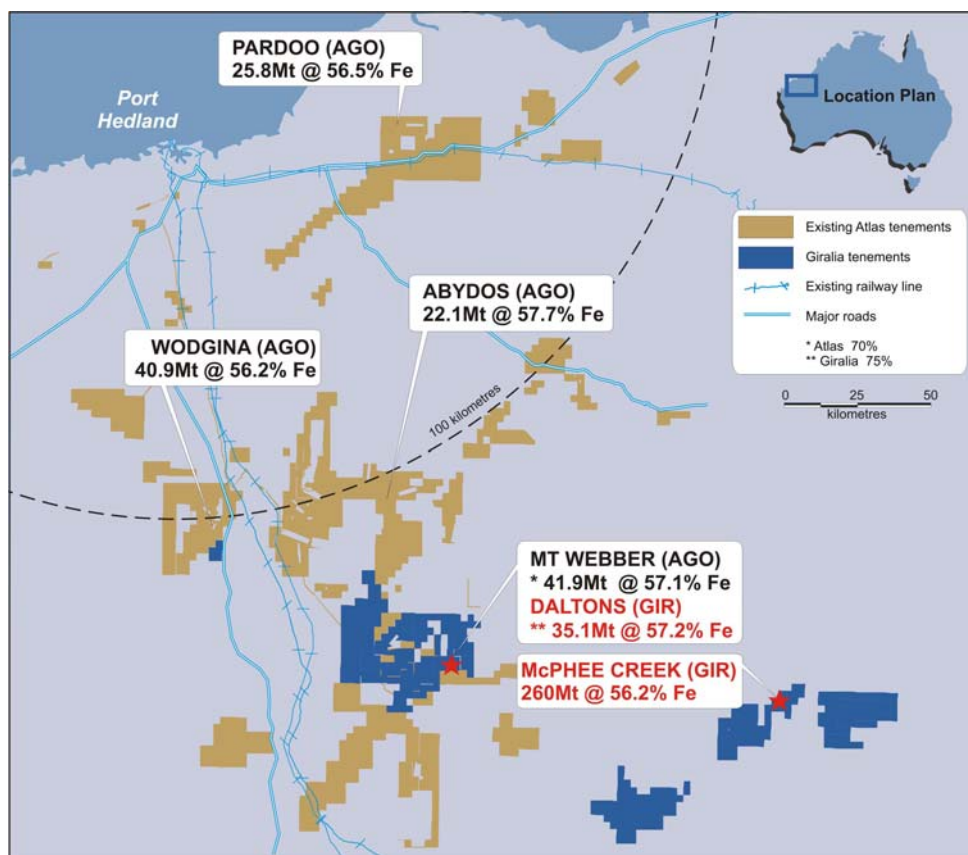


**HIGHLIGHTS FOR THE DECEMBER 2010 QUARTER**

- 1,420,740 ore tonnes shipped during the December 2010 quarter.
- Spot cargos sold for delivery in January and February 2011 at prices in excess of US\$150/WMT.
- Cash costs fall to approximately \$45/t FOB. Atlas is targeting \$40-43/t from January 2011.
- On target to export approximately 1.5Mt in the March 2011 quarter.
- \$143 million cash on hand at 31 December 2010, which has increased to \$188 million as at 27 January 2011 (from \$108 million in the September 2010 Quarter).
- Off-market takeover offer to acquire Giralia Resources NL (Giralia) announced on 21 December 2010.
- Atlas' Offer has been unanimously recommended by the Giralia Board, in the absence of a Superior Proposal.
- All the Giralia Directors have accepted Atlas' Offer for all of the Giralia shares they own.
- Additional exploration success at McCamey's North in the South East Pilbara.



**FIGURE 1: Atlas Iron Limited/Giralia Resources NL – Combined North Pilbara Projects Locations**

**INTRODUCTION**

Atlas commenced exporting direct shipping grade iron ore from the Pilbara of Western Australia in December 2008. Following the commencement of mining at Wodgina in June 2010, Atlas has now ramped up iron ore exports from 1Mtpa to 6Mtpa. As a consequence, the Company is generating its largest cash flows since commencing operations in 2008, while also on track to meet its target of exporting at a rate of 12Mtpa by the end of 2012.

Atlas is working to become a globally significant supplier of steel making raw materials through the discovery and development of low capital cost iron ore projects close to port. Through subsequent self-funding, the Company will then develop larger scale, low cost, long life operations. This should deliver significant value for shareholders, outcomes for the communities where we operate as well as important strategic options for the company.

The people who work in our business continue to deliver outstanding results and their efforts are greatly appreciated. With our people, iron ore deposits, infrastructure assets and growth model, Atlas is well positioned to continue its rapid expansion.

**OPERATIONS**

**MINE PRODUCTION**

<b>Table 1: Mine Production</b>				
	<b>Dec Quarter '10 (t)</b>	<b>Sept Quarter '10 (t)</b>	<b>Variance Quarter (t)</b>	<b>Variance Quarter (%)</b>
Ore Tonnes Mined	1,273,204	774,653	498,551	64%
Ore Tonnes Processed	1,261,203	612,649	648,554	106%
Haulage to Port	1,139,665	486,590	653,075	134%

**Note 1:** See Appendix 1 for detail of mine production at Pardoo and Wodgina

<b>Table 2: Mine Inventory</b>				
	<b>Dec Quarter '10 (t)</b>	<b>Sept Quarter '10 (t)</b>	<b>Variance Quarter (t)</b>	<b>Variance Quarter (%)</b>
Run of Mine Ore Stocks	202,173	282,100	-79,927	-28%
Final Product Stocks - Site	248,594	135,807	112,787	83%

Mining during the December 2010 quarter at Pardoo continued to focus on pit development and waste mining at the Alice East extension and Emma/Olivia pits. Pardoo ore deliveries, processing and haulage have all been at or above Atlas' estimated production levels with December 2010 production consistent with the targeted 2Mtpa rate for the mine.

At the Wodgina mine, pit development at Anson has continued with mine production pushing towards the targeted 4Mtpa run rate as of the end of December 2010. During the quarter ore haulage to port from Wodgina slightly lagged the Company's targets, which in turn marginally affected the tonnes crushed and screened, and ore tonnes mined due to the associated output

stockpiles running over capacity. However, from early January 2011 the Company has been achieving target ore haulage to the port from the Wodgina site, allowing the Wodgina operation to meet the Company's export target.

In the month of December 2010 ore mined across the operations was at a rate of 5.7Mtpa and ore processed was at a rate of 5.3Mtpa. In the month of November 2010 the processed rate was 5.6Mtpa prior to the impact of port haulage commissioning constraints. Overall port haulage was at a rate of 5Mtpa in the month of December 2010. Barring any significant impact from further weather events the Company expects to continue to export at 500kt per month (6Mtpa).

**SHIPPING**

<b>Table 3: Shipping</b>				
	<b>Dec Quarter '10 (t)</b>	<b>Sept Quarter '10 (t)</b>	<b>Variance Quarter (t)</b>	<b>Variance Quarter (%)</b>
Ore Tonnes Shipped (Wet)	1,420,740	313,719	1,107,021	353%
Ore Tonnes Shipped (Dry)	1,332,071	293,485	1,038,586	354%

<b>Table 4: Port Inventory</b>				
	<b>Dec Quarter '10 (t)</b>	<b>Sept Quarter '10 (t)</b>	<b>Variance Quarter (t)</b>	<b>Variance Quarter (%)</b>
Final Product Stocks - Port	98,499	399,184	-300,685	-75%

Atlas exported 1.42 million tonnes (wet) during the December 2010 quarter, with shipping marginally impacted by the closure of Port Hedland port late in the month of December 2010 due to a cyclone.

As previously advised, Atlas exported 0.31 million tonnes (wet) in the September 2010 quarter, resulting in the total exported for the half year ended 31 December 2010 being 1.73 million tonnes (WMT). Atlas remains on target to ship approximately 1.5 million tonnes (wet) of DSO in the March 2011 quarter.

During the December 2010 quarter, four cape size cargoes were shipped through Fortescue Metal Group's (FMG) Anderson Point facility, with the balance shipped through the recently commissioned Utah Point facility. The Company is generally pleased with the progress of commissioning and the ramp-up of tonnes through the Utah Point facility. The Company subsequently decided in December 2010 to cease shipping through FMG's Anderson Point facility and to focus solely on shipping through the Utah Point facility.

Atlas would like to acknowledge the assistance of FMG in making the Anderson Point facility available to Atlas over the past two years.

Port stocks were drawn down during the December 2010 quarter with the ramp up of the Utah Point facility, and the increase in the Company's export capacity.

During January 2011 the first "mini-cape" size vessels were loaded at Utah Point, with a total of 0.426 million tonnes loaded for the month to date. A further vessel is expected to load once the port re-opens following passage of Cyclone Bianca.

FOB cash operating costs for the December 2010 quarter were approximately \$45/tonne. Targeted cash costs from 1 January 2011 remain in the previously stated range of \$40-43/tonne, as the benefits from economies of scale and the move to the Utah Point facility take full effect.

## **MARKETING**

Iron ore sales for the December 2010 quarter were 1.420 million WMT (1.332 million DMT), up dramatically from the September 2010 quarter (0.314 million WMT (0.293 million DMT)) reflecting the Wodgina mine ramp up and a full quarter of access to Utah Point.

Proceeds received in cash for the quarter comprised the last September 2010 shipment, all October 2010 and November 2010 sales and part of December 2010's sales. Proceeds of approximately 271,000 WMT of December 2010 sales were received after 31 December 2010.

CFR Iron Ore spot prices increased dramatically over the quarter, with the 58% Platts index moving from US\$109/t to US\$147/t over the quarter and the 62% Platts index moving from US\$142/t to US\$171/t over the same period.

Atlas has predominately priced cargos to long term customers on the basis of the Rio Tinto Pilbara Blend price in accordance with the contract terms. This price is calculated prior to quarter commencement and has therefore lagged spot prices in a rising market. Spot cargos sold for the quarter have achieved higher prices as the quarter has progressed. Spot cargos are generally priced some 30 days before shipment date to allow ample time for appropriate credit arrangements to be organised by the purchaser.

Achieved pricing outcomes will continue to strengthen in the March 2011 quarter, with an increase in the quarterly benchmark price and spot prices higher than those achieved in the December 2010 quarter. Four spot cargos have been sold for delivery in January and February 2011 with the sale price for each above US\$150/WMT.

## **PROJECTS**

### **TURNER RIVER HUB**

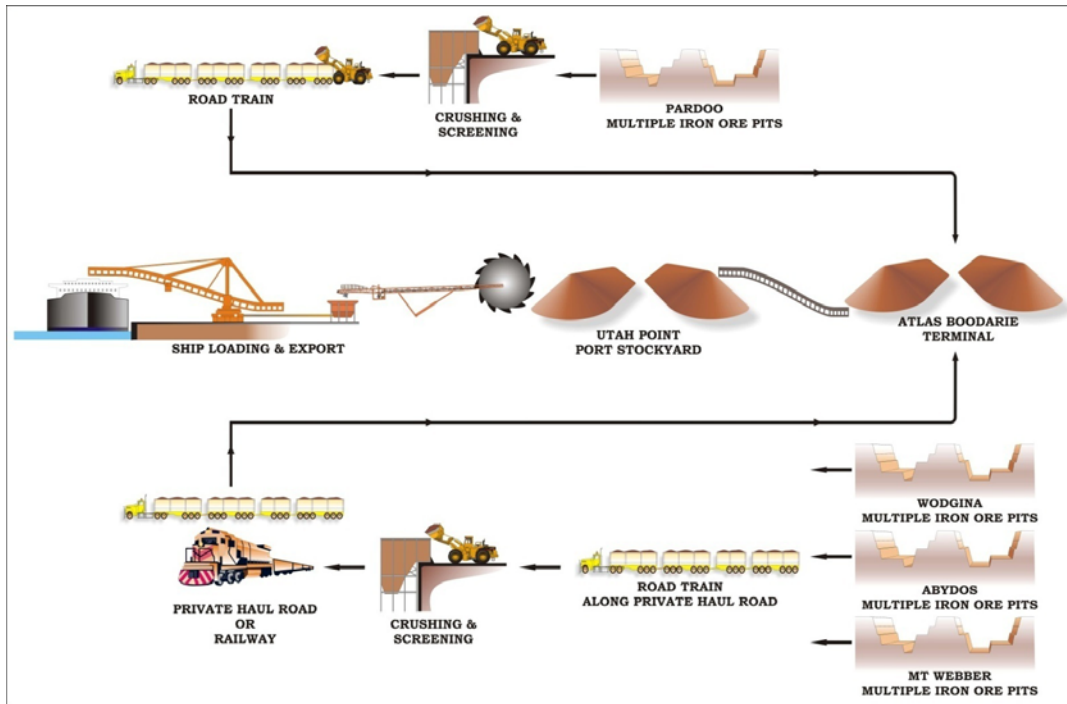
The Turner River Hub (TRH) project is now within its Definitive Feasibility Study (DFS) phase, with the DFS results and subsequent consideration by the Atlas Iron Limited Board expected during June 2011.

The proposed TRH processing facility will establish a centralised blending and processing hub for Atlas' Wodgina, Abydos and Mt Webber projects, in preparation for transport to the Utah Point port facility in Port Hedland approximately 95 kilometres away. The TRH will have an annual capacity of approximately 10 million tonnes, meaning it will play a key role in Atlas' plan to double its production from 6Mtpa to 12Mtpa by December 2012 (see Figure 2).

The TRH will also deliver substantial economies of scale, thereby reducing unit costs, and bring the benefits of blending ore types from multiple sources, including optimising prices received by Atlas and longer mine lives.

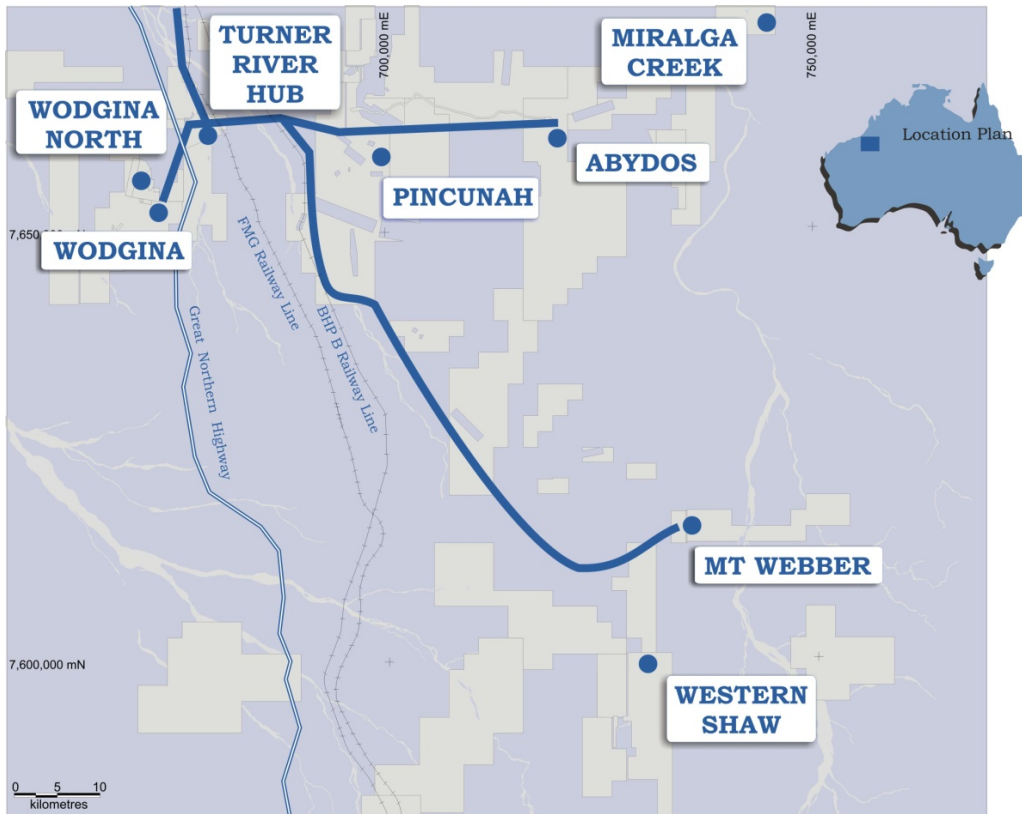
Ore from Atlas' Pardoo mine will not be processed at the TRH and will continue to be hauled direct to Utah Point and account for approximately 1.5 to 2Mtpa of production.

The TRH's location will also help underpin further project development within Atlas' existing North Pilbara exploration project portfolio, including the Wodgina North, Wodgina South, Western Shaw, Pincunah and Miralga Creek exploration projects (see Figure 3).



**FIGURE 2: Northern Pilbara Projects, 12Mtpa Production Process Flow Schematic**

The TRH is a key driver of value in the Giralia transaction which, subject to feasibility studies, infrastructure access and government approvals, uniquely positions the merged group for further expansion in the North Pilbara to 22Mtpa by 2015.



**FIGURE 3: Projects Contributing to the Turner River Hub Strategy**

**ATLAS / BHPB INTEGRATED INFRASTRUCTURE LINK**

Atlas Iron Limited announced during the December 2010 quarter that it had agreed to enter into good faith discussions with BHP Billiton Iron Ore (BHPBIO) concerning an integrated transport solution in Port Hedland.

Atlas Iron and BHPBIO have also agreed to consider point to point rail haulage on BHPBIO's declared Goldsworthy line to the junction of BHPBIO's Newman rail line.

The companies have selected an engineer and commenced a feasibility study examining a multi-purpose ore car and truck dumping hub on the eastern side of the Goldsworthy junction and the construction of a conveyor to bulk stockyards at Utah Point.

**EXPLORATION AND RESOURCE DEVELOPMENT**

During the December 2010 quarter Atlas drilled 524 holes for 35,539 metres of RC drilling across its Pilbara projects. During the 2010 calendar year the Company drilled 122,641 metres of RC, the most metres drilled by Atlas in a year to date. This total is expected to grow significantly in 2011.

Atlas expects to update the Company's Resource estimate in February 2011.

**EXPLORATION*****Southeast Pilbara***

During the December 2010 quarter the exploration team were mainly focused on the Company's targets around the Newman area. Following the release of initial results discussed in the September 2010 quarterly report, additional drilling was completed at the McCamey's North DSO discovery. The Company reported discoveries at McCamey's North and Hickman to the ASX on 20 October 2010.

A second pass of RC drilling was completed at McCamey's North in November 2010, and the rig has commenced a third round of infill holes pursuant to completing an inferred mineral resource estimate shortly. A total of 14,353 metres of RC drilling was completed at the project during the December 2010 quarter.

**RESOURCE DEVELOPMENT*****Pardoo DSO Resource Development***

RC drilling continued at Pardoo throughout the December 2010 quarter, with 8,682 metres completed. This included near-mine exploration on a number of targets. Drilling is continuing in the March 2011 quarter, with a number of surface and conceptual targets yet to be tested.

***Wodgina DSO Resource Development***

Development drilling continued at the Avro and Constellation deposits, adding to the resource definition on both ore bodies. Further exploration drilling was completed at Wodgina South late in the quarter, following up on intersections initially drilled in early 2010.

Exploration is expected to recommence on the Hercules discovery in early 2011.

**CORPORATE*****Off-Market Takeover for Giralia (GIR)***

On 21 December 2010 Atlas announced a recommended off-market takeover offer for all of the shares in Giralia [ASX: GIR] ("Offer"). The Offer has been unanimously recommended by the Giralia Board, in the absence of a Superior Proposal. All the Giralia Directors have accepted Atlas' Offer in respect to all of the Giralia shares they own, representing approximately 7.5% of Giralia.

The Offer implies a market capitalisation for Giralia of approximately \$828 million based on the five day VWAP of Atlas shares to 20 December 2010 of \$3.05 and will create a merged group with a pro-forma market capitalisation of approximately \$2.5 billion. Two alternative consideration structures are available for Giralia shareholders:

- 1.5 Atlas shares per Giralia share ("All Scrip Alternative"); or
- 1.33 Atlas Shares and \$0.50 cash per Giralia share ("Scrip and Cash Alternative").

Full details of the Offer are included in Atlas' Bidder's Statement dated 7 January 2011 and Giralia's Target Statement dated 20 January 2011.

***North West Iron Ore Alliance***

Atlas Iron is a founding member of the North West Iron Ore Alliance (NWIOA), a group of independent iron ore companies progressing projects in the Pilbara of Western Australia. The NWIOA is advancing the development of its South West Creek port and stock handling facility, with definitive feasibility studies nearing completion.

***Ridley & Balla Balla Magnetite Projects***

Negotiations on Ridley investment opportunity continued over the quarter, with due diligence work commenced by a new party and continued work with existing parties.

Alternative development strategies and divestment strategies are being investigated simultaneously as a means of realising value for Atlas shareholders in an appropriate time frame.

An updated economic model has been prepared in conjunction with Goldman Sachs to incorporate the latest long term pricing assumptions. This modelling confirms the attractive economic outcomes that the Ridley project can deliver.

As advised last quarter Atlas has been approached by parties looking to participate in the development of the recently acquired Balla Balla project and preliminary discussions are underway to determine an appropriate commercial framework. Due diligence has been undertaken during the quarter and in the process is moving forward.

During the quarter Atlas appointed Sigiriya Capital as its strategic advisors for China, which includes the provision of assistance with the Ridley and Balla Balla processes and provides Atlas with access to the expertise of Sigiriya's Australia and China based teams. Sigiriya has advised on a number of significant Australia / China transactions in the mining sector in recent years.

***Shaw River Resources Limited***

At the date of this report, Atlas holds a 45.2% interest in Shaw River Resources Limited (Shaw) (ASX Code: SRR). Shaw holds non iron ore mineral rights over a portion of Atlas' Pilbara tenements. For further details on Shaw River's activities, please refer to Shaw River's Quarterly Reports or Shaw River's website.

**CORPORATE PROFILE****Directors**

Geoff Clifford, Chairman  
David Flanagan, Managing Director  
David Hannon, Non-Executive Director  
Dave Smith, Non-Executive Director  
Tai Sook Yee, Non-Executive Director

**Company Secretary**

Tony Walsh

**Executive Management**

Ken Brinsden, Chief Operating Officer  
Mark Hancock, Chief Commercial Officer

**Registered Office and Head Office**

Ground Floor, 10 Richardson Street, West Perth, WA 6005  
Tel: +61 8 9476 7900  
Fax: +61 8 9476 7988  
Website: atlasiron.com.au

**Share Details as at 31 December 2010**

546,957,119 ordinary shares

**Unlisted Options as at 31 December 2010**

28,625,000 Unlisted Options

**Substantial Shareholders as at 31 December 2010:**

IMC Group: 66.75 mil shares  
UBS Nominees: 37.16 mil shares (ceased as a substantial shareholder in January 2011)  
Blackrock Investment Management: 26.94 mil shares

**Reporting Calendar**

Resource Update: February 2011  
31 December 2010 Half Year Accounts: 24 February 2011  
March 2011 Quarterly Report: 27 April 2011



**COMPETENT PERSONS AND JORC COMPLIANCE STATEMENT**

**Exploration Results**

The information in this report that relates to exploration results is based on information compiled by Mr Andrew Paterson who is a member of the Australian Institute of Mining and Metallurgy and an employee of Atlas Iron Limited. Andrew Paterson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results'. Andrew Paterson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Dollars**

Means Australian dollars.

**Appendix 1 – Mine Production at Pardoo and Wodgina**

<b>Table A: Mine Production - Pardoo</b>				
	<b>Dec Quarter '10 (t)</b>	<b>Sept Quarter '10 (t)</b>	<b>Variance Quarter (t)</b>	<b>Variance Quarter (%)</b>
Ore Tonnes Mined	467,589	546,163	-78,574	-14%
Ore Tonnes Processed	501,077	409,429	91,648	22%
Haulage to Port	421,528	374,135	47,393	13%

<b>Table B: Mine Production - Wodgina</b>				
	<b>Dec Quarter '10 (t)</b>	<b>Sept Quarter '10 (t)</b>	<b>Variance Quarter (t)</b>	<b>Variance Quarter (%)</b>
Ore Tonnes Mined	805,615	228,490	577,125	253%
Ore Tonnes Processed	760,526	203,220	557,306	274%
Haulage to Port	718,137	112,455	605,682	539%