ATLAS

2013
ANNUAL REPORT

DELIVERING ON OUR OBJECTIVES

CONTENTS

DELIVERING ON
OUR OBJECTIVES

2013 HIGHLIGHTS

PROFIT
Underlying profit after tax of $13.7 million

PERFORMANCE
Statutory loss of $245.1 million

STRONG CASHFLOW
Strong cashflow from operations of $141.8 million

LOW CASH COST
Cash cost of $49.90 per tonne

RECORD SHIPMENTS
Record shipments, increasing by 32.1% to 7.4Mt

RECORD REVENUE
Record revenue, increasing by 12.6% to $695.1 million

MT DOVE PRODUCING
Mt Dove mine developed and producing

ABYDOS MINE PROGRESS
Abydos mine development significantly progressed

UTAH POINT PROGRESS
Utah Point Yard 2 Port expansion largely complete

MOUNT WEBBER APPROVAL
Mount Webber Stage 1 project approved

GROWTH FINANCE SECURED
Finance secured to fund completion of Horizon I growth plan

NEW AGREEMENTS SIGNED
Significant new off-take agreements signed

SALES
Growing exports
First shipments outside of China

RESERVES UP
Reserves of 506.8Mt*

RESOURCES UP
Resources of 1.17Bt*

DSO DISCOVERY
Significant DSO discovery at Corunna Downs

DIVIDENDS
3c Unfranked Dividend announced

STRONG WORKFORCE
300 direct employees;
400+ additional indirect employees

DIVERSE WORKFORCE
A diverse merit-based workforce – 35% female participation

COMMUNITY PARTICIPATION
2,400 hours volunteered by Atlas staff

* Refer to the Resources and Reserves Report as outlined on page 17 of the Annual Report

CHAIRMAN'S REPORT

It is my pleasure to present Atlas' Annual Report for a year in which there was significant volatility for Atlas, and for the industry in general.

Despite the uncertain economic conditions faced, Atlas has stayed on course successfully pursuing an ambitious growth strategy as we have continued building a great Australian resource company.

We have navigated through these challenging times due to the dedication, innovation, resilience, indomitable spirit and the sheer hard work of our people, who have done an amazing job. They are part of a company that only commenced in 2004; had only 25 employees in 2007; opened the first mine in 2008 and second mine in 2010.

This year, we have opened our third and fourth mines and the board has approved the commencement of our fifth mine.

Atlas' Pardoo mine was the company's foundation. It was the company's first mine – the mine that proved the business model others said could not succeed; a model that enabled the ongoing development of the company and commenced the cash flow to continue the growth of Atlas. From Pardoo, Atlas was able to continue the strong growth through the opening of the Wodgina mine. These two mines have underpinned the success story that Atlas is. With Mt Dove opening, the Abydos mine substantially developed and further mines on the horizon, Atlas has a great future ahead.

Atlas is a success story of which we can all be proud and on behalf of the

Once again, we have beaten our previous year's **performance** in a number of areas.

DELIVERING ON POTENTIAL

board, I am grateful for the outstanding contribution everyone in the company has made to help our business continue to grow.

Once again, we have beaten our previous year's performance in a number of areas.

The number of tonnes mined has increased substantially, as a result of increased production at Wodgina, and the opening of the Mt Dove mine.

We had another year of record sales, increasing by over 30.1% to 7.4Mt. Despite volatility in the iron ore price, we achieved record revenue of $695 million. Notwithstanding strong cash flow from operations of $141.8 million Atlas incurred an underlying loss after tax of $245.1 million arising from write down of asset values pertaining to undeveloped exploration project areas and non-core tenements.

Atlas recorded an underlying profit* after tax of $13.7 million, a result impacted by lower overall commodity prices particularly in the first half and a strong Australian dollar. Further details of our financial performance are included in the Directors' Report.

Atlas has delivered strong growth in a very short time, yet we have ambitious plans to continue growing in the medium term. We have a large resource base, the people and expertise, and we have a solid reputation with our customers as a trusted and reliable supplier. The board has been delighted with Atlas' achievements to date, and is looking forward to another year of great achievement.

Our industry is the focus of much attention. The industry is too often reflected on negatively, without consideration of the enduring benefit that has been delivered locally, nationally and internationally.

Our industry makes a significant contribution to lifting the living standards of people in the region. Our industry has delivered strong and sustained economic growth which has delivered significant public benefit in Australia and helped make Australia's economy the envy of the world. To continue to make the strong contribution to the local communities and national economy in which our industry operates, we need confidence, policy certainty and the ability to get on with our job, without having roadblocks put in the way.

At Atlas, we are proud of our diversity. The representation of female workers across Atlas is significant – two of our seven non-Executive directors, 20% of senior management and around 35% of all employees are female.

Last year, the shareholders of Atlas approved the implementation of a dividend reinvestment plan at the 2012 Annual General Meeting which resulted in a pleasing uptake of 24% of total shares on issue. This year, the board is pleased to announce Atlas will be paying an unfranked three cent dividend per share. Our ability to pay a dividend while Atlas is continuing to invest in the development of new mines and infrastructure highlights the strong cash generation of our producing mines.

It has been a very busy and somewhat testing year at Atlas, but in light of the challenges thrown at us, the board is pleased to report it has nevertheless been a successful year with great achievements of which we can all be proud. The effort of everyone this year has certainly set us up for many successful future years.

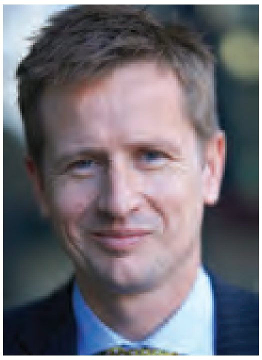
I would like to thank my colleagues on the board for their wise counsel, support and contribution, the leadership team for guiding the business through another successful year, and indeed, all members of the Atlas team for their hard work, dedication and being part of building a truly great Australian company that is a fantastic place to work.

David Flanagan
Non-Executive Chairman

* The underlying basis is a non-IFRS measure that in the opinion of the Company provides useful information to assess financial performance.

Atlas has always prided itself as a company that breaks the mould when it comes to iron ore mining.

MANAGING DIRECTOR'S REPORT



The 2013 financial year was another year of significant progress at Atlas, notwithstanding the difficult and unpredictable environment faced by the Company and the resources industry more broadly.

The price of iron ore was subject to significant volatility combined with a stubbornly high Australian dollar, and we've been part of a tight and competitive cost environment against a backdrop of global economic uncertainty. Atlas has decisively stuck to its game plan and continued with mine and port developments, increasing production and exports based on the premise that there is continued strong demand for our product and we have a strong niche as a competitive Pilbara iron ore exporter. Further, with tight cost control and improvements in the price of iron ore we have significant leverage to improving global conditions.

During the year we opened our third mine at Mt Dove, continued the development of our fourth mine at Abydos, and the board approved the development of our fifth mine at Mt Webber. Subsequent to year end, during August we opened the Abydos mine. This is a remarkable achievement for any mining company, let alone a mid-tier miner, at a time when other companies were limiting either existing operations or growth options. Importantly, Atlas has been able to meet the demand of its customers, achieving another year of record shipments.

We secured new contracts, reflecting our growing reputation as a reliable producer amongst steel mills and international trading houses. In addition, we shipped our first cargos outside China.

Atlas has always prided itself as a company that breaks the mould when it comes to iron ore mining. Our business model is a testament to this. Not only did we prove the naysayers wrong, we've grown to become one of Australia's more significant iron ore mining companies.

We further demonstrated our innovation and entrepreneurialism by creating an opportunity to sell our Value Fines product. The benefit of establishing a market for this product is that it can meet customer demand, and utilise excess infrastructure capacity. Furthermore selling Value Fines delivers additional cash-flow, from a by-product which would otherwise have been stockpiled as mineralised waste.

We have a successful business model and a sustainable and growing business. The volatility of the commodities market coupled with the value of the Australian dollar focused our efforts on ensuring we were an efficient, disciplined and cost competitive business. A wide ranging expenditure review was undertaken during the year contributing to minimising growth in our cost base in both the current and future years.

Atlas secured a $US275 million financing package to underwrite the capital costs of Atlas' remaining Horizon I development projects as well as an $AUD50 million revolving facility (undrawn). While it is the first time Atlas has taken on debt, the remaining Horizon I development projects will provide an ability to invest in future growth and generate further returns to shareholders. Atlas' balance sheet remains very strong.

We have always recognised access to port as one of the key elements of our growth strategy. The reaffirmation of port capacity at South West Creek by the State Government during the year underpins our expansion strategy from the existing 15Mtpa allocation at the Utah Point port facility, to include port capacity growth up to 46Mtpa through the future development of South West Creek in Port Hedland harbour.

In support of its growth strategy Atlas has continued its program of exploration, which has delivered exciting results, particularly at Corunna Downs and confirms Atlas as a significant player for the long term. In addition, Atlas settled agreements with Gondwana Resources Limited (ASX: GDA) and Altura Mining Limited (ASX: AJM), enabling the company to unlock further growth through tenements in strategic locations.

We have continued to have discussions with potential rail solution providers. In the coming year we look forward to developing a solution so we can access and maximise the return on our vast iron ore resources, currently standing at 1.17Bt[1].

Supporting our long term strategy, Atlas maintained its investment in Centaurus Metals Limited (ASX: CTM). CTM is a company with key iron ore projects located in Brazil. We also increased our interest in Shaw River Manganese (ASX: SRR) to 53.45%. SRR is a company with key manganese projects located in Namibia, the Pilbara of Western Australia and Ghana.

For any business to succeed, it needs the right people and the right culture. We have worked hard to develop an organisation that is fit for purpose, comprised of high performing people with the right attitude and flexibility to enable us to achieve our growth objectives. We have ensured our organisational structure and the roles and capability of everyone throughout the company match our strategy and incorporate the appropriate accountabilities to deliver success.

We are proud of the contribution we make in the communities in which we operate. We see this as both part of our licence to operate and an important link for our people to the communities within which we operate. We encourage a culture of responsible environmental management within our company; of respectful and meaningful relationships with our traditional owners; and of cooperation and support for the community.

Through the experience of commencing four mines in a relatively short period of time, and approval to commence its fifth, Atlas has been adept at navigating the myriad regulatory requirements necessary to progress from proposal to development. We have already secured State and Federal environmental approvals for our proposed South-East Pilbara mines and connecting rail spurs, marking another key milestone in the strategy to grow production to 46 million tonnes a year.

The decision to obtain these approvals is part of Atlas' strategy to be able to grow production incrementally, to maximise shareholder returns.

I would like to thank the board for their ongoing support, Atlas' executive leadership team for their collaboration and for executing an ambitious and successful strategy and work program, and our staff members for their dedication and commitment to the ongoing success of our great Australian company.

Ken Brinsden
Managing Director

[1] Refer to the Resources and Reserves Report as outlined on page 17 of the Annual Report.

Atlas' Vision

To build a truly great Australian company that is a fantastic place to work, makes the world a better place and delivers outstanding returns for shareholders. A company our families are all proud of.

ABOUT ATLAS

Atlas is an independent Australian iron ore company, mining and exporting Direct Shipping Ore (DSO) from its operations in the Northern Pilbara region of Western Australia. Since listing on the ASX in late 2004, Atlas has grown rapidly to become one of Australia's biggest iron ore exporters.

Atlas' operations are focused on the Pilbara region of Western Australia, where the company has grown its Reserve and Resource assets through exploration activities, as well as the acquisition of other mining operations in strategic locations.

Atlas is proud of its reputation as an ethical company with a dynamic, can-do attitude. In every situation, from large corporate negotiations to face-to-face dealings with the local community, Atlas and its people strive to achieve outcomes which benefit all parties.

Atlas' success is due to the contribution of its 300 direct employees, together with the contracting businesses that provide mining, processing, and haulage services to Atlas in its operations.

Atlas' Values

Work Safely

We consider the safety aspect of everything we do. Employees own their own safety and wellbeing, in and out of work.

Do the Right Thing

We are honest and fair in all our dealings and courageous in making hard decisions that support our business goals. Our decisions and actions will make our families proud.

Strive for Business Excellence

We challenge ourselves to be efficient and effective with available resources. We seek improvement and embrace change.

Work as a Team

Working together to meet challenges and develop solutions, we actively engage and support our people and understand and value the contribution of others.

Think win-win

The people and organisations we engage with will benefit fairly. We give every opportunity a go and think long-term with respect to the relationships we cultivate and nurture.

Indomitable Spirit

Our people are resilient. We approach challenges with courage and passion.


EX31

Atlas has maintained its focus on ensuring the organisation continued to be flexible and "fit for purpose", with a lean, capable, high performing workforce across all areas of business activities.

OUR PEOPLE

Atlas has grown from a one person operation in 2004 to become one of Australia's leading iron ore exporters. This could not have been achieved without the talent, knowledge, capability and commitment of everyone who has worked at Atlas, past and present.

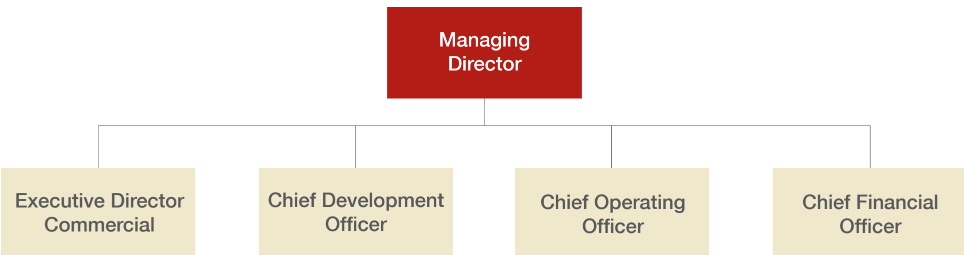
During a period of growing the business through the development and opening of new mines and additional port facilities, Atlas has maintained a workforce of around 300 employees throughout the year – working in Perth and the Pilbara.

Atlas is also a proud equal opportunity employer, and has maintained a level of female participation of 35%, making it one of the leaders in promoting female participation in the mining industry.

With the expansion of the business over recent years, including the development of new mines and large infrastructure projects, Atlas has maintained its focus on ensuring the organisation has continued to be flexible and "fit for purpose", with a lean, capable, high performing workforce across all areas of business activities.

Atlas has ensured the structure of the organisation is flexible to ensure the people and teams within the business continue to be aligned to the long term strategic objectives of the organisation.

Atlas' Structure:



During the year, Atlas commenced an organisational development strategy, with the purpose of ensuring the existing organisational structure and individual roles were developed to better enable leadership capability and to support people to do the right work at the right level with appropriate accountability and authority.

Atlas has developed a reputation for its dependability, being a high performer, and delivering to its commitments with its people going about their work with dedication, passion and commitment. This reputation has been achieved from Atlas' people being empowered to make a difference. All employees are aware they are contributing to the success of the business and are creating a culture which shows Atlas' values are not an aspiration, but part of the everyday business of Atlas.

Health, Safety and Environment

Health and Safety

Atlas' first and overriding value is safety first. Every employee is empowered to challenge any colleague, irrespective of their position, if they think safety is being compromised.

Like every mining company, Atlas remains focused on continually reinforcing a culture of safety first. During the year we implemented new initiatives and programs to put safety at the forefront of all activities. This will be an ongoing activity for the business, as there will always be more to do to make sure the workplace is as safe as possible so all employees return to their loved ones as they left them.

A new Visible Safety Leadership (VSL) program was launched during the year, emphasising the responsibility of leaders in the business to oversee a culture of putting the safety of every employee front and centre of everything that is done in every activity in the business, whether on a mine site or in the office environment.

The focus of the VSL program is to up-skill frontline leaders to be able to conduct conversations and make observations with their teams and contractors to encourage interaction and engagement on safety issues, improve hazard awareness and prevent incidents, and to reinforce a collaborative culture in which safety is a core value in the organisation.

Atlas is adopting a back to basics approach to ensure every area of the business does as best it can to maximise safety performance. This has led to what we believe to be a more effective approach to risk management. Atlas has also established within its business a Strategic Health, Safety and Environment Council. The purpose being to ensure the leadership team is at the forefront of improving Atlas' health, safety and environmental strategy and performance.

A large portion of the workforce at Atlas' mine sites are contractors. We view our contractors as Atlas employees and all incidents involving contractors are investigated with Atlas involvement and included in all of Atlas' safety reporting.

DELIVERING A SAFE WORK ENVIRONMENT

Accordingly, Atlas works very closely with its contractors to instill a shared culture of working safely.

Given Atlas' product is transported on road trains to port, Atlas has established a Haulage Awards Program to encourage, recognise and reward continuous exemplary performance by workers involved in transportation within the communities in which we operate.

Statistics relating to Atlas' health and safety performance are included in the Directors' Report.

Environment

As a responsible and ethical mining company, Atlas promotes a culture of responsible environmental management throughout the company.

Atlas works closely with local communities, government agencies and key stakeholders to ensure it strives for best practice environmental performance, while continuing its business activities.

In particular, Atlas has established positive working relationships with the WA Department of Environment and Conservation and the Federal Department of Sustainability, Environment, Water, Population and Communities. Atlas' success in achieving approvals for new mine developments associated with road access, and fulfilling other such regulatory requirements, is due to a rigorous process of consultation, cooperation and compliance where we work closely with the regulatory authorities to ensure there is sufficient protection to significant heritage sites and species of flora and fauna.

Atlas also has an ongoing environmental monitoring program to ensure rapid response to any environmental incidents, such as hydrocarbon spills, unauthorised ground disturbance, and unauthorised water discharge. All incidents are investigated so as to implement preventative measures and minimise the likelihood of reoccurrence.

As a company involved in energy intensive activities, Atlas is registered to report under the Energy Efficiency Opportunity Act to look at ways to reduce energy consumption and make it a cost effective process. Atlas has established a Carbon and Energy Committee to identify initiatives to reduce Atlas' carbon footprint, particularly as it expands operations and increases energy use.

REPORT ON OPERATIONS

"The 2013 financial year has been one of both consolidation and growth for Atlas"

DELIVERING GROWTH

Atlas' business model has been built around small, low risk mines in close proximity to the Port Hedland port. These mines are driving Atlas' growth, and provide the basis for Atlas to expand its production and grow exports to 12Mtpa and beyond. These developments will deliver strong cash flow and enable Atlas to progress its Horizon II growth strategy.

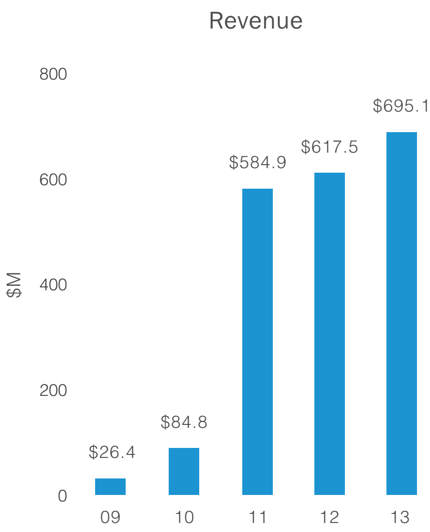
The 2013 financial year has been one of both consolidation and growth for Atlas. Atlas demonstrated the strength of its business model – and its asset base – through continuous improvement at its established mines, while progressing development of new mines. In addition exploration has continued at strategic locations that will be the next phase of Atlas' growth strategy.

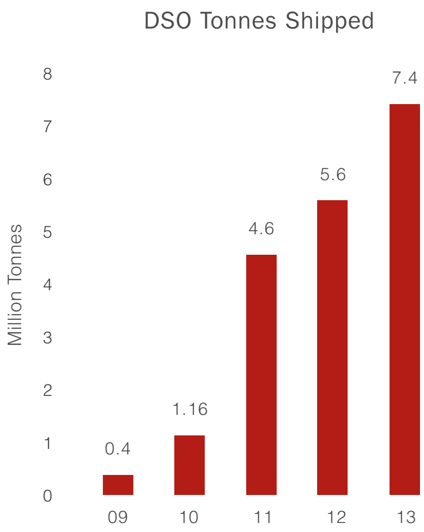
Following record rates in the previous year, Atlas has continued to grow. A 25% increase to production at the Wodgina Mine, coupled with the opening of the Mt Dove Mine, has resulted in record production, shipping and revenue for the year.

Over the previous two years, Atlas has seen substantial growth in mining, shipping, revenue, reserves and resources.

While maintaining successful operations at its existing mines and commissioning the Mt Dove mine, Atlas also completed the development of the Abydos mine (first ore hauled to port on 23rd August, post the year-end), ensuring the company is assured of ongoing production. In addition, Atlas has been proactive in developing and securing the relevant regulatory approvals for the Mt Webber mine development, which was approved by the board in June 2013.

A 25% increase to production at the Wodgina Mine, coupled with the opening of the Mt Dove Mine, has resulted in record production, shipping and revenue for the year.





In addition, significant development and regulatory approvals work was carried out for other Horizon I and II developments, including rail spurs in anticipation of a rail solution.

During the year, Atlas signed a number of new contracts with customers, and delivered two shipments to a new customer outside China, highlighting the company's reputation as a dependable supplier, and providing ongoing confidence in the business. This is important to future sales activity and bodes well for maintaining cash flows.

Atlas' shipments consisted of 5.9Mt of Standard Fines and 1.5Mt of Value Fines. The decision to export Value Fines, a by-product of mining of Standard Fines, enabled Atlas to maintain its shipping guidance in the face of severe weather impacts and filled spare capacity with a product that would otherwise have been stockpiled as mineralised waste. The sale of Value Fines is cash flow positive for Atlas, and therefore an attractive option when looking to fill spare capacity when it arises.

Atlas reached its targets and broke records despite adverse weather during the third and fourth quarters – including two cyclones during January and February and record rainfall for the months of May and June.

The most significant impact in the June quarter was to haulage. A typical day over this period would see haulage of 25,000 tonnes into the port. Ten days of lost production due to inclement weather is significant and has taken a high level of focus and performance to catch up. Multiple records were set during this period across mining, processing, haulage and shipping.

Notwithstanding the weather impacts, mining at the Wodgina Mine was strong throughout the year, with a significant increase in production and mining movements over the previous year. This was driven by improved productivity and the development of two new pits.

The addition of the Mt Dove Mine has contributed to Atlas achieving record production this year. Mt Dove was successfully commissioned and achieved its ramp up to full production.

Concurrently with hitting targets for production and shipping, Atlas has built capacity and capability within its workforce to develop new projects and achieve its Horizon I targets.

During the year Atlas:

- developed, commissioned and opened the Mt Dove Mine;
- developed and commenced commissioning of the Abydos Mine;
- progressed the construction of Utah Point Yard 2;
- concluded the Mt Webber development study, achieved board approval to proceed and finalised agreement with joint-venture partner, Altura Mining Limited (ASX: AJM); and
- continued its exploration program, revealing exciting drilling results at its Corunna Downs site.

To further entrench confidence in the sustainability and growth of the business, Atlas secured a financing package $USD275 million Term Loan and $AUD 50 million revolving facility providing the necessary funding to conclude Atlas' Horizon I projects and grow its North Pilbara production. The financing package provides Atlas with the flexibility to expand the business and make spending decisions expeditiously, while cognisant of changing market conditions.

Further details of Atlas' operating and financial performance are included in the Directors' report.

DELIVERING ON OUR POTENTIAL

Over the previous two years, Atlas' reserves and resources have increased by over 600% and 180% respectively.

RESERVES AND RESOURCES REPORT

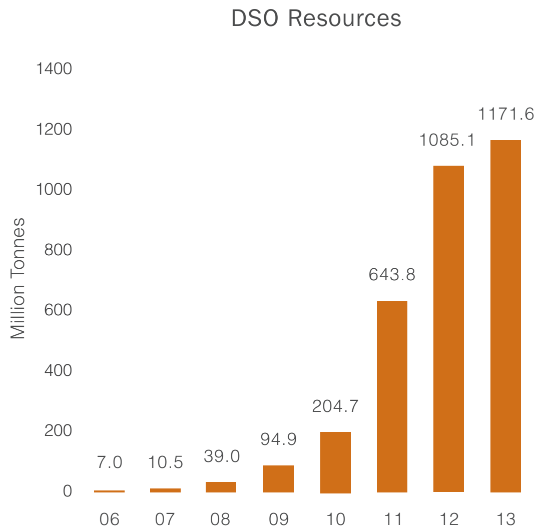
In addition to its ongoing operational activities, Atlas has continued to grow its resource and reserve base during the year.

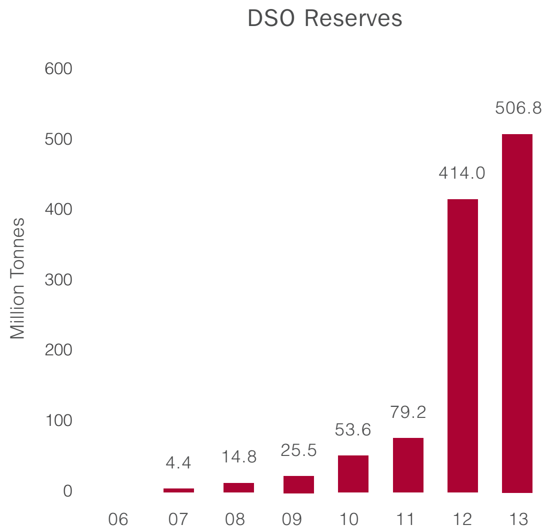
During the financial year, the company's total Pilbara Ore Reserve increased by 22.4% to 506.8Mt, with Horizon I reserves increasing to 90.0Mt, underpinning both the existing operations and the long term growth strategy of Atlas. Importantly, the drilling program has highlighted continued growth after depletion.

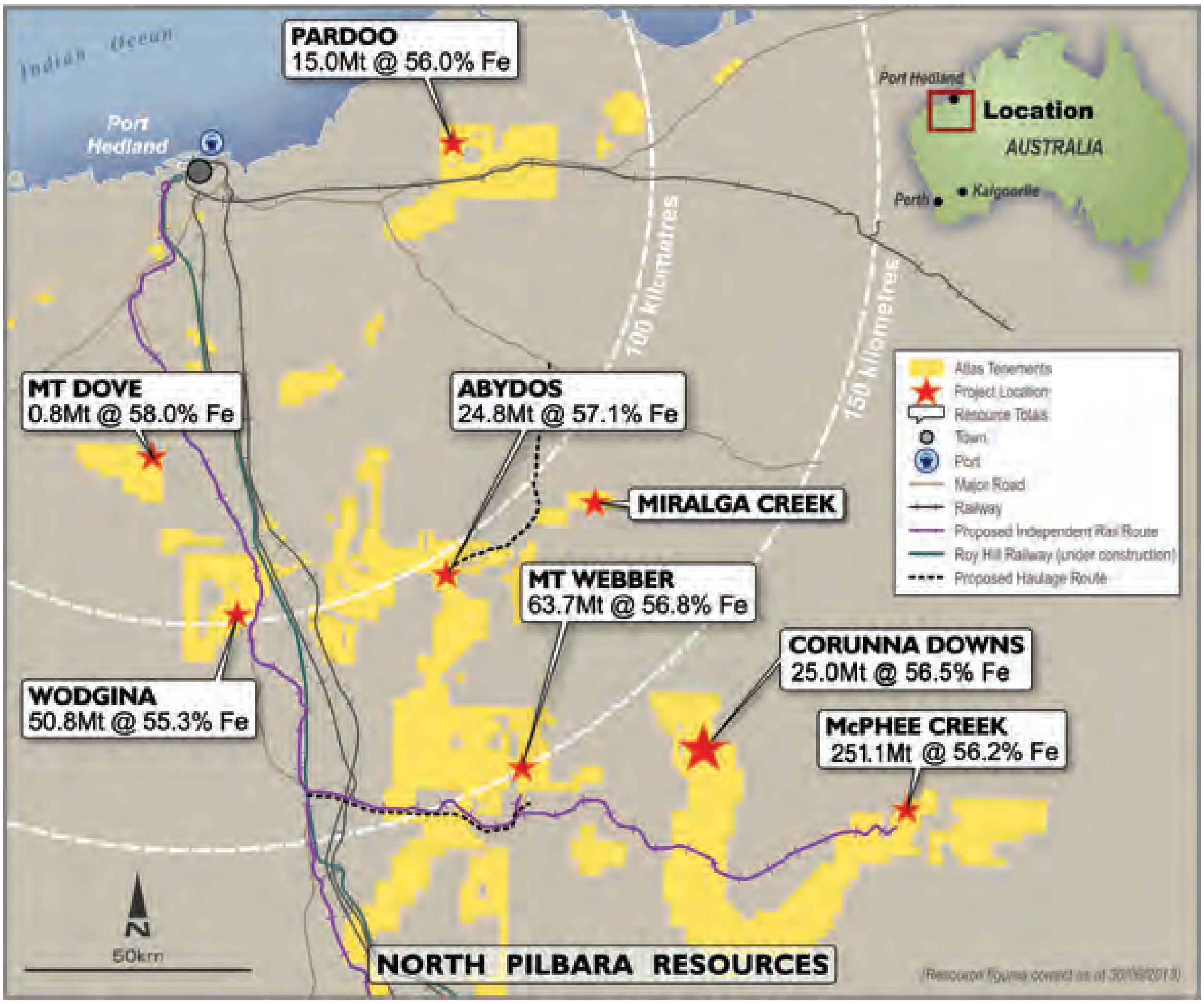
Atlas also recorded growth in its resource base, increasing by 8% to 1.17Bt, indicating the company has the asset base to underpin its growth strategy over the long term. Subsequent to the financial year, Atlas announced its maiden Corunna Downs inferred resource of 25Mt[1] at 56.5%Fe – an exciting development at such an early exploration stage.

Over the previous two years, Atlas' reserves and resources have increased by over 600% and 180% respectively.

[1] Refer to ASX Announcement Maiden Resource at Corunna Downs of 24 July 2013.


DSO Resources
Million Tonnes
1400
1200
1000
800
600
400
200
0
7.0
10.5
39.0
94.9
204.7
643.8
1085.1
1171.6
06
07
08
09
10
11
12
13


DSO Reserves
Million Tonnes
600
500
400
300
200
100
0
4.4
14.8
25.5
53.6
79.2
414.0
506.8
06
07
08
09
10
11
12
13


Indian Ocean
Port Hedland
PARDOO
15.0Mt @ 56.0% Fe
Location
AUSTRALIA
Port Hedland
Perth
Kalgoorlie
100 kilometres
150 kilometres
MT DOVE
0.8Mt @ 58.0% Fe
ABYDOS
24.8Mt @ 57.1% Fe
MIRALGA CREEK
MT WEBBER
63.7Mt @ 56.8% Fe
CORUNNA DOWNS
25.0Mt @ 56.5% Fe
McPHEE CREEK
251.1Mt @ 56.2% Fe
WODGINA
50.8Mt @ 55.3% Fe
Atlas Tenements
Project Location
Resource Totals
Town
Port
Major Road
Railway
Proposed Independent Rail Route
Roy Hill Railway (under construction)
Proposed Haulage Route
N
50km
NORTH PILBARA RESOURCES

Atlas Standard Fines Ore Reserves Table - as at 30 June 2013

	Reserve Classification	Kt	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI (%)	CaFe (%)
	Proved	98,300	57.6	5.8	2.2	0.10	0.02	8.6	63.0
	Probable	403,300	55.7	7.0	3.1	0.10	0.02	8.9	61.2
Grand Total		501,500	56.1	6.8	2.9	0.10	0.02	8.9	61.5

Notes to the above table:

1. The ore reserves are reported at cut-off grades ranging from 45 - 55% Fe.
2. The ore reserves have been estimated in compliance with the JORC 2004 Code.
3. CaFe% is calcined Fe calculated by Atlas using the following formula (Fe%/(100-LOI%))*100.
4. Ore reserves include Run Of Mine ore and crushed ore at site.

Atlas Value Fines Reserves - As at 30 June 2013

	Reserve Classification	Kt	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI (%)	CaFe (%)
	Proved	1,200	53.4	10.7	2.6	0.09	0.06	8.6	58.4
Sub Total	Probable	4,100	53.4	11.2	2.3	0.06	0.04	9.2	58.7
Grand Total		5,300	53.4	11.1	2.4	0.07	0.05	9.0	58.7

Notes to the above table:

1. The Value Fines ore reserves are reported at a lower cut-off grade of 50% Fe and upper cut-off grade defined by the Standard Grade cut-off at the relevant deposit.
2. The ore reserves have been estimated in compliance with the JORC 2004 Code.
3. CaFe% is calcined Fe calculated by Atlas using the following formula (Fe%/(100-LOI%))*100.

Atlas DSO Resources - As at 30 June 2013

	Reserve Classification	Kt	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI (%)	CaFe (%)
Pardoo	Indicated	7,000	56.2	8.2	2.0	0.11	0.03	8.4	61.3
	Inferred	8,000	55.6	7.9	2.4	0.10	0.02	9.1	61.2
Abydos	Indicated	17,800	57.2	6.4	1.8	0.05	0.02	9.5	63.2
	Inferred	7,000	56.8	7.4	1.8	0.05	0.07	9.4	62.7
Wodgina	Measured	6,390	56.6	7.0	1.7	0.04	0.11	8.6	61.9
	Indicated	21,400	56.0	8.0	1.9	0.08	0.05	9.1	61.7
	Inferred	23,000	54.2	8.8	3.4	0.07	0.05	9.3	59.7
Mt Webber***	Measured	32,800	58.1	5.5	1.8	0.09	0.02	8.6	63.6
	Indicated	29,900	55.3	8.4	2.6	0.08	0.03	8.7	60.6
	Inferred	1,000	57.2	7.7	1.3	0.07	0.05	7.3	61.7
McPhee Creek	Measured	33,050	57.3	5.7	1.9	0.14	0.01	9.4	63.2
	Indicated	203,100	56.1	7.0	2.4	0.14	0.01	9.3	61.9
	Inferred	15,000	54.1	8.6	3.7	0.06	0.02	10.2	60.2
Mt Dove	Measured	370	59.5	5.1	1.7	0.11	0.02	7.7	64.5
	Indicated	300	56.9	8.5	2.1	0.11	0.02	7.7	61.6
	Inferred	100	56.0	9.4	2.2	0.11	0.02	8.0	60.9
Mid West	Inferred	12,000	60.0	6.3	2.9	0.06	0.01	3.7	62.3
Newman	Indicated	41,100	58.1	5.3	4.4	0.17	0.01	6.1	61.9
	Inferred	198,000	55.9	6.9	4.1	0.10	0.01	8.3	61.0
Davidson Creek Hub	Measured	43,200	57.9	5.2	3.0	0.10	0.01	8.2	63.6
	Indicated	339,100	55.9	6.8	3.7	0.09	0.01	8.7	61.7
	Inferred	94,000	55.8	8.1	3.7	0.10	0.01	7.6	59.5
West Pilbara	Inferred	38,000	53.6	7.5	4.8	0.04	0.01	9.3	59.1
Total	Measured	115,810	57.7	5.5	2.2	0.10	0.02	8.7	63.4
	Indicated	659,700	56.1	6.9	3.2	0.11	0.02	8.8	61.7
	Inferred	396,100	55.6	7.4	3.9	0.09	0.02	8.3	60.4
Grand Total		1,171,610	56.1	6.9	3.3	0.10	0.02	8.6	61.5

Notes to above table:

1. Pardoo, Wodgina, McCamey's North and Warrawanda (part of the Newman group) resources quoted at >53% Fe cut-off grade.
2. Mt Webber, Abydos, Mt Dove, Newman (apart from McCamey's North and Warrawanda), Midwest, West Pilbara and Davidson Creek Hub resources quoted at >50% Fe cut-off grade.
3. McPhee Creek Main Range is reported at a >45% Fe cut-off. The resource includes 8.0 Mt between 45% to 50% Fe that will not be effectively separated out during mining and is internal to the mineralisation, but has demonstrated potential to be upgraded via beneficiation. Crescent Moon and Main Range West, also part of the McPhee Creek Project are reported at >50% cut-off grade
4. CaFe% is calcined Fe calculated by Atlas using the following formula (Fe%/(100-LOI%))*100.
5. ***66% of the total resources within the Mt Webber Altura JV are subject to a 70:30 AGO:AJM joint venture interest for Ibanez, Fender and Gibson resources, and does not include the Daltons resource.
6. Davidson Creek Hub Project was previously referred to as Jigalong Project.
7. Tonnes are rounded according to their JORC category and grades are carried through unaffected by rounding errors.
8. Pardoo, Wodgina, Mt Dove and Abydos resources depleted by mining up until 30 June 2013.

Mining Ore Reserve Estimates - Compliance with the JORC code assessment criteria

This mining Ore Reserve statement has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code -- 2004 Edition).

Ore Reserve Estimation – Pardoo, Wodgina, Mt Dove, Abydos, Mt Webber and McPhee Creek

The information in this report that relates to Ore Reserve estimations for the Pardoo, Wodgina, Mt Dove, Abydos, Mt Webber and McPhee Creek Areas, is based on information compiled under the guidance of and audited by Mr Steve Craig, who is a member of the Australasian Institute of Mining and Metallurgy. Steve Craig is a full time employee and Managing Director of Orelogy Pty Ltd. Steve Craig 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, Mineral Resources and Ore Reserves'. Steve Craig consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Ore Reserve Estimation – Davidson Creek Hub (formerly Jigalong-Ferraus Project - Davidson Creek, Robertson Range, Mirrin Mirrin)

The information in this report that relates to Ore Reserve estimations for the Davidson Creek Hub (formerly Jigalong-Ferraus) Project Area is based on information compiled by Mr Alan G. Cooper, who is a member of the Australasian Institute of Mining and Metallurgy. Alan Cooper is a full time employee of Snowden Mining Industry Consultants Pty Ltd. Alan Cooper 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, Mineral Resources and Ore Reserves'. Alan Cooper consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Ore Reserve Estimation – Ore Stocks at Wodgina, Pardoo & Utah Port

The information in this report that relates to Ore Reserve estimations for the Ore stocks at Wodgina & Pardoo project Area and at Utah port is based on information compiled by Mr Jeremy Sinclair, who is a member of the Australasian Institute of Mining and Metallurgy. Jeremy Sinclair is a full time employee of Atlas Iron Ltd. Jeremy Sinclair 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, Mineral Resources and Ore Reserves'. Jeremy Sinclair consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Davidson Creek Hub Project (excluding Miji Miji deposit)

The information in this report that relates to mineral resource results on Atlas' Davidson Creek Hub Project (formerly Jigalong Project) is based on information compiled by Mr John Graindorge who is a Chartered Professional member of the Australasian Institute of Mining and Metallurgy. John Graindorge is a full time employee of Snowden Mining Industry Consultants Pty Ltd. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. John Graindorge consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Other DSO Projects (including Miji Miji deposit at Davidson Creek Hub)

The information in this report that relates to mineral resource results on Atlas' DSO Projects other than Davidson Creek Hub and Anson (Wodgina) is based on information compiled by Mr Steven Warner who is a member of the Australasian Institute of Mining and Metallurgy. Steven Warner is a full time employee of Atlas. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Steven Warner consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Geological Data, Interpretation and Resource Estimation – Anson (Wodgina project)

The information in this report that relates to mineral resource results on Atlas' Anson deposit (Wodgina) is based on information compiled by Mr Alan Miller who is a Chartered Professional member of the Australasian Institute of Mining and Metallurgy. Alan Miller is a full time employee of Golder Associates Pty Ltd. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Alan Miller consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.


The Helping Hands of Atlas

Over 300 Atlas employees worked on 14 different projects in Perth and Port Hedland.

ATLAS IN THE COMMUNITY

Atlas appreciates the role it has in the communities in which it operates, and considers its active involvement in the Pilbara community as part of its licence to operate. The Directors' report provides information about Atlas' community investment activities.

Our approach

Atlas continued to refine its approach to community investment, undertaking a community stakeholder identification process and developing a community investment strategy. This strategy has two main objectives – to be neighbour of choice for the communities that surround our operations and, in line with our vision and values, that our employees and their families are proud of Atlas.

There are a number of avenues through which Atlas supports the community:

Community partnerships

A program that allows Atlas to develop initiatives with not-for profit-organisations which deliver strategic long term social benefits.

Helping Hands grants

A Pilbara centric small grants program which allows Atlas to be pro-active in supporting the communities in which it operates.

Philanthropic grants

A small grants program designed to support the organisations our employees volunteer with in their free time, and assist our people to get involved in their own communities.

Community Volunteering Days

Annual events where Atlas employees get out into the community and spend a day volunteering on a range of projects in Perth and Port Hedland.

Our performance

In the 2013 financial year Atlas implemented a community investment strategy which saw the company increase its focus on the governance, monitoring and communication of community investment activities.

A notable achievement was the development of the Helping Hands grant program and its launch in February 2013. Consisting of four grant rounds per annum, this program offers grants up to $5,000 to community organisations offering services in the Pilbara.

Other community investment activities include supporting the Town of Port Hedland to deliver the Northwest Festival and the Learn to Swim program and our support for the Strelley Community School, a remote Aboriginal school in the Pilbara which requested help to run its Healthy Living Breakfast program.

Atlas also provided support to the Port Hedland community by paying for housing for a General Practitioner (GP). This has helped alleviate the pressures on waiting times for local residents, who can face delays in obtaining appointments with local GPs.

A key component of our community investment strategy is our annual Community Day and the 2012 Atlas Community Day was the most successful yet.

Over 300 Atlas employees worked on 14 different projects in Perth and Port Hedland. Volunteers worked in teams on conservation and environmental rehabilitation projects, community clean-ups, spent time cooking for seniors, and cared for wildlife.

Organisations that hosted our volunteers included Activ Foundation, Canning River Regional Project, Coastcare WA, Darling Range Wildlife, Kanyana Wildlife Centre, Manna Inc, Native Animal Rescue, Perth City Farm, Riding for Disabled WA, and the Starlight Foundation.

In recognition of the success of Atlas' Community Days and our innovative approach to volunteering, Atlas was a finalist in the Volunteering WA Volunteer of the Year awards in the Corporate Volunteering category.

Highlights of Atlas' community investment

Community Partnerships

Town of Port Hedland	In-kind support to enable a General Practitioner to be housed in Port Hedland and deliver medical services to the community
Town of Port Hedland	Funding for the North West Festival, a major music festival held annually in Port Hedland in August
Town of Port Hedland	Assistance with the Learn to Swim program which allowed Hedland children to access swimming lessons for the first time in years
Strelley Community School	Funding to allow the school to continue to run the Healthy Living breakfast program, which aims to provide students with healthy meals to help them concentrate and learn better

Helping Hands Grants

The following organisations received Helping Hands Grants:

Hedland Senior High School

Treloar Child Care Centre

Luke Adams Foundation

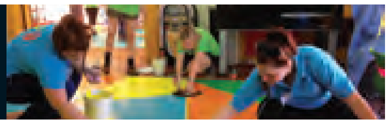
Youth Involvement Council

Town of Port Hedland

South Hedland Primary School

North West Roller Derby Association

Andrew McLaughlin Community Centre



Southern Cross Care

Hedland Amateur Swimming Club

Hedland Tee Ball Association

Port Hedland Softball Association

South Hedland Volunteer Fire & Rescue

DELIVERING ON OUR STRATEGY

Atlas is pleased to advise that its corporate governance policies and practices are largely consistent with those of the ASX Guidelines.

CORPORATE GOVERNANCE STATEMENT

Atlas is committed to implementing and maintaining the highest standards for corporate governance.

In determining what those standards should involve, Atlas has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* (ASX Guidelines). Atlas is pleased to advise that its corporate governance policies and practices are largely consistent with those of the ASX Guidelines.

Atlas reviews all its corporate governance practices and policies on an annual basis and compares its current practices and policies against the current ASX Guidelines with a view to ensuring its corporate governance practices and policies are up to date and reflect Atlas' current stage of development and future growth.

Principle 1: Lay solid foundations for management and oversight

Functions of the Board

The board is responsible for promoting the success of the Group in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The conduct of the board is governed by the Constitution of Atlas, the Corporations Act, the ASX Listing Rules and Common Law.

The board's responsibilities are detailed in a formal Board Charter which the board is responsible for reviewing every year. The Board Charter was reviewed and updated during the year, and a copy is available on Atlas' website.

The following are regarded as the key responsibilities and functions of the board:

- ensuring policies and procedures are in place to safeguard Atlas' assets and business, and to enable Atlas to act ethically and prudently;
- developing, reviewing and monitoring long-term business strategies and providing strategic direction to management;
- reviewing and approving Atlas' financial statements;
- monitoring management's performance and Atlas' financial results on a regular basis
- approving capital management of Atlas including share and loan capital and dividend payments;
- developing and promoting corporate governance systems which ensure Atlas is properly managed;
- identifying Atlas' principal risks and ensuring appropriate risk systems are in place and that management is taking appropriate action to mitigate those risks;
- ensuring Atlas has appropriate systems to comply with relevant legal and regulatory requirements that impact on its operations;
- appointing, ratifying, appraising and determining the remuneration and benefits of the Managing Director; and
- determining and regularly reviewing an appropriate remuneration policy for employees.

To assist it in carrying out its responsibilities, the board has established four Board Committees: the Nomination Committee; Audit and Risk Committee; Remuneration Committee; and Corporate Governance Committee.

New Directors

New directors are provided with a formal letter of appointment which sets out the terms and conditions of appointment including their duties, rights, responsibilities, the time commitment envisaged and expectations.

Atlas believes that it is important that new directors are able to contribute to the board's decision making process at the earliest opportunity and has established a director induction procedure to assist with this process. Director induction is tailored for each new director (depending on their requirements, skills, qualifications and experience) and is facilitated by the Chairman and the Company Secretary. The induction includes meeting with the other board members, the Managing Director, Atlas' Executive Leadership Team and Atlas' external auditors to gain an insight into the key issues, values and culture of Atlas. The induction also includes a visit to Atlas' major operational sites.

Delegation to the Managing Director and to the Executive Leadership Team

The board has delegated to Atlas' Managing Director responsibility for the day to day management of Atlas and its business. The Managing Director is supported in this function by the Executive Leadership Team. The board maintains ultimate responsibility for strategy and control of Atlas.

The Managing Director is responsible for:

- the effective leadership of Atlas;
- the preparation and implementation of development and operational plans to achieve the strategic, operational and financial objectives of Atlas as determined by the board;
- the management of the day to day affairs of Atlas including its people, processes, policies and systems;
- the conduct of commercial negotiations with other entities;
- the development and maintenance of effective relationships with Atlas' employees, shareholders, joint venture partners, governments at all levels and government agencies, suppliers and customers, and local landowners;
- ensuring that Atlas complies with all applicable laws and regulations, including applicable ASX Listing Rule disclosure requirements;
- reporting to the board, or as directed by the board, and providing prompt and full information regarding the conduct of the business of Atlas; and
- ensuring all material matters that affect Atlas are brought to the board's attention.

Specific limits on the authority delegated to the Managing Director and the Executive Leadership Team are set out in the Delegation of Authority Framework and Financial Risk Management Policy approved by the board.

All members of the Executive Leadership Team report to the Managing Director and have a formal job description and employment contracts which describe their term of office, duties, rights and responsibilities, and entitlements on termination.

Performance Evaluation

All members of the Executive Leadership Team have a formal position description and key performance measures are established at the commencement of the financial year. Performance measures include occupational health and safety, environment, operational performance targets along with other targets specific to the individual role and responsibilities of that senior executive.

The Managing Director assesses the performance of the Executive Leadership Team and the Chairman that of the Managing Director against the measures on an annual basis. Performance evaluations of the Executive Leadership Team and Managing Director have been conducted for the financial year ending 30 June 2013.

Newly Appointed Senior Executives

Atlas believes that it is important that newly appointed senior executives are able to participate fully and actively in management decision-making at the earliest opportunity. Upon commencement newly appointed senior executives are inducted into Atlas' business to enable them to gain an understanding of Atlas' financial position, strategies, operations, risk management policies and the respective rights, duties, responsibilities and roles of the board and the Executive Leadership Team.

Principle 2: Structure the board to add value

The board's size and composition is subject to limits imposed by Atlas' Constitution, which provides for a minimum of three directors.

Atlas is committed to ensuring that the composition of the board continues to comprise directors who bring an appropriate mix of skills, experience, expertise and diversity to board decision making.

The board currently comprises of seven non-executive directors and two executive directors. A brief description of their qualifications, experience, special responsibilities and the period of office held is set out in the Directors' Report.

The board is of the view that its current directors possess an appropriate mix of skills, experience, expertise and diversity to enable the board to discharge its responsibilities and deliver Atlas' corporate objectives.

The board met twelve times during the financial year. Directors' attendances are in the Annual Report on page 68.

Independent Decision Making

Directors have unrestricted access to Atlas' records and information reasonably necessary to fulfil their responsibilities. Directors also have access to the Company Secretary on any matter relevant to their role as a director and have access to other relevant senior management to seek additional information concerning Atlas' business.

Under Atlas' Board Charter, the board collectively, and each director individually, has the right to seek independent professional advice at Atlas' expense to help them carry out their responsibilities.

The non-executive directors have the opportunity to confer, without management being present.

Independent Directors

Atlas considers a director to be independent if the director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgement in relation to matters concerning Atlas.

In assessing independence, the board reviews the relationship that the director, and the director's associates, have with Atlas. In determining whether a director is independent, the board has considered whether the director:

- is a substantial shareholder of Atlas or an officer of, or otherwise associated directly with, a substantial shareholder of Atlas;
- within the last three years, has been employed in an executive capacity by Atlas or any of its related bodies corporate;
- within the last three years, has been a principal of a material professional adviser or a material consultant to Atlas or any of Atlas' related bodies corporate;
- is a material supplier to, or customer of, Atlas or any of Atlas' related bodies corporate, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with Atlas; or
- has any interest, or any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the director's ability to act in Atlas' best interests.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the director. Materiality is considered from the perspective of Atlas and its related bodies corporate, the persons or organisations with which the director has an affiliation, and from the perspective of the director.

The board regularly assesses the independence of the directors and, during the financial year has specifically considered the independence of all directors in accordance with the above criteria.

The board has determined that five out of the nine directors are, and were throughout the entirety of the financial year, independent. These are Mr David Hannon, Dr David Smith, Ms Kerry Sanderson AO, Mr Jeff Dowling and Mr Geoff Simpson.

The four directors not considered to be independent are:

- Mr David Flanagan as he was an Executive Director and a member of management until 21 August 2012;
- Mr Ken Brinsden as he is an Executive Director and a member of management;
- Mr Mark Hancock as he is an Executive Director and a member of management;
- Ms Sook Yee Tai as she is an Executive of IMC Group, which is currently a substantial shareholder of Atlas.

For all decisions made by the board, Ms Tai brings substantial expertise and experience to the board. The board considers that the value of this expertise and experience outweighs any issues associated with Ms Tai currently not having 'independent director' status.

Chair and Lead Independent Director

The Atlas Board Charter sets out that the Chairman where practicable shall be an independent director. However, where the Chairman is not independent, then the board will consider appointing another director who is independent as a Lead Independent Director.

Mr Flanagan, Non-Executive Chairman, is not considered an independent director due to his prior role with Atlas as Managing Director. Atlas has therefore not followed recommendation 2.2 of the ASX Guidelines. Mr Flanagan as the founder of Atlas is of crucial importance and continues to oversee Atlas' activities with a particular emphasis on strategy and corporate issues.

As recommended by the ASX Guidelines, Atlas has appointed Dr David Smith, Non-Executive Director, as its Lead Independent Director.

The Chairman is responsible for the leadership of the board, ensuring it is effective, setting the agenda of the board, and conducting the board and shareholder meetings. The Chairman facilitates the effective contribution of all directors and promotes constructive and respectful relations between board members and management.

The role of the Lead Independent Director is to take the chair at any meeting for an item where the Chairman has a conflict of interest (whether actual or perceived).

In accordance with Atlas' Board Charter, the role of the Chair and Managing Director is not exercised by the same individual.

Nomination Committee

The board has established a Nomination Committee consisting of five members, Ms Kerry Sanderson AO, Dr David Smith, Ms Sook Yee Tai, Mr David Flanagan and Mr David Hannon. The Nomination Committee consists of a majority of independent directors. Ms Kerry Sanderson AO is Chair of the Nomination Committee and is an independent director. The Nomination Committee met three times during the financial year. Directors' attendances are set out in the Annual Report on page 68.

The Nomination Committee operates under a formal Nomination Committee Charter published on Atlas' website. The Nomination Committee Charter was reviewed and updated during the year.

The role of the Nomination Committee is to assist the board in relation to the selection and appointment of members of the board. The Nomination Committee has responsibilities including regularly reviewing and making recommendations to the board about the size and composition of the board (including mix of skills knowledge and experience) to ensure that the board is of an appropriate size and composition conducive to making decisions that are appropriate for Atlas and which incorporates an appropriate range of skills and expertise.

The criteria for determining the identification and appointment of a suitable candidate for the board will include quality of the individual, background of experience and achievement, the ability to work with others in a team environment, credibility within Atlas' scope of activities, intellectual ability to contribute to board duties and able to meet the time requirements to effectively meet board duties and responsibilities.

Directors initially appointed by the full board are subject to election by shareholders at the next general meeting. Non-executive directors must retire at the third Annual General Meeting (AGM) following their election or most recent re-election. At least one non-executive director must stand for election at each AGM. Any director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM. Board support for the director's re-election is not automatic and is subject to satisfactory director performance.

The Managing Director may be appointed for any period and on any terms the directors deem appropriate and, subject to the terms of any agreement entered into, may revoke any appointment.

Subject to the requirements of the Corporations Act 2001, the board does not subscribe to the principle of retirement age.

Evaluation of the Board

The board regularly reviews the performance of the board and its committees. The most recent review was conducted in January 2013 and involved each director and the Executive Leadership Team completing a questionnaire relating to the board's performance and a subsequent discussion of the results. In addition, the Chairman meets annually with individual directors to discuss their performance.

Atlas has a three year process for evaluating board performance and is planning to use an independent consultant to facilitate an evaluation during the 2014 financial year followed by a full independent external evaluation in the 2015 financial year.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

Atlas considers ethical decision making to be integral to the conduct of its business. Atlas has a Code of Conduct that applies to its directors, officers and employees which outlines how Atlas expects its directors and employees to behave and conduct business both in the workplace and with third parties.

Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. The objective of the Code of Conduct is to provide a benchmark for professional behaviour throughout Atlas, support Atlas' business reputation and corporate image within the community, and make directors and employees aware of the consequences if they breach the Code of Conduct.

Atlas aims to maintain the highest standard of ethical behaviour in business dealings and expects its directors and employees to behave with integrity in all its dealings with customers, clients, shareholders, government, employees, suppliers and the community. Directors and employees are expected to perform their duties in a professional manner and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of Atlas. This should involve as a minimum:

- acting within applicable laws, particularly those that deal with matters covered by the code, including equal opportunity and anti-discrimination laws;
- acting with courtesy;
- acting with fairness and respect in supervision;
- encouraging co-operation;
- fostering an environment where rational debate is encouraged, with a view to achieving shared goals;
- avoiding behaviour that might reasonably be perceived as bullying or intimidation; and
- understanding and responding to the needs of Atlas' broader stakeholders including the community at large.

Atlas is committed to maintaining a healthy and safe working environment for its employees. Atlas continues to focus on occupational health and safety processes and staff to ensure that appropriate occupational health and safety standards, systems and procedures are introduced and implemented. All appropriate laws and internal regulations (including occupational health and safety laws) must be fully complied with. Atlas' occupational health and safety standards, systems and procedures are currently subject to independent audit each year. Atlas will take into account the impact of health and safety issues when making business decisions, setting short term incentive program targets and must ensure that business decisions do not compromise the commitment to avoiding injury to people. In addition, the board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

Conflicts of Interest

The board reviews at each board meeting any conflicts of interest that may occur. A director with an actual or potential conflict of interest in relation to a matter before the board does not receive the board papers relating to that matter. When the matter comes before the board for discussion, the director will withdraw from the meeting for the period the matter is considered and takes no part in the discussions or decision-making process. Minutes reporting on matters in which a director is considered to have a conflict of interest are not provided to that director. However, the director is given notice of the broad nature of the matter for discussion and is updated in general terms on the progress of the matter.

Atlas' Code of Conduct requires that all business transactions must be conducted solely in the best interests of Atlas. Employees must avoid situations where their personal interests could conflict with the interests of Atlas. A conflict of interest exists where loyalties are divided. A person can have a potential conflict of interest if, in the course of their employment or engagement with Atlas, any decision they make could provide for an improper gain or benefit to themselves or an associate.

A conflict of interest may be defined as an issue that may occur when personal interests, the interests of an associate or relative or a duty or obligation to some other person or entity, conflict with a person's duty or responsibility to Atlas. Employees must notify their manager, the Managing Director or Company Secretary if the individual suspects that there is a conflict of interest or a potential conflict of interest.

Atlas' Code of Conduct was reviewed and updated during the year, and is available on Atlas' website.

Whistleblower Policy

During the financial year, Atlas adopted a Whistleblower Policy to promote and support a culture of honest and ethical behaviour, corporate compliance and good corporate governance. The Whistleblower Policy has been rolled out to staff subsequent to the end of the financial year.

The Policy encourages employees, suppliers, contractors or any other person who has business dealings with Atlas to raise any concerns and report instances of unethical, illegal, fraudulent or unacceptable conduct to management, a Protected Disclosure Officer or externally via a telephone helpline managed by an independent third party.

Atlas is committed to absolute confidentiality and fairness in all matters raised and will support and protect those who report violations in good faith.

A copy of the Whistleblower Policy is available on Atlas' website.

Atlas' Guidelines for Dealing in Securities

Atlas' Guidelines for Dealing in Securities sets out the circumstances in which Atlas' directors, senior management and other employees may buy or sell securities in Atlas. These guidelines aim to ensure that Atlas complies with the ASX Listing Rules and adopts best practices as outlined in ASX's Guidance Note on Trading Policies.

Atlas employees are prohibited from dealing in, or influencing others to deal in, securities of Atlas or any other company if:

- they possess information about Atlas that is not generally available to the market; and
- the information, if it were generally available to the market, would be likely to influence persons who commonly acquire securities in deciding whether or not to acquire or dispose of securities in Atlas or another company.

Additionally, Atlas' directors and senior management are prohibited from trading in Atlas securities during the periods:

- between Atlas' half year end and the announcement of half yearly results; and
- between the Atlas' year end and the announcement of annual results.

Atlas' Guidelines for Dealing in Securities Policy was updated during the year and a copy is available on Atlas' website.

Diversity

Atlas values diversity in all aspects of its business and is committed to creating a working environment which is inclusive of all people regardless of their differences. Atlas management recognises that diversity enhances productivity, creativeness and balance amongst many things in its business which in turn helps create sustainable shareholder value. We believe diversity will provide a more dynamic and enjoyable work environment for our people and through varied thinking styles and experiences, this often creates new opportunities for Atlas.

Through our Equal Opportunity and Diversity Policy, Atlas is committed to maintaining a diverse workforce and to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential. The Equal Opportunity and Diversity Policy was reviewed and updated during the year and a copy is available on Atlas' website.

Gender diversity continues to be a focus of Atlas and during and post year end the following measurable objectives for promoting gender diversity were established:

Objective 1 - Ensure Pay Parity across roles and grades

A pay parity review was undertaken during the year. This review did not indicate any observable discrepancies in pay across each level after taking into account individual performance, experience, location of role and job nature.

A further analysis on pay parity has commenced subsequent to the end of the financial year.

Objective 2 - Implementation of a paid parental leave scheme

A paid parental leave scheme was approved during the year and implemented subsequent to the end of the financial year. Education forums are conducted across the business to ensure employees are familiar with their entitlements and managers with their obligations.

Objective 3 - Development and implementation of an internal mentoring program for females at Atlas

To enhance our external mentoring program currently available for females in our business, an internal mentoring program has been designed to be implemented subsequent to the end of the financial year.

Objective 4 - To meet or exceed an overall company wide female participation rate of 32% each year (Atlas' three year average) and to improve our female leadership representation at levels 3-5 by 5%.

Atlas currently has an overall female participation rate of 35% which exceeds Objective 4 and industry standards. Atlas is targeting increasing female representation at levels 3-5 by 5% during the financial year ending 30 June 2014.

The board sets measurable objectives for promoting gender diversity and reviews the progress against these objectives yearly.

Details of female representation as at the date of this report at Atlas are set out below:

Total Workforce	35%
Non-Executive Directors	29%
Senior Management	20%
Management and Professional	35%

Corporate Governance Committee

The board has established during this financial year a Corporate Governance Committee consisting of three members, Mr David Flanagan, Ms Sook Yee Tai and Ms Kerry Sanderson AO.

The Corporate Governance Committee operates under a formal Corporate Governance Committee Charter a copy of which is available on Atlas' website.

The role of the Corporate Governance Committee is to ensure that Atlas has the appropriate ethical standards and corporate governance policies and practices designed to protect and enhance shareholder returns.

The Corporate Governance Committee met twice during the financial year. Directors' attendances are set out in the Annual Report on page 68.

Principle 4: Safeguard integrity in financial reporting

The board has an established Audit and Risk Management Committee (ARC). ARC's primary function is to monitor and review on behalf of the board the effectiveness of the control environment of Atlas in areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting. ARC's overriding objective is to provide an independent and objective review of financial and other information prepared by management, in particular that to be provided to shareholders and filed with regulators.

Under the Audit and Risk Committee Charter, ARC must have at least three members, all of whom must be independent non-executive directors. The Audit and Risk Committee Charter also requires that all members must be financially literate (able to read and understand financial statements) and have sufficient financial knowledge and understanding to allow them to discharge their responsibilities.

ARC currently comprises three members Mr Jeff Dowling (Chairman), Mr David Hannon and Mr Geoff Simpson. All three members are independent non-executive directors. Mr Jeff Dowling is a qualified accountant and is an ex- partner of Ernst & Young. Mr David Hannon has a long standing career as partner of an investment bank and Mr Geoff Simpson is the Managing Partner of the Perth office of a global law firm.

All members are financially literate and have extensive experience of the industry in which Atlas operates.

Further details of the qualifications and experience of ARC members are disclosed in the Annual Report on page 38.

The ARC operates under a formal Audit and Risk Committee Charter a copy of which is available on Atlas' website. The Audit and Risk Committee Charter was reviewed and updated during the year.

The ARC Charter sets out the roles and responsibilities, composition, structure and membership requirements of the ARC.

The ARC's primary responsibilities include:

- overseeing Atlas' relationship with the external Auditor and the external audit function;
- overseeing the adequacy of the control processes in place in relation to the preparation of financial statements and reports; and
- overseeing the adequacy of Atlas' financial controls and risk management systems.

The Managing Director, Chief Financial Officer and Company Secretary (who also has responsibility for Atlas' Group Risk and Compliance function), and external auditor attend the ARC meetings at the discretion of the ARC. ARC meets privately with the external auditor on general matters concerning the external audit and other related matters, including the half year and full year financial reports.

ARC also oversees the independence of the external auditor. The external auditor is precluded from providing any services that might threaten their independence, or conflict with their assurance and compliance role. The directors have concluded that non-audit services provided did not compromise the external auditor's independence requirements under the Corporations Act.

Atlas' external auditor is KPMG. The effectiveness and performance of the external auditor is reviewed annually by ARC. The lead audit partner is required to rotate after a maximum of five years. Mr Rob Gambitta is the lead audit partner for KPMG, and was appointed on 29 October 2010.

If it becomes necessary to replace the external auditor for performance or independence reasons, the ARC will formalise a procedure and policy for the selection and appointment of a new auditor.

The ARC collectively, and its members individually, have access to internal and external resources, including access to advice from external consultants or specialists. The ARC met five times during the year. Directors' attendances are set out in the Annual Report on page 68.

Principle 5: Make timely and balanced disclosure

Atlas' Continuous Disclosure and Shareholder Communication Policy describe Atlas' continuous disclosure obligations and how they are managed by Atlas, as well as how Atlas communicates with financial markets.

This Policy was reviewed and updated during the year, and a copy is published on Atlas' website.

The Continuous Disclosure and Shareholder Communication Policy applies to all directors of Atlas, the Managing Director's direct reports, the Company Secretary and members of senior management. Atlas reports to the board monthly on continuous disclosure matters and directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are signed off by the Company Secretary and the Managing Director prior to transmittal to the ASX.

Principle 6: Respect the rights of shareholders

Atlas respects the rights of its shareholders and is committed to communicating effectively with shareholders and the market. Atlas' Continuous Disclosure and Shareholder Communication Policy sets out its policy for communications with shareholders and the market and is designed to promote effective communication with shareholders and encouraging their participation at general meetings. The Continuous Disclosure and Shareholder Communications Policy is available on Atlas' website.

Atlas publishes all of its ASX announcements on its website, including Notices of General Meetings, Investor Presentations, Quarterly, Half Yearly and Annual Reports.

All announcements made to the ASX are available to shareholders by email notification when a shareholder subscribes to the Atlas Email Alerts via the Atlas website and elects to be notified of all Atlas' ASX announcements.

Atlas has also made available an email address for shareholders and investors generally to make enquiries of Atlas.

Atlas encourages and welcomes shareholder participation at general meetings with the AGM being the major forum for shareholders to ask questions about the performance of Atlas and to provide feedback.

The Chairman allows reasonable opportunity for shareholders as a whole to ask questions or make comments about the financial report and the management of Atlas. The Atlas auditors are required to be present and shareholders are also given reasonable opportunity to ask the auditor about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by Atlas and the independence of the auditor.

Shareholders are also invited to submit written questions to the Chairman before the meeting about the management of Atlas or to Atlas' auditor about the auditor's report or the conduct of the audit at least five business days before the day of the meeting.

The Chairman may respond directly to questions or, at his discretion may refer the question to another director, Managing Director or a member of the Executive Leadership Team.

To encourage greater shareholder participation at general meetings, Atlas' Constitution allows shareholders to vote at general meetings by direct vote.

Principle 7: Recognise and manage risk

Atlas recognises its responsibility for identifying areas of material business risks and for ensuring that arrangements are in place to adequately manage these risks. Atlas has established a policy and system for oversight and management of material business risks through implementation of the Atlas Risk and Opportunity Management (ROM) Program. The ROM program is designed to support Atlas people achieving Atlas key result areas.

Atlas regularly reviews and updates the ROM system to ensure that its currency and relevance is maintained.

The board accepts its responsibility for ensuring that management has implemented an effective risk management system, and through quarterly reporting are informed of the business' material risks and the strategies being implemented for managing such risks. This year the Audit and Risk Committee undertook a detailed review of the structure and content of the ROM program, and reviews will continue on an annual basis.

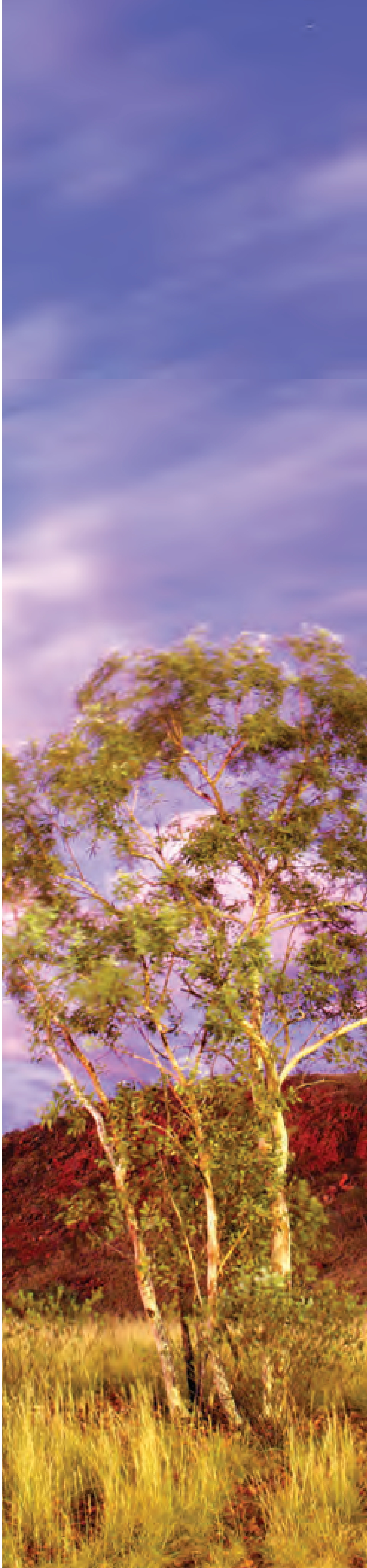
The ROM program provides the framework to identify, assess, manage, escalate and delegate risks in a systematic and consistent manner.

To enable adequate focus and detail on material risks the ROM program broadly categorises risks as follows:

- strategy- risks impacting Atlas' long term business objectives over a three to five year time horizon;
- divisional risks- risks impacting Atlas' divisional objectives for operations, corporate/commercial and business development over a one to three year time horizon;
- departmental risks- risks impacting Atlas' tactical departmental objectives over the budget cycle;
- extreme risks- those risks which have the potential to cause significant business interruption.

Risks covered by this structure are also mapped against business processes and activities, including land access and native title, geology and exploration, finance, production, legal and commercial, information technology, human resources, marketing, health and safety, environment, community and projects.

The rolling three year plan that governs ROM activity is reviewed annually against business priorities. Annual ROM work plans are developed to provide the activities to continually progress and enhance Atlas' system for effective risk management.



2012/2013 Overview

The 2012/2013 ROM plan focused on supporting growth milestones, and continuing to embed ROM into Atlas' steady state operations. Atlas developed a new structure for identifying and managing operational risk and integrated ROM processes with the project management framework. A review of Atlas' business continuity management capability was commenced, along with ongoing ROM training and awareness.

New risk registers were established for priority areas, whilst existing risk registers were regularly updated in light of changes to the business environment and the requirements of the ROM system.

2013/2014 Overview

Atlas will continue to embed ROM across the business and in doing so, provide better support for Atlas operations and expansion plans by using risk management to support decision making. Departments will establish their own risk registers, which will be linked to business planning and budget activities.

Atlas key areas of activity include:

- establishing operational, corporate/commercial and business development departmental risk registers;
- enhancing Atlas' approach to business continuity management;
- regularly updating existing risk registers and monitoring action implementation; and
- continuing to educate personnel on Atlas' approach to risk management and how it can be applied in their day to day tasks.

Atlas will continue reporting to the board and Audit and Risk Committee on material risks and progress of the ROM program on a quarterly basis.

The Managing Director and the Chief Financial Officer have provided the board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

The board has established a Remuneration Committee consisting of four members, Dr David Smith, Mr Jeff Dowling, Ms Kerry Sanderson AO and Mr David Flanagan. The Remuneration Committee consists of a majority of independent directors. Dr David Smith is Chair of the Remuneration Committee and is an independent director.

The Remuneration Committee operates under a formal Remuneration Committee Charter which is published on Atlas' website. The Remuneration Committee Charter was reviewed and amended during the year.

The role of the Remuneration Committee is to review and assist the board in developing Atlas' remuneration, recruitment, retention and termination policies.

A key responsibility of the Remuneration Committee is to assist the board in satisfying its responsibility to shareholders, by making recommendations to the board in relation to remuneration policies applicable to directors and the Executive Leadership Team, which are balanced and are aligned with the long term growth and success of Atlas.

The Managing Director attends the meetings of the Remuneration Committee by invitation when required to report on and discuss the Executive Leadership Team performance, and remuneration and related matters, but is not present at meetings when his own performance or remuneration is discussed.

The Remuneration Committee met three times during the year. Directors' attendances are set out in the Annual Report on page 68.

Atlas' remuneration structure distinguishes between non-executive directors and that of the Managing Director, the Executive Director Commercial and the Executive Leadership Team. A Remuneration Report required under Section 300A(1) of the Corporations Act is provided in the Annual Report on page 57.

The Executive Leadership Team and the Managing Director have an annual and long term incentive component as part of their total remuneration package. The long term incentive component is settled with equity based remuneration subject to performance hurdles being satisfied.

The mix of the remuneration components and the measures of performance in the incentive plans have been chosen to ensure that there is link between remuneration and the achievement of targets, which lead to returns to shareholders.

Non-executive directors do not receive equity based remuneration.

The following table contains each of the ASX Best Practice Recommendations. Atlas Iron Limited's compliance with each recommendation is noted in the appropriate column.

ASX Principle and Recommendation		Atlas Iron Limited compliance
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes
2.1	A majority of the board should be independent directors.	Yes
2.2	The chair should be an independent director.	Mr Flanagan is not considered to be independent due to his prior role as Atlas' MD. As recommended by the ASX Principles, Dr David Smith has been appointed Lead Independent Director.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The board should establish a nomination committee.	Yes
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
4.1	The board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	Yes
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes

ASX Principle and Recommendation		Atlas Iron Limited compliance
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
8.1	The board should establish a remuneration committee.	Yes
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	Yes
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

FINANCIAL REPORT 2013

DIRECTORS

The directors present their report together with the financial statements of the Group comprising of Atlas Iron Limited (the Company or Atlas), its subsidiaries (the Group), and the Group's interest in associates and joint ventures for the financial year ended 30 June 2013 and the auditor's report thereon.
The names and details of the Group's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated. Where applicable, all directorships held in listed public companies over the last three years have been detailed below.

Names, qualifications, experience and special responsibilities

David Flanagan BSc WASM, MAusIMM, (Chairman)

Mr Flanagan is the founding Managing Director of Atlas; he was appointed as Executive Chairman on 22 February 2012 and, from 1 September 2012, assumed the role of Non-Executive Chairman (Period of service: 8 years and 11 months).

Mr Flanagan is a geologist with extensive experience in mining operations, exploration and project development in Western Australia, Indonesia and West Africa. Graduating in 1993, David joined Coffey (formerly Resource Service Group (RSG)) in 1995 after working at the Fimiston Open Pit Operations.

Whilst with RSG he was seconded to Gencor's Bogosu operation as Chief Exploration Geologist. Whilst at RSG David also worked in an auditing capacity providing independent geological verification for financial institutions. In 1999, David joined Gindalbie Metals Limited, holding the position of Exploration Manager from 2001. At Gindalbie, Mr Flanagan managed several scoping and feasibility studies advancing the understanding of its iron ore potential. Mr Flanagan left Gindalbie in 2004 to list and advance Atlas in the role of Managing Director. Mr Flanagan is also the Chancellor of Murdoch University, and participates in industry organisations, not for profit boards and charities, holding director positions at Youth Focus, Giving West, the Australian Mining Hall of Fame, the Western Australian Academy of Performing Arts and the Australian Institute of Company Directors. Mr Flanagan is patron of Many Rivers Microfinance.

Mr Flanagan is Chairman of the Corporate Governance Committee and a member of the Remuneration and Nomination Committee

Ken Brinsden BEng, WASM, MAusImm (Managing Director)
Mr Brinsden was appointed as Managing Director on 22 February 2012 (Period of service: 1 year and 4 months). Mr Brinsden joined Atlas in May 2006 as Operations Manager. In January 2010 he was promoted to Chief Operating Officer and in July 2011 to Chief Development Officer. Over this time he has been instrumental to the growth of the Company which has seen it develop from a junior explorer to an iron ore producer.

Mr Brinsden is a mining engineer with over 20 years' experience in surface and underground mining operations. Since graduating from the Western Australian School of Mines in 1993, he has held a number of roles in production, management and brown-fields and green-fields mine developments across a number of leading companies including Central Norseman Gold Corporation, Iluka Resources Limited, WMC Resources Limited and Gold Fields Limited. During the last three years, Mr Brinsden has been a Non-Executive Director of Shaw River Manganese Limited (ASX: SRR).

Mark Hancock BBus, CA, FFin, (Executive Director – Commercial)
Mr Hancock was appointed as Executive Director - Commercial on 25 May 2012 (Period of service: 1 year and 1 month). Prior to his appointment as a director, Mr Hancock held the role of Chief Commercial & Financial Officer at Atlas. Mr Hancock is also Group Secretary – appointed on 4 July 2008.

Mr Hancock has more than 25 years' experience in senior financial roles across a number of leading companies in Australia and South East Asia, including Lend Lease Corporation Ltd, Woodside Petroleum Ltd and Premier Oil plc. Mr Hancock is currently a Director of Centaurus Metals Limited (ASX: CTM) owned approximately 19.58% by Atlas. During the last three years, Mr Hancock has been a Director of Aurox Resources Ltd, Giralia Resources NL and FerrAus Ltd.

David Hannon BEc, FFin (Non-Executive Director)
Mr Hannon was appointed as a Non- Executive Director on 6 August 2004 (Period of service: 8 years and 10 months). Mr Hannon commenced his commercial career as a stockbroker and investment banker in 1985, working with several firms. He later became a joint partner of a private investment bank specialising in venture capital with a focus on the mining sector.

Mr Hannon operates a private investment bank, Chifley Investor Group Pty Limited. Mr Hannon has not held any other directorships in the last 3 years.

Mr Hannon holds a Bachelor of Economics from Macquarie University and is a Fellow with the Financial Services Institute of Australasia.

Mr Hannon is a member of the Audit and Risk Committee and the Nomination Committee.

David Smith PhDSc, BSc Hons, FAICD, FAIM, FWLG (Non-Executive Director, Lead Independent Director)
Dr Smith was appointed as a Non-Executive Director on 6 November 2009 (Period of service: 3 years and 7 months)

With a career at Rio Tinto spanning 30 years, Dr Smith was, until 2009, President of Rio Tinto Atlantic, covering the giant Simandou iron ore development in West Africa. Prior to that role, Dr Smith was Managing Director of Rio Tinto's Pilbara Iron from 2004 to 2008, responsible for all Rio Tinto's business in the Pilbara. Between 2001 and 2004, he was Managing Director of Hamersley Iron. Dr Smith has served as President of the Chamber of Minerals and Energy of Western Australia (2005 to 2008), a Councilor of the Australia Business Arts Foundation (2003 to 2008), Commissioner of Tourism WA (2004 to 2006), Director of the Australian Institute of Management (2001 to 2007), a founding Director of Leadership WA (2003 to 2006) and as Chairman of the Board of the National Skills Shortages Strategy working group (2006).

Dr Smith is currently a Director of Macmahon Holdings Limited and Deputy Chair of West Australian Ballet. During the last three years, Dr. Smith has been a Director of Bannerman Resources Limited (ASX: BMN).

Dr Smith is Chairman of the Remuneration Committee and a member of the Nomination Committee. He was appointed as Chairman of the Remuneration Committee on 30 May 2012 and appointed Lead Independent Director on 31 July 2012.

Sook Yee Tai CPA (Non-Executive Director)
Ms Tai was appointed as a Non-Executive Director on 2 June 2010 (Period of service: 3 years).

Ms Tai has over 25 years' experience in corporate finance, operations and accounting, and is currently the Group Managing Director of IMC Industrial Group, with businesses that includes integrated Transport Logistics, Marine & Offshore Engineering and Resources, which provide integrated logistics solutions to resource producers and connecting them to Asia's industrial end-users, primarily China. Prior to this, she held the position of Head of Chairman's Office and Head of Group Strategies & Investments at the IMC Pan Asia Alliance Group, where she was responsible for the alignment of Group strategies and investments, and oversees the governance, corporate functions and performance of the investment portfolio of the Group. Prior to joining IMC in 2007, Ms Tai was the Country Director for Malaysia of a global leader in heavy building materials supplies. Ms Tai has substantial financial and operational experience in a wide range of industries including property development, construction, building materials supply, maritime, plantations and resources. Ms Tai is a CPA from Malaysia.

Ms Tai is a member of the Nomination Committee and Corporate Governance Committee.

Jeff Dowling BComm FCA, FAICD, FFin (Non- Executive Director)
Mr Dowling was appointed as a Non-Executive Director on 8 November 2011 (1 year and 7 months).

Mr Dowling is a highly experienced corporate leader with 36 years' experience in professional services with Ernst & Young. He has held numerous leadership roles within Ernst & Young which focused on mining, oil and gas and other industries. His professional expertise centres around audit, risk and financial acumen derived from acting as lead partner on large public company audits, capital raisings and corporate transactions. Mr Dowling's career with Ernst & Young culminated in his appointment as Managing Partner of the Ernst & Young Western Region for a period of 5 years. He also led Ernst & Young's Oceania China Business Group, responsible for building Ernst & Young's Oceania relationships with Chinese Corporations. Mr Dowling is a Director of the West Australian Symphony Orchestra Ltd and a Director of Telethon Institute for Child Research Ltd.

Mr Dowling is currently a Chairman of Sirius Resources NL (ASX: SIR). During the last three years, Mr Dowling has been a Non-Executive Director of Neptune Marine Services Limited (ASX: NMS).

Mr Dowling is Chairman of the Audit & Risk Committee and a member of the Remuneration Committee.

Kerry Sanderson AO BSc, BEcons, Hon DLitt, FIPAA, MAICD (Non-Executive Director)
Ms Sanderson was appointed as a Non-Executive Director on 21 February 2012 (Period of service: 1 year and 4 months). Ms Sanderson is Chairman of the Nomination Committee and a member of the Remuneration and Corporate Governance Committees.

Ms Sanderson was Agent General for the Government of Western Australia from November 2008 until December 2011. Based in London, the Agent General represents the Government of Western Australia in Europe and Russia and promotes investment in Western Australia and Western Australian exports to Europe. Ms Sanderson was Chief Executive Officer of Fremantle Ports from 1991 to 2008, a period during which container trade quadrupled.

Ms Sanderson is an Adjunct Professor of the Curtin University Business School. She has previously served as a Director of Austrade, the Australian Wheat Board, Rio Tinto WA Future Fund, the Western Australian Lands Authority (Landcorp) and as President of Ports Australia.

In 2004, Ms Sanderson was named an Officer of the Order of Australia for service to the development and management of the port and maritime industries in Australia, and to public sector governance in the areas of finance and transport.

Ms Sanderson is director of Downer EDI Limited and St John of God Healthcare and is Chairman of Gold Corporation and the State Emergency Management Committee. She is also Co-chair of the First Murdoch Commission and participates in charitable activities including being on the boards of Senses Australia and the Paraplegic Benefits Fund.

Geoffrey Simpson LLB, BJuris, MAICD (Non-Executive Director)
Mr Simpson was appointed as a Non-Executive Director on 25 May 2012 (Period of service: 1 year and 1 month).

Mr Simpson is Managing Partner of the Perth Office of a first tier global law firm, Allen and Overy. He is the Global Head of the firm's Mining Group and a member of the Global Partnership Selection Committee.

Mr Simpson advises on a wide range of matters in the energy and resources sectors including mergers and acquisitions, projects, corporate advisory and equity capital markets issues.

Mr Simpson is acknowledged in various independent legal directories as a leader in Australia in the energy and resources sectors. He has held directorships in listed mining and energy companies and is a former national president of AMPLA, the resources and energy law association.

Mr Simpson is a member of the Audit & Risk Committee.

GROUP SECRETARIES

Anthony Walsh BComm, MBA, FCA, FCIS, FFin
Mr Walsh was appointed on 1 July 2006, and resigned on 2 July 2013 (Period of Service: 7 years). He has 25 years experience in dealing with listed companies including 6 years as a Director of Shaw River Manganese Limited (ASX: SRR), and 14 years with the ASX where he held the role of Assistant Manager and acted as ASX liaison with the JORC Committee. Mr Walsh is currently a member of the West Australian State Council of Chartered Secretaries Australia. Prior to his role at ASX, he worked with Ernst & Young for 5 years in an audit and compliance capacity.

Mr Walsh is currently Chairman of Shaw River Manganese Limited (ASX: SRR), a subsidiary of Atlas with ownership of approximately 53.45%.

Mark Hancock BBus, CA, FFin, (Executive Director – Commercial)
Refer to director's biography.

DIRECTORS' INTERESTS IN THE SHARES, OPTIONS AND RIGHTS OF THE GROUP AND RELATED BODIES CORPORATE

The interests of each director in the shares and options of the Group as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001 as at the date of this report are as follows:

	Ordinary shares	Options over ordinary shares	Share appreciation rights and performance rights
David Flanagan	2,840,000	2,500,000	-
Ken Brinsden	564,500	750,000	1,466,175
Mark Hancock	491,610	750,000	434,719
David Hannon	804,968	500,000	-
David Smith	-	1,000,000	-
Sook Yee Tai	-	500,000	-
Jeff Dowling	125,000	-	-
Kerry Sanderson	50,661	-	-
Geoff Simpson	-	-	-

DIVIDENDS

In August 2013, the directors resolved to pay a final unfranked dividend for the year ended 30 June 2013 of 3 cents per share.

In August 2012, the directors resolved that, subject to shareholders' approval of the proposed amendments to the constitution, the Company would pay a final unfranked dividend for the year ended 30 June 2012 of 3 cents per share. These amendments to the constitution were approved by the shareholders at the 2012 Annual General Meeting. The dividend was unfranked, with a record date of 22 November 2012 and was paid to shareholders in December 2012.

CORPORATE INFORMATION

Nature of operations and principal activities

The principal activities of the Group during the course of the financial year were the exploration, development and mining and sale of iron ore.

In addition to its Pardoo, Wodgina and Mt Dove DSO operating mines, the Group is commissioning the Abydos DSO mine and the Utah Point interim solution and actively developing the Mt Webber DSO mine. The Group is also focused on the development and feasibility of its Horizon 2 projects, which include McPhee Creek.

Employees

The Group employed 311 employees as at 30 June 2013 (2012: 295 employees).

OPERATING AND FINANCIAL REVIEW

Atlas is an independent Australian iron ore company, mining and exporting Direct Shipping Ore (DSO) from its operations in the Northern Pilbara region of Western Australia. Since listing on the ASX in late 2004, Atlas has grown rapidly to become one of Australia's significant iron ore exporters, with a substantial portfolio of projects to support further options for continued production expansion.

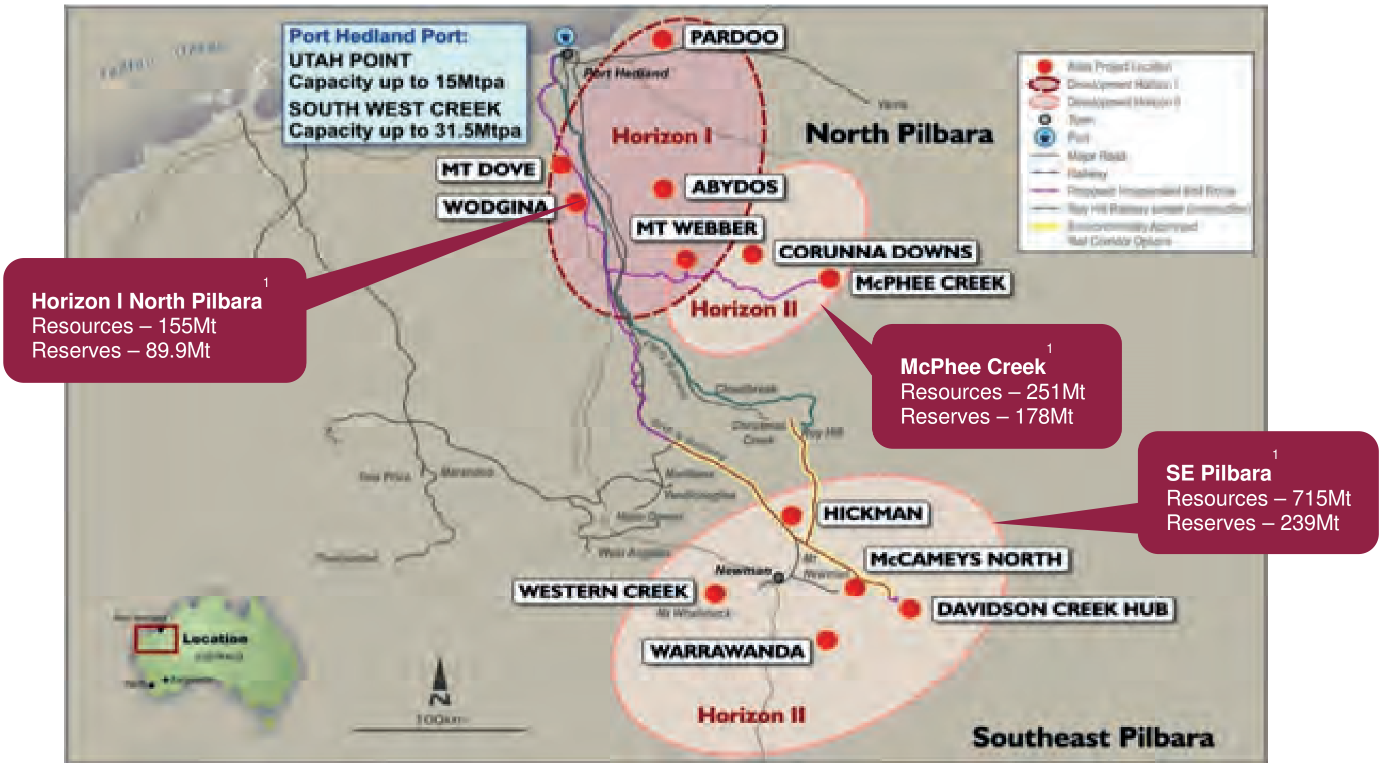
The Operating and Financial Review should be read in conjunction with the financial statements, together with the basis of preparation included in Note 1 *Summary of Significant Accounting Policies* and other accompanying notes.

Our strategy

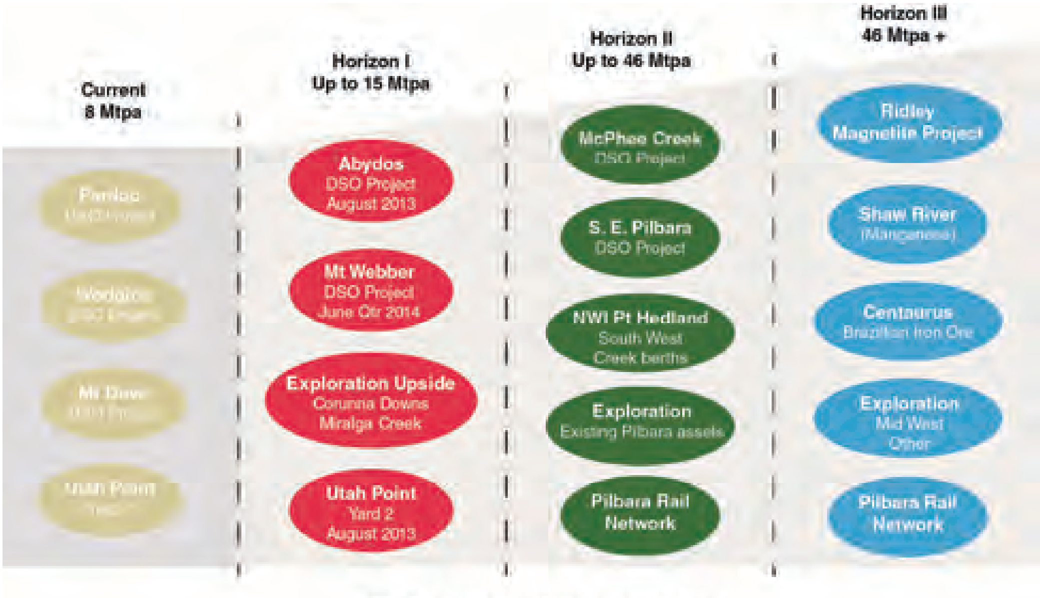
Atlas' purpose is to deliver mineral products that create value for our shareholders, people, customers and the communities we operate within.

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:

- Expanding our resources through our exploration and resource development activities, supported by acquisitions and joint ventures where appropriate,
- Optimising our near term production to maximise profitability,
- Maintaining and enhancing our options for growth by putting in place infrastructure solutions (port and rail) to support the development of our Horizon 2 assets and improve efficiency of Horizon 1 assets, and
- Developing customer and market focused solutions.



[1]See ASX announcement 'Reserve- Resource Update' of 24 July 2013 for further details



Atlas' Horizon I, II and III Projects and Interests

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.

Paramount to Atlas maintaining our growth strategy is a safe workplace and a culture of safety first. Whilst growing from our exploration roots, Atlas has strived to continually improve our underlying safety performance. Today the Company has a Lost Time Injury Frequency Rate below the metalliferous surface mining standard in Western Australia, however 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.

Refer to "Factors and Business Risks that affect Future Performance" for a discussion on factors that will impact the achievement of our Strategy.

Performance Indicators

Management and the board use a number of financial and operating performance indicators to measure performance over time against our overall strategy.

Atlas has invested heavily during the last 5 years in exploration and evaluation, having expensed in excess of $210.0 million, resulting in lower underlying EBITDA. Not only has this resulted in significant increases in resources and reserves, it has also provided the platform for growth in tonnes sold and revenue generated.

Tonnes sold and revenue have not grown on a linear basis in the last 3 years due to 62% CFR price reductions and changes in Atlas' product mix. The change in product mix (higher Value Fines) has reduced the average price per tonne.

Underlying cash gross margin in the last 3 years has been impacted by higher cash costs per tonne due to the increasing cost of doing business, haulage distance, port costs and higher production strip ratios.

Selected performance indicators are summarised below:

	30-Jun-13 000's	30-Jun-12 000's	30-Jun-11 000's	30-Jun-10 000's	30-Jun-09 000's
Revenue ($)	695,137	617,537	584,908	84,769	26,427
Tonnes sold (WMT)	7,413	5,568	4,589	1,164	433
Average price per tonne received (including Atlas fines) ($US / DMT)	105.84	125.17	137.40	69.27	46.24
Underlying cash gross margin ($)*	194,061	260,474	291,700	10,333	(3,341)
Underlying EBITDA ($)*	112,971	120,993	216,091	(3,870)	(66,131)
Underlying profit/ (loss) after tax ($)*	13,737	72,181	174,337	(13,760)	(63,144)
Reserves (tonnes) **	506,800	414,000	79,251	53,691	25,465
Resources (tonnes) **	1,171,610	1,085,080	643,830	204,710	94,940

* The underlying basis is a non-IFRS measure that in the opinion of the 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.

** 2009 See ASX announcement 'July 2009 DSO Resource and Reserve Upgrade' of 29 July 2009 for further details
2010 See ASX announcement '50% increase in North Pilbara Reserves' of 1 September 2010 for further details
2011 See ASX announcement '50% increase in North Pilbara Reserves' of 19 August 2011 for further details
2012 See ASX announcement '70% increase in Pilbara Reserves to 414Mt' of 25 July 2012 for further details
2013 See ASX announcement 'Reserve-Resource Update' of 24 July 2013 for further details

Operating Results

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

Revenue

The following graph summarises revenue from FY2009 to FY2013:

Revenue increased by 12.6% to $695.1 million for the year ended 30 June 2013, resulting from a 33.1% increase in tonnes shipped, partly offset by a 15.4% decrease in realised price received.

During the year, Atlas signed a number of new sales contracts with customers and delivered it's first two shipments to customers outside China.

Underlying cash gross margin

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

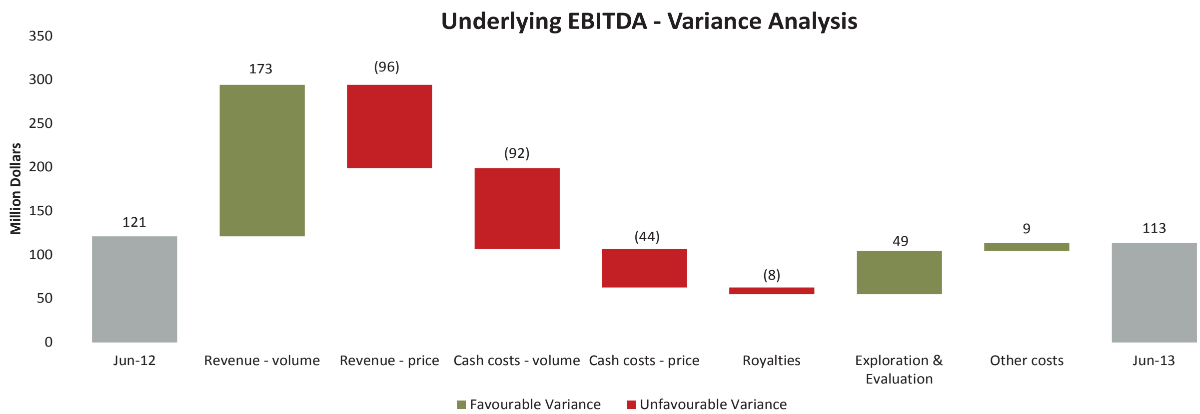
	30-Jun-13 $ 000’s	30-Jun-12 $ 000’s	30-Jun-11 $ 000’s	30-Jun-10 $ 000’s	30-Jun-09 $ 000’s
Underlying cash gross margin*	**194,061**	**260,474**	**291,700**	**10,333**	**(3,341)**
Unwind of port prepayment included in operating costs	(6,265)	(8,616)	-	-	-
Exploration and evaluation expense	(26,533)	(75,899)	(35,216)	(20,484)	(52,296)
Other income and gain on dilution of associate	3,259	595	1,156	10,749	-
Gain/loss on sale of assets	(696)	(1,204)	23	7,996	-
Other costs	(41,993)	(44,557)	(44,029)	(8,520)	(9,132)
Share of loss of associates & JVs (net of impairment)	(8,862)	(9,800)	(5,516)	(3,944)	(1,362)
Underlying EBITDA *	**112,971**	**120,993**	**216,091**	**(3,870)**	**(66,131)**
Depreciation and amortisation	(98,741)	(43,503)	(31,653)	(16,850)	(3,677)
Underlying EBIT *	**14,230**	**77,490**	**184,438**	**(20,720)**	**(69,808)**
Net finance income/(expense)	(14,696)	20,265	4,797	6,960	6,664
Underlying profit/(loss) before tax *	**(466)**	**97,755**	**189,235**	**(13,760)**	**(63,144)**
Underlying tax benefit/(expense)* (Note 9)	14,203	(25,574)	(14,898)	-	-
Underlying profit/ (loss) after tax *	**13,737**	**72,181**	**174,337**	**(13,760)**	**(63,144)**
Impairment expense net of tax	(259,982)	(53,569)	(798)	(27,086)	-
Net impact of business combinations	1,173	(17,373)	(4,922)	-	-
Initial recognition of MRRT	-	(115,855)	-	-	-
Statutory profit/ (loss) after tax	**(245,072)**	**(114,616)**	**168,617**	**(40,846)**	**(63,144)**

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

The underlying cash gross margin decreased by 25.5% to $194.1 million despite an increase in revenue, due to lower realised unit prices received and higher cash costs per tonne for the year.

Underlying EBITDA and EBIT

The following graph shows a comparison of underlying EBITDA for the year ended 30 June 2013 compared to the prior year:



Expenditure on exploration and evaluation decreased by $49.4 million from the prior year due to reduced expenditure on longer dated projects and a more mature exploration portfolio, enhancing underlying EBITDA for the year. The focus of the year’s exploration and evaluation was McPhee Creek and Corunna Downs (refer below for further discussion).

There was a focus on reducing corporate/other costs during the year.

A key contributor to the reduction in underlying EBIT to $14.2 million from $77.5 million in the prior year was a 127% increase in depreciation and amortisation costs to $98.7 million. This increase resulted from higher tonnes sold, the relatively short mine life of Mt Dove, along with higher non-cash costs per tonne, due primarily to changes in closure provisions for Atlas’ North Pilbara mine portfolio and updated estimates of future stripping costs at Wodgina.

Statutory and underlying profit/(loss) after tax

Underlying profit after tax decreased from the prior year to $13.7 million due to the factors noted above and higher financing costs, resulting from the new debt financing raised during the year.

The statutory loss after tax for the year of $245.1 million was impacted by:

– write-downs of $458.1 million ($260.0 million net of tax) in asset values of undeveloped Horizon 1 and 2 exploration project areas and non-core tenements. Refer to Note 3 of the financial statements for more details.
– the consolidation of Shaw River Manganese Limited from 29 August 2012.

Cash flow from operations

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

	30-Jun-13 $ 000's	30-Jun-12 $ 000's	30-Jun-11 $ 000's	30-Jun-10 $ 000's	30-Jun-09 $ 000's
Underlying EBITDA*	**112,971**	**120,993**	**216,091**	**(3,870)**	**(66,131)**
Working capital movements					
Inventory	(29,425)	(4,069)	2,206	(6,526)	(8,336)
Debtors and other assets	822	6,486	(13,288)	(10,034)	(15,801)
Creditors and other liabilities	21,951	67,737	(7,341)	(5,169)	11,871
Interest received	15,529	21,111	9,005	5,341	6,996
Share of JV and associates losses	8,862	9,800	5,516	3,944	1,362
Share based payments	1,269	1,449	10,415	2,436	5,639
Change in FV of financial assets	3,686	5,075	6,493	-	-
Unrealised (gain)/loss on foreign exchange	7,342	(1,016)	-	39	(221)
Gain on investment transferred from reserve	-	-	-	(10,660)	-
Business combination expense	-	(17,373)	(1,488)	-	-
Other non-cash items	(1,254)	(2,736)	(6,407)	(558)	3,520
Cash flow from operations	**141,753**	**207,457**	**221,202**	**(25,057)**	**(61,101)**

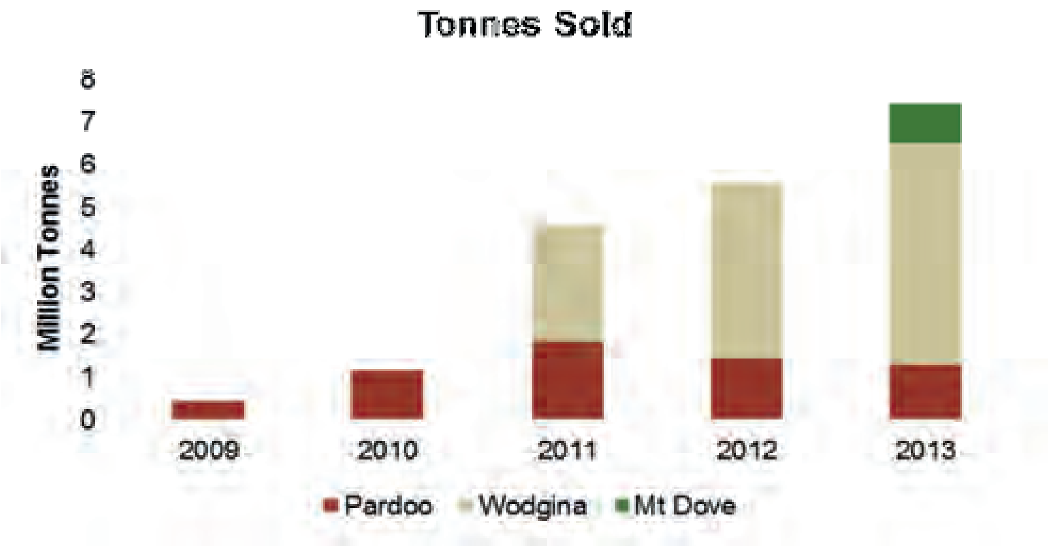
* The underlying basis is a non-IFRS measure that in the opinion of the Atlas' directors provides useful information to assess the financial performance of the Company. A reconciliation between statutory results to underlying results is provided in "Underlying cash gross margin" section above. These non-IFRS measures are unaudited.

Cash flow from operations decreased by 31.7% from the prior year to $141.8 million. This is predominantly due to working capital movements, particularly, higher investment in inventory (commencement of the Mt Dove mine in the current year and stockpiling of more Value Fines at Wodgina).

Cash cost per tonne

Cash costs per tonne increased by 11.4% from the prior year to $49.90, driven by increased port handling costs, haulage costs, dewatering costs and increased production strip ratio from both the Pardoo and Wodgina mines. Prior year cash costs per tonne increased by 8.7% to $44.80 due to increased average haulage distance and increased production strip ratio.

Shipping
The following graph summarises tonnes sold (WMT) by Atlas from FY2009 to FY2013:



Atlas' shipments consisted of 5.9 million tonnes (Mt) of Standard Fines and 1.5 Mt of Value Fines. The decision to export Value Fines, which is lower grade product of typically 53.5% Fe, enabled Atlas to monitise product originally mined as mineralised waste and maximise utilisation of crushing and port capacity.

Tonnes shipped increased by over 32.1%, compared to the prior year, to 7.4 Mt, driven by the opening of the Mt Dove mine and increased production at the Wodgina mine. In the prior year, tonnes shipped increased by 21.7% due to increased tonnes at both the Pardoo and Wodgina mines. In the 2011 financial year there was a 275% increase in tonnes shipped due to the commencement of the Wodgina mine.

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

	30-Jun-13 WMT millions	30-Jun-12 WMT millions	30-Jun-11 WMT millions	30-Jun-10 WMT millions	30-Jun-09 WMT millions
Ore mined	8.2	5.6	4.9	1.2	0.7
Ore processed	7.3	5.5	4.5	1.3	0.6
Ore hauled	7.4	5.5	4.5	1.2	0.6

Atlas recorded another year of record production, achieved through a solid year of production at the Wodgina mine, coupled with the opening of the new Mt Dove mine in December 2012.

Development
The following tables summarises expenditure on significant development projects over the last 3 years:

	30-Jun-13 $ 000's	30-Jun-12 $ 000's	30-Jun-11 $ 000's
New Mine Development	106,996	11,573	-
Infrastucture Development	61,317	14,168	-
Existing Mine Expansion	26,973	82,951	19,758

The above table excludes corporate allocations and mining pre-strip costs.

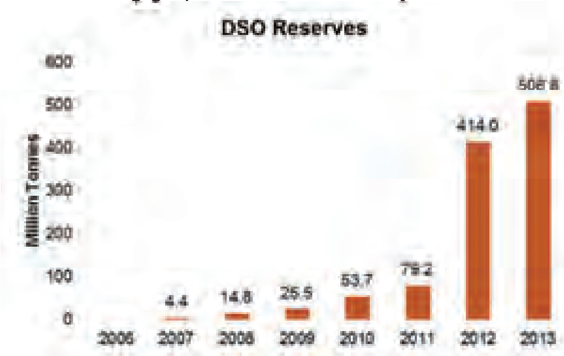
At the same time as meeting targets for production and shipping, Atlas has built the capacity within its workforce to develop its new projects and achieve its Horizon 1 targets. During the year, Atlas:

– developed, commissioned and opened the Mt Dove mine, with first shipments commencing in January.
– developed and commenced commissioning of the Abydos mine in June 2013. First haulage of product is planned for August 2013.

- developed and commenced commissioning of Utah Point Yard 2, which will complement Atlas' existing Yard 1 rights to meet export capacity requirements. The Utah Point Yard 2 expansion will increase the Company's export capacity, enabling these facilities to accommodate the additional tonnage as production increases.
- concluded the Mt Webber development study, received board approval to proceed and finalised agreement with joint-venture partner, Altura.

Resources and Reserves

The following graphs show a summary of resources and reserves:



2006 See ASX announcement 'Pardoo Iron Ore Project – Resource Estimate' of 27th July 2006 for further details
2007 See ASX announcement 'New Pardoo Resource and exploration update' of 12th November 2007 for further details
2008 See ASX announcement 'July 2007 – DSO Resource and Reserve Update of 25th July 2008 for further details
2009 See ASX announcement 'July 2009 DSO Resource and Reserve Upgrade' of 29 July 2009 for further details
2010 See ASX announcement '50% increase in North Pilbara Reserves' of 1 September 2010 for further details
2011 See ASX announcement '50% increase in North Pilbara Reserves' of 19 August 2011 for further details
2012 See ASX announcement '70% increase in Pilbara Reserves to 414Mt' of 25 July 2012 for further details
2013 See ASX announcement 'Reserve-Resource Update' of 24 July 2013 for further details

During the previous financial year, Atlas' total Pilbara Ore Reserve increased by 22.4% to 506.8Mt, with Horizon 1 reserves increasing to 89.9Mt (including Value Fines), underpinning both the existing operations and long term growth strategy of Atlas. Importantly, the near mine drilling program has allowed continued growth after current reserve depletion.

Atlas also recorded growth in its resource base, increasing by 8.0% to 1,171.6Mt in 2013, contributing to the asset base to underpin its growth strategy over the long term.

Over the previous two years, Atlas' reserves and resources have increased by over 600% and 400% respectively largely from the acquisitions of FerrAus Limited and Giralia assets, plus the Company's own greenfields and brownfields exploration.

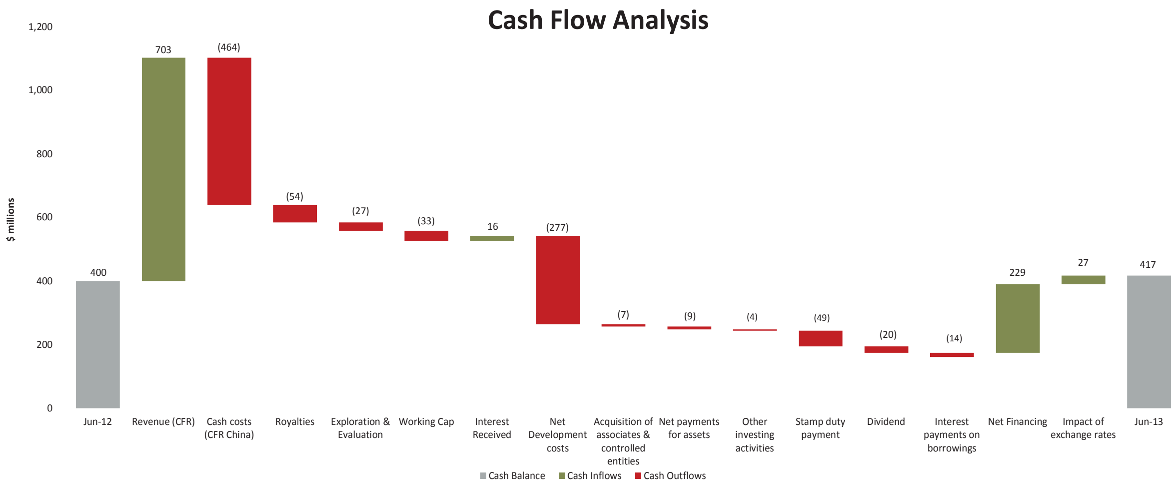
Subsequent to the financial year, Atlas announced its maiden Corunna Downs inferred resource of 25Mt at 56.5%Fe – an exciting development at such an early exploration stage of this resource (Refer ASX announcement on 24 July 2013, "Maiden Resource at Corunna Downs").

Financial Position
The following table summarises significant statement of financial position amounts:

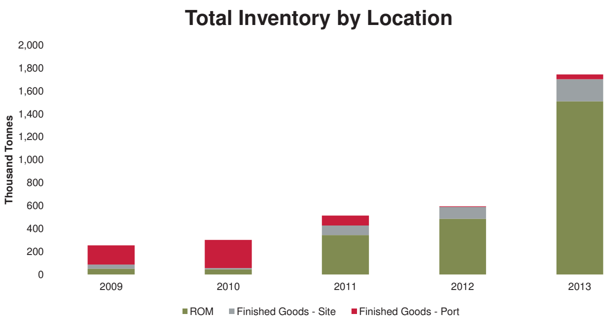
	30-Jun-13 $ 000's	30-Jun-12 $ 000's	30-Jun-11 $ 000's	30-Jun-10 $ 000's	30-Jun-09 $ 000's
Cash	416,922	399,540	365,599	154,933	124,350
Inventories	46,150	16,725	12,656	14,862	8,336
Mine and reserve development costs	424,624	181,893	157,963	64,921	25,405
Mining tenements capitalised	764,704	1,282,003	1,120,020	90,746	25,113
Debt facilities used	(287,438)	(21,097)	-	-	-

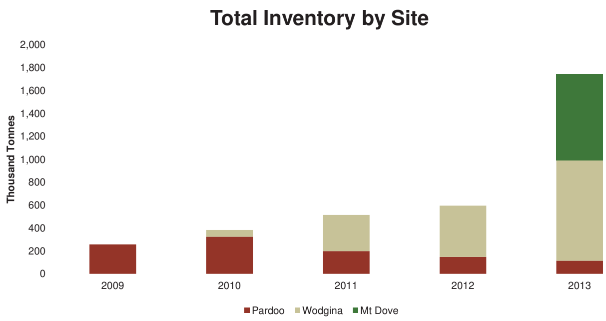
Cash

At the end of the financial year, Atlas had $416.9 million in cash and cash equivalents. The following graph outlines the cash inflows and outflows during the year:



Inventory





Atlas has invested heavily in inventory during the year, increasing inventory stockpiles by 176% to $46.1 million. This increase in inventory is primarily due to acceleration of mining at Mt Dove in order to complete mining activities earlier, thereby minimising fixed mining costs, and increased Value Fines stockpiles at Wodgina.

Mine and reserve development costs

The increase in mine and reserve development costs of $242.7 million reflects significant project development activity, the reclassification of $92.8 million in respect of Mt Webber as a result of approval of the project, off-set by amortisation. In addition, mine and reserve development costs include additions of $36.6 million in capitalised pre-strip and $13.2 million in reserve development.

Mining tenements capitalised

The reduction in mining tenements capitalised of $517.3 million resulted from:

- the write-downs of undeveloped Horizon 1 and 2 exploration project areas and non-core tenements of $424.5 million
- reclassification of Mt Webber cost to mine and reserve development noted above.

The increase in mining tenements capitalised during the year ended 30 June 2012 by $162.0 million resulted from the acquisition of FerrAus Limited offset by the impairment and sale of Balla Balla and Yerecoin tenements. The increase in mining tenements capitalised during the year ended 30 June 2011 to $1,029.3 million, resulted from the acquisition of Giralia Resources NL assets and Aurox Resources Limited.

Debt facilities used

During the year, Atlas secured a US$275 million financing package and A$50 million revolver facility, providing the necessary funding to conclude Atlas' Horizon 1 projects and grow its North Pilbara iron ore production. The financing package provided Atlas the flexibility to expand the business and make investment decisions expeditiously, while cognisant of the changing market conditions. It is Atlas' policy to maintain a conservative balance sheet.

Liquidity

Net operating cash flows, disposal of non-core assets and funding from equity and debt markets are our main sources of cash. These cash flows have been fundamental to our ability to fund our existing operations and grow a pipeline of projects over the last five years. In line with our strategy, we have grown our business significantly through acquisition and development of projects.

Following is a summary of key sources and uses of cash. A full statement of cash flow is contained in the financial statements and explanatory notes appear in Note 23 to the financial statements:

	30-Jun-13	30-Jun-12	30-Jun-11	30-Jun-10	30-Jun-09
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Cash generated from operations	152,757	263,728	246,611	(3,522)	(16,243)
Interest received	15,529	21,111	9,005	5,341	6,996
Exploration and evaluation expenditure payments	(26,533)	(74,171)	(34,024)	(24,867)	(51,849)
Other	-	(3,211)	(390)	-	(6)
Net operating cash flows	**141,753**	**207,457**	**221,202**	**(23,048)**	**(61,102)**
Payments for property, plant and equipment and intangible assets	(75,168)	(27,809)	(11,866)	(6,899)	(6,940)
Payments for mine development and reserve development	(212,857)	(172,365)	(31,012)	(45,621)	(19,895)
Stamp Duty paid	(48,900)	-	-	-	-
Other	(9,697)	25,163	17,679	(12,277)	(4,087)
Net investing cash flows	**(346,622)**	**(175,011)**	**(25,199)**	**(64,797)**	**(30,922)**
Proceeds from issue of shares (net of costs)	96	4,580	15,229	118,464	72,803
Dividends paid	(20,430)	(26,578)	-	-	-
Interest on borrowings	(13,480)	-	-	-	-
Net proceeds/(payments) of borrowings	229,195	21,348	-	-	-
Net financing activities cash flows	**195,381**	**(650)**	**15,229**	**118,464**	**72,803**
Net (decrease)/increase in cash and cash equivalents	**(9,489)**	**31,796**	**211,232**	**30,619**	**(19,221)**

Cash generated from operations declined by 31.7% from the prior year, predominately due to declining commodity pricing, increasing cash cost per tonne and investment in stockpiles, offset by higher tonnes sold.

Exploration and evaluation expenditure payments reduced by 64.2% from the prior year due to a more mature exploration portfolio and reduced expenditure on longer dated projects.

During the years ended 30 June 2013 and 30 June 2012, Atlas invested heavily in acquisitions and development. In addition to the project development (discussed above in "Development"), during the year ended 30 June 2013, Atlas paid $36.6 million on pre-stripping, $13.2 million on reserve development and $48.9 million stamp duty on acquisitions made in the prior year. This was funded from operations and debt financing.

In the prior year the majority of project development related to the Wodgina expansion. In addition, Atlas paid $20.4 million in respect of environmental bonds, $18.7 million to acquire 19.85% of Centaurus Metals Limited, $22.2 million on pre-stripping and $5.5 million on reserve development. This was funded by operations and cash generated from the sale of Balla Balla ($39.5 million) and Yerecoin ($18.0 million).

Atlas paid a 3 cent per share dividend in both the 30 June 2013 and 30 June 2012 financial years. No dividend was paid prior to that.

During the year Atlas drew down it's term loan (A$242.9 million net of debt establishment costs) and continues to have substantial cash reserves. In addition, Atlas utilised export finance on certain shipments in the year and the prior year.

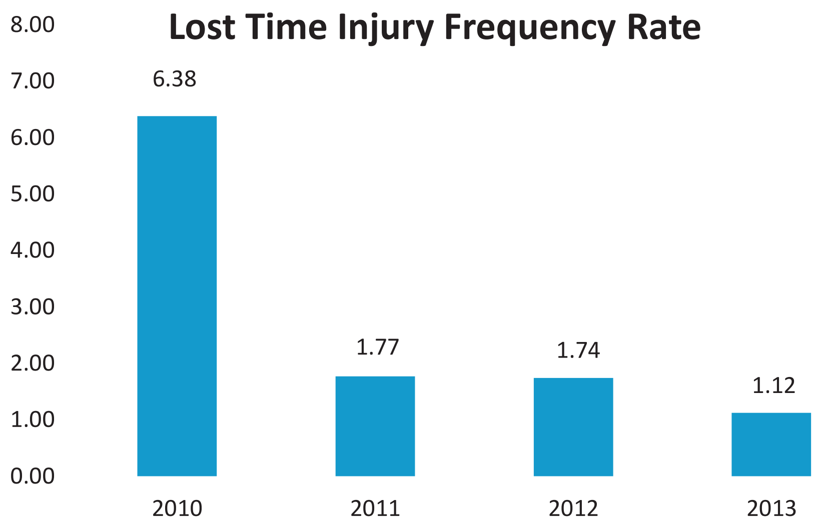
Human Resources

In a highly competitive human capital environment, Atlas has successfully reduced its turnover from the prior year and continually works toward reducing this further.

During a period of growing the business through the development and opening of new mines and additional port facilities, Atlas has maintained a workforce of around 300 employees throughout the year, working in Perth and the Pilbara. Atlas has increased its level of female participation to 35% (22% of directors and 20% of executive and senior management), making it one of the leaders in promoting female participation in the mining industry.

Health, Safety and Environment

Atlas has a lost time injury frequency rate below the surface metalliferous mining standard in Western Australia and which has now declined to a rate of 1.12 for the 30 June 2013 year. The graph below provides a summary of lost time injury frequency rate from the 2010 financial year to the 2013 financial year:



Community

	30-Jun-13	30-Jun-12
Volunteer hours	2,400	2,400
Community Investment ($ 000's)	820	1,039

In the year ended 30 June 2013 Atlas implemented a community investment strategy which saw Atlas bring an increased focus on the governance, monitoring and communication of community investment activities. A notable achievement was the development of the Helping Hands grant program and its launch in February 2013. Consisting of 4 grant rounds per annum, this program offers grants up to $5,000 to community organisations delivering services to the Pilbara.

Another key component of our community investment strategy are our Community Days and the 2012 Atlas Community Day was the most successful yet. Over 300 Atlas employees and contractors worked on 14 different projects in Perth and Port Hedland. In recognition of the success of Atlas' Community Days and our innovative approach to volunteering, Atlas was a Finalist in the VWA Volunteer of the Year awards in the Corporate Volunteering category.

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. The following factors and business risks could have a material effect on Atlas' future results from operations and financial position:

Commodity prices / changes in demand and supply
Commodity prices during the year were impacted through a slowdown in China demand and tightening credit in China, combined with growth in supply of iron ore. It was further impacted by sovereign debt concerns in Europe and the uncertainty of recovery of the US economy resulting in declining demand for steel.

The following table shows the average prices based on Platts 62% Fe and freight (CFR) to China over the last three years:

	30-Jun-13	30-Jun-12	30-Jun-11
	$US / DMT	$US / DMT	$US / DMT
62% CFR	127.38	151.06	153.79
Average price per tonne received CFR (including Atlas Value Fines)	105.84	125.17	137.40

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

Exchange Rates
Atlas is exposed to fluctuations in the US dollar as our sales 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 over the last five years:

	30-Jun-13	30-Jun-12	30-Jun-11	30-Jun-10	30-Jun-09
	$	$	$	$	$
USD/AUD	1.0239	1.0362	0.999	0.8450	0.7356

Refer to Note 31 to the financial statements for details of our foreign currency exposure and sensitivity analysis.

Cost of doing business – operating costs
The industry has seen a high rate of cost escalation in recent years (and in particular in the Pilbara) contributing to increasing cost pressures. It is Atlas' view that the recent reduction in capital investment announced in the market by the mining industry, will result in reduced rates of cost growth. Cost control, together with health and safety, is a key focus of Atlas to ensure in operations continue to provide strong returns in the longer term.

Development project delivery
The delivery of development projects on time and on budget is fundamental to the maximisation of shareholder wealth. Atlas has a number of large projects on foot, in particular closing out the first phase of Utah Point Yard 2 expansion, the completion of the Abydos mine and development of Mt Webber Stage 1 project.

Development Projects / Infrastructure
Atlas' ability to grow and to maximise shareholder value for the long term is heavily dependent on its ability to put in place infrastructure solutions that allow the development of new mining operations. We are in discussions with a number of potential Pilbara infrastructure providers. As part of this process, Atlas is continuing to work with partners to assess the technical and economic viability of an independent port and railway in the Pilbara. While the discussions are progressing, they remain incomplete. We note the following in respect of Development Projects:

- the Mt Webber mine development has been approved with an initial mine life of 18 years at a 3 Mtpa production rate. Atlas is targeting an increase production rate of 6 Mtpa in a stage 2 development and this could comprise part of a future rail development.
- the development of the McPhee Creek mine is being reviewed with a pre-feasibility study nearing completion. It is expected that it will comprise part of a future rail development.
- all development is subject to land access, environmental and permit approvals.

Although Atlas is confident in its ability to negotiate infrastructure solutions to deliver the above projects, there remains a risk this is not achieved, as is normal with these types of development projects.

Mining
Mining requires significant interaction with the natural environment including (but not limited to): weather, ground conditions, mineral enrichment, mineral endowment and ore physical characteristics, each of which might have an impact of the overall deliverability or cost of the ore delivered to customers.

Exploration and development of resources / reserves
Exploration and the development of resources and reserves are both important in pursuing our strategy. Our longer term success is directly related to the success of our exploration campaigns and our ability to increase ore reserves.

It is important to note that there are risks associated with exploration efforts, including that they may not be successful. Further, increases in reserves may not result in development as any decision to develop is subject to land access and environmental approvals, including negotiations with landowners and government, access and design of infrastructure and the viability of the reserve extraction.

Capital markets (access to funding)
Our ability to successfully develop future projects, including their infrastructure solutions, is contingent on our ability to fund those projects through operating cash flows and affordable debt and equity raisings. The development of Stage 1 of Mt Webber is fully funded via existing cash at bank and borrowings. The development of Stage 2 of Mt Webber and other projects (such as McPhee Creek and Corunna Downs) and infrastructure solutions may require additional funding solutions.

Interest rates
Atlas is exposed to interest rate risk on it's borrowings, which are predominately held in US dollars and have a floating interest rate. Fluctuation in interest rates will have an impact on our earnings. Refer to Note 31 to the financial statements for details of our interest rate exposure and sensitivity analysis.

Tax
Changes to company tax, GST, MRRT or indirect tax legislation, case law, rulings or determinations by the Commissioner of Taxation may have an adverse impact on Atlas' profitability, net assets and cash flow.

Health, safety and environment
Atlas is subject to regulation in respect of the health and safety of our people and the protection and rehabilitation of our environment. This is an area that is continually evolving and the expectations of communities can be different to the regulations in place. Health, safety and the environment is a key focus area of Atlas and we do all that we can to comply with regulations and meet the expectations of the community. Given the sensitive nature of this area, we may be exposed to litigation, foreseen and unforseen compliance and rehabilitation costs despite our best efforts.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Mt Dove commenced production in December 2012, with first ore shipped in January 2013.

The Group is commissioning the Abydos DSO mine and actively developing the Mt Webber DSO mine and interim solution at Utah Point. Abydos was developed during the financial year and commissioning commenced in June 2013, with first haulage of product planned for August 2013. We are expanding the Utah Point Yard 2, which will complement our existing Yard 1 rights to meet export capacity requirements. Atlas received board approval during the year to proceed with Stage 1 of the Mt Webber development, and finalised new agreements with joint-venture partner, Altura.

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 region of Western Australia. Refer to Note 4 of the financial statements for further details.

No other significant changes in the state of affairs of the Group occurred during the financial year other than as discussed in the financial report and elsewhere in this Directors' Report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 8 July 2013, Atlas announced that it has received approval from its Board and concluded the necessary agreements with its joint venture partner, Altura Mining Limited, to progress the Mt Webber mine to development.

On the 21 August 2013, a dividend of 3 cents per share was declared by the Group. Refer Note to 10 of the financial statements.

No other matters have arisen since 30 June 2013, 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During the coming year, the Group plans to continue operations at its Pardoo, Wodgina and Mt Dove DSO mine sites and commence operations at the Abydos and Mt Webber (Stage 1) mine sites. Mining operations are expected to cease at Pardoo and Mt Dove during the coming year.

The Group will also progress exploration and evaluation, particularly at Corunna Downs and McPhee Creek and development activities and feasibility studies on Mt Webber Stage 2, McPhee Creek and South East Pilbara Projects. A key component of this will be progressing port and rail studies.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration and mining activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the period under review.

SHARE OPTIONS

Unissued shares under options
At the date of this report the following unissued ordinary shares under option are outstanding:

	Weighted average exercise price $	Number of options
Balance at the beginning of the period	2.69	16,700,000
Options granted	-	-
Options exercised	1.49	(225,000)
Options expired	2.77	(3,280,000)
Total number of options outstanding as at 30 June 2013	**2.69**	**13,195,000**
Granted subsequent to balance date	-	-
Options exercised	-	-
Options cancelled/ lapsed	-	-
Total number of options outstanding at the date of this report	**2.69**	**13,195,000**

The balance is comprised of the following:

Unlisted Options (Number)	Class (Expiry date, exercise price and vesting status)
350,000	30/09/2013 $1.65 options all vested
350,000	30/09/2013 $1.85 options all vested
15,000	30/09/2013 $2.00 options all vested
25,000	30/09/2013 $2.30 options all vested
50,000	30/09/2013 $2.35 options all vested
25,000	30/09/2013 $2.60 options all vested
25,000	30/12/2013 $1.20 options all vested
100,000	30/12/2013 $1.30 options all vested
50,000	30/12/2013 $1.35 options all vested
65,000	30/12/2013 $1.50 options all vested
15,000	30/12/2013 $1.70 options all vested
200,000	30/06/2014 $2.30 options all vested
200,000	30/06/2014 $2.60 options all vested
30,000	30/09/2014 $2.10 options all vested
75,000	30/09/2014 $2.20 options all vested
50,000	30/09/2014 $2.25 options all vested
105,000	30/09/2014 $2.40 options all vested
50,000	30/09/2014 $2.45 options all vested
25,000	30/09/2014 $2.50 options all vested
300,000	31/12/2014 $2.10 options all vested
105,000	31/12/2014 $2.25 options all vested
40,000	31/12/2014 $2.30 options all vested
290,000	31/12/2014 $2.35 options all vested
15,000	31/12/2014 $2.45 options all vested
50,000	31/12/2014 $2.50 options all vested
80,000	31/12/2014 $2.55 options all vested
40,000	31/12/2014 $2.65 options all vested
90,000	31/12/2014 $2.70 options all vested
65,000	31/12/2014 $2.80 options all vested
30,000	31/12/2014 $2.85 options all vested
50,000	31/12/2014 $3.05 options all vested
30,000	31/12/2014 $3.20 options all vested
25,000	31/03/2015 $2.05 options all vested
90,000	31/03/2015 $2.25 options all vested
30,000	31/03/2015 $2.33 options all vested
25,000	31/03/2015 $2.35 options all vested
40,000	31/03/2015 $2.45 options all vested
65,000	31/03/2015 $2.55 options all vested
30,000	31/03/2015 $2.60 options all vested
65,000	31/03/2015 $2.65 options all vested
180,000	31/03/2015 $2.70 options all vested
40,000	31/03/2015 $2.75 options all vested
110,000	31/03/2015 $2.80 options all vested
30,000	31/03/2015 $2.95 options all vested
40,000	31/03/2015 $3.00 options all vested
150,000	31/03/2015 $3.05 options all vested
40,000	31/03/2015 $3.10 options all vested
65,000	31/03/2015 $3.15 options all vested
30,000	31/03/2015 $3.20 options all vested
25,000	31/03/2015 $3.25 options all vested
25,000	31/03/2015 $3.40 options all vested
40,000	31/03/2015 $3.60 options all vested
25,000	31/03/2015 $3.70 options all vested
25,000	31/03/2015 $3.85 options all vested
25,000	30/06/2015 $2.35 options all vested
30,000	30/06/2015 $2.45 options all vested
50,000	30/06/2015 $2.55 options all vested
25,000	30/06/2015 $2.70 options all vested
4,280,000	30/06/2015 $2.80 options all vested
4,500,000	30/06/2015 $2.873 options all vested
100,000	31/12/2015 $4.20 options all vested
13,195,000	

No person entitled to exercise any option referred to above have or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Group, the Group secretaries and all executive officers of the Group and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The amount of the premium paid was $224,215. The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred by an officer or auditor.

REMUNERATION REPORT

Letter from the Remuneration Committee Chairman

Dear Shareholder

On behalf of my fellow committee members and our Board, I am pleased to present to you our 2013 remuneration report.

The aim of this report is to provide clarity and insight to shareholders into the Board’s decisions on how we remunerate and reward our Executive team to achieve our overall business strategy over the past twelve months and into the future.

The 2012 remuneration report received positive shareholder support with a vote of 98% in favour. The Board strives to align our Executive remuneration with shareholder expectations and will continue to engage with shareholders and proxy advisors to ensure their expectations are taken into consideration when planning for the future.

The 2013 financial year has seen significant volatility in the Iron Ore industry and not dissimilar to other businesses, Atlas’ shareholders have felt the impact of this instability. The Board and Remuneration Committee are committed to delivering remuneration outcomes that are aligned to shareholder sentiment. Despite a difficult year, our Executive team continued to remain focused on business strategy and continued to demonstrate their ability to develop mine operations with competitive capital and operating costs as well as deliver on near term expansion projects, all of which are aligned to achieving our 10Mtpa production rate target by September this year.

The structure of our Executive’s remuneration package remains a key focus of our Board to ensure alignment with the dynamic nature of the Atlas business as it builds and grows to achieve our vision and also to maintain alignment with the expectations of our shareholders, the Company and its employees.

The Atlas business strategy is to continue to grow our revenue stream through effective development of low cost mines utilising innovative logistics solutions. The future growth of the Company is based on longer life mines which leverage off the Company’s significant port allocation in Australia’s largest export port of Port Hedland.

Regards
David Smith

Chairman of the Remuneration Committee

REMUNERATION REPORT (AUDITED)

1. Introduction

This report outlines the remuneration arrangements in place for directors and other key management personnel (KMP) of the Group. For the purposes of this report "Executives" include Executive Directors and KMPs.

(i) Non-Executive Directors (NEDs)	
D. Flanagan	Chairman - Executive Chairman up to 31 August 2012
	Non-Executive Chairman effective 1 September 2012
D. Smith	Lead Independent Director
D. Hannon	Director
S.Y. Tai	Director
J. Dowling	Director
K. Sanderson	Director
G. Simpson	Director
(ii) Executive Directors	
K. Brinsden	Managing Director
M. Hancock	Executive Director - Commercial
(iii) Other executive KMPs	
T. Walsh	Company Secretary - resigned effective 2 July 2013
J. Sinclair	Chief Operating Officer
R. Wilson	Chief Development Officer
A. Rohner	Chief Financial Officer - appointed 6 August 2012, resigned 22 May 2013

Other than the resignation of Mr A. Rohner and Mr A. Walsh there were no other changes to the Executive group after the reporting date and before the date the financial report was authorised for issue.

2. Remuneration governance

2.1 Remuneration Committee

The Atlas Board is responsible for ensuring that the remuneration arrangements for the Group are aligned with the overall business strategy and shareholders' interests. The role of the Remuneration Committee is to advise the Board on Executive remuneration. The Committee makes recommendations to the Board on Executive remuneration arrangements and all awards under the Long Term Incentive (LTI) plan and approves the level of the Short Term Incentive (STI) pool.

To maintain objectivity and to align with "best practice", the Board has configured the Remuneration Committee to consist of four non-executive directors, the majority being independent Directors.

Remuneration Committee Members	
D. Smith	Committee Chair
D. Flanagan	Committee Member - appointed 1 September 2012
J. Dowling	Committee Member
K. Sanderson	Committee Member

The Remuneration Committee meets regularly throughout the year as required and where Senior Management input is required the Managing Director attends by invitation. Refer to page 68 for number of committee meetings held during the year.

REMUNERATION REPORT (AUDITED) (continued)

2.2 Independent Remuneration Consultants

To ensure the Committee can make informed decisions on Executive remuneration the advice of reputable independent remuneration consultants is sought to:

- provide an overview of market remuneration trends
- benchmark Executive remuneration
- review Non-Executive Director fees; and
- review and comment on the Remuneration Report.

In respect of this reporting year, McDonald & Company (Australasia) were engaged to provide this advice and a fee of $15,750 was paid.

Consistent with good governance, the following arrangements were made to ensure advice was free from undue influence:

- consultants were engaged by, and reported to, the Remuneration Committee Chair;
- the agreement for the provision of services was executed by the Remuneration Committee Chair on behalf of the Board;
- the reports containing remuneration advice or market data were provided by McDonald & Company (Australasia) directly to the Remuneration Committee Chair; and
- McDonald & Company (Australasia) have declared that they have not been influenced by the Executives in carrying out their duties for the Remuneration Committee.

As a consequence, the Board is satisfied that advice and market data provided by McDonald & Company (Australasia) was free of undue influence from Executives. No other additional work was undertaken by McDonald & Company (Australasia) in respect of this reporting year.

3. EXECUTIVE REMUNERATION ARRANGEMENTS

The Executive Remuneration Policy, structure and disclosures discussed in this report applies to all Executives. Atlas' remuneration strategy is designed to attract and retain high performing Executives who are aligned and passionate about the dynamic nature of the Atlas business as it builds and grows to achieve our vision. The Board is committed to driving alignment between the remuneration arrangements of its Executives and the expectations of our shareholders, the Company and its employees.

The Executive Remuneration Policy aims to reward executives fairly and responsibly in accordance with the Australian market and ensure that the Group:

- provides competitive rewards that attract, retain and motivate Executives of the highest calibre generally targeting between the 50^{th} and 62^{nd} percentile;
- sets demanding levels of performance which are clearly linked to an Executive's remuneration;
- structures remuneration at a level that reflects the Executive's duties and accountabilities and is competitive within Australia and, for certain roles, internationally;
- benchmarks remuneration against appropriate comparator groups;
- aligns executive incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

In the 2013 financial year, the comparator group used for benchmarking purposes was reviewed by the Remuneration Committee and enlarged to include fifteen mining companies. Two key factors were applied when identifying an appropriate comparator group, market capitalisation and gross revenue.

In determining the appropriate target percentile, consideration was given to the quality of incumbents in the Executive group and the need to be able to attract and retain key skills in such a competitive market.

The following diagram illustrates how the remuneration strategy aligns with the strategic direction and how the various elements of the remuneration arrangements for Executives are linked to performance.

REMUNERATION REPORT (AUDITED) (continued)

Strategic Purpose

We deliver mineral products that create value for our shareholders, our people, customers and the communities we operate within.

Remuneration strategy linkage to business objectives

To align the interests of Executives with shareholders and to attract, motivate and retain high performing individuals.

FIXED REMUNERATION

Purpose:

To provide a competitive fixed remuneration element based on criticality of role, market and individual skills and experience.

Instrument:

Comprises of a base salary, guaranteed superannuation contributions and other fixed benefits.

Performance Link:

Strategically aligned individual performance objectives are assessed annually during remuneration reviews.

At Risk Short Term Incentive

Purpose:

To reward Executives for business success in achieving short term objectives and for their contribution to the achievements of the organisation as a whole and their business units.

Instrument:

Paid in cash. *

Performance Link:

50% linked to individual KPI achievement and 50% linked to overall corporate objectives. Both the individual and corporate objectives need to be achieved for the payout to occur. Corporate measures are to drive safety, operational effectiveness and business growth and comparative shareholder return.

**the Remuneration Committee has commissioned a piece of work to redesign the STI plan for Executives to consider including a deferral element awarded as equity.*

At Risk Long Term Incentive

Purpose:

To drive long term performance and provide Executives with an opportunity to acquire an ownership interest or exposure to an ownership interest in the Company.

Instrument:

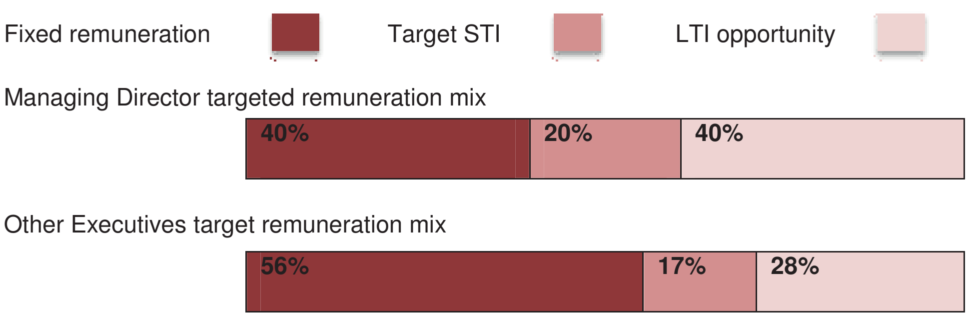
Awards are made in the form of performance rights and share appreciation rights if performance targets are achieved. The Board at its discretion can issue the benefit in either cash or shares (subject to shareholder approval for share issues to executive directors).

Performance Link:

Executives are required to achieve performance hurdles in terms of comparative shareholder return and growth of the Company.

3.1 Remuneration Mix

The remuneration arrangements for Executives consist of fixed remuneration, short and long term incentives. Market trends, strategic business objectives and shareholder interest are considered when determining the mix of remuneration and how each component will drive desired outcomes. Based on these considerations the following summarises the target remuneration components for Atlas Executives for the 2013 financial year.



REMUNERATION REPORT (AUDITED) (continued)

3.2 Remuneration Components

3.2.1 Fixed remuneration
Executives are provided a competitive fixed remuneration element based on criticality of role, market comparator data and individual skills and experience. Fixed remuneration consists of base pay, superannuation and fixed allowances.

3.2.2 Short Term Incentive Plan
The Board and Remuneration Committee believe the Group's targets set out in the STI plan will help drive the organisation to achieve its shorter term milestones that, in turn, provide the foundations for long term growth and thus, greater shareholder wealth. The STI plan at Atlas presents a number of hurdles that must be met before any payment is triggered. These hurdles are:

(1) distinct targets as set out in *table* (i) must reach specific thresholds, then;
(2) collectively the targets set out in *table* (i) must reach an overall threshold at which point the next hurdle will be considered;
(3) employees personal effectiveness and KPI's must meet required standards and expectations. In the event that hurdle two is not met, an STI payment will not be paid.

The STI target percentage for Executives is shown in the table below:

	K. Brinsden Managing Director & CEO	M. Hancock Executive Director Commercial	Other KMP's
STI target % of Total Fixed Remuneration (TFR)	50%	30%	30%

2013 financial year at risk STI targets were set and approved by the Board to challenge the business and ensure alignment to shareholder growth expectations. Seven key measures were approved for the 2013 financial year, all of which aimed to drive business growth, generate efficiencies in cost and drive shareholder value. The measures (and their intended objectives) are as follows:

Table (i)

	Corporate Measure	Weighting
1 *	Total Recordable Injury Frequency Rate: to place high level of focus on safety across all Atlas sites.	13%
2	Safety leadership and standards: to support leaders in creating and driving a strong safety culture.	12%
3 *	Export tonnes: to increase revenue and grow market share.	20%
4	OPEX cost per tonne: to maintain a competitive position in the marketplace and deliver greater profit margin.	20%
5 *	Relative share price performance to peers: to drive shareholder value.	10%
6	Project milestones: to deliver on Atlas' strategic growth objectives.	20%
7	JORC compliant reserves: to build reserves that will support Atlas' strategic growth objectives	5%
	Total	**100%**

**targets not achieved for the 2013 financial year*

REMUNERATION REPORT (AUDITED) (continued)

At 30 June 2013, three of the seven measures above did not meet their minimum threshold and have resulted in a non-payment of any STI for 2013. STI targets for the 2014 financial year will remain challenging and will be aligned to safety, profit and comparative TSR.

3.2.3 Proposed changes to STI design

To enhance the design of the STI plan to better align with shareholder interest, the Remuneration Committee is seeking independent advice on implementing a STI deferral for the 2014 financial year onwards. The aim is to develop a mechanism to manage risk (eg. to execute clawback mechanisms if required), encourage retention, and provide equity ownership exposure to Executives to align remuneration to shareholder wealth creation. Consideration is being given to the vesting term of a deferred award where a percentage of the award is deferred into equity. Any STI award of equity for Executive Directors will be subject to shareholder approval.

3.2.4 Long Term Incentive Plan

In 2011, the Remuneration Committee sought advice and recommendations from independent remuneration consultants, PWC, when considering the design and review of LTIs for Executives. In line with ASX Corporate Governance Guidelines and general best practice, only Executive Directors and other Senior Management have been offered rights under the LTI plan to date.

LTI awards are made annually to Executives in order to align remuneration to the businesses longer term goals and in turn, provide greater shareholder wealth. Eligibility to any LTI reward is subject to the participant's continuous service over the term of the plan at the point of vesting.

The LTI target percentage for Executives is shown in the table below:

	K. Brinsden Managing Director & CEO	M. Hancock Executive Director Commercial	Other KMP's
LTI target % of TFR	100%	50%	50%

The measures approved by the Board for 1 July 2011 to 30 June 2014 and 1 July 2012 to 30 June 2015 are Total Shareholder Return (TSR) and an Iron Ore Shipping (IOS) target, each representing 50% of the performance hurdles and both measured independently. The TSR measure will drive shareholder wealth whilst the IOS target, deemed a tangible metric, is firmly aligned with the development of the Company's mine portfolio and a key driver of Atlas' overarching growth plan. Aspects of the LTI plan are currently under review including the potential use of more defined profitability targets.

Total Shareholder Return

The TSR Scorecard is based on the percentile ranking of the Company's TSR results, relative to the TSR of each of the companies in the comparator group over the same Performance Period. The comparator group currently comprises selected constituents of the S&P ASX 300 Metals & Mining Index.

The vesting schedule for the LTI is subject to relative TSR testing and is as follows:

Relative TSR performance	TSR Scorecard
< 50th Percentile	Nil
Between 50th and 75th Percentile	Pro rata between 50% and 100%, ie between 0.5 and 1
≥ 75th Percentile	100%, ie 1

REMUNERATION REPORT (AUDITED) (continued)

Iron Ore Shipping (IOS)
The internal IOS Scorecard is based on the number of tonnes of iron ore shipped or exported by the Company during the last year of the Performance Period. The Internal Iron Ore Shipping target for the Performance Period is 12 Mt shipped during the 2014 financial year and 12.7 mt shipped during the 2015 financial year.

The vesting schedule for incentives subject to IOS testing is as follows:

2014 **% of Internal Iron Ore Shipping target reached**	**Internal IOS Scorecard**
< =8Mt shipped in 2014	Nil
>8Mt and < 12Mt shipping in 2014	Pro rata vesting commencing at 8Mt (50% at 8Mt) and 100% at equal to or more than 12Mt, ie between 0.5 and 1
2015 **% of Internal Iron Ore Shipping target reached**	**Internal IOS Scorecard**
<= 10Mt shipped in 2015	Nil
>10Mt and < 12.7Mt shipping in 2015	Pro rata vesting commencing at 10Mt (20% at 10Mt) and 100% at equal to or more than 12.7Mt ie between 0.2 and 1

In the 2013 financial year, Executive's and Senior Managers were offered 50% of their award in Performance Rights and 50% in Share Appreciation Rights under the LTIP that may, subject to performance, vest after the completion of the third year of this LTIP period. A Performance Right (PR) represents a right to receive a payment, subject to the achievement of predetermined conditions, equal in value to the market value of one fully paid ordinary share in Atlas. A Share Appreciation Right (SAR) represents a right to receive a payment, subject to the achievement of predetermined conditions, equal in value to the positive difference between the Atlas share price at exercise and the share price at grant of the SAR. No benefit is gained if the share price has not increased.

No PR's or SAR's will vest until after an employee receives a vesting notification from the Board advising them in writing of the number of LTI awards that have vested and the manner in which the awards will be settled, that is, cash or shares. Performance Rights and Share Appreciation Rights not vested on the vesting date will automatically lapse and be forfeited in accordance with the LTIP Rules. LTI awards that vest to any executive director cannot be settled in equity without prior shareholder approval.

The Board will be seeking shareholder approval at the 2013 Annual General Meeting on 30 October 2013 to equity settle potential LTI awards that may arise from offering Performance Rights and Share Appreciation Rights to the Managing Director and the Executive Director – Commercial for the period 1 July 2012 to 30 June 2015.

At the date of this report the LTIP targets for the 2016 financial year had not been defined.

REMUNERATION REPORT (AUDITED) (continued)

4. EXECUTIVE REMUNERATION OUTCOMES FOR THE 2013 FINANCIAL YEAR

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee has regard to the following measures in respect of the current financial year and the previous four financial years:

	30-Jun-13	30-Jun-12	30-Jun-11	30-Jun-10	30-Jun-09
Profit /(loss) attributable to owners of the company ($'000)	(245,072)	(114,616)	168,617	(40,846)	(63,144)
Underlying profit after tax * (unaudited) ($'000)	13,737	72,181	174,337	(13,760)	(62,294)
Change in share price	$ (1.27)	$ (1.71)	$ 1.69	$ 0.46	$ (2.03)
Ore shipped (WMT) – Mtpa* *	7.4	5.6	4.6	1.2	0.4
Dividend (cents per share)	3.0	3.0	3.0	-	-

* Note that the underlying profit (non-IFRS measure) was a measure introduced for the year ended 30 June 2012 to better reflect the performance of the Group.

* * No short term bonus was paid under this shipped tonnes STIP measure during the 2013 financial year as the minimum target of Standard Fines shipped tonnes was not met.

The Atlas LTIP has been in place for two years. The hurdle price of the share appreciation rights, for the purposes of TSR, is equivalent to the 30 day volume weighted average share price at the commencement of the performance period. The hurdle price of the share appreciation rights for the 2012 offer in the 2013 financial year was calculated at $2.04 per right (2011 offer in the 2012 financial year was $3.04 per right).

Based on current share price, it is likely that no incentives will be awarded against the TSR targets for 2012 and 2013 unless there is a significant uplift to the share price prior to the vesting period.

It is estimated that by 2014, Atlas will achieve 10 Mtpa against IOS targets which would represent a pro-rata award of Performance Rights at the time of vesting.

5. EXECUTIVE CONTRACTUAL ARRANGEMENTS

Remuneration arrangements and conditions of employments for Executives are formalised in Executive Service Agreements or Contracts of Employment.

The agreements relating to remuneration are set out below:

	K. Brinsden Managing Director & CEO	M. Hancock Executive Director - Commercial	Other KMP's
Resignation notice	6 months	3 months	3 months
Termination notice for cause	None	None	None
Termination notice without cause	12 months	6 months	6 months
Termination in case of illness, injury or incapacity	3 months	3 months	3 months
STI target % of TFR	50%	30%	30%
LTI target % of TFR	100%	50%	50%

5.1 KMP Equity Ownership

The Board have taken into consideration both shareholder and investor feedback in relation to equity ownership amongst its' Executives. In line with market practice, minimum shareholding requirements will not be enforced however greater equity ownership will be highly encouraged through Executive remuneration arrangements. Any equity participation offered to Executive Directors is subject to prior shareholder approval.

Other retirement benefits may be provided directly by the Group if approved by shareholders.

REMUNERATION REPORT (AUDITED) (continued)

6. Non-Executive Director Remuneration

The key principle underpinning non-executive director (NED) remuneration is the need to attract high calibre directors to direct the current business and into the future.

The Board's policy is to periodically review its approach to NED incumbent's remuneration and seeks independent advice to ensure its NED fees remain competitive with other similarly sized mining production companies listed on the ASX.

An increase to the total director fees pool was approved by shareholders at the October 2012 Annual General Meeting. This increased the annual aggregate of the amount of remuneration available to directors for their services by $500,000 to $1,500,000. The Board determined the non-executive directors' fees with reference to selected constituents of the S&P ASX 300 Metals & Mining Index, consistent with the process for determining executive remuneration.

No element of NEDs remuneration is linked to the performance of the Company as directors' fees are the only form of remuneration for the NEDs. However, to create alignment with shareholders NEDs are encouraged to hold equity securities in the Company. At the date of this report the majority of NEDs hold some form of equity securities in the Company. All directors are subject to the Company's "Guidelines for Dealing in Securities".

The Company makes superannuation contributions on behalf of the non-executive directors in accordance with its statutory superannuation obligations, and each director may sacrifice part of their fee for a further superannuation contribution by the Company.

Non-executive director fees are not paid to the Managing Director or the Executive Director - Commercial as the time spent on Board work and the responsibilities of Board membership are considered in determining the remuneration package provided as part of their normal employment conditions. The total remuneration paid to, or in respect of, each NED during the year is set out in this report.

The remuneration structure of NEDs consists of both director fees and committee fees. Committee fees were introduced by Atlas in the 2013 financial year in recognition of the additional time commitment required by NEDs who serve on sub-committees. The Chairman of the Board, Mr David Flanagan, does not receive any additional fees for his role on any committees.

Fees are as follows:

Board Fees (including superannuation)	$
Chairman	400,000
Non-executive Directors	135,000

	Remuneration Committee $	Audit & Risk Committee $	Nomination Committee $
Committee Chair	10,000	15,000	4,000
Committee Member	5,000	7,500	2,000

REMUNERATION REPORT (AUDITED) (continued)

7. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element or remuneration of each director of the Company and KMP are:

	Short-term employee benefits $				Post-employment benefits $		Long-term benefits $	Share-based payments $	Total $	% of options as proportion of remuneration	% of remuneration performance based
	Salary & fees	STI (5)	Short-term compensated absences	Other (3)	Super-annuation	Termination benefit	Long service leave	Rights (4)			STI and Rights
Directors											
Non-executive directors											
David Hannon											
2013	**132,521**	**-**	**-**	**17,528**	**11,927**	**-**	**-**	**-**	**161,976**	**-**	**-**
2012	212,539	-	-	20,404	19,129	-	-	-	252,072	-	-
David Smith											
2013	**135,853**	**-**	**-**	**17,528**	**12,227**	**-**	**-**	**-**	**165,608**		
2012	123,852	-	-	20,404	11,147	-	-	-	155,403	-	-
Sook Yee Tai											
2013	**125,853**	**-**	**-**	**17,528**	**22,474**	**-**	**-**	**-**	**165,855**	**-**	**-**
2012	135,000	-	-	20,404	-	-	-	-	155,404	-	-
Jeff Dowling – Commenced 8 November 2011											
2013	**143,854**	**-**	**-**	**17,528**	**12,947**	**-**	**-**	**-**	**174,329**	**-**	**-**
2012	80,345	-	-	13,157	7,231	-	-	-	100,733	-	-
Kerry Sanderson – AO – Commenced 22 February 2012											
2013	**132,854**	**-**	**-**	**17,528**	**11,957**	**-**	**-**	**-**	**162,339**	**-**	**-**
2012	44,725	-	-	7,247	4,025	-	-	-	55,997	-	-
Geoff Simpson – Commenced 25 May 2012											
2013	**131,353**	**-**	**-**	**17,528**	**12,953**	**-**	**-**	**-**	**161,834**	**-**	**-**
2012	12,702	-	-	2,007	1,143	-	-	-	15,852	-	-
David Flanagan (Chairman)											
2013	**492,477**	**-**	**(82,388)**	**17,528**	**44,848**	**-**	**51,797**	**-**	**524,262**	**-**	**-**
2012	1,120,000	609,500	19,834	20,404	155,655	-	49,258	-	1,974,651	-	31
Geoff Clifford (Chairperson – retired 31 July 2011) (1)											
2013	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
2012	57,221	-	-	1,728	5,150	-	-	-	64,099	-	-
Executives											
Directors											
Ken Brinsden – Managing Director											
2013	**784,081**	**-**	**28,614**	**17,528**	**31,919**	**-**	**31,134**	**353,262**	**1,246,538**	**-**	**28**
2012	607,882	184,928	63,556	20,404	34,843	-	39,577	50,372	1,001,563	5	18
Mark Hancock – Executive Director Commercial											
2013	**454,843**	**-**	**2,821**	**17,528**	**35,657**	**-**	**14,680**	**104,298**	**629,827**	**-**	**17**
2012	427,523	111,165	35,222	20,404	48,482	-	14,814	14,671	672,281	2	17
Key Management Personnel											
Anthony Walsh (Company Secretary)											
2013	**356,500**	**-**	**(2,715)**	**17,528**	**25,000**	**-**	**4,807**	**-**	**401,120**	**-**	**-**
2012	344,036	89,858	(9,621)	20,404	38,931	-	2,037	11,806	497,811	2	18
Jeremy Sinclair (Chief Operations Officer)											
2013	**419,613**	**-**	**(2,858)**	**74,016**	**32,737**	**-**	**12,314**	**98,792**	**634,614**	**-**	**16**
2012	373,645	102,775	5,916	93,298	43,328	-	7,869	13,507	640,338	2	16
Robert Wilson (Chief Development Officer) (2)											
2013	**415,209**	**-**	**2,982**	**17,528**	**37,323**	**-**	**1,958**	**94,654**	**569,654**	**-**	**17**
2012	99,294	28,978	4,376	20,404	11,545	-	-	13,223	177,820	7	16
Anton Rohner (Chief Financial Officer – Appointed 6 August 2012 and resignation effective from 24 May 2013											
2013	**324,549**	**-**	**16,315**	**80,161**	**-**	**166,659**	**-**	**-**	**587,684**	**-**	**-**
2012	-	-	-	-	-	-	-	-	-	-	-
John McMath (Resigned 20 April 2012)											
2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2012	338,174	-	(12,258)	16,446	31,813	12,600	-	-	386,775	-	-
Total											
2013	**4,049,560**	**-**	**(37,229)**	**346,985**	**291,969**	**166,659**	**116,690**	**651,006**	**5,585,640**	**-**	**12**
2012	3,976,938	1,127,204	107,385	297,115	412,422	12,600	113,555	103,579	6,150,798	2	18

Superannuation is paid on salaries, fees and STI.

(1) Geoff Clifford retired on 31 July 2011, however provided service until 8 November 2011.

(2) Robert Wilson became a KMP on 1 March 2012.

(3) Other payments represent Directors & Officers insurance paid by the Group with the exception of Jeremy Sinclair and Anton Rohner. Mr Sinclair’s and Mr Rohner’s disclosure includes additional allowances and their reportable benefit for FBT.

(4) Rights refer to the new LTIP referred to in the Remuneration Report.

(5) Comprises current year STIP and under / over provision for prior year STIP.

7.1 Short Term Remuneration

Performance income as a proportion of total compensation

Details of the Group's policy in relation to the proportion of remuneration that is performance related are discussed from page 60. Details of the portion of maximum STI that was earned and forfeited in relation to the 2013 financial year is detailed below:

	Included in remuneration	Portion of maximum STI earned during 2013	Portion of maximum STI forfeited during 2013
Ken Brinsden	-	-	100%
Mark Hancock	-	-	100%
Anthony Walsh	-	-	100%
Jeremy Sinclair	-	-	100%
Robert Wilson	-	-	100%
Anton Rohner	-	-	100%

The STI forfeited in the year was a result of the Group not achieving its internal corporate targets.

7.2 Long Term Incentives

Rights over equity instruments granted as compensation issued under LTIP for the period 1 July 2012 to 30 June 2015

Details of Performance Rights (PRs) and Share Appreciation Rights (SARs) over ordinary shares in Atlas Iron Limited that were granted during the year as compensation to Key Management Personnel is detailed below:

	Grant date	Value of rights granted * $	No. of PRs granted during 2013	No. of SARs granted during 2013	Vesting date	PRs* * $	SARs* * $
Executive Directors							
Ken Brinsden	20/12/2012	455,319	256,853	570,880	30/06/2015	264,254	191,065
Mark Hancock	20/12/2012	136,846	77,197	171,578	30/06/2015	79,421	57,425
Executives							
Anthony Walsh****	20/12/2012	106,436	60,042	133,450	30/06/2015	61,772	44,664
Jeremy Sinclair	20/12/2012	134,293	75,757	168,377	30/06/2015	77,940	56,353
Robert Wilson	20/12/2012	125,290	70,678	157,089	30/06/2015	72,715	52,575
Anton Rohner***	20/12/2012	99,867	57,946	128,792	30/06/2015	57,960	41,907

* This represents the total fair value of the rights granted during the year determined in accordance with Australian Accounting Standards. This value will be recognised as remuneration over the performance period.

* * In determining the number of rights granted during the year, the fair value of the rights were independently valued at grant date using a Black Scholes option pricing model and Monte Carlo Simulation. The total is allocated to remuneration over the performance period.

*** Anton Rohner's rights were forfeited as at 24 May 2013 following his resignation.

****Anthony Walsh forfeited 343,126 rights held prior to his resignation (announced 27 May 2013) for which 149,634 were granted in the 2012 financial year.

Subject to LTI targets being met, the rights granted to executive directors are only convertible into ordinary shares if, and only if, shareholders approve the conversion at the 2013 Annual General Meeting.

The rights were provided at no cost to the recipients. Valuation assumptions are disclosed in Note 5 of the financial statements.

Modification of terms of equity settled share-based transactions

No terms of options or rights over ordinary shares in Atlas Iron Limited have been altered or modified by the issuing entity during the year or the prior year.

Board policy in relation to hedging unvested equity

The Board limits employees from entering into transactions that limit the economic risk of participating in unvested employee entitlements. Each ESOP option is personal to the holder and is not transferable,

REMUNERATION REPORT (AUDITED) (continued)

transmissible, assignable or chargeable without permission of the Board. Without prior approval and subject to compliance with the Corporations Act 2001, directors and key management personnel should not enter into agreements that provide lenders with rights over their interests in the Company's shares and options, such as the disposal of the Company's shares or options, that is the result of a secured lender exercising its right. Before entering into such arrangements, directors and senior management must receive clearance from the Board.

The LTIP rules state that an employee must not transfer, assign, dispose of, grant, any security interests over or otherwise deal with any rights.

Exercise of options granted as compensation

During the reporting period no shares were issued to KMPs on the exercise of options previously granted as compensation.

Analysis of options granted as compensation

There were no options granted during the 2013 financial year.

Analysis of movement in options

The was no movement during the year, by value of options over ordinary shares in Atlas Iron Limited held by each of the directors, executives and key management personnel.

Remuneration report ends here.

DIRECTORS' MEETINGS

Attendance of Directors' meetings held during the year are set out below:

	Directors' Meetings		Audit and Risk Committ		Remuneration Committee		Nomination Committee		Corporate Governance Committee	
	A	B	A	B	A	B	A	B	A	B
David Flanagan	12	12	-	-	3	3	3	3	1	1
David Hannon	10	12	5	5	-	-	2*	3	-	-
David Smith	12	12	-	-	3	3	3	3	-	-
Sook Yee Tai	11	12	-	-	-	-	2	3	1	1
Jeff Dowling	12	12	5	5	3	3	-	-	-	-
Kerry Sanderson	12	12	-	-	3	3	3	3	1	1
Ken Brinsden	12	12	-	-	-	-	-	-	-	-
Geoff Simpson	11	12	5	5	-	-	-	-	-	-
Mark Hancock	12	12	-	-	-	-	-	-	-	-

A - Number of meetings attended.
B - Number of meetings held during the time the director held office during the year.
*David Hannon was appointed to the Nomination Committee at the Board meeting held on 28 November 2012.

CORPORATE STRUCTURE

The Group is an Australian listed public group limited by shares domiciled in Australia. The Group has prepared a consolidated financial report to include entities that it controlled during the financial years as shown in Note 32 of the financial statements.

ROUNDING

The Group is of the kind specified in ASIC class order 98/0100, dated 10 July 1998. In accordance with the class order, amounts in this report and in the financial report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

AUDITOR INDEPENDENCE

The auditor's independence declaration is set out on page 125 and forms part of the Directors' Report for the financial year ended 30 June 2013.

NON-AUDIT SERVICES

Non-Audit services provided by the Group's auditor, KPMG, and associated entities, during the year ended 30 June 2013 are disclosed in Note 27 to the financial statements.

Signed in accordance with a resolution of the directors made pursuant to S298(2) of the Corporations Act 2001.

Ken Brinsden
Managing Director
Perth, 21 August 2013

Consolidated Statement of Comprehensive Income

year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Revenue		**695,137**	617,537
Operating costs	2	**(600,762)**	(404,654)
Gross profit		**94,375**	212,883
Other income		**3,175**	595
Exploration and evaluation expense		**(26,533)**	(75,899)
Impairment loss	3	**(458,133)**	(67,427)
Share of loss of equity accounted investees associates (including impairment)	13	**(8,862)**	(14,740)
Business combination expense	4	**-**	(20,290)
(Loss)/gain on control of subsidiary	4	**(218)**	2,458
Gain on bargain purchase of subsidiary	4	**1,391**	-
Gain on dilution of associate		**84**	-
Depreciation and amortisation		**(5,320)**	(4,528)
Loss on sale of property, plant and equipment		**(696)**	(1,204)
Other expenses from ordinary activities	7	**(41,993)**	(44,557)
Results from operating activities		**(442,730)**	(12,709)
Finance income	8	**16,355**	27,089
Finance expense	8	**(31,051)**	(6,824)
Net finance (expense)/income		**(14,696)**	20,265
(Loss)/profit before income tax		**(457,426)**	7,556
Tax benefit/(expense)	9	**212,354**	(122,172)
LOSS FOR THE YEAR		**(245,072)**	(114,616)
Other comprehensive income			
Items that may be classified subsequently to profit and loss			
Foreign currency translation differences – foreign operations		**(1,454)**	-
Share of associate's movements in foreign currency translation reserve		**489**	(2,401)
Other comprehensive loss for the year		**(965)**	(2,401)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE GROUP		**(246,037)**	(117,017)
Loss attributable to:			
Owners of the parent		**(241,886)**	(114,616)
Non-controlling interest		**(3,186)**	-
		(245,072)	(114,616)
Total comprehensive loss attributable to:			
Owners of the parent		**(241,585)**	(117,017)
Non-controlling interest		**(4,452)**	-
		(246,037)	(117,017)
Loss per share			
Basic loss per share (cents per share)	26	**(27.0)**	(13.0)
Diluted loss per share (cents per share)	26	**(27.0)**	(13.0)

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

Consolidated Statement of Financial Position

at 30 June 2013

	Notes	2013 $'000	2012 $'000
CURRENT ASSETS			
Cash and cash equivalents	23(b)	**416,922**	399,540
Trade and other receivables	11	**37,896**	39,440
Prepayments	6	**29,703**	26,960
Financial assets classified as held for trading		**3,316**	6,070
Inventories	12	**46,150**	16,725
TOTAL CURRENT ASSETS		**533,987**	488,735
NON-CURRENT ASSETS			
Other receivables	11	**53,378**	37,183
Prepayments	6	**34,608**	42,563
Investment in equity accounted investees	13	**39,415**	54,445
Property, plant and equipment	14	**93,887**	31,414
Intangibles	15	**141,054**	143,634
Mine development costs	16	**413,754**	174,364
Evaluation expenditure - reserve development	17	**10,870**	7,529
Mining tenements capitalised	18	**764,704**	1,282,003
Deferred tax asset	9	**83,619**	-
TOTAL NON-CURRENT ASSETS		**1,635,289**	1,773,135
TOTAL ASSETS		**2,169,276**	2,261,870
CURRENT LIABILITIES			
Trade and other payables	19	**166,288**	176,559
Interest bearing loans and borrowings	20	**12,668**	21,097
Employee benefits		**3,491**	2,779
Provisions	21	**19,080**	-
TOTAL CURRENT LIABILITIES		**201,527**	200,435
NON-CURRENT LIABILITIES			
Trade and other payables	19	**1,311**	-
Interest bearing loans and borrowings	20	**274,770**	-
Employee benefits		**369**	328
Provisions	21	**30,576**	25,963
Deferred tax liability	9	**48,571**	170,058
TOTAL NON-CURRENT LIABILITIES		**355,597**	196,349
TOTAL LIABILITIES		**557,124**	396,784
NET ASSETS		**1,612,152**	1,865,086
EQUITY			
Share capital	22(a)	**1,984,654**	1,977,877
Reserves	22(d)	**29,015**	26,499
Accumulated losses		**(408,320)**	(139,290)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**1,605,349**	1,865,086
Non-controlling interest		**6,803**	-
TOTAL EQUITY		**1,612,152**	1,865,086

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

Consolidated Statement of Changes in Equity

year ended 30 June 2013

	Share capital	Share-based payments reserve	Foreign currency translation reserve	Associate's reserve	Accumulated (losses)	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2012	**1,977,877**	**28,900**	**-**	**(2,401)**	**(139,290)**	**1,865,086**	-	**1,865,086**
Total comprehensive income for the year								
Loss for the year	-	-		-	(241,886)	**(241,886)**	(3,186)	**(245,072)**
Total other comprehensive income	-	-	(188)	489	-	**301**	(1,266)	**(965)**
Total comprehensive income for the year, net of tax	**-**	**-**	**(188)**	**489**	**(241,886)**	**(241,585)**	**(4,452)**	**(246,037)**
Contributions by and distributions to owners of the Group								
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	-	1,107	-	-	-	**1,107**	162	**1,269**
Payment of dividends	-	-	-	-	(27,144)	**(27,144)**	-	**(27,144)**
Change in ownership interests in subsidiaries								
Acquisition of subsidiary with non-controlling interest (Shaw River)	-	-	-	-	-	**-**	11,302	**11,302**
Reclassification of associate's reserve upon control	-	-	-	1,108	-	**1,108**	-	**1,108**
Total transactions with owners of the Company	**6,777**	**1,107**	**-**	**1,108**	**(27,144)**	**(18,152)**	**11,255**	**(6,897)**
BALANCE AT 30 JUNE 2013	**1,984,654**	**30,007**	**(188)**	**(804)**	**(408,320)**	**1,605,349**	**6,803**	**1,612,152**

	Share capital	Share-based payments reserve	Foreign currency translation reserve	Associate's reserve	Accumulated (losses)	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2011	**1,703,394**	**27,451**	**-**	**-**	**1,904**	**1,732,749**	**-**	**1,732,749**
Total comprehensive income for the year								
Loss for the year	-	-	-	-	(114,616)	**(114,616)**	-	**(114,616)**
Total other comprehensive income	-	-	-	(2,401)	-	**(2,401)**	-	**(2,401)**
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**(2,401)**	**(114,616)**	**(117,017)**	**-**	**(117,017)**
Contributions by and distributions to owners of the Group								
Issue of ordinary shares related to business combination	236,905	-	-	-	-	**236,905**	-	**236,905**
Issue of ordinary shares from exercise of options	4,606	-	-	-	-	**4,606**	-	**4,606**
Issue of ordinary shares for acquisition of assets	33,000	-	-	-	-	**33,000**	-	**33,000**
Share issue costs	(28)	-	-	-	-	**(28)**	-	**(28)**
Share-based payment transactions	-	1,449	-	-	-	**1,449**	-	**1,449**
Payment of dividends	-	-	-	-	(26,578)	**(26,578)**	-	**(26,578)**
Total transactions with owners of the Company	**274,483**	**1,449**	**-**	**-**	**(26,578)**	**249,354**	**-**	**249,354**
BALANCE AT 30 JUNE 2012	**1,977,877**	**28,900**	**-**	**(2,401)**	**(139,290)**	**1,865,086**	**-**	**1,865,086**

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

Consolidated Statement of Cash Flows

year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Cash receipts from customers		**729,960**	616,446
Payments to suppliers and employees		**(577,203)**	(352,718)
Interest received		**15,529**	21,111
Payments for expenditure on exploration and evaluation activities		**(26,533)**	(74,171)
Payments for acquisition transaction costs		**-**	(3,211)
NET CASH FLOWS FROM OPERATING ACTIVITIES	23(a)	**141,753**	207,457
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(72,711)**	(23,176)
Reimbursement for office fit-out		**5,717**	-
Proceeds from disposal of plant and equipment		**-**	6,870
Payments for mine development		**(188,435)**	(118,330)
Payments for intangible assets		**(2,457)**	(4,633)
Payment for Wodgina expansion costs		**(11,228)**	(48,500)
Payment for reserve development costs		**(13,194)**	(5,535)
Payments for interests in equity accounted investees		**(5,201)**	(18,656)
Loan to joint ventures		**(2,144)**	(7,475)
Payments for the acquisition of tenements		**(3,943)**	(10,000)
Net (payments)/proceeds for financial assets		**(460)**	3,455
Acquisition of shares in controlled entities, net of cash acquired		**(2,101)**	14,378
Proceeds received from sale of assets		**-**	57,500
Repayments by/(loans to) associated entities		**515**	(500)
Net payments for bank guarantees		**(2,440)**	(20,409)
Proceeds from the repayment of loans from other entities		**360**	-
Stamp duty paid in relation to acquisition of tenements		**(48,900)**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(346,622)**	(175,011)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares and exercise of options		**335**	4,606
Share issue costs paid		**(239)**	(26)
Proceeds from Term Loan B (net of debt establishment costs)		**242,918**	-
Repayment of Term Loan B		**(2,020)**	-
Net (repayment) of/proceeds from pre-export finance		**(11,703)**	21,348
Interest payments on borrowing facility		**(13,480)**	-
Dividends paid		**(20,430)**	(26,578)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**195,381**	(650)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(9,489)**	31,796
Cash and cash equivalents at 1 July 2012		**399,540**	365,599
Effect of exchange rate changes on cash and cash equivalents		***26,871**	2,145
CLOSING CASH AND CASH EQUIVALENTS	23(b)	**416,922**	399,540

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.
*Foreign exchange gain on USD Enhanced Currency Investment (ECI) cash at bank held in USD during the period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Atlas Iron Limited for the year ended 30 June 2013 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 operation of the Pardoo, Wodgina and Mt Dove iron ore mines and the development of the mines at Abydos and Mt Webber 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 21 August 2013.

(a) Basis of preparation

Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASBs), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report of the Group complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items measured at fair value:

- share-based payment transactions;
- financial instruments at fair value through profit or loss; and
- derivative and other financial instruments.

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The Group 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 Directors' Report and financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Atlas Iron Limited and its subsidiaries during the year ended 30 June 2013.

Subsidiaries are all those entities over which the Group has control. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

In preparing the consolidated financial statements all intergroup balances and transactions, income, expenses, unrealised gains/losses and profit and loss, resulting from intergroup transactions, have been eliminated in full.

(b) Change in accounting policy

Atlas has adopted all of the new and revised Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of Atlas and effective for reporting periods beginning on or after 1 July 2012.

Amendments to Australian Accounting Standards: Presentation of Other Comprehensive Income: applicable to annual reporting periods beginning on or after 1 July 2012.

The amendment to the standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit and loss and those that will not. The amendment does not change the nature of items that are currently recognised in other comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has adopted the amendment in the current period with updated disclosures provided in the Consolidated Statement of Comprehensive Income.
A number of Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been adopted by Atlas for the annual reporting period ended 30 June 2013. The effect of these new or amended Accounting Standards is expected to give rise to additional disclosures and new policies being adopted. Refer to policy Note (1bb) for the Standards and Interpretations relevant to Atlas that are not yet effective and have not been adopted early.

(c) Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Ore reserve and resource estimates
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, production costs and foreign exchange rates along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The Group estimates and reports ore reserves under the principles contained within the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (December 2004), known as the JORC Code, which is prepared by the Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, provision for rehabilitation, and depreciation and amortisation charges.

Units of production depreciation
Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

Provision for rehabilitation costs
The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates (3.42% (2012: 3.00%)). Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at balance date represents management's best estimate of the present value of the future rehabilitation costs required.

Deferred taxation
Deferred income tax assets are only recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

Production start date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to process iron ore in saleable form; and
- ability to sustain ongoing mining and processing of iron ore.

When a mine development project moves into the production stage, the capitalisation of certain mine development costs ceases and costs are either regarded as inventory or expensed, except for costs related to mining asset additions or improvements and mineable reserve development, which are capitalised. It is also at this point that depreciation/amortisation commences.

Acquisitions outside of the scope of AASB 3 Business Combinations
Where the Group has acquired control of another entity which principally holds exploration assets, or assets in predevelopment, and that entity has no reserves, the substance of the transaction is reviewed. If the sole purpose of the transaction is to increase the resource base of the Group and the vehicle containing the assets was of no consequence to the underlying substance of the transaction, the transaction is viewed to be outside of the scope of AASB 3 *Business Combinations*.

Mining Resource Rent Tax (MRRT) starting base valuation
The MRRT legislation allows for a starting base allowance, which can be applied in calculating the MRRT liability. The starting base allowance effectively allows taxpayers to claim an amortisation deduction for the market value of their mining and pre-mining project interests and underlying upstream project assets (including the resource) as at 1 May 2010. The starting base is designed to recognise investments in assets that relate to the upstream activities of a mining project interest or pre-mining project interest (starting base assets) that existed before 2 May 2010.

The Group assessed the value of its MRRT starting base based on the market value of its starting base assets, including rights to resources, at 1 May 2010. The market value is determined at a specific valuation point for MRRT and represents the point in the mining process where the commodity is passed from the upstream component to the downstream component. In order to value the starting base assets it is necessary to understand the value of the commodity at the valuation point. In most instances there is a no observable price for the commodity at the Valuation Point and hence it is necessary to calculate this value. This is done in accordance with Section 30-25 of the MRRT legislation through application of transfer pricing methods to derive a value for the commodity at the Valuation Point from the observed market value of that commodity at the applicable mining revenue event, using a “netback” approach.

Impairment of assets
The Group assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 15.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values are disclosed in the notes specific to that asset or liability.

Trade and other receivables
The fair value of current trade and other receivables approximates the gross consideration receivable given their short-term nature.

Trade and other payables
Current trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Financial instruments traded in active markets
The fair value of financial instruments traded in active markets (such as trading for securities) is based on the quoted market closing price at the reporting date.

Property, plant and equipment
The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Mining tenements
The fair value of mining tenements acquired through asset purchase or business combinations is estimated using market valuation techniques, as determined by independent experts. The market valuation techniques are based on discounted cash flows expected to be derived from use of the assets or a market based assessment using prices of comparable assets.

Port access rights, mine and port development costs
The fair value of port access rights and mine and port development costs, which were acquired through a business combination, are estimated using market valuation techniques, as determined by independent experts. The market valuation techniques are based on discounted cash flows expected to be derived from use of the assets.

Port facility prepayment
The fair value of port facility prepayment is the contribution paid to Port Hedland Port Authority (PHPA).

Share-based payment transactions
The Group measures the cost of equity-settled share appreciation rights, performance rights and option transactions with employees, contractors and other third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the options are determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in Note 5.
The fair value of the share appreciation rights and performance rights over shares granted, that are subject to the internal iron ore shipping rate, is determined by an external valuation using a Black-Scholes option pricing model. The fair value of the share appreciation rights and performance rights over shares granted, that are subject to a total shareholder return hurdle, is determined by an exernal valuation using a Black-Scholes option pricing model that includes a Monte Carlo simulation model, taking into account the terms and conditions upon which the awards were granted. Refer Note 5 for further details.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer elects to measure the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation either at fair value, or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in business combination expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date (being the date the acquirer gains control) through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured. Subsequent settlement is accounted for within equity. In instances, where the contingent consideration does not fall within the scope of AASB 139, it is measured in accordance with the appropriate AASB.

Goodwill is included in intangible assets and initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Land and buildings
Land and buildings are measured on the cost basis.

Plant and equipment
Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. The cost of plant and equipment

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads that are directly attributable to the construction of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation
Land is not depreciated but is subject to impairment.

Depreciation of buildings is calculated on a straight-line basis so as to write off the net costs over the expected useful life. The depreciation rate for buildings is 5% per annum.

Depreciation of plant and equipment is calculated on a straight-line basis so as to write off the net costs of each asset over the expected useful life or the estimated life of the associated mine, if shorter. The rates vary between 5% and 40% per annum.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(g) Impairment of assets

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that occurred after the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset and that effect can be estimated reliably.

The Group considers evidence for impairment at the specific asset and collective level of assets with similar risk characteristics. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original interest rate. All impairment losses are recognised in the profit or loss.

Non-financial assets
The carrying amount of the Group's non-financial assets, other than inventories and deferred taxes, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and any intangible assets that have indefinite lives and are tested annually for impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of assets or groups of assets (cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed that carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Exploration and evaluation costs / mining tenements capitalised

Exploration and evaluation costs on an area of interest without established JORC compliant reserves are written off in the year they are incurred, apart from acquisition costs, which are carried forward where right of tenure of the area of interest is current, and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Evaluation expenditure on an area of interest, where reserves have been established, is capitalised.

Where an area of interest is abandoned, or the Directors decide that it is not commercially viable, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

(i) Development costs

Mine and port development
Development costs include direct and indirect costs associated with mine infrastructure, pre-production development costs, development excavation, project execution costs and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment. The definition of an area of interest is the area serviced by a given mining operations centre.

Development costs are carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward development costs are to be amortised on a units of production basis over the life of economically recoverable reserves of the area of interest. The Group assesses future capital costs required to bring existing reserves into production and includes an estimate of these costs in the base when calculating amortisation expense.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, development assets are allocated to CGUs to which the development activity relates. The CGU shall not be larger than the area of interest.

Deferred stripping
Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development stripping (i.e. overburden and other waste removal). The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are capitalised as development costs. Capitalisation of development stripping costs ceases and amortisation of those capitalised costs commences when the strip ratio reaches the life of mine strip ratio. Amortisation of capitalised development stripping costs is determined on a unit of production basis over the life of mine.

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If however, the pits are highly integrated for the purpose of mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping, of the second and subsequent pits are deferred to the extent that the current period ratio exceeds the life of mine strip ratio. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined either by the quantity of ore mined, or by the quantity of minerals contained in the ore.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalised development stripping costs are classified as 'Development Expenditure'. Development stripping costs are considered in combination with other assets of an operation for the purpose of undertaking impairment assessments.

Removal of waste material normally continues throughout the life of a mine. This activity is referred to as production stripping and commences upon extraction of ore. The costs of production stripping are included in the cost of inventories.

(j) Interests in joint ventures

Joint control is defined as the contractually agreed sharing of control over an economic activity and this exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Jointly controlled assets
A jointly controlled asset (JCA) involves joint control and often joint ownership by the Group and other venturers of assets contributed to, or acquired for the purpose of, the joint venture, without the formation of a corporation, partnership or other entity.

Where the Group's activities are conducted through JCAs, the Group recognises its share of the jointly controlled assets and liabilities it has incurred, its share of liabilities incurred jointly with other venturers, related revenue and operating costs in the financial statements and a share of production.

Jointly controlled entities
A jointly controlled entity (JCE) is a corporation, partnership or other entity in which each venturer holds an interest. A JCE operates in the same way as other entities, except that a contractual arrangement establishes joint control. A JCE controls the assets of the joint venture, earns its own income and incurs its own liabilities and expenses. Interests in JCEs are accounted for using the equity method.

Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the joint venture. Where there has been a change recognised directly in other comprehensive income or equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of comprehensive income or the statement of changes in equity, as appropriate. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The share of the joint venture's net profit or loss is shown on the face of the statement of comprehensive income. This is the profit or loss attributable to venturers in the joint venture.

The financial statements of the JCE are prepared for the same reporting period as the venturer. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(k) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, transfer to the Group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in the income statement on a straight line basis over the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Atlas Iron Limited.

(m) Mineral Resource Rent Tax (MRRT)

MRRT is considered, for accounting purposes, to be a tax based on income. Accordingly, current and deferred MRRT expense is measured and disclosed on the same basis as income tax.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Employee benefits

Employee benefits are expensed in the profit or loss and provisions are made for benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, long service leave and related on-costs such as superannuation, workers compensation and payroll tax. The Group's superannuation is a defined contribution plan under which fixed contributions are made to a superannuation fund with no further legal or constructive obligation to pay.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Share-based payments
The Group provides benefits to employees (including Executive Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions') (subject to shareholder approval). During the current financial year, key management personnel and selected direct reports have been offered performance rights and share appreciation rights under the Long-Term Incentive Plan. The fair value of the awards granted is measured using and combination of a Black-Scholes option pricing model and a Monte Carlo simulation model, taking into account the terms and conditions upon which the awards were granted. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general rights holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The cost of the equity-settled option transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options and rights that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, no further expense is recognised. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Group's activities. The amount of revenue is not considered to be reliably measurable until all material contingencies relating to the sale have been resolved.

Sale of goods
Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable and collectability is reasonably assured. This is generally when title passes. The majority of the Group's sales agreements specify

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

that title passes when the product is delivered to the destination specified by the customer, which is typically the vessel on which the product will be shipped. In practical terms, revenue is generally recognised on the bill of lading date, which is the date the commodity is delivered to the shipping agent. These sales agreements also allow for an adjustment to the sales price based on a survey of the goods by the customer (an assay for mineral content), therefore recognition of the sales revenue is based on the most recently determined estimate of product specifications. Revenue is not reduced for royalties and other taxes payable from the Group's production.

Provisional values are recognised on cargos which are provisionally priced at the date of sale. Adjustments to the sale price then occur subsequent to the date of sale based on movements in quoted market prices on which the final price is based, with adjustments reflected in sales and trade receivables. The period between provisional invoicing and final pricing is typically between 60 and 120 days. The revenue adjustment which is embedded within the provisionally priced sale arrangements is measured at fair value and is re-estimated continuously until final pricing is determined. Fair value adjustments, estimated by reference to forward market prices, are recognised as an adjustment to revenue.

(q) Issued capital

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(r) Earnings per share (EPS)

Basic earnings per share
Basic EPS is calculated as the profit/(loss) attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares (share options granted to employees).

(s) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less.

(t) Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

(u) Inventories

Iron ore stockpiles are physically surveyed or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods. Materials and supplies are valued at the lower of cost or net realisable value. Any provision of obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

(v) Intangible assets

Intangible assets acquired by the Group, such as port access rights, software and licences that have a finite life are recorded at cost or fair value in business combinations less accumulated amortisation or impairment charges. Amortisation is charged over the useful life of the finite asset according to consumption of benefits.

(w) Port access prepayments

Port access prepayments are initially recognised at cost and amortised over the period of the benefits obtained.

(x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(y) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets.

(z) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(aa) Financial instruments

Non-derivative financial assets
The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables, including service concession receivables.

(bb) Australian Accounting Standards and Interpretations issued but not adopted

The standards and interpretations relevant to Atlas that have not been early adopted are:

(i) AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities:* applicable to annual reporting periods beginning on or after 1 July 2013. AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to include disclosure of information that will enable users to evaluate the effect or potential effect of netting arrangements including rights of set-off associated with recognising financial assets and liabilities. This amendment is not expected to have an impact on Atlas' financial statements

(ii) AASB 9 *Financial Instruments*: applicable to annual reporting periods beginning on or after 1 July 2015.
This standard includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments:* Recognition and Measurement. This standard was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. An assessment of the Groups financial assets and liabilities was performed to determine whether the change in standard would affect the classification and measurement of financial instruments currently held. The new standard is not expected to impact the measurement of Atlas' financial assets and liabilities. Additional disclosure requirements will be incorporated on adoption of the standard.

(iii) AASB 10 *Consolidated Financial Statements:* applicable to annual reporting periods beginning on or after 1 July 2013.
The new standard introduces a new definition of control of an entity, which widens the scope of the standard to include:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Power over investees to direct activities;
- Exposure to rights to variable returns from investment with investees;
- Ability to use its power over the investee to affect the amount of the investee returns; and
- Does not participate in any decision-making policies including financial or business related strategic decisions.

An analysis was performed to identify whether the widening of the definition of control impacts on Atlas' financial statements. If the new standard was applied to the current period, there would be no impact on Atlas' consolidated financial statements.

(iv) AASB 11 *Joint Arrangements*: applicable to annual reporting periods beginning on or after 1 July 2013. The new standard uses the principles of control in AASB 10 to define 'joint control' as being the contractually agreed sharing of control of an agreement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. Changes have been made to the categorisation of joint arrangements moving from three to two categories; joint operations and joint venture. In addition, it removes the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. An assessment was performed on each joint venture arrangement held by the Group. Under the new standard, NWI would be treated as a joint venture and would continue to be equity accounted. The Mt Webber and Daltons Iron Ore joint arrangements would be treated as a joint operation and Atlas would continue to recognise its share of assets, liabilities, revenue and expenses.

(v) AASB 12 *Disclosure of interest in Other Entities*: applicable to annual reporting periods beginning on or after 1 July 2013.
The new standard includes all of the disclosures that are required related to an entity's involvement with other entities including subsidiaries, joint arrangements and associates. Some of the more extensive qualitative and quantitative disclosures include:

- Summarised financial information for each subsidiary that has non-controlling interest that are material to the reporting entity;
- Significant judgments used by management in determining control, joint control and significant influence; and
- Nature of risks associated with the entity's interest in unconsolidated structured entities.

The amendment to the standard will affect the disclosure of Atlas' financial statements in future periods.

(vi) AASB 13 *Fair Value Measurement:* applicable to annual reporting periods beginning on or after 1 July 2013.
The new standard provides guidance on how to determine fair value when fair value is required or permitted. The amendment to the definition of fair value, being the price that would be received to sell the asset or paid to transfer a liability, will apply to Atlas' financial assets which are currently held at fair value through profit and loss; however, the change in standard is not expected to have a material effect on Atlas' financial statements. The new disclosure requirements will have a future impact on Atlas' financial statements.

(vii) AASB 119 *Employee Benefits:* applicable to annual reporting periods beginning on or after 1 July 2013.
The revision in the standard changes the definition of short term employee benefits. The distinction between short term benefits and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within twelve months after the reporting date. The amendment to the standard is not expected to materially impact on Atlas' financial statements.

(viii) Amendments to Australian Accounting Standards: *Transition Guidance and Other Amendments:* applicable to annual reporting periods beginning on or after 1 July 2013.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 2012-10 amends AASB 10 and provides transition guidance, in particular that the assessment of control is to be made at the beginning of the period. The Group shall transition to AASB 10 in accordance with the amended guidance.

(ix) Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*: applicable to annual reporting periods beginning on or after 1 July 2013.
The interpretation requires production stripping costs to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. The Interpretation is not expected to materially impact on Atlas' financial statements.

(cc) Comparative amounts

Certain comparative disclosures have been reclassified to conform to the current year's presentation.

	2013 $'000	2012 $'000
2. OPERATING COSTS		
Mining costs	**(196,848)**	(127,661)
Haulage	**(101,883)**	(73,632)
Port costs *	**(78,825)**	(54,291)
Shipping costs	**(75,504)**	(63,731)
Royalties	**(54,281)**	(46,364)
Depreciation and amortisation	**(93,421)**	(38,975)
	(600,762)	(404,654)

*Port costs include the amortisation of contributions made to the Port Hedland Port Authority. Refer to Note 6.

	2013 $'000	2012 $'000
3. IMPAIRMENT LOSS		
Undeveloped Horizon 1 and 2 exploration project areas	**440,200**	-
Non-core tenements		
- Balla Balla magnetite project held for sale	**-**	33,880
- Yerecoin magnetite project held for sale	**-**	33,547
- Other	**17,933**	-
Impairment loss	**458,133**	67,427
Income tax benefit on impairment loss	**(127,968)**	(18,798)
MRRT benefit on impairment loss (net of income tax)	**(70,183)**	-
Impairment loss after tax	**259,982**	48,629

The Company has performed an assessment of indicators of impairment as at 30 June 2013. The Company considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 June 2013, the market capitalisation of the Company was below the book value of its net assets, indicating a potential trigger for impairment of assets.

A full assessment of impairment of assets was completed and following is the results of that assessment:

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%. These project areas do not have goodwill allocated to them.

Non-core tenements

An impairment loss of $17,933,000 has been recognised in relation to non-core tenements, which do not contain sufficient resources for the Company to pursue and have been, or are, in the process of being disposed or surrendered.

On 16 December 2011, the Group entered into an agreement to sell its Balla Balla magnetite project to Forge Resources Limited for cash and a potential royalty. The total cash consideration was $39,500,000; no value was ascribed to the potential royalty payment and an impairment was recognised at the date of the agreement.

On 23 December 2011, the Group entered into an agreement to sell its Yerecoin magnetite project to Cliffs Natural Resources Limited for an upfront cash consideration of $18,000,000, plus consideration which is contingent on an increase to magnetite and direct shipping ore tonnage. No value was ascribed to the contingent consideration and an impairment was recognised at the date of the agreement.

4. ACQUISITION OF SUBSIDIARY

(a) 2013 - 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 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 final 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

4. ACQUISITION OF SUBSIDIARY (CONTINUED)

Transactions separate from the acquisition
In the period of ownership from 29 August 2012 to 30 June 2013, Shaw River contributed net finance costs of $342,000 and a net loss before tax of $6,203,000 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 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, as a result of the acquisition as follows:

	$'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.

(b) 2012 - Acquisition of FerrAus Limited

During the previous financial year the Group acquired an initial equity holding and subsequent control of FerrAus Limited (FerrAus). FerrAus is an entity involved in exploration of minerals in the South East Pilbara.

On 31 August 2011:

- the Group subscribed for 37,439,785 FerrAus shares at an issue price of $0.65 per FerrAus share, for a total cash consideration of $24,335,860; and
- FerrAus purchased certain iron ore tenements from the Group in consideration for the issue of 121,846,154 FerrAus shares.

As a result of the above, the Group obtained a 38.96% stake in FerrAus.

On 8 September 2011, the Group obtained control of FerrAus, by acquiring additional equity and voting interests resulting in the Group holding 60.48% of FerrAus. This transaction was mutually exclusive to the initial transaction obtaining the equity interest of 38.96%. Therefore, in accordance with Australian Accounting Standards, the initial investment was re-measured to fair value as at the date on which control of FerrAus was obtained thus resulting in a gain of $2,458,000.

On 6 October 2011, the Group proceeded with the compulsory acquisition of the remaining ordinary shares in FerrAus.

The acquisition of FerrAus enables the Group to pursue the consolidation of iron ore assets in the South East Pilbara and increase its access to infrastructure.

4. ACQUISITION OF SUBSIDIARY (CONTINUED)

The identifiable assets acquired and liabilities assumed of FerrAus as at the date of acquisition, being 8 September 2011, were:

	Book Value	Fair Value
	$'000	**$'000**
Cash and cash equivalents	38,714	38,714
Trade and other receivables	6,292	6,292
Financial assets	2,999	2,999
Investment in equity accounted investee	1,050	33,220
Property, plant and equipment	1,944	1,944
Mining tenements capitalised	92,545	291,385
Trade and other payables	(18,351)	(18,351)
Employee benefits	(202)	(202)
Deferred tax liability	-	(13,197)
Total net identifiable assets	**124,991**	**342,804**
Consideration transferred		
Equity consideration (a)		236,905
Other consideration (b)		146,543
Cash and cash equivalents acquired		(38,714)
Acquisition of subsidiary, net of cash acquired		**344,734**

(a) The fair value of ordinary shares issued was based on the listed share price of the Company at 8 September 2011 of $3.70 per share.
(b) Other consideration represents the Group's initial investment in FerrAus on completion of the Subscription and Iron Ore Assets Acquisition, re-measured at fair-value on 8 September 2011.

Other transaction related to the acquisition
The Group has incurred acquisition-related costs of $20,290,000 relating to stamp duty, advisory fees, external legal fees and due diligence costs, which are disclosed as business combination expense.

In the period of ownership from 8 September 2011 to 30 June 2012, FerrAus contributed net finance income of $307,000 and a net loss before tax of $15,823,000 to the Group's results. If the acquisition had occurred on 1 July 2011, management estimates that consolidated loss for the period would have been $124,253,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2011.

Goodwill
Goodwill was recognised as a result of the acquisition as follows:

	$'000
Total consideration	383,448
Less Fair value of identifiable assets	(342,804)
Goodwill	**40,644**

The goodwill represents the synergies expected to be derived from integrating FerrAus into the Group, specifically through the access to infrastructure. None of the goodwill recognised is expected to be deductible for income tax purposes.

5. SHARE BASED PAYMENTS

Employee and Contractors Option Plan

The Group has historically provided benefits to its employees (including directors) and contractors in the form of share based payment transactions, whereby options to acquire ordinary shares were issued as an incentive to improve employee and shareholder goal congruence. No options were issued in the current financial year.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Group with full dividend and voting rights.

Set out below are summaries of the options granted:

	2013		2012	
	Number of options	**Weighted average Exercise price**	Number of options	Weighted average Exercise price
Outstanding at the beginning of the year	**16,700,000**	**2.69**	23,565,000	2.07
Granted	**-**	**-**	-	-
Exercised	**(225,000)**	**1.49**	(6,180,000)	0.75
Cancelled/lapsed	**(3,280,000)**	**2.77**	(685,000)	1.11
Outstanding at year end	**13,195,000**	**2.69**	16,700,000	2.69
Exercisable at year end	**13,195,000**	**2.69**	16,595,000	2.69

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.75 years (2012: 2.25 years), and the exercise prices range from $1.20 to $4.20. The weighted average price of shares at the date of exercising options was $1.40 (2012: $3.20).

Unexercised options at the end of the financial year

	Expiry date	**2013 Number of options ('000)**
Exercise price		
$1.01 to $2.00	30 September 2013 to 31 December 2013	**970**
$2.01 to $3.00	30 September 2013 to 30 June 2015	**11,620**
$3.01 to $4.00	31 December 2014 to 31 March 2015	**505**
$4.01 to $5.00	31 December 2015	**100**
End of the financial year		**13,195**

	Expiry date	2012 Number of options ('000)
Exercise price		
$1.01 to $2.00	16 July 2012 to 31 December 2013	1,645
$2.01 to $3.00	20 August 2012 to 30 June 2015	13,790
$3.01 to $4.00	30 September 2012 to 31 March 2015	655
$4.01 to $5.00	30 June 2013 to 31 December 2015	610
End of the financial year		16,700

5. SHARE BASED PAYMENTS (CONTINUED)

Unvested unlisted performance and share appreciation rights under the Long-Term Incentive Plan (LTIP)

On 20 December 2012 (2012: 28 June 2012), Key Management Personnel (KMP) and selected direct reports were granted performance rights and share appreciation rights. Both rights are subject to a total shareholder return (TSR) hurdle as well as an internal iron ore shipping rate (IOS) hurdle, with equal weightings for each hurdle.

No performance rights or share appreciation rights will vest until after an employee receives a vesting notification from the Board, advising them in writing the number of Long-Term Incentive (LTI) awards that have vested and the manner in which the awards will be settled, that is, cash or shares. Performance rights and share appreciation rights not vested on the vesting date, (30 June 2015 for LTIP granted on 20 December 2012 and 30 June 2014 for LTIP granted on 28 June 2012) will automatically lapse and be forfeited in accordance with the LTIP rules. LTI awards that vest to any Executive Director cannot be settled in equity without prior shareholder approval.

Share appreciation rights	**2013**	2012
	Number of rights	Number of rights
Balance at 1 July 2012	**1,209,520**	-
Granted during the year	**1,795,200**	1,209,520
Forfeited during the year	**(575,535)**	-
Balance at 30 June 2013	**2,429,185**	1,209,520

Performance rights		
	Number of rights	Number of rights
Balance at 1 July 2012	**624,472**	-
Granted during the year	**807,700**	624,472
Forfeited during the year	**(275,566)**	-
Balance at 30 June 2013	**1,156,606**	624,472

2013

The fair value of the services received in return for performance rights and share appreciation rights granted on 20 December 2012 is based on the fair value of rights granted, measured using a Black-Scholes and Monte-Carlo simulation models, incorporating the probability of the relative TSR vesting conditions being met, with the following inputs:

	Performance rights		**Share appreciation rights**	
Performance measure	IOS	TSR	IOS	TSR
Vesting conditions	See below	See below	See below	See below
Test date	30 June 2015	30 June 2015	30 June 2015	30 June 2015
Performance period	1 July 2012 to 30 June 2015	1 July 2012 to 30 June 2015	1 July 2012 to 30 June 2015	1 July 2012 to 30 June 2015
Share price at grant date	N/A	N/A	$1.49	$1.49
Share price to determine number allocated (exercise price)	N/A	N/A	$2.04	$2.04
Remaining life	2 years	2 years	2 years	2 years
Risk free rate	2.75%	2.75%	2.75%	2.75%
Volatility	55%	55%	55%	55%
Dividend yield	2%	2%	2%	2%
Fair value on grant date	$1.42	$0.76	$0.35	$0.32

5. SHARE BASED PAYMENTS (CONTINUED)

Vesting conditions
The TSR scorecard will be determined based on the percentile ranking of the Company's TSR results, relative to the TSR of each of the companies in the comparator group over the same performance period. The comparator group currently comprises selected constituents of the S&P ASX 300 Metals & Mining Index. Where the relative TSR performance is:

1. less than or equal to the 50th percentile, the TSR scorecard is nil;
2. more than the 50th but less than the 75th percentile, the TSR scorecard is pro rata between 50% to 100%; and
3. equal to or more than the 75th percentile the TSR scorecard is 100%.

The hurdle price of the share appreciation rights, for the purposes of TSR, is equivalent to the 30 day volume weighted average share price at the commencement of the performance period. The hurdle price of the share appreciation rights for the 2012 offer was calculated at $2.04 per right (2011 offer was $3.04 per right).

The IOS scorecard will be determined based on the number of tonnes of iron ore shipped or exported by the Company during the last year of the performance period. The iron ore shipping target for the performance period is 12.7 Mt shipped during the financial year ending 30 June 2015. Where the IOS performance is:

1. less than or equal to 10Mt, the IOS scorecard is nil;
2. more than 10Mt but less than 12.7Mt, the IOS scorecard is pro rata between 20% to 100%; and
3. equal to or more than 12.7Mt, the TSR scorecard is 100%.

2012

The fair value of the services received in return for performance rights and share appreciation rights granted on 28 June 2012 is based on the fair value of rights granted, measured using a Black-Scholes and Monte-Carlo simulation models, incorporating the probability of the relative TSR vesting conditions being met, with the following inputs:

	Performance rights		**Share appreciation rights**	
Performance measure	IOS	TSR	IOS	TSR
Vesting conditions	See below	See below	See below	See below
Test date	30 June 2014	30 June 2014	30 June 2014	30 June 2014
Performance period	28 March 2012 to 30 June 2014	28 March 2012 to 30 June 2014	28 March 2012 to 30 June 2014	28 March 2012 to 30 June 2014
Share price at grant date	N/A	N/A	$1.93	$1.93
Share price to determine number allocated (exercise price)	N/A	N/A	$3.04	$3.04
Remaining life	2 years	2 years	2 years	2 years
Risk free rate	2.41%	2.41%	2.41%	2.41%
Volatility	55%	55%	55%	55%
Dividend yield	1.5%	1.5%	1.5%	1.5%
Fair value on grant date	$1.87	$1.10	$0.32	$0.30

Vesting conditions
The TSR scorecard will be determined based on the percentile ranking of the Company's TSR results, relative to the TSR of each of the companies in the comparator group over the same performance period. The comparator group currently comprises selected constituents of the S&P ASX 300 Metals & Mining Index. Where the relative TSR performance is:

1. less than or equal to the 50th percentile, the TSR scorecard is nil;
2. more than the 50th but less than the 75th percentile, the TSR scorecard is a pro rata between 50% to 100%; and
3. equal to or more than the 75th percentile the TSR scorecard is 100%.

	2013	2012
	$'000	$'000

5. SHARE BASED PAYMENTS (CONTINUED)

The IOS scorecard will be determined based on the number of tonnes of iron ore shipped or exported by the Company during the last year of the performance period. The iron ore shipping target for the performance period is 12 Mt shipped during the financial year ending 30 June 2014. Where the IOS performance is:

1. less than or equal to 8Mt, the IOS scorecard is nil;
2. more than 8Mt but less than 12Mt, the IOS scorecard is pro rata between 50% to 100%; and
3. equal to or more than 12Mt, the TSR scorecard is 100%.

Expenses arising from share-based payment transactions	**2013 $'000**	2012 $'000
Share options	**357**	1,304
Performance and share appreciation rights	**912**	145
Total	**1,269**	1,449

6. PREPAYMENTS

	2013 $'000	2012 $'000
Current	**29,703**	26,960
Non-current	**34,608**	42,563
	64,311	69,523

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 have been recouped against port handling charges since the berth commissioning in September 2010 and will continue to be recouped on future tonnes shipped over the berth. In the current year, the Group recouped $6,265,000 (2012: $9,083,000). Disclosed within Prepayments - Current is the amount expected to be recouped within the next 12 months, being $5,806,000 (2012: $7,638,872).

Contributions of $11,228,000 (2012: $48,500,000) were recorded as part of the long-term infrastructure sharing agreement for Wodgina operations entered into in the previous financial year. An amortisation expense of $17,264,000 was recognised during the current financial year (2012: $4,560,000). Disclosed within Prepayments – Current is the amount expected to be recouped within the next 12 months, being $16,920,000 (2012: $17,345,000).

	2013 $'000	2012 $'000
7. OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Corporate salaries and benefits*	**(18,069)**	(20,489)
Corporate expenses	**(5,382)**	(4,107)
Consultancy expenses	**(9,033)**	(14,033)
Building and properties	**(7,332)**	(5,754)
Other expenses	**(2,177)**	(174)
	(41,993)	(44,557)

Expenses comprise costs for both corporate activities and shared services.

* Contributions of $4,181,000 were made during the year (2012: $3,439,000) to defined contribution plans.

8. NET FINANCE INCOME/(EXPENSE)

	2013 $'000	2012 $'000
Interest income	**13,049**	21,324
Interest accretion	**3,306**	1,735
Net foreign exchange gain	**-**	4,030
Finance income	**16,355**	27,089
Interest expense	**(16,041)**	(378)
Interest accretion	**(552)**	(1,371)
Amortisation of debt establishment costs	**(2,434)**	-
Loss on change to fair value of financial assets	**(3,686)**	(5,075)
Net foreign exchange loss	**(8,338)**	-
Finance expense	**(31,051)**	(6,824)
Net finance (expense)/income	**(14,696)**	20,265

	2013	2012
	$'000	$'000

9. INCOME TAX

The major components of income tax expense are:

	2013 $'000	2012 $'000
Deferred taxes		
Relating to origination and reversal of temporary differences (excluding MRRT)	**(122,369)**	6,317
Unders/overs	**(3,055)**	-
MRRT:		
Deferred tax expense related to the movements in deferred tax balances	**(124,186)**	165,507
Income tax benefit on MRRT	**37,256**	(49,652)
Tax expense reported in the statement of comprehensive income	**(212,354)**	122,172

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2013 $'000	2012 $'000
Accounting (loss)/profit before income tax	**(457,426)**	7,556
At the Group's statutory income tax rate of 30% (2012: 30%)	**(137,228)**	2,267
Entertainment – non-deductible	**82**	62
Non cash benefit	**279**	423
Other non-deductible*	**2,702**	8,014
Loss on sale of tenements	**-**	(9,500)
Non-deductible impairment on tenements	**9,299**	-
Equity accounting for share of loss of associates and joint ventures	**2,583**	4,321
Net loss on financial assets classified as held for trading	**1,106**	1,474
Fair value adjustments on acquisition of subsidiaries	**(353)**	(448)
R&D tax concession	**-**	(296)
Adjustment in respect of current income tax of previous years	**(3,055)**	-
Current year losses not brought to account	**(839)**	-
MRRT:		
MRRT (benefit)/expense	**(124,186)**	165,507
Income tax expense/(benefit) on MRRT expense	**37,256**	(49,652)
Total MRRT (benefit)/expense	**(86,930)**	115,855
Tax (benefit)/expense reported in the consolidated statement of comprehensive income	**(212,354)**	122,172
Represented by:		
Income tax associated with impairment	**(198,151)**	(19,214)
MRRT – initial recognition	-	115,855
Other	**(14,203)**	25,531
	(212,354)	122,172

* Other non-deductible items for the year ended 30 June 2012 mainly relate to expenditure associated with the acquisition of FerrAus by the Group.

9. INCOME TAX (CONTINUED)

	Statement of financial position				
	2012 $'000	Recognised in profit or loss	Business combination	Equity	2013 $'000
Deferred income tax					
Deferred income tax at 30 June relates to the following:					
CONSOLIDATED					
Deferred income tax liabilities (DTL)					
Port access rights	(23,599)	837	-	-	**(22,762)**
Mining tenements capitalised	(275,173)	126,684	(8,165)	917	**(155,737)**
Mine development costs	(17,822)	(15,842)	-	-	**(33,664)**
Intangibles	-	(75)	-	-	**(75)**
Cash deposits	284	(3,366)	-	-	**(3,082)**
	(316,310)	108,238	(8,165)	917	**(215,320)**
Deferred tax assets (DTA)					
Prepayments	1,368	(1,368)	-	-	**-**
Other assets	488	5,906	-	-	**6,394**
Plant and equipment	140	395	-	-	**535**
Reserve improvement	-	294	-	-	**294**
Payroll liabilities	26	(26)	-	-	**-**
Accrued income	97	-	-	-	**97**
Accrued expenses	4,064	(2,548)	-	-	**1,516**
Provisions	7,805	2,073	-	-	**9,878**
Employee benefits – long service leave	98	9	-	-	**107**
Employee benefits – annual leave	834	170	-	-	**1,004**
Interest bearing loans and borrowings	-	10,309	-	-	**10,309**
Customer rebates	-	1,215	-	-	**1,215**
Other – non-current liabilities	(17)	28	-	-	**11**
Other – tax assets	3,566	(1,414)	-	-	**2,152**
DTA arising from MRRT DTL	49,652	(37,256)	-	-	**12,396**
DTA – tax losses recognised	243,638	2,143	-	-	**245,781**
Gross deferred income tax assets	311,759	(20,070)	-	-	**291,689**
Net deferred income tax liabilities (DTL)/ tax asset DTA	(4,551)	88,168	(8,165)	917	**76,369**
Deferred tax liability arising from MRRT (Mining tenements capitalised)	(165,507)	124,186	-	-	**(41,321)**
Total	(170,058)				**35,048**
Recognised as:					
Deferred tax asset	-				**83,619**
Deferred tax liability	(170,058)				**(48,571)**
	(170,058)				**35,048**

9. INCOME TAX (CONTINUED)

	Statement of financial position			
	2011 **$'000**	**Recognised in profit or (loss)**	**Business combination**	**2012** **$'000**
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred income tax liabilities (DTL)				
Port access rights	(21,619)	(1,980)	-	**(23,599)**
Accrued income	(506)	603	-	**97**
Mining tenements capitalised	(16,117)	(244,894)	(14,162)	**(275,173)**
Mine development costs	(11,315)	(6,507)	-	**(17,822)**
Other assets	(185)	777	(104)	**488**
	(49,742)	(252,001)	(14,266)	**(316,009)**
Deferred tax assets (DTA)				
Cash deposits	-	284	-	**284**
Prepayments	-	1,368	-	**1,368**
Plant and equipment	74	66	-	**140**
Payroll liabilities	13	13	-	**26**
Accrued expenses	1,164	2,900	-	**4,064**
Provisions	5,429	2,376	-	**7,805**
Employee benefits – long service leave	167	(69)	-	**98**
Employee benefits – annual leave	435	399	-	**834**
Other – non-current liabilities	24	(41)	-	**(17)**
Other – tax assets	5,068	(2,571)	1,069	**3,566**
DTA arising from MRRT DTL	-	49,652	-	**49,652**
DTA – tax losses recognised	2,679	240,959	-	**243,638**
Gross deferred income tax assets	15,053	295,336	1,069	**311,458**
Net deferred income tax liabilities (DTL)	(34,689)	43,335	(13,197)	**(4,551)**
Deferred tax liability arising from MRRT (Mining tenements capitalised)	-	(165,507)	-	**(165,507)**
Total				**(170,058)**

The above disclosures have been prepared based on a tax consolidated group.

The Group has recognised revenue losses of $819,270,000 (2012: 812,127,000) that will continue to be subject to legislative requirements. The Group has unrecognised tax losses of $208,150,000 (2012: $205,191,000) arising in Australia that may be available for offset against future taxable profits. The availability of the losses is subject to the Group continuing to meet the legislative requirements for the utilisation of the losses.

The Group has an unrecognised MRRT tax benefit of $1,680,000,000 (gross) (2012: $1,740,000,000) arising in Australia that is available for offset against future MRRT taxable profits. This is driven by the MRRT Starting Base of $1,953,000,000 being partially offset by the accounting carrying value for the relevant projects. The Group is of the view that the availability of the benefit is not probable as it is subject to significant uncertainty. A DTA has not been recognised at 30 June 2013.

	2013	2012
	$'000	$'000
10. DIVIDENDS PAID AND PROPOSED		
Declared and paid during the year:		
Dividends paid on ordinary shares:		
Final unfranked dividend for 2012: 3 cents per share paid on 6 December 2012 (2011: 3 cents per share paid on 10 October 2011).*	**27,144**	26,578
Dividends declared on ordinary shares:		
Final unfranked dividend for 2013: 3.0 cents per shares (2012: 3.0 cents per share)	**27,272**	27,137

*Varies from prior year estimate due to options exercised between dividend declaration and record date.

The dividend franking account has a nil balance as at 30 June 2013 (2012: nil).

11. TRADE AND OTHER RECEIVABLES

	2013 $'000	2012 $'000
Current		
Trade receivables*	**22,410**	25,756
Goods and Services Tax receivable (net)	**7,223**	5,881
Interest receivable	**1,200**	3,932
Security deposits**	**2,194**	210
Related party receivables	**4,869**	2,397
Other receivables	**-**	1,264
	37,896	39,440
Non–current		
Security deposits**	**31,880**	27,827
Loan receivable from joint venture (Note 29)	**21,490**	8,876
Other	**8**	480
	53,378	37,183

* Includes trade receivables past due but not impaired of $196,000 (2012: $1,642,000).
** Security deposits represent cash backing for exploration and mining bonds, office bonds, bank guarantee and a credit card facility.

12. INVENTORIES

	2013 $'000	2012 $'000
Current		
Consumables – at cost	**183**	207
Work in progress – at cost	**37,141**	12,259
Finished goods – at cost	**8,826**	4,259
Total current inventories	**46,150**	16,725

	2013 $'000	2012 $'000

13. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

	2013 $'000	2012 $'000
Investment in associates	**13,246**	16,335
Investment in joint venture	**26,169**	38,110
	39,415	54,445

Name of entity	Principal activity		Ownership interest	
			%	%
Shaw River Manganese Limited	Mineral exploration	Associate[1]	[1]**53.45**	45.40
NWI Pty Limited	Port development	Joint Venture	[2]**63.00**	63.00
Centaurus Metals Limited	Iron ore exploration	Associate	[3]**19.58**	19.85
Kalamazoo Resources Pty Ltd	Mineral exploration	Associate	[4]**25.10**	-

[1] The Group obtained control of Shaw River Manganese Limited (Shaw River) by acquiring an additional 8.05% of the equity and voting interest on the 29th August 2012, increasing the Group's equity and voting interest to 53.45% which resulted in Shaw River becoming a subsidiary of Atlas. A share of its loss is recognised up until control was obtained. Details of the acquisition are outlined in Note 4.

[2] The Group has an interest of 63.00% in NWI Pty Ltd (NWI), however it does not have control, as decisions cannot be made without the unanimous approval of all shareholders as stated in the Corporate Governance Agreement. No individual shareholder controls NWI.

[3] During the period, the Group participated in Centaurus Metals Limited (Centaurus) fundraising to maintain its current interest of 19.85%. Atlas' consideration for the fundraising was $5,200,915. A change in shares on issue during the period has reduced the Group's interest by 0.27% to 19.58%. (2012: 19.85%).

[4] During the period, Shaw River acquired 33.30% of Kalamazoo Resources Pty Ltd shares in exchange for tenements. The Group's equity interest was diluted to 25.10% on 4th April 2013.

Summarised financial information for the Group's associates and joint venture:

Associates

Financial position of associates as at 30 June 2013

	2013 $'000	2012 $'000
Total assets	**29,595**	73,391
Total liabilities	**(2,756)**	(27,900)
Net assets	**26,480**	45,491
Group's share of net assets	**5,407**	9,030

Financial performance of associates for period ending 30 June 2013

	2013 $'000	2012 $'000
Total revenue	**101**	2,202
Total expenses	**(32,736)**	(49,165)
Total loss for the year after tax	**(32,635)**	(46,963)
Group's share of associates' losses excluding impairment	**(3,902)**	(9,718)
Group's share of impairment loss	[1]**(2,869)**	[2](4,940)

[1] Relates to the impairment of certain tenements. The Group's share of impairment expense is $2,869,000.

	2013 $'000	2012 $'000

13. INVESTMENT IN EQUITY ACCOUNTED INVESTEE (CONTINUED)

[2] Relates to the impairment of goodwill of Shaw River. Atlas recognised its share of Shaw River's impairment expense of $4,940,000, comprising the goodwill recognised by Shaw River on its acquisition of Otjozondu Holdings Pty Ltd in February 2011. The impairment has mainly resulted from a reduction in global manganese ore prices since the acquisition of Otjozondu Holdings Pty Ltd by Shaw River.

	2013 $'000	2012 $'000
Joint venture		
Financial position of joint venture as at 30 June 2013		
Total assets	**576**	1,648
Total liabilities	**(29,238)**	(23,631)
Net liabilities	**(28,662)**	(21,983)
Group's share of net liabilities	**(18,056)**	(13,849)
Financial performance of joint venture for the period ending 30 June 2013		
Total revenue	**22**	63
Total loss for the year after tax	**(7,440)**	(1,696)
Group's share of joint venture loss	***(2,091)**	(82)
Group's share of joint venture commitments	**(38)**	(117)
Share of loss of associate (including impairment)	**(6,771)**	(14,658)
Share of loss of joint venture	**(2,091)**	(82)
Total share of loss of equity accounted investees	**(8,862)**	(14,740)

*The Group's share of loss includes adjustments to align with Atlas' accounting policies.

The Group recognises its interests in the joint venture using the equity method of accounting.

		2013 $'000	2012 $'000

14. PROPERTY, PLANT AND EQUIPMENT

		2013 $'000	2012 $'000
At cost		**116,689**	45,082
Accumulated depreciation and impairment		**(22,802)**	(13,668)
	14(a)	**93,887**	31,414

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year.

	2013 $'000	2012 $'000
Property		
Carrying amount at beginning	**24,916**	12,437
Transfers	**(3,605)**	(1,335)
Additions		
- Buildings	**268**	5,862
- Under construction	**1,751**	10,431
Disposals	**-**	(319)
Reimbursement of office fit-out	**(5,717)**	-
Impairment	**-**	(275)
Depreciation expense	**(2,889)**	(1,885)
Carrying amount at end	**14,724**	24,916
Plant and equipment		
Carrying amount at beginning	**6,498**	6,927
Transfers	**4,937**	1,335
Additions	**6,439**	8,259
Additions from business combinations (Note 4)	**1,146**	1,944
Disposals	**(253)**	(7,413)
Depreciation expense	**(3,857)**	(4,503)
Impairment loss	**-**	(51)
Carrying amount at end	**14,910**	6,498
Assets under construction		
Carrying amount at beginning	**-**	-
Additions	**64,253**	-
Carrying amount at end	**64,253**	-
Total	**93,887**	31,414

15. INTANGIBLES

		2013 $'000	2012 $'000
At cost		**148,898**	147,510
Accumulated amortisation		**(7,844)**	(3,876)
	15(a)	**141,054**	143,634

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of intangible assets between the beginning and end of the current financial year.

	2013 $'000	2012 $'000
Goodwill		
Carrying amount at beginning	**60,777**	20,133
Additions from business combination (Note 4)	**-**	40,644
Carrying amount at end	**60,777**	60,777

For impairment testing, goodwill is allocated to the Group's singular operating segment (Note 30). The recoverable amount was measured using a combination of life-of-mine value in use calculations, which was determined by discounting future cash flows of the business and fair value, which in turn was determined by other valuation methodologies including resource multiples. No impairment losses were recognised.

	2013	2012
	$'000	$'000

15. INTANGIBLES (CONTINUED)

Key assumptions contained in future cash flows are based on external sources of information where available, or reflect past experience and include forward iron ore price and foreign exchange rates (based on external market analysts), discount rates, reserves and resources, production volumes and operating costs and capital expenditure. Resource multiples are observed from external sources. The nominal pre-tax discount rate applied to cash flow projections ranged between 15-17%.

Increases in the discount rates or changes in other key assumptions, such as iron ore pricing, operating costs or market conditions, may cause the carrying values of cash generating units to exceed their recoverable amounts. The directors believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the cash generating unit to materially exceed its recoverable amount due to existing headroom.

	2013 $'000	2012 $'000
Port access rights		
Carrying amount at beginning	**78,291**	79,844
Amortisation expense	**(2,453)**	(1,553)
Carrying amount at end	**75,838**	78,291
Other		
Carrying amount at beginning	**4,566**	358
Additions	**2,457**	4,633
Amortisation expense	**(2,584)**	(425)
Carrying amount at end	**4,439**	4,566
	141,054	143,634

16. MINE DEVELOPMENT COSTS

	2013 $'000	2012 $'000
At cost	**575,118**	250,849
Accumulated amortisation and impairment	**(161,364)**	(76,485)
	413,754	174,364
Mine development cost breakdown:		
Carrying amount at beginning	**174,364**	157,963
Additions	**205,855**	113,769
Reassessment of rehabilitation asset	**25,374**	4,984
Transfers from mining tenements capitalised	**92,820**	1,903
Transfers from/(to) evaluation expenditure - reserve development	**1,552**	(1,994)
Transfers to property, plant and equipment	**(1,332)**	-
Impairment loss on mine development	**-**	(33,069)
Disposal of mine development	**-**	(38,555)
Amortisation	**(84,879)**	(30,637)
Carrying amount at end	**413,754**	174,364

	2013 $'000	2012 $'000
17. EVALUATION EXPENDITURE – RESERVE DEVELOPMENT		
Carrying amount at beginning	**7,529**	-
Additions	**13,194**	5,535
Impairment (Note 3)	**(8,301)**	-
Transfer (to)/from mine development costs	**(1,552)**	1,994
Carrying amount at end	**10,870**	7,529
18. MINING TENEMENTS CAPITALISED		
Tenement acquisition costs	**764,704**	1,282,003
Tenement acquisition cost breakdown:		
Carrying amount at beginning	**1,282,003**	1,120,020
Additions from business combination (Note 4(a))	**27,302**	291,385
Other acquisition	**3,943**	46,680
Disposals	**(2,454)**	(138,419)
Impairment (Note 3)	**(449,832)**	(35,760)
Other	**(1,024)**	-
Transfers to mine development costs	**(92,820)**	(1,903)
Foreign exchange difference	**(2,414)**	-
Carrying amount at end	**764,704**	1,282,003

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

19. TRADE AND OTHER PAYABLES

	2013 $'000	2012 $'000
Current		
Trade payables (i)	**50,887**	61,632
Accrued expenses	**69,253**	99,428
Royalty payable	**18,149**	14,146
Provisional pricing and rebates payable	**26,626**	-
Other payables	**1,373**	1,353
	166,288	176,559
Non-current		
Other payables and accruals	**1,311**	-
	1,311	-

(i) Trade payables are non-interest bearing and are normally settled on a 30-day basis.

	2013 $'000	2012 $'000
20. INTEREST BEARING LOANS AND BORROWINGS		
Current		
Unsecured pre-export finance facility	**9,703**	21,097
Secured debt facility	**2,965**	-
	12,668	21,097
Non-current		
Secured debt facility	**292,049**	-
Borrowing costs	**(17,279)**	-
	274,770	-

On 10 December 2012, Atlas entered into a Term Loan B facility of US$275,000,000 which was fully drawn as at 30 June 2013. 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 all 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 asset 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 and then paid out on maturity. Establishment fees paid in relation to this facility total $19,437,000, with an amortisation expense of $2,158,000 being recognised during the current financial period. Interest expense recognised was $13,695,000.

On 10 December 2012, Atlas also put in place an A$50,000,000 three-year revolving facility. As of 30 June 2013 this facility remains undrawn. Establishment fees paid in relation to this facility total $1,486,000 with an amortisation expense of $276,000 being recognised during the current financial period. This facility has a 2.25% commitment fee for any undrawn amounts, with an expense of $626,000 being recognised during the current financial period.

Atlas has a US$50,000,000 (2012: 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 (against funds outstanding) and payable within 180 days, with interest payable at LIBOR, plus a margin. As at 30 June 2013, $9,703,000 (US$9,000,000) (2012: $21,097,000, US$21,500,000) has been drawn against this facility; the interest rate on the drawdown was 1.0925% (2012: 1.9525%) per annum, and matured on 12 July 2013 (2012: 16 July 2012). Subsequent to the period end, the drawdown has been settled, as payment has been received from customers.

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

	2013		2012	
Facility	**Available funds $'000**	**Amount drawn $'000**	Available funds $'000	Amount drawn $'000
Term Loan B facility*	**295,013**	**295,013**	-	-
Three year revolving facility	**50,000**	**-**	-	-
Pre-export funding facility*	**53,908**	**9,703**	29,438	21,097
Balance at end of year	**398,921**	**304,716**	29,438	21,097

*Facilities are denominated in USD and shown per their AUD equivalent in the table.

Note that Shaw River has an overdraft facility of $2.7M, of which $2.7M has been fully drawn as at 30 June 2013. This has been included in cash and cash equivalents. Refer Note 23(b).

	2013 $'000	2012 $'000
21. PROVISIONS		
Current		
Rehabilitation and demobilisation	**19,080**	-
	19,080	-
Non-current		
Rehabilitation and demobilisation	**30,576**	**25,963**
	30,576	**25,963**
Provisions breakdown:		
Carrying amount at beginning	**25,963**	19,728
Provisions made during the year	**18,901**	7,030
Provisions used during the year	**(1,869)**	(1,100)
Other movements / changes in estimate	**5,460**	(248)
Unwind of discount	**548**	553
Provisions arising from business combination (see Note 4)	**653**	**-**
Carrying amount at end	**49,656**	**25,963**

Rehabilitation provision

When developing its mines, the Group makes provision for the future cost of rehabilitating mine sites on a discounted basis. This provision represents the present value of rehabilitation costs relating to the mine sites, which are expected to be incurred through the life of mine. These provisions have been determined in conjunction with the work undertaken by external consultants. Assumptions based on the current economic environment, have been made in determining current rehabilitation provisions, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed at each reporting date to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This in turn, will depend upon future iron ore prices, which are inherently uncertain.

22. ISSUED CAPITAL, RESERVES AND ACCUMULATED PROFIT/(LOSS)

(a) Issued and paid up capital

		2013		2012	
		Number of shares ('000)	**$'000**	Number of shares ('000)	$'000
Ordinary shares fully paid	**22(b)**	**909,718**	**1,984,654**	904,580	1,977,877
		909,718	**1,984,654**	904,580	1,977,877
(b) Movements in ordinary share capital					
Beginning of the financial year		**904,580**	**1,977,877**	825,966	1,703,394
Issued during the year:					
- Ordinary shares issued upon exercise of options		**225**	**335**	6,180	4,606
- Ordinary shares issued for acquisition of FerrAus Ltd		**-**	**-**	64,028	236,905
- Ordinary shares issued for acquisition of tenements		**-**	**-**	8,406	33,000
- Ordinary shares issued through dividend reinvestment plan		**4,913**	**6,681**	-	-
- less transaction costs		**-**	**(239)**	-	(28)
End of the financial year		**909,718**	**1,984,654**	904,580	1,977,877

	2013 $'000	2012 $'000

22. ISSUED CAPITAL, RESERVES AND ACCUMULATED PROFIT/(LOSS) (CONTINUED)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of, and amounts paid on the shares held. There are no restrictions attached to this class of share.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll, each share is entitled to one vote.

All issued shares are fully paid. The Group does not have any par value in respect of its issued shares.

(d) Reserves

	2013 $'000	2012 $'000
Share based payments reserve	**30,007**	28,900
Foreign currency translation reserve	**(188)**	-
Associates reserve	**(804)**	(2,401)
Total reserves	**29,015**	26,499

*Refer to statement of changes in equity for details of movements.

(e) Nature and purpose of reserves

The share based payments reserve is used to recognise the fair value of share-based payment expenses.

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

The associates reserve mainly recognises Atlas' share of the foreign currency translation reserve belonging to the associates.

	2013 $'000	2012 $'000

23. STATEMENT OF CASH FLOWS

(a) Reconciliation of the (loss)/profit after income tax to the net cash flows from operations

	2013 $'000	2012 $'000
Net (loss)/profit	**(245,072)**	(114,616)
Non-cash items		
Depreciation and amortisation of non-current assets	**113,859**	43,503
Share based payment expense	**1,269**	1,449
Impairment loss	**458,133**	67,427
Loss on disposal of fixed assets	**696**	1,204
Unrealised loss/(gain)on foreign exchange	**7,342**	(1,016)
Amortisation of debt establishment costs	**2,434**	-
Interest accretion on loans	**(932)**	(364)
Interest expense on borrowing facility	**13,480**	-
Gain on control of subsidiary	**(1,174)**	(2,458)
Gain on dilution of associate	**(84)**	-
Share of loss of equity accounted investees (including impairment)	**8,862**	14,740
Change in fair value of financial assets	**3,686**	5,075
Other	**(1,739)**	186
Tax expense	**(212,354)**	122,172
Changes in operating assets and liabilities		
Decrease in trade and other receivables	**1,544**	1,049
Increase in prepayments	**(722)**	5,437
Increase in inventories	**(29,425)**	(4,069)
Increase in trade and other payables	**22,520**	67,966
Increase in employee entitlements	**752**	1,016
Decrease in provisions	**(1,321)**	(1,245)
Net cash inflow from operating activities	**141,753**	207,457

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates.

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents comprises:

	2013 $'000	2012 $'000
Cash at bank and in hand	**84,899**	73,540
Short term deposits	**334,737**	326,000
Bank overdraft	**(2,714)**	-
Closing cash and cash equivalents balance	**416,922**	399,540

A bank overdraft facility has been provided to Otjozondu Mining Pty Ltd, a subsidiary of Shaw River, by Bank Windhoek Limited in Namibia. The current weighted average interest rate is 9.75% per annum. The bank overdraft is supported by funds held on deposits by Shaw River and a guarantee from Oreport Pty Ltd. The bank overdraft facility expires on 5 February 2014.

(c) Non-cash financing and investing activities

There were no non-cash financing and investing activities for the year ending 30 June 2013. During the year ended 30 June 2012, a total of 64,028,418 ordinary shares valued at $236,905,148 were issued to acquire FerrAus Limited and 8,406,433 ordinary shares were issued to acquire tenements relating to the Daltons Joint Venture for a value of $23,000,000.

	2013 $'000	2012 $'000

24. EXPENDITURE COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

(a) Exploration commitments

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in.
Outstanding exploration commitments are as follows:

	2013 $'000	2012 $'000
Not later than one year	**11,373**	11,681
	11,373	11,681

(b) Contractual commitments

	2013 $'000	2012 $'000
Port handling fees		
Not later than one year	**9,914**	9,471
One year or later and no later than five years	**12,168**	21,096
	22,082	30,567
Other		
Not later than one year	**35,262**	-
	35,262	-

The Group has entered into new operational contracts that are cancellable and of which there is a minimum commitment. These mainly relate to mining, crushing and hauling contracts that contain different terms to prior year.

(c) Lease expenditure commitments

Operating lease commitments – Group as lessee
Operating leases (non-cancellable):
Minimum lease payments

	2013 $'000	2012 $'000
Not later than one year	**10,107**	8,170
Later than one year and not later than five years	**31,579**	27,345
More than five years	**41,186**	46,974
Aggregate expenditure contracted for at reporting date	**82,872**	82,489

The Group has entered into leases for office and accommodation buildings, motor vehicles and office equipment.

During the year, an expense of $9,487,000 was recognised in profit or (loss) in respect of operating leases (2012: $2,043,000).

Operating lease commitments – Group as lessor
Operating leases (non-cancellable):

	2013 $'000	2012 $'000
Not later than one year	**1,188**	776
Later than one year and not later than five years	**2,828**	3,026
Aggregate expenditure contracted for at reporting date	**4,016**	3,802

The Group has entered into a commercial property lease to sublease the Group's surplus office building. A number of leases include a clause to enable upward revision of the rental charge on a bi-annual basis according to prevailing market conditions.

	2013 $'000	2012 $'000

24. EXPENDITURE COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES (CONTINUED)

(d) Other commitments

	2013 $'000	2012 $'000
Crush and screen plant	**-**	10,102

(e) Guarantees

Atlas has provided a guarantee to an unrelated party for the performance in a lease agreement. The maximum liability to Atlas is $3,887,000 over two years. No liability is expected to arise**.**

25. SUBSEQUENT EVENTS

On 8 July 2013, Atlas announced that it has received approval from its Board and concluded the necessary agreements with its joint venture parter, Altura Mining Limited, to progress the Mt Webber mine to development.

On 21 August 2013 a dividend of 3 cents per share was declared by the Group. Refer to Note 10.

No other matters have arisen since 30 June 2013, 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.

26. LOSS PER SHARE

(a) Reconciliation of earnings to profit or (loss)

	2013 $'000	2012 $'000
Net loss	**(245,072)**	(114,616)
Loss used in calculating basic loss per share	**(245,072)**	(114,616)

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share

	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic loss per share	**907,532,182**	878,756,717

Effect of dilutive securities:
Atlas' potential ordinary shares at 30 June 2013, being its options and rights granted, are not considered dilutive as the conversion to these options and rights would result in a decrease in the net loss per share.

27. AUDITOR'S REMUNERATION

Amounts received or due and receivable by KPMG for:

	2013 $'000	2012 $'000
Audit or review of the financial report of the Group	**392,867**	337,700
Other services provided to the Group – accounting assistance	**10,560**	-
	403,427	337,700

Amounts received or due to KPMG for audit or review of Shaw River's financial report have not been included above.

28. KEY MANAGEMENT PERSONNEL

The following were directors and key management personnel of the Group at any time during the reporting period and unless otherwise indicated, were directors and key management personnel for the entire period:

Non-Executive Directors

David Hannon
David Smith
Sook Yee Tai
Jeff Dowling
Kerry Sanderson AO
Geoff Simpson

Executive Directors

David Flanagan	Executive Chairman (Appointed 22 February 2012, formerly Managing Director)
Ken Brinsden	Managing Director (Appointed 22 February 2012, formerly Chief Development Officer)
Mark Hancock	Executive Director – Commercial

Executives

Anthony Walsh	Company Secretary (Resignation effective from 2 July 2013)
Robert Wilson	Chief Development Officer
Jeremy Sinclair	Chief Operating Officer
Anton Rohner	Chief Financial Officer (Appointed 6 August 2012 and resignation effective from 22 May 2013)

(a) Option holdings of key management personnel

30 June 2013

	Balance at beginning of year	Granted	Option disposals	Options exercised	Other	Balance at end of year	Vested at 30 June 2013
	1 July 2012					30 June 2013	Exercisable
Directors							
David Flanagan	2,500,000	-	-	-	-	**2,500,000**	2,500,000
David Hannon	500,000	-	-	-	-	**500,000**	500,000
David Smith	1,000,000	-	-	-	-	**1,000,000**	1,000,000
Sook Yee Tai	500,000	-	-	-	-	**500,000**	500,000
Jeff Dowling	-	-	-	-	-	-	-
Kerry Sanderson AO	-	-	-	-	-	-	-
Geoff Simpson	-	-	-	-	-	-	-
Ken Brinsden	750,000	-	-	-	-	**750,000**	750,000
Mark Hancock	750,000	-	-	-	-	**750,000**	750,000
Executives							
Anthony Walsh	600,000	-	-	-	-	**600,000**	600,000
Robert Wilson	-	-	-	-	-	-	-
Jeremy Sinclair	350,000	-	-	-	-	**350,000**	350,000
Anton Rohner	-	-	-	-	-	-	-
Total	6,950,000	-	-	-	-	**6,950,000**	**6,950,000**

28. KEY MANAGEMENT PERSONNEL (CONTINUED)

(a) Option holdings of key management personnel (continued)

30 June 2012

	Balance at beginning of year 1 July 2011	Granted	Option disposals	Options exercised	Other	Balance at end of year 30 June 2012	Vested at 30 June 2012 Exercisable
Directors							
Geoff Clifford**	500,000	-	-	-	(500,000)	**-**	-
David Flanagan	5,000,000	-	-	(2,500,000)	-	**2,500,000**	2,500,000
David Hannon	1,000,000	-	-	(500,000)	-	**500,000**	500,000
David Smith	1,000,000	-	-	-	-	**1,000,000**	1,000,000
Sook Yee Tai	500,000	-	-	-	-	**500,000**	500,000
Jeff Dowling	-	-	-	-	-	**-**	-
Kerry Sanderson AO	-	-	-	-	-	**-**	-
Geoff Simpson	-	-	-	-	-	**-**	-
Ken Brinsden	1,400,000	-	(100,000)	(350,000)	(200,000)*	**750,000**	750,000
Mark Hancock	1,350,000	-	(200,000)	(200,000)	(200,000)*	**750,000**	750,000
Executives							
Anthony Walsh	1,000,000	-	-	(300,000)	(100,000)*	**600,000**	600,000
Robert Wilson	-	-	-	-	-	**-**	-
Jeremy Sinclair	720,000	-	(370,000)	-	-	**350,000**	350,000
John McMath	600,000	-	-	-	(600,000)	**-**	-
Total	**13,070,000**	**-**	**(670,000)**	**(3,850,000)**	**(1,600,000)**	**6,950,000**	6,950,000

*Expired
** Resigned/retired during the 2012 financial year

(b) Share appreciation rights and performance rights (rights)

30 June 2013

	Balance at beginning of year 1 July 2012	Granted	Forfeited/ cancelled	Balance at end of year 30 June 2013
Executive Directors				
Ken Brinsden	**638,442**	**827,733**	**-**	**1,466,175**
Mark Hancock	**185,944**	**248,775**	**-**	**434,719**
Executives				
Anthony Walsh*	**149,634**	**193,492**	**(343,126)**	**-**
Robert Wilson	**167,590**	**227,767**	**-**	**395,357**
Jeremy Sinclair	**171,194**	**244,134**	**-**	**415,328**
Anton Rohner*	**-**	**186,738**	**(186,738)**	**-**
Total	**1,312,804**	**1,928,639**	**(529,864)**	**2,711,579**

*Resigned during the 2013 financial year

30 June 2012

	Balance at beginning of year 1 July 2011	Granted	Forfeited/ cancelled	Balance at end of year 30 June 2012
Executive Directors				
Ken Brinsden	-	638,442	-	638,442
Mark Hancock	-	185,944	-	185,944
Executives				
Anthony Walsh*	-	149,634	-	149,634
Robert Wilson	-	167,590	-	167,590
Jeremy Sinclair	-	171,194	-	171,194
Anton Rohner*	-	-	-	-
Total	-	1,312,804	**-**	1,312,804

*Resigned during the 2013 financial year

28. KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Shareholdings of key management personnel

30 June 2013

	Held at 1 July 2012	Purchases	On exercise of options	Disposals	Held at 30 June 2013
Directors					
David Flanagan	2,710,000	140,000	-	(10,000)	2,840,000
David Hannon	1,504,668	-	-	(699,700)	804,968
David Smith	-	-	-	-	-
Sook Yee Tai	-	-	-	-	-
Jeff Dowling	57,000	68,000	-	-	125,000
Kerry Sanderson AO	30,000	20,661	-	-	50,661
Geoff Simpson	-	-	-	-	-
Ken Brinsden	352,500	212,000	-	-	564,500
Mark Hancock	431,000	60,610	-	-	491,610
Executives					
Anthony Walsh*	25,225	115,556	-	-	140,781
Robert Wilson	-	1,000	-	-	1,000
Jeremy Sinclair	-	-	-	-	-
Anton Rohner*	-	-	-	-	-
Total	**5,110,393**	**617,827**	**-**	**(709,700)**	**5,018,520**

*Resigned during the 2013 financial year

30 June 2012

	Held at 1 July 2011	Purchases	On exercise of options	Disposals	Held at 30 June 2012
Directors					
Geoff Clifford*	50,000	-	-	(50,000)	-
David Flanagan	2,710,000	-	2,500,000	(2,500,000)	2,710,000
David Hannon	3,054,668	-	500,000	(2,050,000)	1,504,668
David Smith	-	-	-	-	-
Sook Yee Tai	-	-	-	-	-
Jeff Dowling	-	57,000	-	-	57,000
Kerry Sanderson AO	-	30,000	-	-	30,000
Geoff Simpson	-	-	-	-	-
Ken Brinsden	2,500	-	350,000	-	352,500
Mark Hancock	231,000	-	200,000	-	431,000
Executives					
Anthony Walsh	25,225	-	300,000	(300,000)	25,225
Robert Wilson	-	-	-	-	-
Jeremy Sinclair	-	-	-	-	-
John McMath*	-	-	-	-	-
Total	**6,073,393**	**87,000**	**3,850,000**	**(4,900,000)**	**5,110,393**

*Retired during the 2012 financial year

	2013 $'000	2012 $'000

28. KEY MANAGEMENT PERSONNEL (CONTINUED)

(d) Compensation of key management personnel by category

The information regarding individual Directors and Executives compensationrequired by Corporations Regulation 2M.3.03 is provided in the remuneration section of the Directors' Report.

	2013 $'000	2012 $'000
Short term	**4,359**	5,509
Long term	**117**	114
Post employment	**459**	425
Share-based payment	**651**	103
	5,586	6,151

(e) Loans to key management personnel

There were no loans provided to key management personnel during the year.

There were no related party transactions between key management personnel and the Group, other than those related to compensation, which has been disclosed above.

29. RELATED PARTY DISCLOSURES

The financial statements include the financial statements for the Group and the subsidiaries listed in Note 32. Summarised financial information for the Group's associates and joint ventures are contained within Note 13.

Investments in associates

Name of entity	Principal activity	2013 Ownership interest %	2012 Ownership interest %
Shaw River Manganese Limited	Mineral exploration	**53.45**	45.40
NWI Pty Limited	Port development	**63.00**	63.00
Centaurus Metals Limited	Iron ore exploration	**19.58**	19.85
Kalamazoo Resources Pty Ltd	Mineral exploration	**25.10**	-

Joint venture in which the Group is a venturer

1. Mt Webber Joint Venture: The Group has a 70% interest in the Mt Webber JV (2012: 70%).
2. Daltons Iron Ore Joint Venture: The Group has 100% interest in the Daltons JV mining rights, however retains a 75% interest in other minor tenements with the JV partner (2012: 75%).
3. Atlas has an interest in several joint ventures in which it is free-carried.

Name of related party		Amounts owed by related parties $'000	Amounts owed to related parties $'000	Loans to related parties $'000
Mt Webber Joint Venture	**2013**	**4,763**	**-**	**-**
	2012	1,752	-	-
Daltons Iron Ore Joint Venture	**2013**	-	-	-
	2012	39	-	-
Shaw River Manganese Limited	**2013**	**106**	**-**	**-**
	2012	107	323	500
NWI Pty Limited	**2013**	**21,490**	**-**	**-**
	2012	8,876	-	-
Kalamazoo Resources Pty Ltd	**2013**	**-**	**-**	**-**
	2012	-	-	-

Outstanding balances at year end are unsecured and interest free and settlement occurs in cash except for loans described below. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2013, the Group has not recorded any impairment of receivables relating

29. RELATED PARTY DISCLOSURES (CONTINUED)

to amounts owed by related parties (2012: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

As at 30 June 2013, the Group has a loan receivable from NWI Pty Limited of $21,490,000 (2012: $8,876,000). This loan is unsecured, interest free for the first three years and then earns interest at the five year Australian Government five year bond rate plus a margin of 2%, and is repayable by May 2016.

Amounts owed by the Mt Webber Joint Venture will be recovered under new agreements, entered into subsequent to the end of the financial year (Refer Note 25), with Altura Mining Limited (30% interest in the Mt Webber Joint Venture). Amounts outstanding will either be repaid in cash or as a reduction in the purchase cost of ore from Altura Mining Limited.

Key management personnel and director related transactions
Geoff Simpson, a Non-Executive Director of the Group is also a partner at Allen & Overy, which provided legal services in relation to the review of, and provision of directors and officers deeds of indemnity during the period. The total cost for the services provided was $14,450 (2012: nil), which is outstanding as at 30 June 2013.

Kerry Sanderson AO, a Non-Executive Director of the Group is also a Director of Downer EDI Limited (Downer). Snowden Mining Industry Consultants Pty Ltd, a subsidiary of Downer, was engaged by the Group to provide consulting services in relation to production scheduling, ore reserves statements, software maintenance and training and development. The total cost for services provided was $32,876 (2012: $43,802), of which nil is outstanding as at 30 June 2013.

30. SEGMENT INFORMATION

Segment products and locations
The Group 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 of Directors (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.

31. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES

Financial risk management
The Group is exposed to risks that arise from its use of financial instruments. These risks arise in the normal course of business and are managed in accordance with the Group's Financial Risk Management policy. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and has delegated the authority for monitoring risk management policies to the Audit & Risk Committee.

The Group's Treasury Committee reports to the Audit and Risk Committee and provides assurance that the Group's financial activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken, however derivative positions may be utilised to manage the Group's financial risks. The Group's Financial Risk Management Policy does not allow the Company to enter into any sold option positions.

Financial risks
The Group is exposed to credit risk, liquidity risk, market risk (including foreign exchange risk, interest rate risk and commodity price risk) and operational risk.

Credit risk
Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and receivables from customers.

31. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

To manage credit risk, the Group maintains policies governing credit approvals and investment counterparties.
The Group's exposure to credit risk is influenced by the characteristics of its customers. The majority of the Group's sales revenue arises from customers based in China and the Group has mitigated the risk of financial loss by undertaking trade finance through letters of credit.
The Group has limited its exposure to credit risk arising from cash and cash equivalents by investing and transacting with banks that hold minimum investment credit ratings of A-1, where exposure to an individual counterparty with this rating is limited to 20% of the total portfolio. Where an investment credit rating is above A-1, exposure is limited to 33% of the total portfolio.

Exposure to credit risk
The maximum exposure to credit risk at the reporting date is the carrying amount of the Group's financial assets**:**

Carrying amount	**Notes**	**2013 $'000**	2012 $'000
Cash and cash equivalents	23(b)	**416,922**	399,540
Trade and other receivables*	11	**37,896**	39,440
Other receivables - non-current	11	**53,378**	37,183
		508,196	476,163

* Includes trade receivables past due but not impaired of $196,000 (2012: $1,642,000). Based on historical default rates, the group believes that no impairment allowance is necessary in respect of trade receivables past due.
No impairment losses have been recognised during the year as a result of credit risk.

Liquidity risk
The Group's liquidity risk arises from the possibility that it will not be able to meet financial obligations as they fall due. The Group manages its exposure to liquidity risk by monitoring forecast and actual cash flows to ensure that it maintains sufficient liquidity to meet liabilities when due, under both normal and stressed conditions. The Group prepares detailed financial models as part of its budget planning process, which are used to predict liquidity needs to support the Group's funding requirements.

The expected maturity profile of the Group's financial liabilities at the reporting date, based on contractual amounts including estimated interest payments, is as follows:

30 June 2013 $'000	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Non-derivative financial liabilities							
Interest bearing loan	**295,013**	**(409,142)**	**(14,588)**	**(14,451)**	**(28,775)**	**(351,328)**	**-**
Pre-export finance	**9,703**	**(9,712)**	**(9,712)**	**-**	**-**	**-**	**-**
Trade and other payables	**167,600**	**(167,600)**	**(167,600)**	**-**	**-**	**-**	**-**
	472,316	**(586,454)**	**(191,900)**	**(14,451)**	**(28,775)**	**(351,328)**	**-**

30 June 2012 $'000	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Non-derivative financial liabilities							
Pre-export finance	21,097	(21,108)	(21,108)	-	-	-	-
Trade and other payables	176,559	(176,559)	(176,559)	-	-	-	-
	197,656	(197,667)	(197,667)	-	-	-	-

	2013	2012
	$'000	$'000

31. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market risk
Market risk is the risk that changes in market prices, including foreign exchange rates, commodity price and interest rate will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to fluctuations in commodity prices, foreign currency and interest rates.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising return.

Commodity price risk
Commodity price risk arises from fluctuations in market prices of iron ore. Contract iron ore sales are generally based on an international iron ore index with some contracts from time to time concluded on a fixed price basis. For such fixed price contracts, derivative arrangements may be used when available to return realised prices to the index. The Group has not entered into any forward commodity price contracts as at 30 June 2013 and is currently exposed to commodity price risk on future sales. The Group monitors market expectations on future commodity prices and considers entering into longer term contracts or commodity swaps or put options positions if necessary to manage the risks in a manner consistent with its risk management objectives.

The Group has entered into provisionally priced commodity sales contracts. These are provisionally priced sales volumes for which price finalisation is referenced to the relevant index at a future date. Provisional pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value. The Group's exposure at 30 June 2013 to the impact of movements in commodity prices upon provisionally invoiced sales volumes is set out in the following table.

	Impact on equity and profit before tax of 10% increase in market price	
Iron Ore	**3,190**	-

The sensitivities in the above tables have been determined as the absolute impact on fair value of a 10% increase in commodity prices at each reporting date, while holding all other variables, including foreign currency and exchange rates, constant.

The relationship between commodity prices and exchange rates is complex and movements in exchange rates can impact commodity prices. The sensitivities should therefore be used with care.

Foreign currency risk
The Group is exposed to foreign currency risk on sales and purchases which are denominated in currencies other than the Group's functional currency. The Group's sales are denominated in US dollars and approximately 12% (2012: 15%) of its operating costs are also denominated in US dollars. To hedge exposure to foreign exchange movements, the Group may enter into spot and forward foreign exchange contracts or foreign exchange options as required. There were no such contracts outstanding as at 30 June 2013 or 30 June 2012. Where an investment grade credit rating is above A-1, the counterparty is limited to 33% of the total portfolio.

Additionally, the Group holds US dollar denominated debt. The Group is currently in a net cash position and has maintained a suitable portion of this cash holding in US dollars to satisfy its risk management objectives.

The Group's exposure to foreign currency risk at the reporting date was as follows, based on notional amounts and the AUD equivalent:

31. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

30 June 2013

	Notes	AUD $'000	USD $'000	Total $'000
Cash and cash equivalents	23(b)	200,880	216,042	**416,922**
Trade and other receivables	11	71,252	20,022	**91,274**
Trade and other payables	19	(140,475)	(27,125)	**(167,600)**
Interest bearing loan	20	-	(295,013)	**(295,013)**
Pre-export finance	20	-	(9,703)	**(9,703)**
		131,657	**(95,777)**	**35,880**

30 June 2012

	Notes	AUD $'000	USD $'000	Total $'000
Cash and cash equivalents	23(b)	387,101	12,439	399,540
Trade and other receivables	11	50,586	26,037	76,623
Trade and other payables	19	(175,504)	(1,055)	(176,559)
Interest bearing loans and borrowings	20	-	(21,097)	(21,097)
		262,183	16,324	278,507

The following exchange rates applied during the financial year:

	Average rate		Reporting date spot rate	
	2013	2012	**2013**	2012
US$	**1.0270**	1.0320	**0.9275**	1.0190

Sensitivity analysis

A 5% fluctuation of the Australian dollar against the US dollar at 30 June would have increased/(decreased) equity and profit or (loss) by the amounts shown below. The analysis assumes that all other variables, including interest rates remain constant.

	Strengthening		Weakening	
	Equity $'000	Profit or (loss) $'000	Equity $'000	Profit or (loss) $'000
30 June 2013				
+/-5%	**-**	**4,099**	-	**(4,530)**
	-	**4,099**	-	**(4,530)**
30 June 2012				
+/-5%	-	(777)	-	859
	-	(777)	-	859

Interest rate risk

The Group is exposed to interest rate risk on borrowing and investments from the possibility that changes in interest rates will affect future cash flows. The Group does not manage its exposure to movements in market interest rates. The Group adopts a policy of ensuring that as far as possible, it maintains excess cash and cash equivalents in short-term deposits at interest rates with maturities not exceeding 180 days.

	2013 $'000	2012 $'000

31. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

The interest rate profile of the Group's interest bearing financial instruments at the reporting date was:

	2013 $'000	2012 $'000
Fixed rate instruments		
Financial assets	**368,439**	326,000
Financial liabilities	**(9,703)**	(21,097)
	358,736	304,903
Variable rate instruments		
Financial assets	**84,890**	73,540
Financial liabilities	**(301,686)**	-
	(216,796)	73,540

Refer to Note 20 for further information regarding interest bearing loans and borrowings.

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or (loss) by the amounts shown below. This analysis does not reflect any change in profit or (loss) in relation to the variable Term B loan, as even if the reasonably possible increase in interest rates occurs the interest rate floor on the Term B loan will not be exceeded. This analysis assumes that all other variables, including foreign exchange rates, remain constant.

	Profit or (loss)		Equity	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
30 June 2013				
Variable rate instruments	**804**	**(804)**	-	-
	804	**(804)**	**-**	**-**
30 June 2012				
Variable rate instruments	735	(735)	-	-
	735	(735)	**-**	**-**

The carrying values of financial assets and financial liabilities approximately reflect their fair values.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence whilst sustaining future development of the business. Capital consists of share capital plus retained (loss)/ earnings. The Board monitors both retained (loss)/earnings in addition to the Group's underlying earnings. Underlying earnings adjust retained (loss)/earnings for acquisition related costs and material non-cash, non-recurring adjustments such as asset impairment. The Board considers underlying earnings and cash flows when determining dividends to ordinary shareholders.
During the year, the Group established a US$275m Term Loan B financing facility which is fully drawn and an A$50m revolving facility which is undrawn. During the year, the Group expanded its uncommitted pre-export facility to a limit of US$50m. The Group does not purchase its own shares. The Group's Term Loan B facility includes some restrictions on capital management that are standard for the Term Loan B market.

There were no changes to the Group's approach to capital management during the year.

Fair value hierarchy	Notes	**2013 $'000**	**2012 $'000**
		***Level 1 and total**	**Level 1 and total**
Financial assets classified as held for trading		**3,316**	6,070
		3,316	6,070

*Level 1 denotes: quoted prices (unadjusted) in active markets for identical assets.

32. SUBSIDARIES

Name of entity	Country of incorporation	Ownership 2013 (%)	Ownership 2012 (%)
Parent entity			
Atlas Iron Limited (i)	Australia		
Subsidiaries			
Atlas Operations Pty Ltd (ii)	Australia	**100**	100
St George Magnetite Pty Ltd (ii)	Australia	**100**	100
Mt Gould Minerals Pty Ltd (ii)	Australia	**100**	100
Weld Range Iron Ore Pty Ltd (ii)	Australia	**100**	100
Tiziflower Investments Inc (ii)	Panama	**100**	100
Jakkitower Enterprises SA (ii)	Panama	**100**	100
Warwick Resources Pty Ltd (ii)	Australia	**100**	100
Aurox Resources Pty Ltd (ii)	Australia	**100**	100
Ferro Metals Australia Pty Ltd (ii)	Australia	**100**	100
Giralia Resources Pty Ltd (ii)	Australia	**100**	100
Tallering Resources Pty Ltd (ii)	Australia	**100**	100
Carlinga Mining Pty Ltd (ii)	Australia	**100**	100
Wheelbarrow Prospecting Pty Ltd (ii)	Australia	**100**	100
PM Gold Asia Pty Ltd (ii)	Australia	**100**	100
FerrAus Pty Ltd (ii)	Australia	**100**	100
Australian Manganese Pty Ltd (ii)	Australia	**100**	100
FerrAus Manganese Pty Ltd (ii)	Australia	**100**	100
South East Pilbara Assets Pty Ltd (ii)	Australia	**100**	100
Minera Atacamena Limitada	Chile	**100**	100
Atlas Pty Ltd (ii)	Australia	**100**	-
Atlas America Finance Inc	United States of America	**100**	-
Shaw River Manganese Limited	Australia	**53.45**	-
Shaw River Namibia Pty Ltd	Australia	**53.45**	-
Shaw River Mauritius	Mauritius	**53.45**	-
Otjozondu Holdings (Pty) Ltd	Namibia	**53.45**	-
Otjozondu Mining (Pty Ltd)	Namibia	**40.35**	-
Shaw River Ghana Pty Ltd	Australia	**53.45**	-
Shaw River International Ltd	British Virgin Islands	**53.45**	-
Butre Ahanta Exploration Limited	Ghana	**40.10**	-
Mt Minnie Mining Company Pty Ltd	Australia	**53.45**	-
Twelve Mile Pty Ltd	Australia	**53.45**	-
Pickaxe City Pty Ltd	Australia	**53.45**	-

(i) Atlas Iron Limited is the ultimate parent entity within the consolidated group.
(ii) These companies are members of the Atlas tax consolidated group.

33. PARENT COMPANY

As at and throughout the financial year ended 30 June 2013, the parent entity of the Group was Atlas Iron Limited.

(a) Financial position of parent company at year end

	PARENT	
	2013	2012
	$'000	$'000
Total current assets	**489,685**	441,529
Total non-current assets	**2,003,874**	2,209,868
TOTAL ASSETS	**2,493,559**	2,651,397
Total current liabilities	**526,644**	544,984
Total non-current liabilities	**313,206**	105,047
TOTAL LIABILITIES	**839,850**	650,031
NET ASSETS	**1,653,709**	2,001,366
Issued capital	**1,984,654**	1,977,877
Reserves	**25,739**	26,499
Accumulated (loss)	**(356,684)**	(3,010)
TOTAL EQUITY	**1,653,709**	2,001,366
RESULTS OF PARENT ENTITY		
(Loss) for the year	**(418,473)**	(49,319)
Other comprehensive income for the year	**489**	(2,401)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	**(417,984)**	(51,720)

(b) Guarantees entered into by the Parent

Atlas Iron Limited has not entered into a deed of cross guarantee with its 100% owned subsidiaries.
The Parent has a guarantee in respect of a lease agreement as disclosed in Note 24(e).

(c) Contingent liabilities of the Parent

The Parent does not have any contingent liabilities.

(d) Commitments of the Parent

The commitments of the Parent are the commitments of the Group, see Note 24.

Director’s Declaration

The directors of Atlas Iron Limited declare that:

(1) (a) In the directors opinion, the consolidated financial statements and notes that are contained in pages 70 to 123 and the remuneration disclosures that are contained in the Remuneration Report in the Directors’ Report are in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the Group’s financial position as at 30 June 2013 and its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
   (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
   (c) The directors have been given the declarations required by s295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2013.

(2) The directors draw attention to Note 1(a) to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors.

Dated this 21st day of August 2013

Ken Brinsden
Managing Director
Perth, Western Australia

Auditor’s Independence Declaration

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 audit for the financial year ended 30 June 2013 there have been:

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

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

KPMG

R Gambitta
Partner
Perth
21st August 2013

Independent Audit Report

Independent auditor's report to the members of Atlas Iron Limited
Report on the financial report

We have audited the accompanying financial report of Atlas Iron Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
    (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Atlas Iron Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

R Gambitta
Partner

Perth

21st August 2013

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2013.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

Range	Ordinary Shares Number of Holders
1 - 1,000	6,165
1001 - 5,000	13,154
5,001 - 10,000	6,282
10,001 - 100,000	7,656
100,001 - and over	513
Total number of shareholders	33,770
The number of shareholders holding less than a marketable parcel of shares are:	3,604

(b) Twenty largest shareholders of Atlas Iron Limited

The names of the twenty largest holders of quoted shares are:

	Shareholder name	Number of ordinary shares held	Percentage shareholding (%)
1	HSBC Custody Nominees <Australia>	93,198,959	10.24
2	J P Morgan Nominees Australia Limited	91,459,372	10.05
3	IMC Resources Investments Pte Ltd	66,749,653	7.34
4	National Nominees Limited	61,024,056	6.71
5	Citicorp Nominees Pty Limited	44,811,559	4.93
6	JP Morgan Nominees Australia Limited <Cash Income A/C>	36,801,436	4.05
7	BNP Paribas Noms Pty Ltd <DRP>	25,977,073	2.86
8	HSBC Custody Nominees <Australia>	9,634,288	1.06
9	Mr Stanley Allan Macdonald	9,139,280	1.00
10	RBC Investor Services Australia Nominees Pty Limited <RVGAF2 A/C>	4,395,278	0.48
11	Penfold Limited	4,048,526	0.45
12	China West Mining (Hong Kong) Company Limited	3,786,473	0.42
13	AMP Life Limited	3,596,385	0.40
14	HSBC Custody Nominees <Australia>	3,041,898	0.33
15	Ms Nada Granich	2,753,754	0.30
16	Mr David Flanagan <Flanagan Family A/C>	2,500,000	0.27
17	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	2,423,594	0.27
18	QIC Limited	2,396,382	0.26
19	UBS Nominees Pty Ltd	2,009,066	0.22
20	Map Capital Pty Ltd <Richmond Tce Cap Arf A/C>	2,000,000	0.22
	Top 20 Total	471,747,032	51.86

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
IMC Resource Investments Pte Ltd	85,612,258

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Unlisted Options

A listing of each class of option on issue is set out in the “Share Options” section in the Directors Report. As at 31 August 2013, the Company had 13,195,000 of unlisted options on issue. There are 61 classes of unlisted options as at 31 August 2013.

CORPORATE INFORMATION

Directors

Mr David Flanagan
(Non-Executive Chairman)

Mr Ken Brinsden
(Managing Director)

Mr David Smith
(Non-Executive Director,
Lead Independent Director)

Mr Mark Hancock
(Executive Director - Commercial)

Mr Jeff Dowling
(Non-Executive Director, Independent Director)

Mr David Hannon
(Non-Executive Director, Independent Director)

Ms Kerry Sanderson, AO
(Non-Executive Director, Independent Director)

Mr Geoff Simpson
(Non-Executive Director, Independent Director)

Ms Sook Yee Tai
(Non-Executive Director)

Group Company Secretary

Mr Mark Hancock

Registered Office

Level 18, Raine Square
300 Murray Street
Perth WA 6000
+61 (0) 8 6228 8000

ABN 63 110 396 168

Solicitors

Ashurst
32/2 The Esplanade
Perth WA 6000

Bankers

National Bank Australia
100 St Georges Terrace
Perth WA 6000

Share Register

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000 Australia

Postal Address:

GPO Box D182
Perth WA 6840 Australia

Phone:

Australia:	1300 850 505
International:	+61 3 9415 4000
Fax Australia:	+61 8 9323 2033
Email:	www.investorcentre.com/contact
Web:	www.computershare.com

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

Internet Address

www.atlasiron.com.au

ASX Code

Shares AGO

atlasiron.com.au