ASX Announcement 28 August 2015

Production Update

Contractor collaboration model delivering

Highlights

- Full Cash costs for July of A$55/WMT CFR (June 15 QTR: A$66/WMT CFR)
- Average realised price for July of A$57/WMT CFR
- Mt Webber fully re-commissioned and ramped up
- On track to ship at 14-15Mtpa by December 2015
- Forecast break-even price on track to reach to US$50/t Platts 62% IODEX Fe (assuming currency of 0.7850 and other assumptions per glossary)

Atlas is pleased to advise that it has made further strong progress in its strategy to cut costs and ramp-up production, thanks largely to the success of its contractor collaboration agreements.

Full Cash costs fell to A$55/WMT CFR (pre collaborating contractor margin share) in the month of July from A$66/WMT CFR in the June Quarter. Atlas' average realised sale price for July was A$57/WMT CFR.

This cash margin was generated against a backdrop of an average Platts 62% IODEX Fe price for the month of US$52, which compares favourably to Atlas' forecast Platts 62% IODEX Fe breakeven price for July in the Company's supplementary prospectus dated 6 July of US$54.

Based on cost estimates for August and forward pricing arrangements in place for this month, we expect to generate increased cashflow for August relative to July.

Atlas Managing Director David Flanagan said the cost reductions reflected the success of the contractor collaboration models in place at the Company's Wodgina and Abydos projects.

"The collaboration agreements are working," Mr Flanagan said. "Costs have fallen and our mines are generating positive cash flow."

"The Mt Webber mine has achieved ramp up in August and we look forward to shipping more tonnes and further reducing costs."

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Since announcing the re-start of operations at Abydos and Wodgina in May, Atlas has re-mobilised and/or re-commissioned all mobile and fixed plant, rebuilt stocks and achieved the run-rates required to deliver significant savings.

Iron ore exports have now resumed from Mt Webber. When combined with the tonnes produced at Abydos and Wodgina, Atlas remains on schedule to achieve a 14-15Mtpa export rate by December 2015.

In addition to Atlas' strategy to continue growing its hedging program, the Company is also executing underlying sales agreements with high-quality counterparties. These agreements provide further certainty around shipping volumes and pricing mechanisms.

For the 6 months to December 2015, some 63% of production is currently the subject of various pricing mechanisms (including hedging products) which provide a degree of certainty around the price the Company will ultimately realise on its production during this period. The price fixing arrangements have focused on the USD iron ore price, with the majority of shipments still subject to floating AUD exchange rate.

Consistent with the intention of the collaboration agreement with certain contractors, the Company endeavours to lock-in floor pricing for a minimum of 80% of production three months in advance for the Wodgina and Abydos projects. The Company intends to apply a hedging programme for Mt Webber in a broadly similar manner.

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Glossary

***Break Even Price**: The key assumptions underlying the estimated Break Even Prices above, 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 (i.e. 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.

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 and 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 any uplift in rates paid to collaborating contractors (see ASX Announcement dated 15 May 2015). All-in cash costs are derived from unaudited management accounts. This non-IFRS measure is unaudited.

Full Cash costs includes All-in cash costs', capitalised 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, Contractor Collaboration Margin and other non-cash expenses. Full cash costs are derived from unaudited management accounts. This non-IFRS measure is unaudited.

WMT: Wet Metric Tonnes