26th February 2013

DECEMBER 2012 HALF YEAR RESULTS

In a volatile and sharply weaker iron ore market, Atlas has made a cash surplus from operations[2] of A$70M (2011 - A$164M). During the period, the Company also commenced exports from the Mt Dove mine, started development at the Abydos mine and shipped a record total of 3.34Mt (WMT).

The very strong recovery in iron ore prices is now generating substantial margins, as illustrated by an unaudited cash surplus from operations[2] of $32M for the month of January, 2013. Atlas is now producing at a rate of 8Mtpa and is on track to increase production to 10Mtpa by the end of June 2013.

KEY POINTS

Financial

- Cash surplus from operations[2] of A$70M, being ~$20/t
- Unaudited cash surplus from operations[2] of $32M for January 2013 reflects an average realised iron ore price per tonne of USD$130 CFR DMT compared to the half-year average price per tonne of USD$98 CFR DMT (including Value Fines)
- Underlying Profit after tax[1] of $1M (Dec 2011: Underlying Profit after tax[1] of $62M)
- Statutory Net Loss After Tax of $256M adversely impacted by previously announced non-cash impairment charge on capitalised tenement costs and non-cash write-down on non-core assets of $258M
- Half Year cash operating costs/t (FOB, excluding royalties) are in line with revised guidance of $46 - $50/t for the 2013 financial year. Full year guidance for FY2013 remains at $46 - $50/t
- US$325M financing (US$275M Term Loan B and undrawn AUD$50M revolving facility) completed, ensuring Atlas is fully funded for its Horizon 1 projects including port facilities
- $423M cash on hand as at 31 December 2012 includes Term Loan B facility and is after spending $37M on working capital increases, payment of $49M in stamp duty (FY2011 Giralia acquisition), paying $20M cash in dividend and spending $136M on expansion works

Horizon 2

- Negotiations with a number of infrastructure owners and developers are progressing with the intent of unlocking the value of Atlas' Horizon 2 assets

For further information please contact
Ken Brinsden, Managing Director
Anton Rohner, Chief Financial Officer Tel (08) 6228 8000

Media enquiries please contact
Paul Armstrong, Read Corporate Tel (08) 9388 1474

Notes

1. The underlying basis is a non-IFRS measure that, in the opinion of the Atlas directors, is useful for investors to assist them with their understanding and assessment of the Company's underlying performance. The underlying basis excludes the impact (net of tax) of the consolidation of Shaw River Manganese Limited, the impairment of capitalised tenement costs and write-down of non-core assets (see reconciliation to Statutory profit in Appendix 4D).
2. Cash Surplus from operations = gross profit adjusted for non-cash production & port related depreciation and amortisation costs (includes C1 cash costs, shipping and Royalty costs).

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 2012

	2012 $'000	2011 $'000	Movement %
Revenue from ordinary activities	288,261	341,388	(15.6%)
Gross profit	26,305	142,255	(81.5%)
Underlying profit / (loss) after tax attributable to shareholders (Non-IFRS)	1,002	62,222	(98.4%)
Profit / (loss) after tax attributable to shareholders (Statutory)	(256,044)	6,080	(4,311.3%)

Dividend Information	Amount per Ordinary share (cents)	Franked amount per Ordinary share (cents)
Dividends paid in period	3.0	0.0
Proposed dividend in relation to this period	-	-
Record date for determining entitlements to the dividend	-	
Payment date of proposed dividend	-	

NTA Backing	31 Dec 2012	31 Dec 2011
Net tangible assets per security	$1.60	$1.92

Change in Control

Entities over which the company has gained or lost control during the period comprise:

Name of Entity	Date Control Gained
Shaw River Manganese Limited	29 August 2012

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

Associates and Joint Ventures

Atlas holds interests in the following associates and joint ventures:

Name of Entity	Interest % at 31 Dec 2012
Centaurus Metals Limited	19.58%
Mt Webber Joint Venture	70%
Daltons Iron Ore Joint Venture	100%*
North West Infrastructure	63%

* The group has obtained a 100% interest in the Daltons JVs, however retains a 75% interest in other minor tenements with the JV Partner. (December 2011: 75%)

Previous Corresponding Period

The previous corresponding period is the half-year ended 31st December 2011.

Commentary on Results for the Period

A commentary on the results for the period is contained within the financial statements that accompany this announcement.

Underlying Profit is an indicator that Atlas Iron uses internally to measure the operational performance and allocate resources.
Underlying Profit is derived from Total Income attributable to owners of Atlas Iron adjusted as follows:

- The amounts reported as "Business Combination Expenses" are eliminated;
- Impairment losses are eliminated; and
- Other acquisition-related effects (primarily any gain or loss on re-measurement at fair-value of existing interests at the acquisition date) are eliminated.

A numerical reconciliation between the underlying profit / (loss) and the statutory net profit / (loss) attributable to owners of Atlas Iron is as follows:

	31 Dec 2012 $'000	31 Dec 2011 $'000
Underlying (loss)/profit after tax (Non-IFRS)	**1,002**	**62,222**
Business combination expense	-	(20,266)
Impairment charges	(454,886)	(69,023)
Other acquisition-related effects	1,173	12,851
Tax effect of the above adjustments	196,667	20,296
Statutory net (loss)/profit after tax	**(256,044)**	**6,080**

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 2012 together with any announcements made by Atlas in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

Atlas Iron Limited

ABN 63 110 396 168

Half-Year Financial Report

For the half-year ended 31 December 2012

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 2012 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

Contents	Page
Directors' Report	3
Auditor's Independence Declaration	6
Directors' Declaration	7
Independent Auditor's Review Report	8
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Notes to Consolidated Financial Statements	14

Directors' Report

The directors of Atlas Iron Limited (the Company) 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 2012.

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
Mr David Flanagan	Non-executive Chairman, appointed 1 September 2012 (Formally Executive Chairman)
Mr David Hannon	Director since 2004
Mr David Smith	Director since 2009
Ms Tai Sook Yee	Director since 2010
Mr Jeff Dowling	Director since 2011
Ms Kerry Sanderson AO	Appointed 21 February 2012
Mr Geoffrey Simpson	Appointed 25 May 2012

Executive	
Mr Ken Brinsden	Managing Director, appointed 22 February 2012
Mr Mark Hancock	Executive Director - Commercial, appointed 25 May 2012

Review of operations

Operations

Production (wet metric tonnes (WMT)) for the 6 months ended 31 December on a comparative basis was as follows:

Million tonnes per annum (Mtpa)	2012	2011	Increase
Ore mined (WMT)	3.55	2.76	0.79
Ore processed (WMT)	3.38	2.90	0.48
Ore hauled (WMT)	3.48	2.81	0.67
Ore shipped (WMT)	3.34	2.85	0.49

Corporate

Sales for the half-year totalled $288,261,000 down from $341,388,000 for the half-year ended 31 December 2011.

Total sales revenue was impacted by weaker iron ore prices caused by a combination of weaker steel demand, global economic uncertainty and an uncertain investment climate in China in the first quarter. Moreover, the relative strength of the Australian dollar had a dampening effect on the revenue for the half-year. In addition to the standard grade cargos, Altas also sold six Atlas Value Fines cargos with an Fe content of ~54%. The overall average price, inclusive of those Atlas Value Fines was US$98 per tonne CFR (DMT).

The statutory loss of the Group after tax for the half-year ended 31 December 2012 amounted to $256,044,000 (half-year ended 31 December 2011 profit: $6,080,000).

The loss is net of a write-down of $454,886,000 in asset values following adjustment of the carrying value of some undeveloped Horizon 1 and 2 exploration project areas and non-core tenements.

The underlying profit after tax for the half-year was $1,002,000 (half-year ended 31 December 2011 $62,222,000).

	31 Dec 2012 $'000	31 Dec 2011 $'000
Underlying (loss)/profit after tax (Non-IFRS)*	1,002	62,222
Business combination expense	-	(20,266)
Impairment charges	(454,886)	(69,023)
Other acquisition-related effects	1,173	12,851
Tax effect of adjustments	196,667	20,296
Statutory net (loss)/profit after tax	(256,044)	6,080

*Not audited or reviewed

Cash and cash equivalents increased from $399,540,000 at 30 June 2012 to $419,847,000 at 31 December 2012, an increase of $20,307,000. Cash on hand at 31 December 2012 includes monies received from the Term Loan B facility completed in December 2012, less payment of $48,900,000 in stamp duty associated with the Giralia acquisition in the 2011 financial year, $20,430,000 dividend and $139,508,000 in expansion works.

During December 2012 Atlas completed a US$325 million financing package (comprising US$275 million Term Loan B and AUD$50 million revolving facility), ensuring Horizon 1 projects, including port facilities are fully funded.

Exploration and evaluation expenses of $14,109,000 (half-year ended 31 December 2011 $43,573,000) were written off as incurred in accordance with the Company's accounting policy. The main focus of drilling was initially at the Hickman, Western Creek and Earaheedy projects.

Development continues to support the Company's Horizon 1 strategy with $139,508,000 (half-year ended 31 December 2011 $62,775,000) spend during the half-year. Expansion works at Atlas' Utah Point port facilities in Port Hedland are well under way. Production commenced at Mt Dove, growing Atlas' production rate to 8Mtpa and pre-strip mining commenced at Atlas' Abydos DSO mine.

On 31 October 2012, the Board resolved to pay a final unfranked dividend of 3 cents per share. No interim dividend is proposed for the half-year ended 31 December 2012.

Subsequent events

No matters have arisen since 31 December 2012, 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 6 and forms part of the Directors' Report for the half-year ended 31 December 2012.

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.

Ken Brinsden
Managing Director
Perth, 25 February 2013

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 31December 2012 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

R Gambitta
Partner

Perth

25 February 2013

Directors' Declaration

The directors of Atlas Iron Ltd declare that:

a) 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

b) 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.

Ken Brinsden
Managing Director
25 February 2013

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 2012, consolidated statement of 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 15 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 2012 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*.

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 2012 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*.

KPMG.

KPMG

R Gambitta
Partner

Perth

25 February 2013

Consolidated statement of comprehensive income

Half-year ended 31 December 2012

	Note	31 Dec 2012 $'000	31 Dec 2011 $'000
Revenue		288,261	341,388
Operating costs	6	(261,956)	(199,133)
Gross profit		26,305	142,255
Loss on sale of property, plant and equipment		(276)	(42)
Other income		803	260
Exploration and evaluation expense		(14,109)	(43,573)
Impairment loss	7	(454,886)	(69,023)
Share of loss of associates		(2,414)	(4,864)
Share of (loss)/profit of joint ventures		(884)	806
Business combination expense		-	(20,266)
(Loss)/gain on control of subsidiaries	4	(218)	12,851
Gain on bargain purchase of subsidiary	4	1,391	-
Other expenses from ordinary activities		(30,039)	(18,130)
Results from operating activities		(474,327)	274
Finance income		8,337	11,821
Finance expense		(2,909)	(4,402)
Net finance income		5,428	7,419
(Loss)/profit before tax		(468,899)	7,693
Tax (expense)/benefit	14	212,855	(1,613)
(Loss)/profit for the half-year		(256,044)	6,080
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation reserve		(1,903)	-
Share of associates' movements in foreign currency translation reserve		446	(2,329)
Other comprehensive loss for the half-year		(1,457)	(2,329)
Total comprehensive (loss)/income for the half-year		(257,501)	3,751
(Loss)/profit attributable to:			
Owners of the parent		(254,720)	6,080
Non-controlling interest		(1,324)	-
		(256,044)	6,080
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(255,163)	3,751
Non-controlling interest		(2,338)	-
		(257,501)	3,751
Earnings per share			
Basic (loss)/earnings per share (cents per share)		(28.3)	0.7
Diluted (loss)/earnings per share (cents per share)		(28.3)	0.7

The above consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

AT 31 DECEMBER 2012	Note	31 Dec 2012 $'000	30 Jun 2012 $'000
Current Assets			
Cash and cash equivalents		419,847	399,540
Trade and other receivables		40,382	39,440
Prepayments	8	34,802	26,960
Financial assets		5,500	6,070
Inventories		39,934	16,725
Total current assets		540,465	488,735
Non-current Assets			
Other receivables		40,400	37,183
Prepayments	8	47,330	42,563
Investment in equity accounted investees		53,582	54,445
Property, plant and equipment		26,546	31,414
Intangibles		142,296	143,634
Mine development costs		270,294	174,364
Evaluation expenditure – reserve development		9,614	7,529
Mining tenements capitalised		861,732	1,282,003
Deferred tax asset		91,768	-
Total non-current assets		1,543,562	1,773,135
Total assets		2,084,027	2,261,870
Current Liabilities			
Trade and other payables		126,790	176,559
Interest bearing loans and borrowings	9	17,737	21,097
Provisions		99	-
Employee benefits		3,071	2,779
Total current liabilities		147,697	200,435
Non-current Liabilities			
Trade and other payables		1,168	-
Interest bearing loans and borrowings	9	243,193	-
Employee benefits		282	328
Provisions		34,133	25,963
Deferred tax liability		57,136	170,058
Total non-current liabilities		335,912	196,349
Total liabilities		483,609	396,784
Net assets		1,600,418	1,865,086
Equity			
Share capital	10	1,984,654	1,977,877
Reserves	11	28,011	26,499
Accumulated loss		(421,154)	(139,290)
Total equity attributable to the owners of the parent		1,591,511	1,865,086
Non-controlling interest		8,907	-
Total Equity		1,600,418	1,865,086

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

Half-year ended 31 December 2012

	Share capital $ '000	Share based payment reserve $ '000	Foreign currency translation reserve $ '000	Associates reserve $ '000	Accumulated loss $ '000	Total $ '000	Non-controlling interest $ '000	Total equity $ '000
Balance at 1 July 2012	1,977,877	28,900	-	(2,401)	(139,290)	1,865,086	-	1,865,086
Loss for the half-year	-	-	-	-	(254,720)	(254,720)	(1,324)	(256,044)
Total other comprehensive income	-	-	(889)	446	-	(443)	(1,014)	(1,457)
Total comprehensive income for the half-year, net of tax	-	-	(889)	446	(254,720)	(255,163)	(2,338)	(257,501)
Issue of ordinary shares related to dividend reinvestment plan	6,681	-	-	-	-	6,681	-	6,681
Issue of ordinary shares from exercise of options	335	-	-	-	-	335	-	335
Share issue costs	(239)	-	-	-	-	(239)	(209)	(448)
Share based payment transactions	-	847	-	-	-	847	152	999
Payment of dividends	-	-	-	-	(27,144)	(27,144)	-	(27,144)
Acquisition of subsidiary with non-controlling interest (Shaw River)	-	-	-	-	-	-	11,302	11,302
Reclassification of associates reserve upon control	-	-	-	1,108	-	1,108	-	1,108
Total transactions with owners of the Company	6,777	847	-	1,108	(27,144)	(18,412)	11,245	(7,167)
Balance as at 31 Dec 2012	1,984,654	29,747	(889)	(847)	(421,154)	1,591,511	8,907	1,600,418

Half-year ended 31 December 2011

	Share capital $ '000	Share based payment reserve $ '000	Foreign currency translation reserve $ '000	Associates reserve $ '000	Accumulated loss $ '000	Total $ '000	Non-controlling interest $ '000	Total equity $ '000
Balance at 1 July 2011	1,703,394	27,451	-	-	1,904	1,732,749	-	1,732,749
Profit for the half-year	-	-	-	-	6,080	6,080	-	6,080
Total other comprehensive income	-	-	-	(2,329)	-	(2,329)	-	(2,329)
Total comprehensive income for the half-year, net of tax	-	-	-	(2,329)	6,080	3,751	-	3,751
Issue of ordinary shares related to business combination	236,905	-	-	-	-	236,905	-	236,905
Issue of ordinary shares from exercise of options	3,676	-	-	-	-	3,676	-	3,676
Share issue costs	(27)	-	-	-	-	(27)	-	(27)
Share based payment transactions	-	882	-	-	-	882	-	882
Payment of dividends	-	-	-	-	(26,578)	(26,578)	-	(26,578)
Total transactions with owners of the Company	240,554	882	-	-	(26,578)	214,858	-	214,858
Balance as at 31 Dec 2011	1,943,948	28,333	-	(2,329)	(18,594)	1,951,358	-	1,951,358

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half-year ended 31 December 2012

	31 Dec 2012 $'000	31 Dec 2011 $'000
Cash flows (used in)/from operating activities		
Cash receipts from customers	285,459	330,565
Payments to suppliers and employees	(287,211)	(182,623)
Interest received	9,655	10,537
Payments for expenditure on exploration and evaluation activities	(13,219)	(37,753)
Payments for acquisition transaction costs	-	(3,020)
Net cash flows (used in)/from operating activities	(5,316)	117,706
Cash flows used in investing activities		
Payments for property, plant and equipment	(2,480)	(12,769)
Reimbursement for office fit out	5,717	-
Payments for mine development	(117,823)	(35,683)
Payments for Wodgina expansion costs	(11,400)	(27,092)
Payments for reserve development costs	(10,285)	-
Payments for interests in equity accounted investees	(6,446)	(24,501)
Acquisition of shares in controlled entities, net of cash acquired	(2,101)	14,378
Payments for acquisition of tenements	(1,444)	-
Purchase of financial assets	(460)	-
Repayment from associated entities	515	-
Repayment of loan from other entities	360	-
Proceeds from release of bank guarantees	1,517	-
Stamp duty paid in relation to acquisition of tenements	(48,900)	-
Net cash flows used in investing activities	(193,230)	(85,667)
Cash flows from/(used in) financing activities		
Proceeds from issue of ordinary shares and exercise of options	335	3,676
Share issue costs paid	(239)	(27)
Proceeds from borrowings (net of debt establishment costs)	272,073	-
Repayment of borrowings	(34,933)	-
Dividends paid	(20,430)	(25,673)
Net cash flows from/(used in) financing activities	216,806	(22,024)
Net increase in cash and cash equivalents	18,260	10,015
Cash and cash equivalents at 1 July	399,540	365,599
Effect of exchange rate changes on cash and cash equivalents	2,047	1,625
Cash and cash equivalents at 31 December	419,847	377,239

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. Reporting entity

Atlas Iron Limited ("Atlas" or the "Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The condensed consolidated half-year financial report of the Company as at 31 December 2012 and for the half-year then ended comprised the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Group's principal activity are the operation of the Pardoo, Mt Dove and Wodgina iron ore mines and the development of the mines at Abydos in the Pilbara region of Western Australia.

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 2012 and for the year then ended and considered together with any public announcements made by the Company during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

This consolidated half-year financial report was approved by the Board of Directors on 25 February 2013.

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 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 consolidated half-year financial statements are presented in Australian Dollars, which is the functional currency of its operations in Australia.

(i) 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 2012 annual financial report for the financial year ended 30 June 2012. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

The new and revised Standards and Interpretations applicable for the current half-year have not had a material impact or resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

(ii) 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.

(iii) Estimates

The preparation of the 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 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 2012.

Notes to the consolidated financial statements

4. Acquisition of Shaw River Manganese Limited

During the period the Group acquired control of Shaw River Manganese Limited ("Shaw River"). Shaw River is an entity involved in the exploration and development of manganese in Namibia, Ghana and the East Pilbara Manganese Region of Western Australia.

At 30 June 2012;

- the Group held 205,030,405 Shaw River shares which represented a 45.40% interest in Shaw River.

On 29 August 2012:

- the Group subscribed to 277,777,778 Shaw River shares at an issue price of 1.8 cents per Shaw River share for a total cash consideration of $5,000,000; consequently,
- the Group's total holding in Shaw River increased to 482,808,183 shares.

As a result, on 29 August 2012, the Group obtained control of Shaw River, by acquiring this additional equity and voting interests resulting in the Group holding 53.45% of Shaw River. This transaction was mutually exclusive to the initial transactions obtaining the equity interest of 45.40%. Therefore, in accordance with Australian Accounting Standards, the initial investment was re-measured to fair value as at the date on which control of Shaw River was obtained, thus resulting in a loss of $218,000.

The provisional accounting for the acquisition of Shaw River has been determined based on an independent valuation and internal review by management including assessment of the tax effect of this acquisition.

Identifiable assets acquired and liabilities assumed of Shaw River as at the date of acquisition, being 29 August 2012 were:

	Fair Value
	$'000
Cash and cash equivalents	2,899
Trade and other receivables	4,833
Prepayments	122
Property, plant and equipment	1,146
Mining tenements capitalised	27,302
Trade and other payables	(1,864)
Interest bearing loans and borrowings	(3,653)
Employee benefits	(173)
Deferred tax liability	(8,165)
Provisions	(653)
Total net identifiable assets	21,794
Consideration transferred	
Other consideration[(a)]	4,101
Cash consideration[(b)]	5,000
Total consideration	9,101
Cash and cash equivalents acquired	(2,899)
Acquisition of subsidiary, net of cash acquired	6,202

(a) The fair value of the initial investment was based on the share price of Shaw River at 29 August 2012 of $0.02 per share.

(b) The value of the share subscription in relation to the capital raising is based on the offer price of $0.018 per share.

Notes to the consolidated financial statements

4. Acquisition of Shaw River Manganese Limited (continued)

Transactions separate from the acquisition

In the period of ownership from 29 August 2012 to 31 December 2012 Shaw River contributed net finance costs of $116,000 and a net loss before tax of $2,845,000 to the Group's results. If the acquisition had occurred on 1 July 2012, management estimates that consolidated net finance income and consolidated loss for the period would have been materially consistent with the results presented in the current statement of comprehensive income.. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2012.

Gain on bargain purchase

A gain on bargain purchase was recognised, on a provisional basis, as a result of the acquisition as follows (in $'000):

Total consideration	9,101
Less: fair value of identifiable assets	(21,794)
Add: Non-controlling interest on acquisition[(a)]	11,302
Gain on bargain purchase	(1,391)

(a) The non-controlling interest in Shaw River has been measured based on the fair value of net assets acquired at the acquisition date.

5. Dividends

During the period Atlas Iron Limited made the following dividend payments:

	Half-year ended 31 December 2012		Half-year ended 31 December 2011	
	Cents Per share	Total $'000	Cents Per share	Total $'000
Fully paid ordinary shares				
Final unfranked dividend	3.00	27,144*	3.00	26,578

* Includes $6.7M of dividend settled using dividend reinvestment plan.

6. Operating costs

	Consolidated 31 Dec 2012 $'000	Consolidated 31 Dec 2011 $'000
Mining costs	77,755	62,686
Haulage	50,541	34,578
Port costs*	38,342	27,295
Shipping costs	33,895	33,180
Royalties	22,352	24,348
Depreciation and amortisation**	39,071	17,046
	261,956	199,133

* Port costs include the amortisation of contributions made to the Port Hedland Port Authority (Refer to note 8).

** Includes unwind of prepayments made under Wodgina long term infrastructure agreement (Refer to note 8).

Notes to the consolidated financial statements

7. Impairment loss

	Consolidated 31 Dec 2012 $'000	Consolidated 31 Dec 2011 $'000
Undeveloped Horizon 1 and 2 exploration project areas	440,200	-
Balla Balla magnetite project held for sale	-	35,476
Yerecoin magnetite project held for sale	-	33,547
Non-core tenements	14,686	-
Impairment loss	454,886	69,023
Income tax benefit on impairment loss	(126,484)	(19,214)
MRRT benefit on impairment loss (net of income tax)	(70,183)	-
Impairment loss after tax	258,219	49,809

The Company has performed an assessment of indicators of impairment as at 31 December 2012. The Company considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2012, the market capitalisation of the Company was below the book value of its net assets, indicating a potential trigger for impairment of assets.

Undeveloped Horizon 1 and 2 exploration project areas
The recoverable amounts of the undeveloped horizon 1 and 2 exploration project areas have been determined based on life-of-mine value in use calculations using cash flow projections from financial budgets and indicative mine plans covering the life of the mine based on current reserves. The nominal post-tax discount rate applied to cash flow projections ranged between 11-12%.

Non-core tenements
An impairment loss of $14,686,000 has been recognised in relation to non-core tenements, which do not contain sufficient resources for the Company to pursue, and are in the process of being disposed.

Notes to the consolidated financial statements

8. Prepayments

	Consolidated 31 Dec 2012 $'000	Consolidated 30 Jun 2012 $'000
Current	34,802	26,960
Non – Current	47,330	42,563
	82,132	69,523

During prior periods, an agreement was entered into with Port Hedland Port Authority to establish the Group as a foundation user of the Public Access port facility located at Utah Point. Gross contributions of $35,700,000 have been made by the Group. These contributions and interest will be recouped against port handling charges incurred on future tonnes shipped over the berth. In the current half-year, the Group recouped $2,684,000. Disclosed within Prepayments – Current is the amount expected to be recouped within the next 12 months, being $5,368,000. (Non-current being $16,608,000).

A long term infrastructure agreement was entered into for the Wodgina operations. Contributions of $59,798,000 ($11,400,000 made during current period) were recorded as prepayments as at 31 December 2012 ($16,248,000 Current and $30,722,000 Non-Current) and are amortised over the term of this agreement. An amortisation expense of $8,267,000 was recognised during the current period.

9. Borrowings

	Consolidated 31 Dec 2012 $'000	Consolidated 30 Jun 2012 $'000
Current		
Unsecured pre-export finance facility	15,089	21,097
Secured debt facility	2,648	-
	17,737	21,097
Non – Current		
Secured debt facility	243,193	-
	243,193	-

On 10 December 2012, Atlas entered into a Term Loan B facility of US$275,000,000 which was fully drawn as at 31 December 2012. The term of the facility is 5 years with an interest rate of LIBOR plus 7.50% (LIBOR floor of 1.25%). The facility is secured over assets of Atlas and each material subsidiary subject to agreed exceptions and, in some certain circumstances, to obtaining third party consents. The facility has no earnings or net assets based maintenance covenants but has an asset coverage covenant. It is repayable at the Company's option at par, without penalty in most circumstances. The facility amortises at 1% per annum. Establishment fees paid in relation to this facility total $19,206,000 with an amortisation expense of $217,000 being recognised during the current financial period.

On 10 December 2012, Atlas also put in place an AU$50,000,000 three-year revolving facility. As of 31 December 2012 this facility remains undrawn. Establishment fees paid in relation to this facility total $1,486,000 with an amortisation expense of $28,000 being recognised during the current financial period.

Atlas has a US$30,000,000 pre-export funding facility to improve timing of funds received on iron ore sales. The facility is provided on an unsecured basis, with recourse and payable within 180 days, with interest payable at LIBOR, plus a margin. As at 31 December 2012, $15,089,000 (US$15,700,000) has been drawn against this facility; the interest rate on the drawdown was 1.3397% per annum, and matured on 24 January 2013. Subsequent to the period end, the drawdown has been settled, as payment has been received from the customers.

The impairment recorded during the half year did not have any consequence on these facilities.

Notes to the consolidated financial statements

10. Share capital

	Consolidated 31 Dec 2012 $'000	Consolidated 30 Jun 2012 $'000
909,718,000 (30 June 2012: 904,581,000) Ordinary fully paid shares	1,984,654	1,977,877

Movements in ordinary share capital	Number of Shares '000	$'000
Beginning of the financial period	904,581	1,977,877
Issued during the period – exercise of options	225	335
Issued during the period – dividend reinvestment plan	4,912	6,681
Less transaction costs	-	(239)
End of the financial period	909,718	1,984,654

11. Reserves

	Consolidated 31 Dec 2012 $'000	Consolidated 30 Jun 2012 $'000
(a) Reserves		
Share based payment reserve*	29,747	28,900
Foreign currency translation reserve**	(889)	-
Associates reserve***	(847)	(2,401)
	28,011	26,499

* The share based payment reserve is used to recognise the fair value of options/share rights issued.

** Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian Dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

*** The associates reserve mainly represents the Group's share in Centaurus Metals Limited foreign currency translation reserve.

Movements:	31 Dec 2012 $'000	31 Dec 2011 $'000
Balance at beginning of period	26,499	27,451
Share based payment expense	847	882
Foreign currency translation reserve – Shaw River	(889)	-
Share of associates reserve	446	(2,329)
Reclassification of associates reserve upon control	1,108	-
Balance at the end of period	28,011	26,004

Notes to the consolidated financial statements

12. Investments in equity accounted investees

Name of Entity	Principal activity		Ownership Interest		Share of loss	
			31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
			%	%	$'000	$'000
Shaw River Manganese Limited	Mineral exploration	*	*53.45	*45.40	(704)	(11,227)
NWI Pty Limited	Port Development	Joint Venture	63.00	63.00	(884)	(82)
Centaurus Metals Limited	Iron Ore exploration	Associate	19.58	19.85	(1,710)	(3,431)

* During the period the Group acquired control of Shaw River which resulted in Shaw River becoming a subsidiary of Atlas. The share of loss recognised is up until control was obtained. Details of the acquisition are outlined in note 4.

13. Contingencies and commitments

Contingencies

The Company has bank guarantees predominantly related to security deposits representing cash backing for exploration and mining bonds, office bonds, bank guarantee and a credit card facility. The total bank guarantees on issue at period end are $27,506,000.

Expenditure commitments

During the period ended 31 December 2012 Atlas has entered into new contracts in relation to mining and other services with the following non-cancellable expenditure commitments:

	31 Dec 2012
Expenditure commitments	$'000
- Not later than one year	17,239
- Later than one year and not later than five years	-
- More than five years	-
Aggregate expenditure contracted for at reporting date	17,239

Other expenditure commitments are consistent with those disclosed in Atlas' 30 June 2012 financial statements.

Notes to the consolidated financial statements

14. Tax expense / benefit

The major components of the tax expense / benefit are:

	Consolidated 31 Dec 2012 $'000	Consolidated 31 Dec 2011 $'000
Current tax (Income tax and MRRT)	-	-
Deferred tax on impairment		
Deferred income tax benefit	126,484	19,883
Deferred MRRT benefit	100,261	-
Deferred income tax on MRRT	(30,078)	-
Other deferred tax		
Deferred income tax	4,796	(21,496)
Deferred MRRT	16,275	-
Deferred income tax on MRRT	(4,883)	-
Total tax benefit / (expense)	212,855	(1,613)

The tax benefit has resulted predominantly from the reversal of the deferred tax liabilities recorded as at 30 June 2012 due to the impairment of undeveloped Horizon 1 and Horizon 2 exploration project areas.

15. Subsequent events

No matters have arisen since 31 December 2012, 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.