



June 2018 Quarterly Report

Summary

- **2.1 million wmt shipped in the June Quarter**
- **C1 cash costs of A\$42/wmt FOB; Full cash cost of A\$62/wmt CFR**
- **Average realised price of A\$59/wmt CFR, inclusive of hedging gains and provisional pricing adjustments**
- **Net cash utilised by operations of A\$6m in the June Quarter, after interest and financial instruments**
- **Cash on hand of A\$57m at 30 June 2018 following operating loss and adverse working capital movements (31 March 2018: A\$64m cash on hand plus A\$14m in Reserve Account)**
- **First shipments of lithium DSO and manganese lump completed**
- **Atlas Board unanimously recommends Hancock Offer in the absence of a superior offer and subject to an independent expert concluding, and continuing to conclude, that the offer is in the best interest of shareholders**

Quarterly – Key Metrics

	June 2018 Quarter	March 2018 Quarter	Variance Quarter
Ore tonnes shipped (m wmt):	2.1	2.0	0.1
C1 cash cost	\$42	\$41	(\$1)
Full cash cost (A\$/wmt CFR China)	\$62	\$62	-
Depreciation & Amortisation (A\$/wmt)	\$9	\$9	-
Net Atlas CFR Sale Price (Iron ore) (A\$/wmt)	\$59	\$59	-
Development Capital (A\$m)	\$2.5	\$1.7	(\$0.8)

Note: the metrics in the above table relate to iron ore only. Atlas also shipped 85,000 tonnes of lithium DSO and 45,000 tonnes of manganese lump during the Quarter (refer to 'Logistics Services' below).

FY2018 Performance – Key Metrics

	FY2018 Actual	FY2018 Guidance ¹
Ore tonnes shipped (m wmt) ²	9.2	9 – 10
C1 cash cost	39	39 – 40
Full cash cost (A\$/wmt CFR China)	59	58 – 59
Rehabilitation (A\$m)	3	3 – 4
Development Capital excluding Corunna Downs (A\$m)	8	8 – 9
Depreciation & Amortisation (A\$/wmt)	8	6 – 8

Note 1: Atlas revised its C1 cash cost and Full cash cost guidance for FY2018 in a financial update released to ASX on 17 May 2018.

Note 2: Guidance relates to iron ore tonnes only. Atlas also shipped 85,000 tonnes of lithium DSO and 45,000 tonnes of manganese lump during FY2018 (refer to 'Logistics Services' below).

Iron Ore Operations

Table 1 - Production	June 2018 Quarter (wmt)	March 2018 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Ore Mined*	2,462,900	2,054,207	408,693	20%
Ore Processed	2,189,230	2,093,699	95,531	5%
Haulage to Port	1,958,537	1,920,006	38,531	2%

*includes intra-mine tonnes

Table 2 – Inventory and Shipping	June 2018 Quarter (wmt)	March 2018 Quarter (wmt)	Variance Quarter (wmt)	Variance Quarter (%)
Final Product Stock at site	227,740	170,500	57,240	34%
Final Product Stocks - Port	130,980	234,470	(103,540)	(44%)
Shipping				
Ore shipped (Wet)	2,062,026	1,988,314	73,712	4%
Ore shipped (Dry)	1,943,119	1,870,251	72,868	4%

Note: Please see Appendix 1 for further details of production outputs by mine and inventory.

Atlas shipped 2.1 million wmt of iron ore for the June 2018 Quarter, comprising 1.0 million wmt of Fines and 1.1 million wmt of Lump.

C1 cash costs increased from the March 2018 Quarter as a result of increased haulage and port operating costs primarily driven by increased fuel prices.

Full cash costs for the Quarter were affected by the increased C1 cash costs noted above, partly offset by lower freight and royalty charges.

In light of the challenging market conditions, Atlas will suspend iron ore crushing at Mt Dove and reduce the mining rate at Mt Webber to ~7mtpa with effect from late July 2018 (see ASX announcement dated 29 June 2018). Atlas is constantly monitoring market conditions and will seek to ramp up iron ore production with a short lead-time if economics permit.

Marketing and Hedging

The benchmark Platts 62% Fe IODEX averaged US\$65/dmt in the June 2018 Quarter (March 2018 Quarter: US\$74/dmt).

Atlas achieved an average price for its iron ore after option premiums and provisional pricing adjustments of \$A59/wmt in the June 2018 Quarter (March 2018 Quarter: A\$59/wmt).

The significant reduction in the benchmark price was offset by the pricing benefits Atlas saw from its improved grade product, increased lump premiums, hedging gains, and a softening in the Australian dollar (June 2018 Quarter average of US\$0.75 compared with March 2018 Quarter average of US\$0.79). There were no material provisional pricing movements for the Quarter, unlike the March 2018 Quarter where those adjustments had a significant adverse impact on received price.

Atlas hedges a portion of its forward production to assist in managing risk related to iron ore price volatility. At the date of this report hedge volumes have reduced as prices available over the Quarter were typically below breakeven cost. Atlas has hedged a portion of its September 2018 Quarter priced cargos as follows:

- Bought put options for approximately 0.2m dmt of Atlas equivalent product at an average 62% Fe equivalent price level of US\$61.50/dmt.
- Sold call options for approximately 0.2m dmt of Atlas equivalent product at an average 62% Fe equivalent price level of USD69.50/dmt.
- Entered 7.2m dmtu of lump premium swaps at an average price of US\$0.29/dmtu. (equivalent to approximately 0.25m dmt of Atlas lump product after adjusting for grade and discount).
- Entered approximately 0.3m dmt of fixed price lump contracts at an average price of US\$58/dmt.

Logistics Services

Atlas' first exports of lithium direct shipping ore and manganese lump sailed during the Quarter. FY2018 export volumes of lithium DSO and manganese are 85,000 tonnes and 45,000 tonnes respectively.

Atlas signed an offtake agreement with Sinosteel Australia Pty Ltd for the export of lithium direct shipping ore purchased from the Pilgangoora Lithium Project owned by Pilbara Minerals Limited (see ASX Announcement dated 2 March 2018). Atlas processed and transported the ore using its Mt Dove crushing hub and Utah Point facilities.

Atlas signed an agreement with Horseshoe Manganese Pty Ltd to purchase crushed manganese over a four-month period (see ASX announcement dated 12 March 2018). The manganese was purchased from Horseshoe Manganese as it reached the north Pilbara and loaded into dedicated holds of vessels chartered for iron ore.

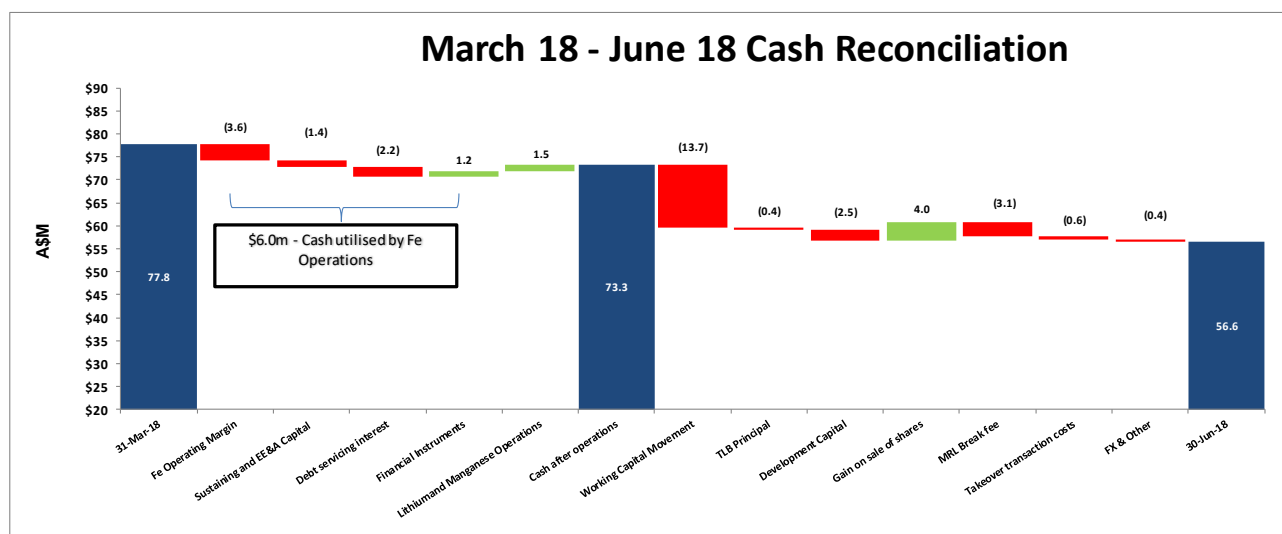
Financial Position Summary

Cash as at 30 June 2018 was A\$56 million (31 March 2018: A\$64 million cash on hand plus A\$14 million in the Reserve Account). Atlas transferred all funds held in the Reserve Account to cash at hand prior to the Reserve Account expiry date of 30 June 2018. The Company's cash position was adversely affected by negative operating margins on its iron ore business, payment of a A\$3.12 million break fee to Mineral Resources in accordance with the terms of the Scheme Implementation Deed and timing of shipments late in the month increasing working capital draw down. MRL advanced A\$4 million of working capital to an Atlas-controlled entity during the Quarter as part of the Alliance Agreement (see ASX Announcement dated 9 April 2018).

The AUD equivalent of the outstanding USD term loan was A\$85 million as at the 30 June 2018 exchange rate of US\$0.7391/AU\$. During the Quarter the Company paid A\$2.6 million in interest and principal repayments on TLB and finance leases.

During the Quarter, Atlas advised that a non-cash impairment charge in a \$75-100 million range is likely to be recorded in the Company's FY2018 Financial Statements if challenging market conditions persist (see ASX announcement dated 17 May 2018). Final impairment will not be known until the Company's FY2018 Financial Statements are finalised and audited in August 2018.

Cash movements for the Quarter are summarised in the graph below:



Corporate

Atlas executed a Scheme Implementation Deed ("SID") with Mineral Resources on 8 April 2018. Under the SID, Mineral Resources would acquire 100% of Atlas' shares subject to a number of conditions including shareholder approval (refer ASX announcement dated 9 April 2018). Redstone Corporation Pty Ltd, a wholly-owned subsidiary of Hancock Prospecting Pty Ltd, lodged a bidder's statement with ASX and ASIC on 18 June 2018 (see ASX announcement dated 18 June 2018). Redstone has offered to acquire 100% of the shares in Atlas for cash consideration of 4.2 cents per share ("Hancock Offer"). As disclosed to ASX on 21 June 2018, Mineral Resources has terminated the SID.

The Atlas Board has unanimously recommended that shareholders accept the Hancock Offer, in the absence of a superior offer and subject to an independent expert concluding, and continuing to conclude, that the offer is in the best interest of shareholders (see ASX announcement dated 29 June 2018). Atlas expects to dispatch its Target's Statement and independent expert's report to shareholders in the week commencing 16 July 2018.

During the Quarter, Atlas announced that each of Moody's Investors Services and Standard & Poors Rating Services has downgraded its corporate and senior secured credit ratings to Caa2 and CCC and placed the Company's ratings on a credit watch list.

On 24 April 2018, the Company announced that it would implement an Unmarketable Parcel Sale Facility. The Facility lapsed as a result of the Hancock Offer (see ASX announcement dated 18 June 2018). Affected shareholders have had their shares reinstated.

Atlas' information technology systems were disrupted by a security breach late in the Quarter (see ASX announcement dated 29 June 2018). Work on data recovery is ongoing. These system issues have had no impact on production activities.

Investor Enquiries:

Atlas Iron Limited

Company Secretary +61 8 6228 8000

Media Enquiries:

Read Corporate +61 8 9388 1474

Paul Armstrong +61 421 619 084

Glossary

All costs are unaudited and quoted in Australian dollars unless otherwise stated.

Full cash costs includes C1 Cash Costs, royalties, freight, corporate and administration, exploration and evaluation, interest expense, contractor profit share and sustaining capital expenditure, but excludes depreciation and amortisation, one-off restructuring costs, suspension and ramp-up costs of operating mine sites, and other non-cash expenses.

dmt means Dry Metric Tonnes.

dmtu means Dry Metric Tonne Units.

mtpa means million tonnes per annum.

wmt means Wet Metric Tonnes. All tonnes in this document are Wet Metric Tonnes unless otherwise stated.

Corporate Profile

Directors

Eugene Davis	Non-Executive Chairman
Cliff Lawrenson	Managing Director, Chief Executive Officer
Hon. Cheryl Edwardes AM	Non-Executive Director
Alan Carr	Non-Executive Director
Daniel Harris	Non-Executive Director

Executive Management

Chris Els	Chief Financial Officer
Mark Hancock	Chief Commercial Officer
Bronwyn Kerr	General Counsel and Company Secretary
Jeremy Sinclair	Chief Operating Officer

Registered Office and Head Office

Level 17, 300 Murray Street, Perth WA 6000

Website: www.atlasiron.com.au

Twitter: @Atlas_Iron

Appendix 1: Mine Production by Location and Inventory

Mine Production at Mt Webber

	June 18 Quarter (wmt)	March 18 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Ore Mined ¹	2,462,900	2,054,207	408,693	20%
Ore Processed	2,189,230	2,093,699	95,531	5%
Haulage to Port	1,958,537	1,920,006	38,531	2%

Note 1: Ore Mined represents ore tonnes delivered to Run-on-Mine (ROM) stockpiles at the processing plant.

Inventory

	June 18 Quarter (wmt)	March 18 Quarter (wmt)	Variance Quarter (t)	Variance Quarter (%)
Run-of-Mine Ore at site	715,051	441,381	273,670	62%
Final Product Stock at site	227,740	170,500	57,240	34%
Final Product Stocks at Port	130,980	234,470	(103,490)	(44%)

Note: All percentages in Appendix 1 are rounded.