ASX Announcement: 24 July 2014

FY15 Production and Cost Guidance

Increasing production, lower cost, significantly reduced capital investment

Atlas Iron Limited (ASX: AGO) is pleased to advise that it is set to record increased production, lower costs and significantly reduced capital expenditure in the year to June 30, 2015.

Atlas is on track to produce 12.2-12.8 million tonnes for FY15, representing a 12-17% increase compared with FY14.

Atlas' primary production sources during FY15 will be Wodgina, Abydos, Mt Dove (Wodgina tonnes processed at Mt Dove) and the recently commissioned Mt Webber mine. Mt Webber Stage 1 Project is currently ramping up to 3Mtpa, and Stage 2 is due to be commissioned later in the first half, lifting Mt Webber mine production to 6Mtpa.

In light of changing demands in the iron ore market, Atlas plans to increase the higher grade Standard Fines proportion of overall production to 12.0-12.2Mt (wmt). Should market conditions improve for the Value Fines product, there is the potential for increased production opportunities.

In conjunction with higher production, Atlas is targeting significantly lower all-in cash costs (approximate range of 5-9% reduction) compared to unaudited results achieved for FY14. Cost savings are expected to be generated through:

- Ramp up to full production at Mt Webber (6Mtpa).
- Existing cost and productivity initiatives.
- A formal Pit to Port cost reduction program,
  - Input cost reduction through Rapid sourcing, Strategic sourcing. volume aggregation, etc.
  - Business Process Optimisation.
  - Operational Efficiency (equipment productivity, product conditioning, etc).
- Further economies of scale generated across the business.

Amortisation and depreciation expense for FY15 is expected to be $12-$15/t, demonstrating a material reduction (20-35%) compared to FY14, positively impacted by the commencement of Mt Webber production. Once Mt Webber ramps up to 6Mtpa in the second half of FY15, it is expected that amortisation and depreciation expense will reduce further to $9-$11/t.

The Company's capitalised mine, project and exploration investment is forecast to fall from AUD$372M in FY14 to AUD$125M in FY15, as Horizon 1 mine development ceases.

"This financial year will mark a key turning point in Atlas' growth," Managing Director Ken Brinsden said.

"After a period of substantial investment in project development, we are now poised to benefit from the increased production and lower costs being delivered by that strategy," he added.

Highlights

12.2-12.8Mt (wmt) shipped for FY15

12.0-12.2Mt (wmt) Standard Fines
0.2-0.6Mt (wmt) Value Fines

C1 cash cost guidance of AUD$47-$50/wmt FOB

All-in cash cost* guidance of AUD$68-$73/wmt CFR (USD$64-$69/wmt)

Material decrease in amortisation and depreciation expense guidance, to AUD$12-15/wmt

Significant decrease in capital investment profile, $125M for FY15

Cost out initiatives already delivering savings and further initiatives underway, targeting savings of AUD$50-$80M annualised by June 2015

FY15 cash cost guidance includes approximately AUD$30M of existing and near-term targeted savings

*All-in cash cost includes C1 cash costs, freight, Royalties, expensed exploration and evaluation, corporate and administration

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TARGETED COST SAVINGS AND COST REDUCTION INTIATIVES

During FY14 Atlas embarked on a series of cost saving and productivity initiatives to fundamentally reduce the cost of iron ore delivered to market. These initiatives target the entire cost base of the Company including operational, corporate, project development and exploration spend. The cost savings are expected to be won primarily over the course of FY15, and into FY16. The project targets sustainable annualised cost savings of AUD$50M-$80M or AUD$4-$7/wmt delivered to China.

Production and Cost Guidance	Units	FY14 Actual	FY15 Forecast
Tonnes Shipped (SF)	Mt (wmt)	9.6Mt	12.0–12.2Mt
Tonnes Shipped (VF)	Mt (wmt)	1.3Mt	0.2-0.6Mt
Tonnes Shipped (Total)*	**Mt (wmt)**	**10.9Mt**	**12.2-12.8Mt**
Royalties (State, Native Title and residual ownership)	%	9.5%	9.2%
Moisture	%	6.3%	5.0%
Expensed Exploration and Evaluation	AUD$M	$9M	$7M-$10M
C1 Cash Costs**	AUD$/t	$51/t	$47-$50/t
Corporate Costs	AUD$/t	$3.3/t	$2.3-$2.7/t
All-in Cash Costs	AUD$/t	$76.8/t	$68-$73/t
Depreciation and Amortisation Expense	AUD$/t	$19/t	$12-$15/t

*** Includes 100% of Mt Webber JV ore tonnes on the basis that Altura Mining Limited ("Altura") has agreed to sell its share of ore mined to Atlas, with the point of sale being the run-of-mine (ROM) stockpile. Refer to ASX Announcement of 8 July 2013 for further information.**

**** Includes the cost to purchase Altura's share of Mt Webber JV ore tonnes. The purchase price of Altura's tonnes is based on a FOB price at Port Hedland reduced by the costs of processing, transport, stockpiling and loading the ore post the ROM pad. As such, the actual C1 Cash Cost will fluctuate with the actual FOB price used to determine the price paid to Altura.**

Capital Investment Guidance		June14 Qtr Actual	FY14 Actual	FY15 Forecast
Wodgina Mine Expansion	$M	0	6	0
Abydos Mine Development	$M	16	65	1
Mt Webber Mine Stage 1 and 2	$M	65	161	40
Utah Point Port Yard 2	$M	1	15	0
Capitalised Pre-strip	$M	10	48	20
Capitalised Exploration and Evaluation	$M	5	29	13
Other Horizon I Capex	$M	4	23	33
Mine Closure Costs	$M	0	9	3
Horizon 2 Capex	$M	7	16	15
Total		**108**	**372**	**125**