# Full Year Results FY2015

13 August 2015

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# FY15 Results

## Highlights

- Company responded to a deteriorating iron ore market through a new contracting relationship which on completion of ramp up will deliver a Break Even Price of US$50DMT CFR* China (IODEX 62%); recent falls in AUD:USD further improves this position
- July 15 capital raising of $87M (gross, including $53M of new cash) significantly strengthens balance sheet and improves working capital position
- On track to achieve targeted 14-15Mtpa by December 2015

*For further definition, refer to glossary at back of the report.

# FY15 Results

## Annual Results

- Record exports of 12.2Mt (10.9Mt FY14)
- Revenue down by 35% to A$718.5M, following significant fall in the USD iron ore price over the period
- Average FY15 realised price per tonne received of A$59.96/ WMT CFR (A$100.51/ WMT CFR FY14)
- Underlying* EBITDA loss of A$51.5M
- All-in cash costs* down to A$64.23/WMT (A$76.80/WMT FY14) resulting in A$150M of annualised cost reductions
- Previously advised non-cash asset impairment and write downs of A$1,077.1M together with restructure and suspension costs of A$52.8M contribute to statutory loss of A$1,377.8M
- Cash on hand of A$73M (pre capital raising), after investing A$81M predominately on completing the Mt Webber stage 2 project in the December half
- Capital investment to support production of 14-15Mtpa now complete

*For further definition, refer to glossary at back of the report.

# FY15 Results

## Executive Summary - Financials

| | | Result | Comments |
|---|---|---|---|
| Revenue | | ▪ A$718.5M | ⬇ 34.5% (compared to FY14) due to falling iron ore price |
| Gross Cash | | ▪ A$73M | Negatively impacted by falling iron ore prices |
| Net Debt | | ▪ A$276M | Cash and cash equivalents less drawn debt facilities |
| Earnings | Underlying* cash gross margin | ▪ (A$23M) | Significant cost reduction program assists in offsetting substantial iron ore price reduction, but has not matched the rate of iron ore price decline |
| Earnings | Underlying* EBITDA | ▪ (A$51M) | |
| Earnings | Underlying* EBIT | ▪ (A$169M) | Includes depreciation and amortisation costs of $118M |
| Earnings | Underlying* Loss | ▪ (A$240M) (after Tax) | |
| Earnings | Statutory Loss | ▪ (A$1,378M) (after Tax) | Affected by impairment of assets, inventory write down, de-recognition of deferred tax assets and one-off restructuring and suspension costs |
| Earnings | Dividend | ▪ Atlas will not pay a final dividend | |
| Operations | | ▪ Iron Ore shipments of 12.2Mt | ⬆ 12% compared to FY14 |
| Operations | | ▪ Resumed operation at all mine sites<br>▪ Ramping up production to 14-15Mtpa by end of CY2015<br>▪ Implemented an innovated cost cutting contractor collaboration model<br>▪ New lump product being successfully sold | |
| Outlook | | ▪ Previously announced benchmark breakeven price of US$50/DMT CFR* China | |

Note: All figures in Australian dollars and all tonnage wet unless otherwise indicated. Comparator period, FY14.

*For further definition, refer to glossary at back of the report.

# FY15 Results

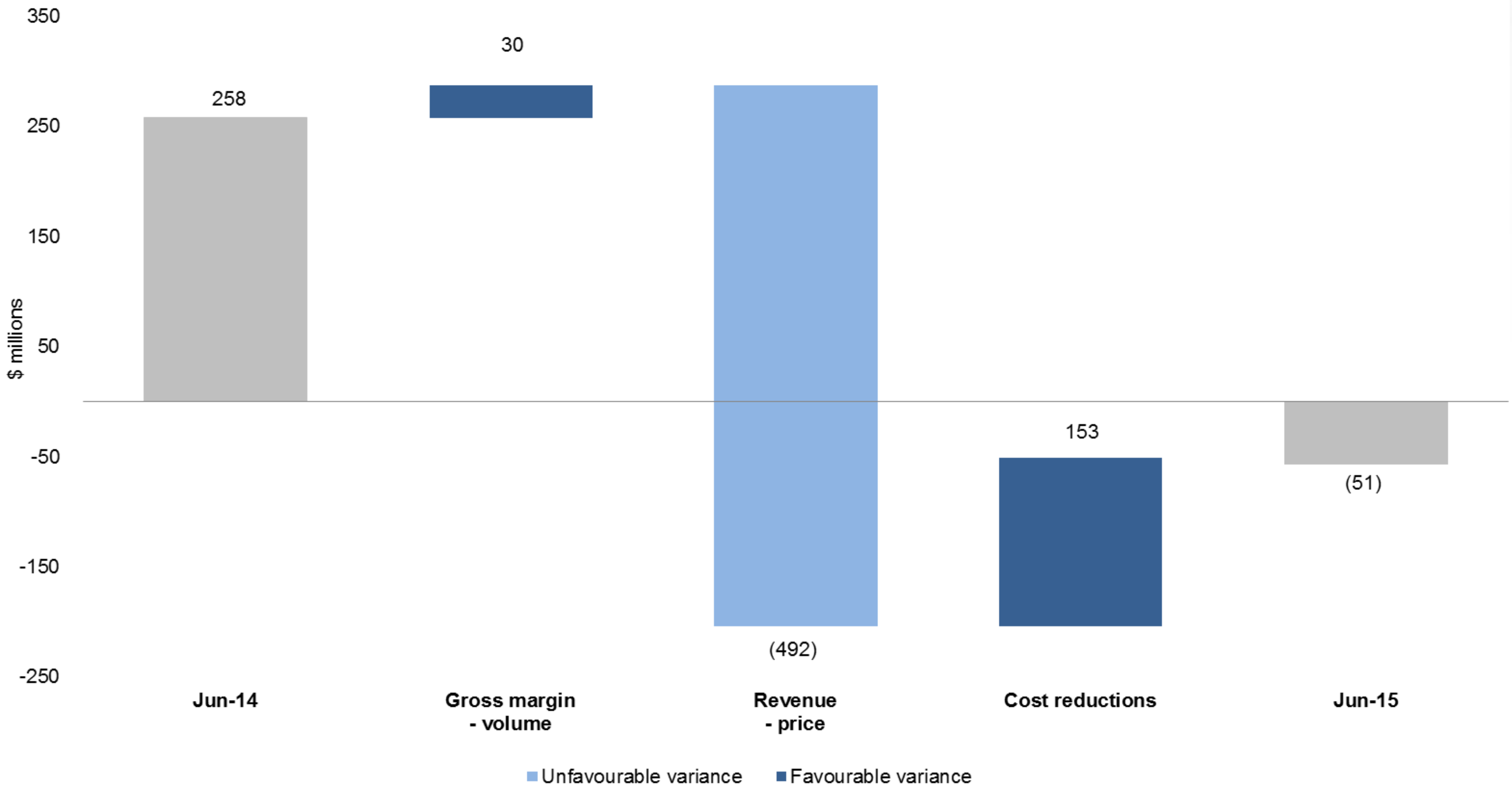
## Financial Summary

| $ Millions | 30-Jun-15 | 30-Jun-14 |
|---|---|---|
| Revenue | 718.5 | 1,097.6 |
| Underlying* cash gross margin | (23.4) | 319.6 |
| Underlying* EBITDA | (51.5) | 257.9 |
| Underlying* EBIT | (169.3) | 50.0 |
| Underlying* (loss)/profit after tax | (240.2) | 18.6 |
| Statutory (loss)/profit after tax | (1,377.8) | 14.2 |
| Iron ore shipments (WMT) | 12.2 | 10.9 |
| Average price per tonne received CFR A$/WMT (including Value Fines) | 59.96 | 100.51 |
| All-in cash cost per tonne to China CFR A$/WMT | 64.23 | 76.80 |

*For further definition, refer to glossary at back of the report.

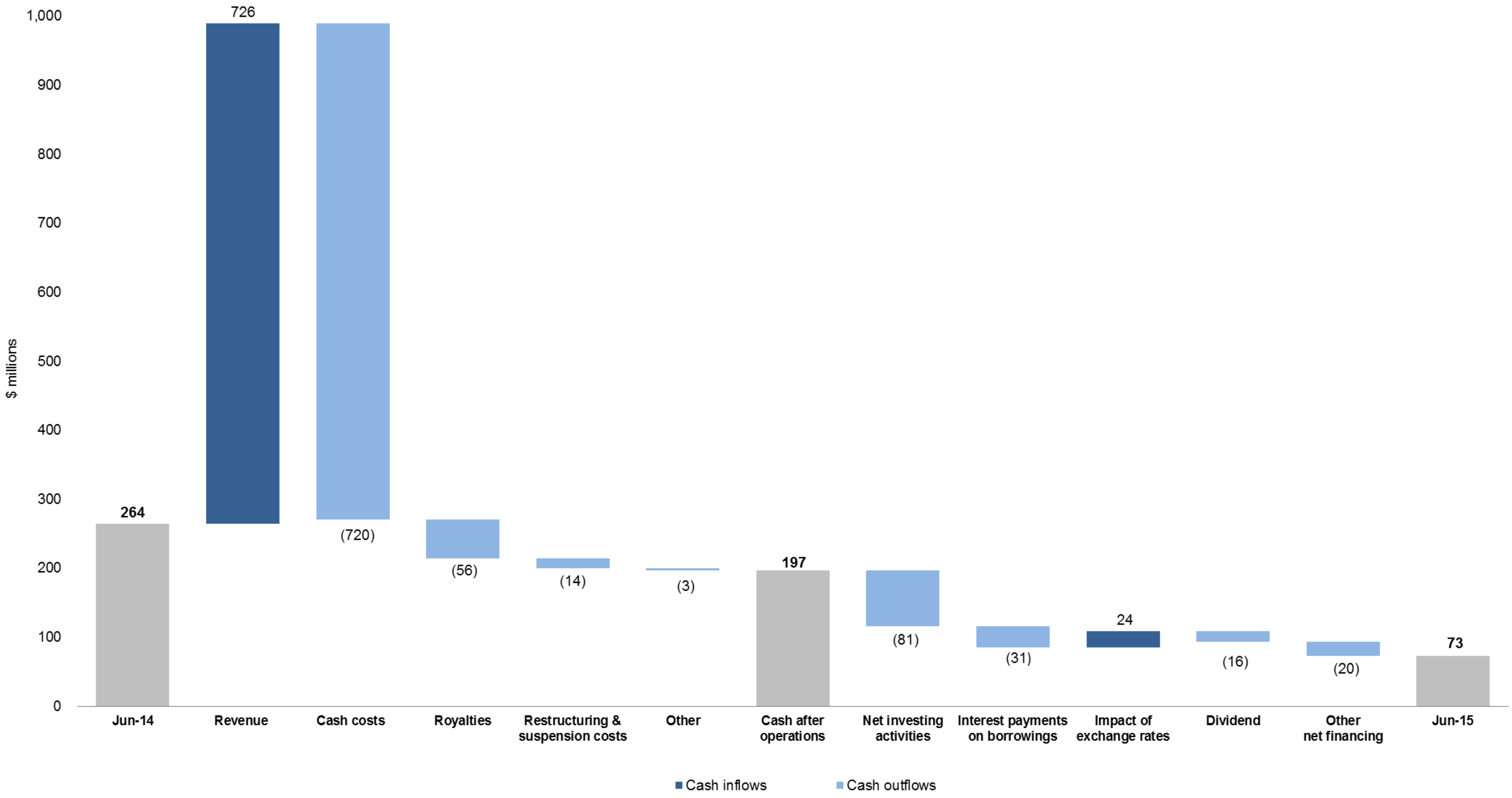
# FY15 Results

## Underlying EBITDA/Variance Analysis



# FY15 Results

## Cash Flow Analysis



# FY15 Results

## Underlying EBITDA to Net Cash Flow from Operations

| $ 000's | 30-Jun-15 | 30-Jun-14 |
|---|---|---|
| **Underlying* EBITDA** | **(51,494)** | **257,855** |
| Working capital movements | | |
| Inventory | 23,886 | (14,827) |
| Debtors and other assets | 25,888 | 4,059 |
| Creditors and other liabilities | (49,541) | 33,586 |
| Interest Received | 2,315 | 7,888 |
| Share of joint arrangement's and associates loss | 3,587 | 3,049 |
| Share based payments | (258) | 2,423 |
| Change in fair value of listed investments and financial instruments | (6,589) | (64) |
| Restructuring costs | (8,576) | - |
| Suspension costs | (5,742) | - |
| Other non-cash items | (561) | (4,768) |
| **Cash flow (used in)/from operations** | **(67,087)** | **289,201** |

*For further definition, refer to glossary at back of the report.

# Full Year – 30 Jun 15 Results

## Underlying Cash Gross Margin to Statutory Loss after tax

| $ 000's | 30-Jun-15 | 30-Jun-14 |
|---|---|---|
| **Underlying* cash gross margin** | **(23,360)** | **319,594** |
| Unwind of port prepayment included in operating costs | (5,289) | (14,926) |
| Exploration and evaluation expenses | (5,189) | (9,042) |
| Share of loss on associates and joint arrangement's and loss from financial instruments | 7,988 | (469) |
| Other costs | (25,644) | (37,302) |
| **Underlying* EBITDA** | **(51,494)** | **257,855** |
| Depreciation and amortisation | (117,793) | (207,893) |
| **Underlying* EBIT** | **(169,287)** | **49,962** |
| Net finance expense | (31,542) | (24,860) |
| Net foreign exchange loss | (39,339) | 37 |
| **Underlying* (loss)/profit before tax** | **(240,168)** | **25,139** |
| Underlying tax benefit/(expense) | - | (6,549) |
| **Underlying* (loss)/profit after tax** | **(240,168)** | **18,590** |
| Inventory write down | (29,769) | (10,017) |
| Impairment of assets | (980,371) | (17,811) |
| De-recognition of deferred tax assets | (67,003) | - |
| Restructuring and suspension costs | (52,803) | (5,435) |
| Net impact of business combinations | (3,566) | - |
| Provision for settlement | (4,146) | - |
| MRRT tax benefit/(expense) | - | 28,925 |
| **Statutory (loss)/profit after tax** | **(1,377,826)** | **14,252** |

*For further definition, refer to glossary at back of the report.

# Corporate Snapshot

## Capital Structure

| | |
|---|---|
| Ordinary shares on issue* | 2,664M |
| **Undiluted market cap at $0.032*** | **A$85M** |
| Cash** | A$73M |
| Debt drawn** | A$349M |
| **Enterprise Value** | **A$361M** |
| Options | 1,745M |

*as at 10 August 2015
**as at 30 June 2015
Note: Options consists of both listed and unlisted securities.

## Shareholdings

| | |
|---|---|
| BGC Contracting | 17.33% |
| McAleese Limited | 10.51% |
| **Top 20** | **49.5%** |

*as at 31 July 2015

# Glossary

**Break Even Price -** The key assumptions underlying the estimated Break Even Prices are summarised below:

- AUD/USD $0.7850.
- "Break Even Price Estimate" based on nominal production run-rate and Full Cash Costs at 15Mtpa (i.e. 320kt/mth, 480kt/mth and 450kt/mth from Abydos, Wodgina and Mt Webber respectively)
- Sea freight of US$6.25/WMT.
- No Contractor Collaboration Deed cost assumed for Mt Webber, however estimated 10-12% mining cost savings (via the BGC Agreement).
- Private and State Royalties of 10.5% at Wodgina and 8.0% at Mt Webber and Abydos.
- Interest of 8.75% p.a. applied to secured debt of US$269M (i.e. A$343M at AUD/USD $0.785).
- Payment of margin to collaborating contractors (see ASX Announcement dated 15 May 2015) included for Wodgina and Abydos **(Contractor Collaboration Margin).**
- Moisture of 5.7%, 3.8% and 4.5% at Wodgina, Abydos and Mt Webber respectively (average expected moisture over next 24 months).
- Average assumed lump premium of A$10/DMT with Lump contributing 66% and 50% of Abydos and Mt Webber product respectively. No Lump product assumed to be produced at Wodgina.
- Initial Lump production at Mt Webber from November 2015, growing during December 2015 to stated 50% of product tonnes.
- Average ‘Other’ contractual penalties of US$0.50/DMT assumed to provide for impurities not specified in contracts.
- Quality / Value in Use discount of 12.5%, relating to discounts for ore impurities.
- Average assumed grade of Atlas ore of 57.0% Fe, compared with benchmark grade of 62.0% Fe.
- WA State Government Royalty Relief not included in Break Even Price analysis.

**Underlying –** when referring to EBIT, EBITDA, cash gross margin and (loss)/profit, it 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 and are unaudited.

**C1 Cash Costs –** This term covers costs of mining, processing, land transport, port and other direct costs incurred to the point of a wet metric tonne passing the ships rail at loading. C1 Cash Costs are inclusive of both contractors’ and Atlas’ costs, including any uplift in rates paid to collaborating contractors (see ASX Announcement dated 15 May 2015). It is a non-IFRS measure and is unaudited.

**All-in cash costs –** These 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. It is a non-IFRS measure and is unaudited.

**WMT –** Wet Metric Tonnes
**DMT –** Dry Metric Tonnes