ASX Announcement 23 February 2016

Half-Year Results

Highlights

- Exports of 6.9Mt (H1 FY2015: 6.9Mt) and on track to export 14-15Mt in FY2016
- Revenue down 17.4% from previous corresponding period to A$372M, following fall in iron ore price
- Average realised price per tonne received of A$59.07/ WMT CFR (A$70.47/ WMT CFR H1 FY2015)
- Underlying* EBITDA of A$20.5M (H1 FY2015: loss A$14.8M)
- Non-cash asset impairment and inventory write downs of A$43.9M contribute to statutory loss after tax of A$114.3M (H1 FY2015: loss A$1,086M)
- Debt restructure agreement signed in December 2015. Currently expected to complete by 30 April 2016
- Asset Coverage Ratio covenant was passed on 31 December 2015.

Atlas Iron Limited (ASX:AGO, Atlas or the Company) advises that it made an underlying EBITDA of A$20.5M in the six months to 31 December 2015 compared with a A$14.8M loss in the previous corresponding period.

The result reflects significant ongoing savings, which saw C1, all-in cash costs and full cash costs reduced by A$11/t, A$15/t and A$17/t respectively from the same period in the previous year. Production was steady at 6.9Mt but revenue fell 17.4% to A$372M on the back of a lower iron ore price. After allowing for non-cash asset impairments and inventory write-downs (A$43.9M) and restructuring and suspension costs (A$7.1M), Atlas recorded a statutory loss after tax of A$114.3M.

Atlas Managing Director David Flanagan said: “The iron ore price has continued to present a challenge but the Company and its contractors have responded with further savings. This is a big achievement that has created a leaner, more sustainable company. The debt restructure agreement announced on 23rd December 2015 will provide interest savings and reduce Atlas’ debt burden by nearly 50 per cent.”

	H1 FY2016	H1 FY2015	Variance
Ore tonnes shipped (WMT)	6.9M	6.9M	Unchanged
C1 cash costs (A$/WMT FOB)	$35.82	$46.90	-$11.08
All in cash cost* (A$/WMT CFR)	$52.08	$67.29	-$15.21
Full cash cost* (A$/WMT CFR)	$55.75	$72.87	-$17.12
Average Price received (US$/DMT CFR)	$42.60	$62.82	-$20.22
Average Price received (A$/DMT CFR)	$59.07	$70.47	-$11.40
Revenue (A$)	$372.4M	$450.8M	-17.3%
Financing costs (A$)	$19.1M	$14.7M	+$4.4M
Development Capital (A$)	$6.5M	$28.5M	-$22.0M

*: See Glossary for further details of underlying basis and explanation of All in cash cost and Full cash cost

Atlas Iron Limited
ABN 63 110 396 168

Raine Square, Level 18
300 Murray Street Perth WA 6000

PO Box 7071
Cloisters Square Perth WA 6850

P: +61 8 6228 8000
F: +61 8 6228 8999

E: atlas@atlasiron.com.au
W: www.atlasiron.com.au

Debt Restructure

The Debt Restructuring announced in December 2015 is expected to be implemented via a Creditors' Scheme of Arrangement. A creditors meeting and general meeting of shareholders to approve the issue of shares and options are currently expected to be held in April 2016. The implementation of the Debt Restructuring is currently expected to be completed by 30 April 2016.

The completion of the Debt Restructuring is dependent on the Term Loan B lenders approving the Creditors' Scheme and on shareholders approving the issue of shares and options to the Term Loan B (TLB) lenders, Readers are referred to Note 3(i) "Going Concern" in the Half Year accounts which provides further detail on the Debt Restructuring. It is the Atlas Board's current intention to recommend that shareholders vote in favour of the issue of the securities to the TLB lenders.

Further details

Further details regarding Atlas' half year results can be found in the half year accounts and Appendix 4D lodged with ASX today.

Investor Enquiries:		**Media Enquiries:**	
Atlas Iron	+61 8 6228 8000	Read Corporate	+61 8 9388 1474
Tony Walsh, Company Secretary		Paul Armstrong	+61 421 619 084

Important Notice

This ASX Announcement does not constitute an offer to acquire or sell or a solicitation of an offer to sell or purchase any securities in any jurisdiction. In particular, this ASX Announcement does not constitute an offer, solicitation or sale to any U.S. person or in the United States or any state or jurisdiction in which such an offer, tender offer, solicitation or sale would be unlawful. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and neither such securities nor any interest or participation therein may not be offered, or sold, pledged or otherwise transferred, directly or indirectly, in the United States or to any U.S. person absent registration or an available exemption from, or a transaction not subject to, registration under the United States Securities Act of 1933.

Glossary

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 include C1 production costs, royalties, freight, corporate and administration and exploration and evaluation

Full cash costs includes C1 Cash Costs, royalties, freight, corporate and administration, exploration and evaluation, interest expense, contractor profit share 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. C1 Cash Costs are inclusive of contractors and Atlas' costs including Contractor Rate Uplift.

WMT means Wet Metric Tonnes. All tonnes referred to in this document are Wet Metric Tonnes unless otherwise stated.

23 February 2016

Appendix 4D

Atlas Iron Limited

ABN 63 110 396 168

Half-Year Report

Results for announcement to the market
for the half-year ended 31 December 2015

		% Change		Amount
Total iron ore shipments		Unchanged	At	6.9 wmt
Sales revenue	Down	17	To	$372 million
Statutory gross loss	Down	82	To	($19) million
Underlying loss before tax (Non-IFRS)*	Down	55	To	($63) million
Underlying loss after tax attributable to shareholders (Non-IFRS)*	Down	55	To	($63) million
Statutory net loss after tax	Down	89	To	($114) million
Statutory net loss after tax attributable to members	Down	89	To	($114) million
Proposed dividend in relation to this period		Nil		Nil

The audited financial statements for the half year ended 31 December 2015 are attached to this preliminary Financial Report (Appendix 4D).

*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.

	31 Dec 2015 $'000	31 Dec 2014 $'000	Movement %
Revenue from ordinary activities	372,401	450,826	(17.4%)
Gross loss	(19,154)	(107,032)	82.1%
Underlying loss after tax attributable to shareholders (Non-IFRS)*	(63,081)	(139,025)	54.6%
Loss after tax attributable to shareholders (Statutory)	(114,275)	(1,086,261)	89%

*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	31 Dec 2015	31 Dec 2014
Net tangible assets per security	$0.07	$0.55

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 following associates and joint arrangements:

Name of Entity	Interest % at 31 Dec 2015
Centaurus Metals Limited	11.57%*
North West Infrastructure Pty Limited	63.00%

*As a result of the continued dilution in the Group's share ownership in Centaurus Metals Limited (CTM) during the period, the Group ceased equity accounting for CTM as an associate, the Group was deemed to have lost significant influence. On loss of significant influence the Group commenced accounting for the retained interest in CTM at fair value through the profit or loss.

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 within the financial statements that accompany this announcement.

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

- Impact of business combinations;
- Impact of restructuring (including onerous lease);
- Impairment losses; and
- Impact of one-off transactions.

Underlying loss is not audited.

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

	31 Dec 2015 $'000	31 Dec 2014 $'000
Underlying loss after tax (Non-IFRS)	**(63,081)**	**(139,025)**
Inventory write-down	(3,683)	(29,769)
Restructuring costs	(7,116)	(12,342)
Impairment losses	(40,198)	(833,977)
Derecognition of deferred tax asset	-	(67,003)
Provision for settlement	-	(4,145)
Net impact of business combinations	(197)	-
Statutory net loss after tax	**(114,275)**	**(1,086,261)**

It is recommended that the half-year financial statements are read in conjunction with the Annual Financial Report of Atlas Iron Limited as at 30 June 2015, together with any announcements made by Atlas in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

Previous Corresponding Period

The previous corresponding period is the half-year ended 31 December 2014.

Further enquiries, please contact:

Mark Hancock, Chief Financial Officer +61 8 6228 8000

Atlas Iron Limited

ABN 63 110 396 168

Half-Year Financial Report

For the half-year ended 31 December 2015

This condensed consolidated half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2015 and any public announcements made by Atlas Iron Limited during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Contents

Directors' Report

The directors of Atlas Iron Limited (the Company or Atlas) present their report together with the consolidated financial report of Atlas Iron Limited and its subsidiaries (the Group) for the half-year ended 31 December 2015.

DIRECTORS

The following persons were directors of the Company during the half-year and up to the date of this report (unless otherwise stated):

Non-executive	Period of directorship
Hon. Cheryl Edwardes	Non-executive Chairman since 11 June 2015 (Director since 6 May 2015)
Ms Sook Yee Tai	Director since 2010 and resigned effective 12 November 2015
Mr Jeff Dowling	Director since 2011
Mr Ken Brinsden	Executive Director until 1 September 2015, appointed Non-executive Director on 1 September 2015 (Director since 2012)

Executive	
Mr David Flanagan	Managing Director since 11 June 2015 (Director since 2004)

OPERATING AND FINANCIAL REVIEW

The Operating and Financial Review should be read in conjunction with the half-year financial statements, the consolidated annual financial report of the Company as at 30 June 2015 and for the year then ended and considered together with any public announcements made by the Company during the half-year ended 31 December 2015 in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Our strategy

Paramount to Atlas maintaining its strategy is a safe workplace and a culture of safety first. Atlas has strived to continually improve its underlying safety performance. Today the Company has a Lost Time Injury Frequency Rate below the metalliferous surface mining standard in Western Australia and has had no lost time injuries over the period. We believe we can always improve as we strive for zero injuries. Every employee at Atlas – and contractors working at Atlas' workplaces - is empowered to challenge any colleague, irrespective of their position, if they think safety is being compromised.

Atlas' purpose is to deliver mineral products that create value for our shareholders, people, customers and the communities we operate within.

Our strategy is to develop an expanding Pilbara production base, consistent with globally competitive mining operations, and to pursue profitable growth opportunities consistent with this through:

- Optimising our near term production to maximise profitability and cash flow;
- Developing customer and market focused solutions; and
- Maintaining our options for growth.

The Atlas Values of *Work Safely, Do the Right Thing, Strive for Business Excellence, Work as a Team, Think Win-Win and Indomitable Spirit* are the backbone of everything that we do and underpin our strategy.

Directors' Report (continued)

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:

	31 Dec 2015 000's	31 Dec 2014 000's	31 Dec 2013 000's
Revenue ($)	372,401	450,826	588,214
Tonnes sold (WMT)	6.88mt	6.89mt	5.11mt
Average price per tonne received (including lump/value fines) ($US/DMT)	42.60	62.82	115.60
Average price per tonne received (including lump/value fines) ($AU/DMT)	59.07	70.47	129.19
Underlying cash gross margin ($)*	30,055	13,850	226,667
Underlying EBITDA ($)*	20,513	(14,825)	203,469
Underlying (loss)/profit after tax ($)*	(63,081)	(139,025)	61,150
Reserves (tonnes) **	498,300	510,200	506,800
Resources (tonnes) **	1,207,000	1,201,000	1,171,610

* 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.

** See ASX announcement 'Annual Report' on 28 September 2015 for further details.

Operating Results

The key financial indicators used by Atlas are revenue, underlying cash gross margin, underlying EBITDA and underlying (loss)/profit after tax. Refer above for a summary of key financial indicators.

Revenue decreased by 17.4% to $372.4 million for the half-year ended 31 December 2015 as compared to the previous corresponding period. This decrease predominately resulted from a 16.2% reduction in the average price per tonne received ($AU/DMT).

<u>Underlying cash gross margin</u>

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

	31 Dec 2015 $ 000's	31 Dec 2014 $ 000's	31 Dec 2013 $ 000's
Underlying cash gross margin*	**30,055**	**13,850**	**226,667**
Unwind of port prepayment included in operating costs	-	(5,262)	(2,209)
Exploration and evaluation expense	(2,143)	(4,066)	(5,243)
Other income and gain or loss on bargain purchase of subsidiary	7,671	1,592	1,140
Other costs	(14,308)	(15,990)	(15,994)
Share of loss of associates & joint arrangements and loss on financial instruments	(762)	(4,949)	(892)
Underlying EBITDA*	**20,513**	**(14,825)**	**203,469**
Depreciation and amortisation	(47,342)	(88,443)	(97,386)
Underlying EBIT*	**(26,829)**	**(103,268)**	**106,083**
Net finance expense	(19,144)	(14,714)	(13,263)
Net foreign exchange loss	(17,108)	(21,043)	(3,144)
Underlying (loss)/profit before tax*	**(63,081)**	**(139,025)**	**89,676**
Underlying tax expense*	-	-	(28,526)
Underlying (loss)/profit after tax*	**(63,081)**	**(139,025)**	**61,150**
Inventory write-down	(3,683)	(29,769)	-
Impairment of assets	(40,198)	(833,977)	(634)
Derecognition of deferred tax assets	-	(67,003)	-
Restructuring costs	(7,116)	(12,342)	-
Provision for settlement	-	(4,145)	-
Net impact of business combinations	(197)	-	-
MRRT tax benefit	-	-	13,156
Statutory (loss)/profit after tax	**(114,275)**	**(1,086,261)**	**73,672**

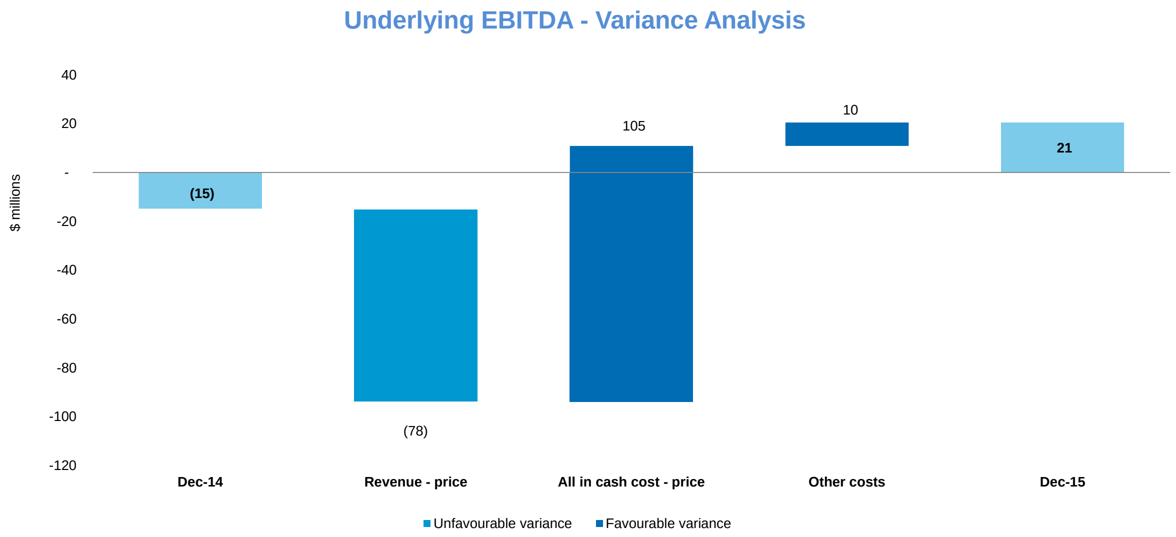
* The underlying basis is a non-IFRS measure that in the opinion of Atlas' directors provides useful information to assess the financial performance of the Company. These non-IFRS measures are unaudited.

The underlying cash gross margin increased by $16.2 million to $30.1 million due to lower cash costs as a result of the contractor collaboration model and associated cost reduction initiatives, partly offset by the lower average realised price received.

Directors' Report (continued)

Underlying EBITDA

The following graph shows a comparison of underlying EBITDA for the half-year ended 31 December 2015 compared to the previous corresponding period:



The reduction of 16.2% in the AUD iron ore price realised has had a negative impact of $78 million to underlying EBITDA. However a reduction in cash cost per tonne as a result of the contractor collaboration and cost savings, lower royalties compared to the previous period as a result of a lower FOB revenue per tonne and lower freight rates has led to a $105 million positive impact on underlying EBITDA. Further cost reductions are expected to be derived from ongoing cost reduction initiatives.

Depreciation and amortisation costs decreased by $41.1 million to $47.3 million as a result of previous impairments in the carrying value of mine and exploration assets and an increased share of production from the Mt Webber mine.

Statutory and underlying loss after tax

Underlying loss after tax for the period is $63.1 million due to the factors noted above.

The statutory loss after tax for the half-year of $114.3 million was predominately due to the underlying loss, adjusted for impairments of $43.9 million and the recognition of restructuring costs $7.1 million.

Cash flow from operations

The following table reconciles underlying EBITDA to cash flow from operations:

	31 Dec 15 $ 000's	31 Dec 14 $ 000's	31 Dec 13 $ 000's
Underlying EBITDA*	**20,513**	**(14,825)**	**203,469**
Working capital movements			
Inventory	(3,176)	13,895	(20,062)
Debtors and other assets	(12,864)	16,024	9,285
Creditors and other liabilities	12,144	(19,332)	4,502
Interest received	447	1,493	4,698
Share of joint arrangements and associates losses	106	2,930	892
Share based payments	1,497	640	975
Change in fair value of listed investments	121	661	(255)
Change in fair value of financial instruments	642	2,019	-
Restructuring costs	(3,568)	(4,816)	-
Other items	(1,755)	5,261	2,418
Cash flow from operations	**14,107**	**3,950**	**205,922**

* 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.

Directors' Report (continued)

Cash flow from operations increased to $14.1 million compared to the previous corresponding period predominantly due to an increase in underlying EBITDA of $35.3 million (Refer to *Underlying EBITDA*).

C1 cash cost per tonne

C1 cash cost per tonne has decreased by $11.08/wmt to $35.82/wmt from the previous corresponding period. The significant reduction in C1 cash costs is driven by the completion of the contractor collaboration with associated cost reductions and improved efficiencies throughout the production process.

All in cash cost per tonne[1]

All in cash cost per tonne decreased by $15.21/wmt from $67.29/wmt to $52.08/wmt due to the significant reduction in C1 cash costs per tonne noted above and following the successful implementation of cost saving initiatives throughout the business and lower freight rates.

Full cash cost per tonne[2]

Full cash cost per tonne decreased by $17.12/wmt from $72.87/wmt to $55.75/wmt due to the significant reduction in All in cash costs per tonne noted above and a reduction in sustaining capital costs, offset by contractor margin share and an increase in interest expense due to unfavourable foreign exchange movements.

Shipping

The following table summarises tonnes sold (WMT) by Atlas:

	31-Dec-15 WMT millions	31-Dec-14 WMT millions	31-Dec-13 WMT millions
Atlas Fines	5.74	6.79	4.27
Value Fines	-	0.10	0.84
Lump	1.14	-	-
Total tonnes shipped	**6.88**	**6.89**	**5.11**

Tonnes shipped have remained in line with the previous corresponding period however 1.1mt of lump product was shipped in the period attracting a lump premium.

Mining, Processing and Haulage

The following table summarises key operational indicators used by Atlas to measure performance:

	31-Dec-15 WMT millions	31-Dec-14 WMT millions	31-Dec-13 WMT millions
Ore mined – delivered to ROM	7.23	6.77	5.23
Ore processed	6.90	6.72	5.54
Ore hauled	6.91	6.81	5.34

Development

The following table summarises expenditure on significant development projects during the half-year:

	31-Dec-15 $ 000's	31-Dec-14 $ 000's	31-Dec-13 $ 000's
New Mine Development	-	27,021	89,531
Infrastructure Development	6,481	63	11,741
Existing Mine Expansion	-	1,446	4,846

The above table excludes corporate allocations, mining pre-strip costs and capitalised finance leases.

During the half-year Atlas completed the commissioning of the Mt Webber lump plant circuit conversion.

[1] All in cash costs include C1 production costs, royalties, freight, corporate and administration and exploration and evaluation.
[2] Full cash costs include All in cash costs, sustaining capital, interest expense and contractor margin share.

Directors' Report (continued)

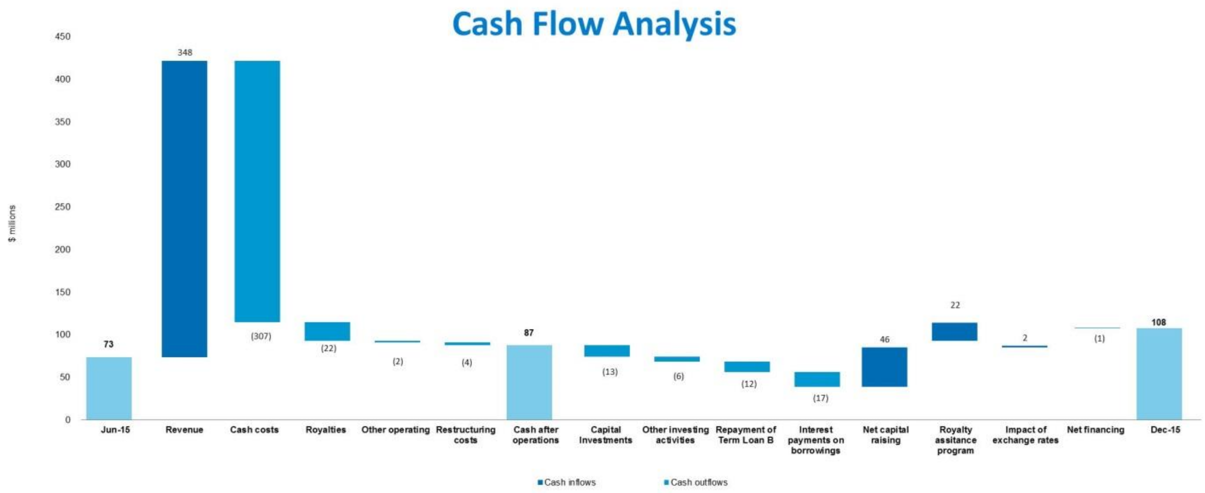
Financial Position

The following table summarises significant statement of financial position amounts:

	31-Dec-15 $ 000's	30-Jun-15 $ 000's	31-Dec-14 $ 000's
Cash	107,926	73,305	169,434
Trade and other receivables	35,915	23,973	43,840
Inventories	17,977	15,604	15,623
Mine and reserve development costs	342,968	355,362	343,639
Mining tenements capitalised	119,415	141,414	278,331
Trade and other payables	(113,002)	(110,319)	(134,081)
Debt facilities used	(354,845)	(349,121)	(338,454)

<u>Cash</u>

At the end of the financial half-year, Atlas had $107.9 million in cash and cash equivalents. The following graph outlines the cash inflows and outflows during the half-year:



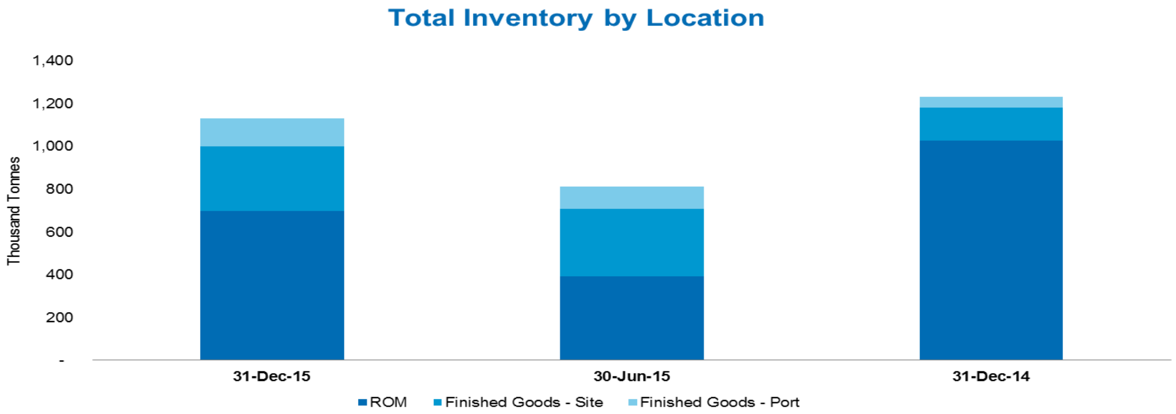
<u>Trade and other receivables</u>

The increase in trade and other receivables is reflective of the Group achieving its targeted production rate of 14-15Mtpa in August 2015 in comparison to corresponding reporting period when production at Abydos and Wodgina only commenced in late June 2015 after the suspension in operations in April 2015. Due to the suspension and recommencement of mining operations this impacted export volumes which resulted in lower trade receivables at June 2015.

<u>Inventory</u>

Atlas has increased inventory by 15.2% during the half year ended December 2015 due to the increase in tonnes (finished and unfinished goods) as a result of the Company reaching its targeted production rate of 14-15Mtpa in August 2015 after the full resumption of operations at all sites during the period when the Mt Webber mine restarted mining in early July 2015. This is in contrast to June 2015 when production was only ramping up at the Abydos and Wodgina mines after the suspension of operations in April 2015. Write-downs of inventories to net realisable value of $3.7 million were recognised during the period. The expense has been included in operating costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Directors' Report (continued)



Debt facilities used

The increase in debt facilities used relates predominantly to negative movements in foreign exchange rates due to the drawn debt being denominated in US dollars. This was partly offset by principal repayments during the period of $12.3 million inclusive of the US$7.5 million repayment paid in late December 2015 upon Atlas executing debt restructure agreement with a majority of the lenders. This agreement will result in the issue to lenders of 70% of the issued capital of the company in return for the retiring of US$122 million in debt. For further detail on the deal and key conditions of it refer to Atlas' ASX announcement of 23 December 2015.

Liquidity

The impact of the significant cost reduction as a result of the contractor collaboration and cost saving initiatives across the business have increased the operating cash flow by $10.2 million to $14.1 million when compared to the corresponding period. For further information, refer to note *3 (i) Going Concern* to the consolidated financial statements.

Following is a summary of key sources and uses of cash. A full statement of cash flow is contained in the half-year financial statements:

	31 Dec 15 $ 000's	31 Dec 14 $ 000's	31 Dec 13 $ 000's
Cash generated from operations	19,371	11,339	206,467
Restructuring costs	(3,568)	(4,816)	-
Interest received	447	1,493	4,698
Exploration and evaluation expenditure payments	(2,143)	(4,066)	(5,243)
Net operating cash flows	**14,107**	**3,950**	**205,922**
Payments for property, plant and equipment and intangible assets	(356)	(14,804)	(15,828)
Payments for mine development and reserve development	(13,074)	(76,784)	(176,675)
Stamp duty paid	(2,581)	-	-
Other	(3,153)	12,803	(8,816)
Net investing cash flows	**(19,164)**	**(78,785)**	**(201,319)**
Proceeds from issue of shares (net of costs)	46,374	-	-
Payments for shares acquired by Atlas Iron Employee Share Trust	-	(172)	-
Dividend paid	-	(16,228)	(22,490)
Interest on borrowings	(17,294)	(14,834)	(13,560)
Net (payments for)/proceeds from borrowings	(12,266)	(5,968)	189
Proceeds from royalty assistance program	21,510	-	-
Repayment of finance lease	(508)	-	-
Net financing cash flows	**37,816**	**(37,202)**	**(35,861)**
Effects of exchange rate changes on cash and cash equivalents	1,862	17,229	3,824
Net increase/(decrease) in cash and cash equivalents	**34,621**	**(94,808)**	**(27,434)**

Cash generated from operations of $14.1 million was positively impacted by lower cash costs as a result of the contractor collaboration agreement and other operational savings offset by the lower commodity pricing.

The significant decrease in development spend resulted from the conclusion of projects including Mt Webber Stage 2 in the prior year. Refer to *Development* for more information.
Other investing activities include $2.4 million payments for bank guarantees and $0.6 million payments for financial instruments.

Directors' Report (continued)

On the back of establishing the contractor collaboration model the Company issued a prospectus in June 2015 and during the period completed a successful capital raising in July 2015 which led to a cash inflow of $46.4 million (net of costs incurred in the period ended December 2015) and key contractors investing a further $34.0 million via conversion of payables to improve the Company's working capital position.

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. Factors and business risks that affect future performance have remained consistent with those discussed in the Operating and Financial Review included in the consolidated annual financial report of the Company as at 30 June 2015.

<u>Debt Restructure</u>

On 23 December 2015, the Company announced that it had entered a Restructuring Support Agreement (RSA) with more than 75% of the Term Loan B lenders and an amendment to its existing Syndicated Facility Agreement whereby the Company agreed to, among other things, pay down US$10 million and issue shares and options to the Term Loan B lenders in exchange for the lenders retiring US$122 million of the TLB debt.

Should the RSA not complete, the ability of the Company to repay its Term Loan B debt obligations in December 2017 would be contingent on a significant increase in US$ iron ore pricing and US$:AU$ exchange rate outcomes or access to additional capital or an alternate re-financing arrangement.

<u>Commodity prices / changes in demand and supply</u>

Atlas is exposed to fluctuations in iron ore price.

The following table shows the average prices based on Platts 62% Fe and freight (CFR) to China for the respective half years:

	31-Dec-15 US$ / DMT	31-Dec-14 US$ / DMT	31-Dec-13 US$ / DMT
62% Fe CFR Index Price	50.68	82.30	133.70
Average price per tonne received CFR (including Value Fines)	42.60	62.82	115.60

The price received by Atlas is adjusted for Fe grade and quality.

<u>Exchange Rates</u>

Atlas is exposed to fluctuations in the US dollar as our sales and freight costs are denominated in US dollars. The Company borrows money and holds a portion of cash in US dollars, which provides a partial natural hedge.

The following table shows the average USD/AUD exchange rate for the half year:

	31-Dec-15 $	31-Dec-14 $	31-Dec-13 $
USD / AUD	0.7232	0.8915	0.8948

SUBSEQUENT EVENTS

Subsequent to 31 December 2015, no matters have arisen 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.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the directors of the Company is set out on page 11 and forms part of the Directors' Report for the half-year ended 31 December 2015.

Directors' Report (continued)

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a resolution of the directors of the Company.

David Flanagan
Managing Director
Perth, 23 February 2016

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Atlas Iron Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Trevor Hart
Partner

Perth

23 February 2016

Director's Declaration

The directors of Atlas Iron Limited declare that:

(i) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(ii) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

David Flanagan
Managing Director
23 February 2016

Independent auditor’s review report to the members of Atlas Iron Limited

We have reviewed the accompanying half-year financial report of Atlas Iron Limited, which comprises the consolidated statement of financial position as at 31 December 2015, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors’ declaration of the Group comprising the company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group’s financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Atlas Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Atlas Iron Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion expressed above, we draw attention to Note 3(i) of the half-year financial report. The matters set forth in Note 3(i) indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

KPMG

Trevor Hart
Partner

Perth

23 February 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	31 Dec 2015 $'000	31 Dec 2014 $'000
Revenue		372,401	450,826
Operating costs	4	(391,555)	(557,858)
Gross loss		**(19,154)**	**(107,032)**
Other income		7,671	1,592
Exploration and evaluation expense		(2,143)	(4,066)
Impairment loss	5	(40,198)	(833,977)
Share of loss of equity accounted investees		(106)	(2,930)
Loss on listed investments		(121)	(661)
Loss on financial instruments		(642)	(2,019)
Depreciation and amortisation		(1,814)	(2,592)
Loss on sale of property, plant and equipment		(407)	(194)
Administrative expenses		(12,130)	(18,956)
Other expenses		(8,979)	(12,666)
Results from operating activities		**(78,023)**	**(983,501)**
Finance income	6	800	3,433
Finance expense	6	(19,944)	(18,147)
Net foreign exchange loss	6	(17,108)	(21,043)
Net finance expense		**(36,252)**	**(35,757)**
Loss before income tax		**(114,275)**	**(1,019,258)**
Tax expense		-	(67,003)
LOSS FOR THE HALF-YEAR		**(114,275)**	**(1,086,261)**
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		-	381
Share of associates' movements in foreign currency translation reserve		-	465
Other comprehensive profit for the half-year		-	846
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR ATTRIBUTABLE TO OWNERS OF THE GROUP		**(114,275)**	**(1,085,415)**
Loss attributable to:			
Owners of the parent		(114,275)	(1,086,124)
Non-controlling interest		-	(137)
		(114,275)	**(1,086,261)**
Total comprehensive loss attributable to:			
Owners of the parent		(114,275)	(1,085,289)
Non-controlling interest		-	(126)
		(114,275)	**(1,085,415)**
Loss per share			
Basic loss per share (cents per share)		(4.67)	(118.5)
Diluted loss per share (cents per share)		(4.67)	(118.5)

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

AT 31 DECEMBER 2015

	Notes	31 Dec 2015 $'000	30 Jun 2015 $'000
CURRENT ASSETS			
Cash and cash equivalents		107,926	73,305
Trade and other receivables		35,915	23,973
Prepayments		17,400	15,239
Inventories	7	17,977	15,604
Financial assets classified as held for trading		302	604
TOTAL CURRENT ASSETS		**179,520**	**128,725**
NON-CURRENT ASSETS			
Other receivables		10,443	12,008
Prepayments		1,719	6,875
Investment in equity accounted investees		-	414
Property, plant and equipment		103,922	129,076
Intangibles		1,037	1,586
Mine development costs		322,137	338,222
Evaluation expenditure - reserve development		20,831	17,140
Mining tenements capitalised		119,415	141,414
TOTAL NON-CURRENT ASSETS		**579,504**	**646,735**
TOTAL ASSETS		**759,024**	**775,460**
CURRENT LIABILITIES			
Trade and other payables		113,002	110,319
Interest bearing loans and borrowings	8	5,265	3,581
Employee benefits		1,263	1,769
Provisions	9	7,381	7,214
TOTAL CURRENT LIABILITIES		**126,911**	**122,883**
NON-CURRENT LIABILITIES			
Trade and other payables		9,219	4,000
Interest bearing loans and borrowings	8	350,265	335,939
Employee benefits		539	569
Provisions	9	95,163	91,409
TOTAL NON-CURRENT LIABILITIES		**455,186**	**431,917**
TOTAL LIABILITIES		**582,097**	**554,800**
NET ASSETS		**176,927**	**220,660**
EQUITY			
Share capital	10	2,070,440	1,991,630
Other Equity		-	10,086
Reserves		31,500	29,682
Accumulated losses		(1,925,013)	(1,810,738)
TOTAL EQUITY		**176,927**	**220,660**

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

Consolidated Statement of Changes in Equity

HALF-YEAR ENDED 31 DECEMBER 2015

	Share capital	Share-based payments reserve	Other Equity	Asset held for sale reserve	Associates reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2015	**1,991,630**	**30,045**	**10,086**	**-**	**(363)**	**(1,810,738)**	**220,660**	**-**	**220,660**
Total comprehensive loss for the half-year									
Loss for the half-year	-	-	-	-	-	(114,275)	**(114,275)**	-	**(114,275)**
Total comprehensive loss for the half-year, net of tax	**-**	**-**	**-**	**-**	**-**	**(114,275)**	**(114,275)**	-	**(114,275)**
Contributions by and distributions to owners of the Group									
Treasury Shares	67	-	-	-	-	-	**67**	-	**67**
Issue of ordinary shares	87,388	-	(10,086)	-	-	-	**77,302**	-	**77,302**
Capital raising costs	(8,645)	-	-	-	-	-	**(8,645)**	-	**(8,645)**
Share-based payment transactions	-	1,455	-	-	-	-	**1,455**	-	**1,455**
Changes in ownership interests									
Derecognition of associate on loss of significant influence	-	-	-	-	363	-	**363**	-	**363**
Total transactions with owners of the Company	**78,810**	**1,455**	**(10,086)**	**-**	**363**	**-**	**70,542**	**-**	**70,542**
BALANCE AT 31 DECEMBER 2015	**2,070,440**	**31,500**	**-**	**-**	**-**	**(1,925,013)**	**176,927**	-	**176,927**

HALF-YEAR ENDED 31 DECEMBER 2014

	Share capital	Share-based payments reserve	Other Equity	Asset held for sale reserve	Associates reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2014	**1,989,359**	**30,604**	**-**	**(1,164)**	**(692)**	**(414,735)**	**1,603,372**	**3,788**	**1,607,160**
Total comprehensive income for the half-year									
Loss for the half-year	-	-	-	-	-	(1,086,124)	**(1,086,124)**	(137)	**(1,086,261)**
Total other comprehensive	-	-	-	370	465	-	**835**	11	**846**
Total comprehensive income/(loss) for the half-year, net of tax	**-**	**-**	**-**	**370**	**465**	**(1,086,124)**	**(1,085,289)**	**(126)**	**(1,085,415)**
Contributions by and distributions to owners of the Group									
Treasury Shares	91	-	-	-	-	-	**91**	-	**91**
Share-based payment transactions	130	347	-	-	-	-	**477**	-	**477**
Payment of dividends	-	-	-	-	-	(18,314)	**(18,314)**	-	**(18,314)**
Issue of ordinary shares related to dividend reinvestment plan	2,086	-	-	-	-	-	**2,086**	-	**2,086**
Changes in ownership interests									
Deconsolidation of Shaw River Manganese Limited	-	-	-	1,254	-	-	**1,254**	(3,662)	**(2,408)**
Total transactions with owners of the Company	**2,307**	**347**	**-**	**1,254**	**-**	**(18,314)**	**(14,406)**	**(3,662)**	**(18,068)**
BALANCE AT 31 DECEMBER 2014	**1,991,666**	**30,951**	**-**	**460**	**(227)**	**(1,519,173)**	**503,677**	**-**	**503,677**

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

Consolidated Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2015

	31 Dec 2015 $'000	31 Dec 2014 $'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Cash receipts from customers	348,442	447,394
Payments to suppliers and employees	(332,639)	(440,871)
Interest received	447	1,493
Payments for expenditure on exploration and evaluation activities	(2,143)	(4,066)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**14,107**	**3,950**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Payments for property, plant and equipment	(304)	(14,568)
Payments for mine development	(8,829)	(72,462)
Payments for intangible assets	(52)	(236)
Payments for reserve development costs	(4,245)	(4,322)
Loan to joint venture	(166)	(1,184)
Cash call contributions to joint operation partner	-	(6,704)
(Payments for)/proceeds from financial assets	(643)	1,867
Net proceeds received from sale of tenements	-	128
(Payments for)/proceeds from security deposits	(2,371)	18,390
Proceeds from other entities	27	306
Stamp duty paid in relation to past acquisition of tenements	(2,581)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(19,164)**	**(78,785)**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Proceeds from issue of shares	52,775	-
Capital raising costs	(6,401)	-
Payments for finance lease	(508)	-
Repayment of Term Loan B	(12,266)	(1,622)
Net (repayments)/proceeds of pre-export finance	-	(4,346)
Interest payments on borrowing facilities	(17,294)	(14,834)
Dividends paid	-	(16,228)
Proceeds from royalty assistance program	21,510	-
Payments for shares acquired by Atlas Iron Employee share trust	-	(172)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	**37,816**	**(37,202)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	32,759	(112,037)
Cash and cash equivalents at 1 July	73,305	264,242
Effect of exchange rate changes on cash and cash equivalents *	1,862	17,229
CLOSING CASH AND CASH EQUIVALENTS	**107,926**	**169,434**

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

*Foreign exchange gain on cash at bank held in USD during the period.

Notes to the Consolidated Financial Statements

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 consolidated financial statements of the Company for the half-year ended 31 December 2015 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 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. These financial statements were approved by the Board on 23 February 2015.

2. STATEMENT OF COMPLIANCE

The condensed consolidated half-year financial report is prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

This condensed consolidated half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Company as at 30 June 2015 and for the year then ended and considered together with any public announcements made by the Company during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations of the *Corporations Act 2001*.

This condensed consolidated half-year financial report was approved by the Board of Directors on 23 February 2015. The Company is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the consolidated half-year financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. BASIS OF PREPARATION

The condensed consolidated half-year financial statements have been prepared on a historical cost basis, except for derivative and other financial instruments that are measured at fair value. The condensed consolidated half-year financial statements are presented in Australian Dollars, which is the functional currency of its operations in Australia.

(i) Going Concern

This half year financial 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 31 December 2015, the Company has net assets of AU$176.9 million which have decreased since 30 June 2015 mainly as a result of operational losses and non-cash impairments of AU$43.9 million, both of which were primarily due to a declining iron ore price. The Company has positive net current assets as at 31 December 2015 of AU$52.6 million, (30 June 2015:$5.8 million).

As at 31 December 2015, the Company has drawn down its Term Loan B debt facility to US$259.3 million (equivalent to AU$354.8 million, based on the exchange rate of 0.7306), which matures on 10 December 2017 and its covenants remain in good standing. The Company was in compliance with its Term Loan B ("TLB") debt facility as at 31 December 2015.

The Company's net debt position (cash and cash equivalents less total secured debt) is AU$254.5 million as at 31 December 2015 which is summarised as follows:

	31-Dec-15	*30-Jun-15*
	$'000	*$'000*
Cash	107,926	73,305
Total debt	(362,458)	(349,121)
Net debt	**(254,532)**	**(275,816)**

On 23 December 2015, the Company announced that it had entered a Restructuring Support Agreement (RSA) with more than 75% of the TLB lenders ("Lenders") by value, which includes an interim amendment to the existing TLB Syndicated Facility Agreement (SFA). The Interim amendment applies during the earliest of the successful completion of the restructure, termination of the RSA or to 30 April 2016 and requires that the Company maintain a minimum daily cash balance of A$55 million (less any principal or interest paid after 25 March 2016) over that period.

The RSA requires parties to the RSA support, facilitate, implement and consummate the debt restructuring contemplated by the RSA. The RSA contains a Debt Term Sheet which establishes the terms by which the existing debt facility will be varied ("Amended SFA). Pursuant to the RSA and the satisfactory completion of the restructuring, the Company has agreed to, among other things, pay down US$10 million of the debt (US$7.5 million of which was paid prior 31 December

3. BASIS OF PREPARATION (CONTINUED)

2015) and issue shares and options to the TLB Lenders equivalent to 70% of the Company's shares and options on issue in exchange for the lenders retiring US$122 million of the TLB debt. On completion this would then reduce the debt balance to US$135 million with a rescheduled maturity to 2021.

All parties are well advanced in incorporating these amendments into an Amended SFA. The precise terms of the debt covenants for the Amended SFA were not prescribed in the RSA and the parties are progressing collaboratively to determine covenants to protect the lenders interests that are capable of being complied with by the Company. As at the date of this report The Directors are of the view that these covenants and other terms will be satisfactorily agreed. In the event that they cannot be agreed the debt restructure cannot complete.

Without 100% of Lenders executing the RSA, it is necessary for the Company to complete the restructure by Court approved Creditor Scheme of Arrangement ("Scheme"). The Scheme requires the approval of more than 50% of the Lenders holding greater than 75% of the debt in a Scheme vote. Lenders in excess of these thresholds have signed the RSA to support the restructure. Accordingly the Company has commenced the process of preparing for the requisite regulatory and Court approvals. This has involved preparation of a valuation and Independent Expert's Report as well as Creditors Scheme Meeting and Shareholder meeting documentation. Atlas Shareholders will be requested to approve the proposed issue of shares and options by ordinary resolution at a general meeting of shareholders.

A key step to completion includes obtaining Court approval to convene the Scheme meeting. The Court is expected to consider approval in March 2016 which, if successful, will allow the meetings of the Scheme Creditors, to approve the Scheme and Shareholders, to approve the issue of shares and options to the Lenders, to be held in April 2016. Assuming approval at those meetings a second Court hearing is required to issue an order approving the Scheme and allow the completion of the restructure. As at the date of this report the Directors are of the view that the Court and shareholder approvals will be received to enable the completion of the restructure. In the event that they are not received the Scheme and most likely the debt restructure can not complete.

The Interim Amendment to the existing SFA expires on the earlier of 30 April 2016, termination of the RSA or successful completion of the restructure. The existing TLB Syndicated Facility Agreement terms and conditions are restored in the event of termination of the RSA. During the period of the RSA an interim cash covenant is in place under which the Company must maintain a minimum of A$55m in cash on a daily basis. A breach of this covenant is an acceleration event under the SFA which would allow Lenders to call the debt.

Termination events under the RSA predominately require individual participating lenders to exercise a right to termination following a termination event occurring and if sufficient individual creditors exercise that right such that less than 50% of total debt is participating, the RSA terminates. While the RSA remains on foot if more than 50% of total debt is participating the voting requirement for Scheme approval remains as set out above Events that can allow participants to consider exercising their individual rights to terminate include:

- The suspension of all or substantially all of Atlas' mining operations;
- The occurrence of an event of default under the existing Syndicated Facility Agreement, Breach of a representation, warranty of covenant under the RSA; and
- Failure to obtain Court orders convening the Scheme Meeting by 4 March 2016. At the date of this report, this deadline is not expected to be met due to the complexity in completing documentation and obtaining regulatory approvals. However, Atlas and the Lenders who have signed the RSA and their respective advisors continue to work collaboratively to complete the Financial Restructuring.

Should the RSA not complete or terminate, the ability of the Company to repay its TLB debt obligations in December 2017 would be contingent on a significant increase in US$ iron ore pricing and US$:AU$ exchange rate outcomes or access to additional capital or an alternate re-financing arrangement. In the absence of those events and assuming current iron ore prices, Atlas will not be able to repay the Term Loan B facility at the maturity date (December 2017) and will likely breach the SFA 2:1 asset to liability lending covenant prior to that time.

The Company prepares rolling 12 month cash flow forecasts which are subject to a number of assumptions set out below. The 12 month cash flow forecast to February 2017 (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 CFR China price of iron ore per tonne moving from a minimum Fe AU$56 per DMT (US$40 per DMT at exchange rate of AUUS0.7100) to AU$70 per DMT (US$50 per DMT) over the forecast period. The USD 62%Fe CFR China price and the US$:AU$ foreign exchange rate has been independently sourced;
- The successful restructure and reduction of the TLB debt which leads to significantly reduced interest payments and covenants consistent with a maturity assumed to be in 2021;
- Estimated sales of 15 million tonnes for the 12 month period ended 28 February 2017;
- Cost saving initiatives with key suppliers totalling approximately AU$2.00 to AU$4.00 per DMT continuing from 1 January 2016; and
- Forecast repayment of the state royalty assistance program, in seven equal instalments commencing 1 May 2016.

The cash flow forecast to February 2017 is highly dependent upon the achievement of the assumed US$ iron ore price, US$:AU$ exchange rate forecasts, the achievement of forecast operating cost outcomes and the success of the proposed

Notes to the Consolidated Financial Statements (continued)

3. BASIS OF PREPARATION (CONTINUED)

restructure of the TLB debt.

To illustrate the sensitivity to iron ore price, a downward movement in the independent forecasters forward prices of US$1.00 per DMT (CFR Fe 62%) would result in a net reduction in forecast working capital of approximately AU$16 million by the end of February 2017 to approximately $5.0 million (assuming no change in the assumed US$:AU$ exchange rate).

The Directors believe that the cash flow forecasts are reasonable with respect to all material factors as they are known at the date of this report and that the TLB debt restructure will complete. On this basis, the going concern basis of preparation has been adopted. The cash flow forecasts include assumptions, the outcomes of which are materially uncertain. These include approval by the Court of the Scheme, approval by Lenders of the Scheme, approval by the Shareholders for the proposed issue of shares and options, and ratification by the Court, all within the relevant time frames of the RSA. In addition the cash flow forecasts are highly sensitive to movements in the Australian dollar iron ore price which continue to be depressed in a challenging global iron ore market. A further material uncertainty relates to the risk of a sustained decline from forecast prices during the forecast period, or the production and cost assumptions contained in the forecasts do not eventuate. These material uncertainties related to future events 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 accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

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

The preparation of the condensed consolidated half-year financial 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 these condensed consolidated half-year financial statements, 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 2015.

(v) Comparatives

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

4. OPERATING COSTS

	31 Dec 2015 $'000	31 Dec 2014 $'000
Mining and processing	105,934	134,009
Haulage	87,857	115,814
Port	53,502	73,554
Shipping	55,758	77,288
Royalties	29,090	34,679
Depreciation and amortisation*	45,528	85,851
Inventory write-down	3,683	29,769
Other operating costs	10,203	6,894
	391,555	557,858

* Includes unwind of prepayments made under Wodgina long term infrastructure agreement.

5. IMPAIRMENT LOSS

The Group assesses whether there are indicators that assets, or group of assets, may be impaired at each reporting date. The following impairment indicators were identified during the half year:

- Significant reduction in the US dollar iron ore price, partially offset by the weakening Australian dollar exchange rate during the December 2015 quarter, which impacts the cash flows capable of being generated by the Company's mining assets; and
- The Group's net asset value below its market capitalisation.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. Total impairment losses recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income for the half year were as follows:

	31 Dec 2015 $'000	31 Dec 2014 $'000
Disposal group and assets held for sale	-	13,695
Leasehold improvements	-	2,278
Investment in equity accounted investee (port assets)	-	26,374
Other receivables	4,425	23,701
Mine and reserve development assets	9,803	192,933
Property, plant and equipment	4,170	7,003
Mining tenements capitalised	21,800	438,586
Intangibles (port assets)	-	68,630
Goodwill	-	60,777
Impairment loss	**40,198**	833,977

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

	31 Dec 2015 $'000	31 Dec 2014 $'000
Horizon 1 mining properties	13,273	176,951
Horizon 2 exploration projects	22,500	461,571
Goodwill and port assets	-	179,482
Disposal group and assets held for sale	-	13,695
Other	4,425	2,278
Impairment loss	**40,198**	833,977

Horizon 1 mining properties

Atlas' Horizon 1 mining properties relate to the assets and liabilities contained within its current operating mines of Abydos, Wodgina and Mt Webber together with the Corunna development project. During the half-year ended 31 December 2015, Atlas recognised an impairment loss for its Horizon 1 mining properties of $13,273,000 (property, plant and equipment of $4,170,000 and mine development assets of $9,103,000).

The recoverable amount of the Horizon 1 mining properties were 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 covering the life of the mine 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 iron ore prices and foreign exchange rates (based on external economic forecasters), discount rates, published reserve statements and operating and capital cost estimates utilising mine plans.

5. IMPAIRMENT LOSS (CONTINUED)

A summary of externally sourced forecast iron ore price and foreign exchange rate assumption ranges (real, based on external economic forecasters) utilised in Atlas' cash flow projections is detailed below:

Assumption	CFR 62% Fe $USD/DMT	USD/AUD
Not later than one year	39 – 46	0.70 – 0.73
Later than one year and not later than five years	50 – 60	0.73 – 0.76
More than five years	68 – 76	0.76 – 0.81

Beyond the period covered by Atlas' most recent budgets/forecasts, inflation is applied at 2.5% per annum.

The nominal post-tax discount rates applied to cash flow projections for operating mines was 11% and development projects was 13.5% (December 2014: 11%).

Sensitivity

Horizon 1 mining properties

The effect of a reasonably possible change as at 31 December 2015, 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:

Key Assumption	Impact on Value in Use $'000	Additional Impairment $'000
$5 decrease in USD iron ore pricing per tonne	233,000	233,000
$10 decrease in USD iron ore pricing per tonne	500,000	500,000
$5 increase in AUD operating costs per tonne	209,000	209,000
100 basis points change in discount rate	18,000	18,000

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 by or aggregated with a change in another key assumption however any net deterioration in above assumptions will result in further impairment of the Horizon 1 assets.

Horizon 2 exploration projects

Atlas' Horizon 2 exploration projects relate predominantly to the McPhee Creek and South East Pilbara exploration projects. During the half-year ended 31 December 2015, Atlas recognised an impairment loss for its Horizon 2 exploration projects of $22,500,000 (mining tenements capitalised of $21,800,000 and reserve development assets of $700,000). This reflects reductions in value as a result of lower market prices for iron ore.

The recoverable amount of Horizon 2 projects was determined using a fair value less cost to sell basis.

When considering any fair value less cost to sell basis in determining the recoverable amount of Horizon 2 projects the Company has regard to implied valuations per reserve and resource tonnes of comparable projects. 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.

Other Receivables

The company fully impaired a loan receivable from Shaw River Manganese Ltd (Shaw River) totalling $4,425,000. This followed Shaw River being placed into voluntary administration on 22 January 2016.

Notes to the Consolidated Financial Statements (continued)

6. NET FINANCE (EXPENSE)/INCOME

	31 Dec 2015 $'000	31 Dec 2014 $'000
Interest income	631	2,707
Interest accretion	169	726
Finance Income	**800**	3,433
Interest expense – Term Loan B	(16,709)	(14,278)
Other finance expenses	(1,051)	(1,657)
Amortisation of debt establishment costs	(2,184)	(2,212)
Finance Expense	**(19,944)**	(18,147)
Net loss on foreign exchange*	(17,108)	(21,043)
Net Finance Expense	**(36,252)**	(35,757)

* Relates mainly to the revaluation of the Term Loan B denominated in US dollars.

7. INVENTORY

	31 Dec 2015 $'000	30 Jun 2015 $'000
Current		
Consumables – at cost	201	708
Work in progress – at cost	2,766	5,790
Work in progress – at net realisable value	6,248	-
Finished goods – at cost	2,873	9,106
Finished goods – at net realisable value	5,889	-
Total current inventories	**17,977**	15,604

Write-down of inventories to net realisable value recognised as an expense during the period ended 31 December 2015 amounted to $3,683,000 (December 2014: $29,769,000). The expense has been included in operating costs in the consolidated statement of profit or loss and other comprehensive income.

8. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2015 $'000	30 Jun 2015 $'000
Current		
Secured debt facility (i)	3,661	3,581
Finance lease (ii)	895	-
Other	709	-
	5,265	3,581
Non-current		
Secured debt facility (i)	351,184	345,540
Borrowing costs	(7,637)	(9,601)
Finance lease (ii)	6,718	-
	350,265	335,939

(i) During the period $12,266,000 of principal was repaid and $16,709,000 of interest was incurred on the Term Loan B. The secured debt facility is denominated in US dollars and has increased in line with the weaker Australian dollar. Refer to Note 3 (i) *Going Concern* for information in relation to the debt restructure announced in December 2015.

(ii) During the period the Group entered into a finance lease for the building and operating of a laboratory at the Mt Webber mine. The term of the facility is 7 years with an interest rate of 8.75%.

9. PROVISIONS

	31 Dec 2015 $'000	30 Jun 2015 $'000
Current		
Rehabilitation and demobilisation	3,071	3,062
Onerous lease	3,293	3,135
Other	1,017	1,017
	7,381	7,214
Non-current		
Rehabilitation and demobilisation	68,523	68,531
Onerous lease	26,640	22,878
	95,163	91,409

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 a third party 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 Group is actively looking to sublet the remaining office space. The obligation for the discounted future payments, net of expected rental income, has been provided for by the Group. Due to the continued changes in the market the onerous lease provision was increased during the December half.

10. SHARE CAPITAL

	31 Dec 2015 $'000	30 Jun 2015 $'000
2,669,394,000 (30 June 2015: 915,161,000) Ordinary fully paid shares	**2,070,440**	1,991,630

	Number of shares '000	31 Dec 2015 $'000
Movements in ordinary share capital		
Beginning of the financial period	919,045	1,991,630
Issue of Ordinary Shares	1,750,311	78,744
Treasury Shares	38	66
End of the financial period	**2,669,394**	**2,070,440**

On the back of establishing the contractor collaboration model the Company issued a prospectus on 11 June 2015. In July 2015, the Company received applications for $87 million from existing shareholders, contractors and new investors. The Company issued 1,744,762,043 fully paid ordinary shares at an issue price of $0.05 per share on 24 July 2015. In addition, 1,774,762,043 free listed options were issued to subscribing parties, which are exercisable at $0.075 per share and expire on 30 June 2017. The Company issued the remaining 5,549,390 fully paid ordinary shares at an issue price of $0.03 per share on 12 August 2015 to Sheffield Resources Limited as part of a tenement acquisition.

11. CONTINGENCIES

The Company has bank guarantees totalling $12.7 million (June 2015: $10.5 million) predominantly related to office and mining bonds.

12. SUBSEQUENT EVENTS

No matters have arisen since 31 December 2015, 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. Refer to Note 3 (i) *Going Concern* for information in relation to the debt restructure announced in December 2015.