ASX Announcement 15 MAY 2015

LANDMARK DEAL ON COSTS – MINING BACK ON

Materially lower costs, stronger business

Key points

- **Abydos mining is now back in full swing, Wodgina mining restart expected next week**
- **Collaboration agreement will materially reduce Atlas' costs, making it break-even at a benchmark IODEX 62% Fe CFR China price of approximately USD$50/dmt[+^], compared to the current benchmark price of approximately USD$60/dmt**
- **Collaboration agreement applies to the Abydos and Wodgina projects (combined production ~9Mtpa)**
- **Restart at Mt Webber targeting similar cost base, with shipping from Sept Qtr targeting an additional ~6Mtpa and a total Pilbara production target of 14-15Mtpa by year-end**
- **Capital raising is planned, with participation to include Atlas shareholders, sophisticated and institutional investors, certain Atlas contractors and Atlas Directors**
- **Collaboration agreement achieved with significant support from the Western Australian State Government including; Western Australian Department of Mines and Petroleum, Department of Transport, Department of State Development and the Pilbara Ports Authority**
- **Production restart supports in excess of 700 West Australian jobs and royalty revenue for WA Government**

Full production to resume at all three Atlas mines, targeting 14-15Mtpa by year-end

Abydos mining is back in full swing, with Wodgina pit operations to recommence next week. Once at full production, Atlas will produce approximately 9Mtpa of ore from its Abydos and Wodgina mines. Mt Webber is expected to recommence shipping during the September quarter, targeting up to 6Mtpa from the mine. With Mt Webber back in production, this would increase Atlas' annual production to a targeted 14-15Mt per annum by year end.

Contractor collaboration agreement reduces break-even to below USD$50/dmt, ensuring strong margins at current iron ore price

Atlas and its key contractors have executed an innovative agreement which is expected to deliver Atlas a break-even price equal to a benchmark IODEX 62% Fe price of approximately USD$50/dmt[+^] CFR China, based on full-cash costs[#] (which includes interest and sustaining capital), compared to the current benchmark price of approximately USD$60/dmt CFR China.

Under this collaboration agreement, the contractors can receive an uplift in their rates as the iron ore price rises, and receive a total of 25% of applicable positive net operating cash flows (please see key agreement terms below).

Capital raising to strengthen balance sheet

As part of the strategy to ensure Atlas' long-term financial strength, the Company intends to conduct a capital raising via a share placement and a shareholder participation offer. The capital raising will require shareholder approval at a meeting scheduled for June 19, 2015 (see separate ASX release today regarding the Notice of

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Meeting). The final price and quantum of the raising is to be determined and will be announced to the market in advance of the general meeting.

Chairman Comment

Atlas Chairman, David Flanagan, said the package would underpin a strong future for the Company, its shareholders, its employees, its contractors and the people of Western Australia. We look forward to being able to continue our support to the Pilbara's regional communities and in particular aboriginal people partnering our mining operations.

"This is nothing short of an outstanding result for everyone involved directly and indirectly with Atlas. We'd also like to thank our collaborating contractors for their engagement," Mr Flanagan said.

"The agreements are the result of the widespread commitment shown to Atlas' success and overwhelming desire to see the Company and all its stakeholders prosper today and in the long term."

"Our production costs will be very competitive against other global supply. This will underpin our ability to generate strong cash flow which, in combination with the capital raising, will provide the Company with a robust balance sheet that can withstand the sorts of iron ore price volatility we have witnessed in recent times."

"It will also pave the way for further increases in production, enabling us to deliver strong returns to all who have played a key role in ensuring the success of an important Australian company."

Atlas remains in compliance with its covenants under its debt documents.

Atlas continues to liaise with ASX in respect of the reinstatement of its shares to trading, and Atlas expects that its shares will resume trading post completion of the capital raising.

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Contractor Collaboration Agreement Summary

The Key Terms of the Agreement

- The parties to the Contractor Collaboration Agreement are subsidiaries of MACA Limited, McAleese Group and QUBE Holdings Limited.
- Relates to mining operations and downstream logisitics at Wodgina and Abydos, where the contractors participate.
- Certain other contractors contribute to Atlas' Pilbara operations outside the collaboration agreement.
- Minimum 750,000 ore tonnes per month. Atlas is targetting and has made appropriate mining schedules to achieve 800,000 to 900,000 ore tonnes per month.
- When the iron ore price achieved by Atlas for its ore is less than AUD$48/wmt FOB, the C1 cost of production FOB will be AUD$34/wmt*.
- When the iron ore price achieved by Atlas for its ore is more than AUD$48/wmt FOB, the C1 cost of production FOB will be AUD$34/wmt* plus there will be a cost recovery equal to $0.50 for each dollar of price movement up to a price received for Atlas' product of AUD$60/wmt FOB. The charged C1 cost FOB is capped at AUD$40/wmt*.
- Where the iron ore price achieved by Atlas creates positive operating cashflow, Atlas will pay 25% of the positive net operating cashflow from the Abydos and Wodgina mines to the collaborating contractors.
- The duration of the agreement is 2 years (subject to certain termination events outlined below), or longer by mutual agreement.
- Atlas has agreed to a predominantly fixed price iron ore sales strategy with a 3 month outlook, to be achieved by a mixture of hedging, collars, cap and collars and fixed price cargoes.
- The parties will meet monthly for the period of the agreement to asses the rolling 3 month forward schedule to determine operating margins. Where forward sales that generate positive operating margins are not possible or minimum volumes have not been delivered in the previous or coming month, collaborating contractors and/or Atlas may either recommend suspension or termination of the collaboration agreement with 30 days notice.

+ IODEX 62%Fe CFR China breakeven defined by adjusted iron units, spot product FOB discount, moisture and full cash costs on basis of targeted 14-15Mtpa run rate by year end.

^ AUD:USD exchange rate of 0.785

Full cash costs include; C1 production costs, royalties, freight, corporate and administration, expensed exploration and evaluation, interest expense and sustaining capital expenditure.

* C1 Cash costs are inclusive of both contractors and Atlas costs within the total.