position.

Atlas is now in discussions with its creditors concerning options which would enable the Company's mines to re-start as efficiently as possible in a circumstance where an operating margin can be re-established, whether through further cost reduction where possible and/or improvements in the iron ore price.

Atlas will not be commenting further on these operational changes or financial discussions at this stage. However the Company will provide an update on these matters in due course.

*Based on all-in cash costs below AUD\$60/wmt CFR in unaudited March 2015 management accounts.

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Atlas also advises that Moody's have downgraded Atlas' corporate senior secured ratings to Caa3 and announced that the ratings are on review for further downgrade. In addition, S&P have announced the downgrade of Atlas' corporate family and senior secured ratings to CCC and placed all ratings on credit watch with negative implications. These rating updates do not impact existing terms under Atlas' Term Loan B maturing in December 2017.

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